CHRIS HANI DEVELOPMENT AGENCY SOC LTD (REGISTRATION NUMBER 2012/033437/30) DRAFT ANNUAL REPORT 30 JUNE 2021







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PART 1: FOREWORD FROM THE EXECUTIVE MAYOR



Cllr: Wongama Gela
Executive Mayor
Chris Hani District Municipality
15 March 2022



During this year, the Chris Hani District Municipality (CHDM) 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, the reducing government fiscus as well as the emergence of the Covid19 pandemic.

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 forebearers had set a foundation on, and as a result we are still 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, whilst working together as local government, communities, and our development partners.

The 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, as well as and introduction into the township and waste economies through the completion of DEA-funded waste buy-back and sorting facilities. All these programmes have contributed to infrastructure development, as well as job creation and work opportunities for our people, and have opened the doors for SMME's to do business with local government through preferential procurement initiatives targeted at emerging suppliers in various sectors.

In the year 2020-2021, the CHDA achieved 42% of its performance targets, despite having suffered budget cuts, and tried to maintain good governance despite being awarded a qualified audit opinion by the Auditor General for material misstatements in the Annual Financial Statements (AFS). This indicates that the agency has partly regressed in its operations, as compared to the just-above 70% performance of prior year, as the level of performance dropped substantially and the number of key material findings increased in 2021. We can only hope that agency management is able to put together a comprehensive post-audit action plan to address these internal control weaknesses, and raises alternate funding sources to overcome its financial difficulties in 2021-2022.

In my third Annual Report in my term of office, I would like to congratulate and thank the CHDA Board, Management and Staff on their commitment in these trying times, despite the negative 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.

PART 2: CHAIRPERSON'S STATEMENT



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 minimally to the South African economy and Eastern Cape economy. Critically high levels of inequality, poverty and unemployment still 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 2020-2021 was approved by the CHDA Board and implemented by Management. However, I am greatly saddened to report that the agency achieved 42% of its performance targets, while 12% were partially achieved and 45% were not achieved. This a regression from prior year, where the agency closed at 71% performance.

The 2021 financial was a very trying year for the agency, but the onset of the Covid19 pandemic having an impact on operations, the tight government fiscus and subsequent budget cuts also affecting the financial resources of the agency and its abilities in meeting its performance commitments. The ongoing leveraging of 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, as well as the continued financial support of the parent municipality under these trying times. 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 the CHDM leadership in facilitating the continued success of the agency, and for this, I and the CHDA Board remain thankful.

Strategic Relationships and Synergies

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The CHDA has continued in investment into key development synergies and partnerships, and in the year under review continued in maintaining these relationships. This is to ensure that development partnerships yield desired results and contribute to the district development agenda and mandate of the CHDA. These key relationships included ongoing working partnerships with the Department of Trade and Industry (DTI) in infrastructure development for the Komani Industrial Park, Sectoral Education and Training Authorities (SETA's) in skills development programmes, as well local municipalities, the Eastern Cape Department of Rural Development and Agrarian Reform (ECDRDAR), Department of Environmental Affairs (DEA) for waste programmes, DEDEAT, the National Council of Geosciences and Sibanye Stillwater amongst others for various agro-processing and mine exploration activities.

The CHDA continues to be grateful for these partnerships and looks forward to a continued working relationship with its development partners.

Implementation of LED Programmes and Projects

I am pleased to announce the agency was in its first year of implementing under its operator license for the Komani Industrial Park within the Enoch Mgijima Local Municipality, and this 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 through manufacturing.

The agency also continued its efforts with the SMME development programme, with a focus on assisting local small businesses across various sectors that were hard-hit by the Covid19 pandemic. Although the expected R4 million allocation for SMME development was not received from the CHDM, a total of R1.9 million was disbursed in funding from agency own revenue, in an attempt to grow local business and the local economy, as well as retain jobs for local businesses hard-hit by the lockdown.

CHDA has been a critical partner for skills development in the district, through its ongoing CHDM-funded bursary fund, which was supporting 24 local youth in 2019-2020, but again, due to challenges with the government fiscus, the expected R2 million funding allocation could not be secured from the CHDM. As a result, the agency continued its bursary commitment to existing beneficiaries, with bursary support amounting to R 1.7million being provided to local youth to further their studies in scarce skills qualifications.

Other skills programmes include learnerships and internships with the Construction Seta (CETA) and Health and Welfare Seta (HWSETA), where local youth are enrolled and gain meaningful opportunities to gain skills in construction, and other related fields. The agency continued its career seminar intervention, visiting local schools and engaging learners in promoting qualifications in scarce skills.

The agency continued implementing its agriculture and agro-processing programme portfolio, and once again reported sizable contributions to animal health through a large – scale vaccination programme in the district funded by the CHDM which saw over 3730 local emerging farmers being supported and a total investment being made on vaccines totalling just over R2.1 million. The agency continued its artificial insemination programme to assist with breeding support to emerging livestock farmers with 500 animals being inseminated, and over 1150 cattle placed in various rural-based initiatives in partnership with the CHCDC under the RAFI programme.

The agency continued its fruit cluster expansion programme, and continued support of the 30ha pomegranate fruit pilot at Mitford Farms, and 12ha wine grape vineyard at Shiloh irrigation scheme. The agency also facilitated a total investment in local co-operatives totalling R8million, where the CHCDC was a key implementing agent in commercialising, up-skilling and supporting local fruit, vegetable and livestock co-operatives in the district.

The mechanisation center based in Qamata Irrigation Scheme implemented a revised tariff structure, at just over R2.4 million, and was able to record a total of over 4932.64ha under cropping production support, and over 578.8ha of agricultural output being reported under various CHDA-supported programmes. This resulted in offtake agreements for local agri-producers amounting to R 1.877 million in 2020-2021, where CHDA was able to provide assistance to local producers gain access to the formal market, which included wool from local shearing sheds, wine sales from Inkosi wine brand from Shiloh, and sale of maize from mechanisation harvesting support initiatives.

Due to budget challenges, the agency was unable to complete its targeted number of technical and feasibility studies geared towards corridor development. However, the agency was able to gain sizable progress on the construction of the fruit and vegetable packaging facility at Ezibeleni, secure a structure to support the biltong factory initiative in Molteno, as well as complete the waste buy-back facilities.

Job Creation and Facilitation of Work Opportunities

The CHDA was able to recruit up to 392 local persons in 2020-2021 across various initiatives, as compared to 200 CHD locals in its various programmes during the previous year, resulting in job creation and work opportunities for locals as well as an income opportunity for these families. The CHDA hopes to continue with job creation efforts going forward in its various LED initiatives.

Infrastructure Implementation Support to CHDM

The CHDA was also instrumental in providing infrastructure implementation and project management support to the CHDM in 2020-2021. This was mainly targeted at water projects and eradicating the service delivery backlog of the municipality. The agency performed well, as was able to facilitate and manage spending on delayed projects to the tune of R 29.5 million by end June 2021. This also assisted the agency in raising much-needed management fee revenue to assist with budget cuts.

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 a strategic session with the shareholder where specific resolutions were taken. The session provided an opportunity for the shareholder and the board to engage on strategic and operational matters. Sadly, the agency was unable to maintain an unqualified audit opinion in 2020-2021, which shows no improvement from the prior year's qualified audit opinion. The qualification was brought about by accounting issues relating to donated assets, internal control weaknesses in SCM processes, as well as compliance with GRAP standards. These will be looked at in-depth by the applicable oversight structures through monitoring of the post-audit action plan.

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, budget cuts, as well as key vacancies in the organogram, and continued onslaught brought about by the Covid19 pandemic, which necessitated cancellation of key activities due to the National lockdown, and diversion of funds to improve Occupational Health and Safety measures to keep Management, Staff and the public safe during this trying time.

Outlook

The coming financial year will see reinforced focus on consolidating the organisation's performance, as well as improving the financial sustainability of the organisation through own-revenue generation and targeted fundraising efforts. This will also include possible expansion of the agency's mandate to infrastructure projects, in assisting the parent municipality with its water service delivery mandate. We look forward to an improved set of business results in 2021-2022.

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 Zolile Duze as the CEO, on their continued commitment, hard work and perseverance during these challenging times.

Adv. Andile Mini Board Chairperson Chris Hani Development Agency

15 March 2022

PART 3: CHIEF EXECUTIVE OFFICER'S REPORT





Mr Zolile McPhee Duze
Chief Executive Officer
Chris Hani Development Agency
15 March 2022

Over the years, the CHDA has moved from strength to strength, after having taken time to find its feet. The year 2020-2021 was a challenging year for the agency, due to the ongoing Covid19 pandemic and resulting lockdown period, a new Executive which was finding its feet, and a tight government fiscus and agency budget allocation cuts all resulting in a poor organizational performance score and qualified audit outcome. In my honest assessment as Accounting Officer, the agency sadly regressed in its performance of 42% as compared to 71% in prior year, and its audit opinion which went beyond material mis-statements in the Annual Financial Statements, to include GRAP non-compliance, SCM internal control weaknesses resulting in irregular expenditure and budget challenges resulting in unauthorized expenditure.

However, despite the challenges, the agency also did have some notable highlights worth reporting for the year which are summarized as follows:

Programme 1: Creation of a Viable and Proficient Organisation

This programme talks to organisational sustainability, finance, support and administration activities and realised 20% of its deliverables in 2020-2021 as compared to a 65% level of performance against predetermined objectives for 2019-2020. Key highlights for the year were:

- This area regressed in 2020-2021, as can be seen from the qualification by the Auditor General
- There were challenges with the audit opinion arising from internal control weaknesses, non-compliance and material mis-statements in the AFS, as well as budget related issues affecting the ability to fully implement on the approved internal audit plan and HRM plan.
- The agency also failed to meet its performance commitments on own revenue generation and funding mobilization, to enable it to reduce its reliance on operational grant income from the parent municipality thus leading to budgetary control issues raised by the Auditor General

The agency met its ICT strategy commitments and incorporated several improvements to internal systems and controls to allow for remote working arrangement during lockdown, as well as minimize cyber-attacks and resulting financial losses.

Programme 2: Funding Mobilisation and Investment Promotion

This programme talks to fundraising for LED and investor attraction and promotion activities and realised 33% of its deliverables in 2020-2021. There is no prior period comparative, as this programme was newly introduced in 2020-2021. Key highlights for the year were:

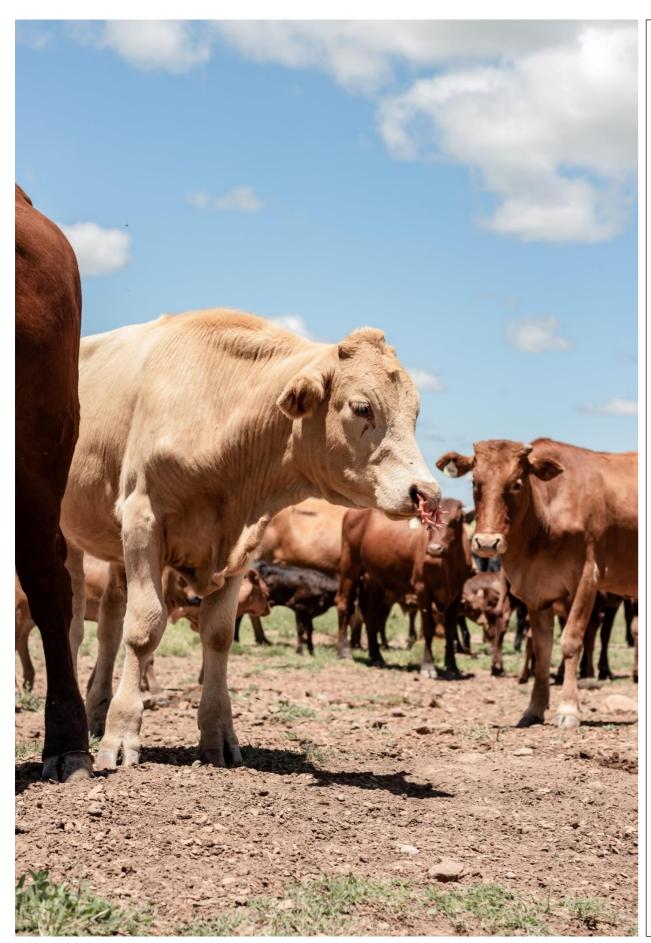
- The agency failed to meet its fundraising target despite having worked hard to make funding applications to numerous funders
- The agency also struggled with attracting investors, and only realized R25million of a targeted R200 million in investment. This key investment was from the DTI, to support critical infrastructure upgrades for the Komani Industrial Park at Ezibeleni

The agency also managed to secure key tenants to the industrial park under its operating leases management on behalf of the Enoch Mgijima Local Municipality, and exceeded its investor promotion events target, where the office of the EMO and CEO were ale to host 6 round table events which were targeted at lobbying partnerships and investments to assist with industrial park operations, engaging manufacturers and industrialists, waste economy, livestock and breeding activities, and well as youth involvement in the economy of the district as well as skills development.

Programme 3: Creation of Economically Viable and Sustanable Rural Corridors

This programme had a 46% achievement in 2020-2021, as compared to a reported 75% performance rate to predetermined outcomes in 2019-2020, also reflecting a notable regression in the core business activities of the agency. This can be attributed to the pandemic and lcokdown, as well as budget cut shortfalls affecting budget availability for IED project implementation.

- The CHDA continued with its job creation and work opportunity facilitation role, with the 2020-2021 financial period showing an improvement in number of local youth, women and unemployed persons gaining meaningful employment and earning opportunities across various CHDA funded and implemented programmes. A total of 392 persons benefitted during the year from work opportunities which was a higher number from previous year
- The skills development and facilitation role of the agency also continued in 2020-2021, with the agency continuing its bursary support commitments despite funding cuts, and a total of over R1.7 million rolled out in funding support to allow young people to continue their studies in 2020-2021, and engaging key partners on new skills initiatives for local youth in the fields of ICT and built environment. This included ongoing career guidance to high school learners through the career seminar programme, where the targetted number of events was exceeded through the effective use of technology allowing for multiple events to be held across a number of different locations in a single day



Picture: RAFI Beef Placements and Infrastructure Project Implementation with Chris Hani Co-op Development Center

- The agency also maintained its commitment to SMME development, where a number of local small business benefited from funding support during the lockdown period. This allowed for saving of jobs and provided some relief for these local business during the Covid19 pandemic. The total investment by CHDA was at R1.9million, which was funded from own revenue / fee income
- The CHDA battled with the finalization of key technical studies due to challenges with funding for consultants, as well as internal capacity limitations to conduct feasibility assessments and business plans. These key studies have been rolled over to 2021-2022 as they are integral in building corridor development, raising funding and improving project planning.
- The agro-processing initiatives of the CHDA showed a lot of progress in 2020-2021, with the agency being closer to
 completion of the Logic Packhouse at Ezibeleni, and biltong factory building being secured for the Molteno Biltong factory
 development initiative. The agency was also able to provide feed support to a local piggery initiative, as well as
 implemented two livestock breeding support programmes in the district, an animal health and vaccination initiative as well as
 commercialization of four shearing sheds in the district to support emerging livestock producers
- The cropping programme, despite budget limitations, saw continued support of the 30ha pomegranate pilot and 12ha vineyard initiative from prior years, which were coupled with ongoing mechanization support to local farmers resulting in over 4900ha of crops under production across various CHDA programmes. This included key hectorage covered by local producers in the co-operative support programme being implemented by the CHCDC and funded by the CHDM to the tune of R 8 million in 2020-2021. At the end of the year, agency cropping programmes realized over 570 tons of agricultural output, of which just under R 2million was raised on behalf of local producers being assisted with accessing the formal market / offtakes

This programme was selected by the Auditor General for testing of predetermined objectives, and there was not qualification on the performance information, its usefulness or reliability. This shows that the agency has improved on performance information collation, management and reporting.

4. Infrastructure Implementation Support

This programme had a 100% performance rate to predetermined outcomes. It's worth noting the following achievements:

- The CHDA signed a service level agreement with the parent municipality in December 2020, to act as implementing agent for key water projects being implemented as part of the service delivery backlog of the CHDM
- The agency commenced implementation support in March 2021, and by end June 2021 had been able to facilitate key infrastructure spending of up to R 29.5 million and realizing over R2.5 million in agency fee income

Despite the poor audited results, I wish to close by noting that 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 and ongoing support.

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.

PART 4: REPORT BY THE AUDIT AND RISK COMMITTEE



Picture: Completion of Wool Shearing Sheds - Strategic Partnership between CHDA, CHDM and Sibanye Stillwater

The CHDA consideres 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 sittings held where necessary. 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.

Internal Audit:

The agency adopted an outsourced internal audit system to perform internal audit functions based on an approved risk - based internal audit plan for 2020-2021, which was executed to 82%, as 2/11 of the planned audits for the year could not be finalised before end June 2021 due to scheduling challenges and budget availability challenges due to additional ad-hoc assignments commissioned by the committee and the CHDA Board. These audits would be deferred to the 2021-2022 financial period. All internal audit findings were reported to Management, the Committee as well as the Board, and a post-audit follow up conducted to provide assurance that management had actioned recommendations from audits. Key audits concluded were on performance, BTO, asset and fleet management, SCM, governance and compliance, with delays on the planned ICT applications review and HR administration audits, both of which had no findings by the Auditor General in the management and audit reports for 2021.

Fraud and Corruption:

The agency has access to the parent municipality's recently implemented independent fraud and anti-corruption whistleblowing hotline. Training was held for Management and Staff on Fraud, Corruption and Ethics awareness, as well as reporting on the parent maunicipality's whistleblowing hotline to deter criminal acts and financial misconduct. Internal controls were continuously strengthened with key agency policy reviews conducted and approved. This included the review of existing Finance, Budget and SCM policies, as well as Standard Operating Procedure manuals to assist in strengthening of internal controls and standardising processes and procedures.

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. There are however 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 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.

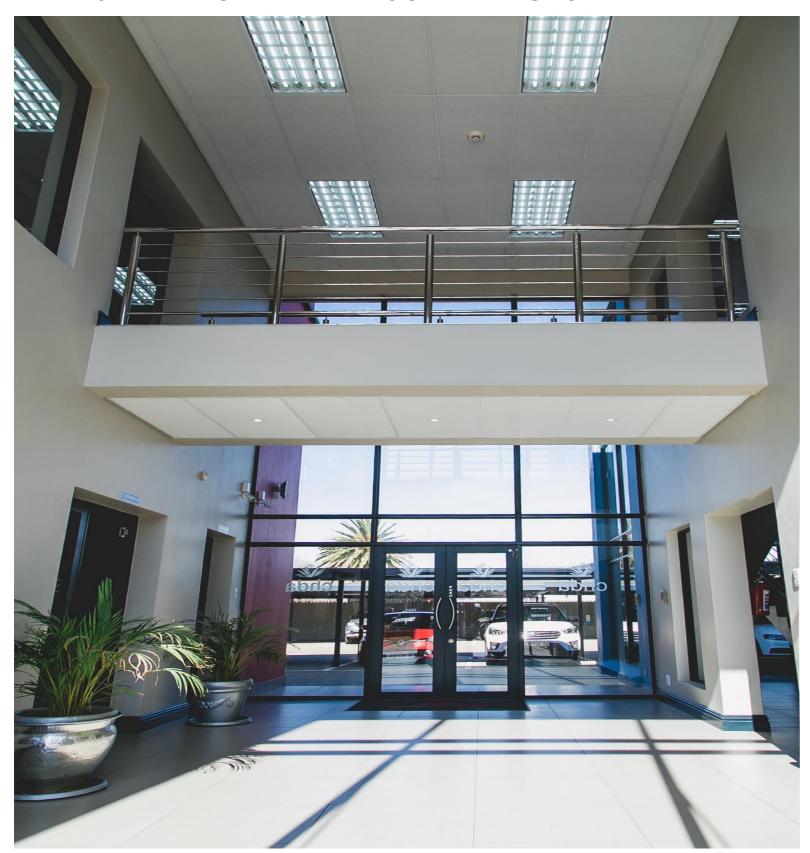
Based on our reviews of the audit findings, the internal control environment revealed weaknesses, hence the qualified Auditor General's audit opinion for 2020-2021, arising from the management and accounting for assets, non-compliance with GRAP standards, budget and expenditure control, SCM irregularities and material accounting mis-statements in the Annual Financial Statements which is sadly a regression from the unqualified and clean audit opinions realised in prior years up to 2019-2020.

As a result, the Committee will be ensuring that a comprehensive post-audit implementation plan is in place to address these short-comings, and that they are fully resolved before the end of June 2022 to mitigate the risk of another negative audit outcome. The committee will also be looking at investigating the root causes of irregular, unauthorised, fruitless and wasteful expenditure disclosed, in line with the MFMA, to commence applicable action should there be non-compliance by officials. These will be formerly reported to the parent municipality by the committee, as well as actions taken by the CHDA Board against affected officials where applicable. The committee notes that there may also be mitigating factors outside of the direct control of the agency and management, such as the pandemic and shrinking government fiscus, and related budget cuts, which could not be avoided.

Mr Ananiah Mangisi Langa Audit Committee Chairperson Chris Hani Development Agency

15 March 2022

PART 5: REPORT BY THE COMPANY SECRETARY



I confirm my role as Company Secretary to the CHDA for the period ended 30 June 2021.

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. The filing which took place in the period includes:

- Lodgement of annual return with CIPC
- Update of executive and non-executive directors with CIPC, as well as update of Company Secretariat and registered office

I hereby confirm, in my capacity as Company Secretary of the Chris Hani Development Agency (CHDA), that for the financial year 2020-2021, that the company, Chris Hani Development Agency SOC Ltd, complied in terms of the Companies Act with regards to governance and filing of the necessary lodgements and disclosures.

Mr Jameson Matiza
Company Secretary
Chris Hani Development Agency
15 March 2022

PART 6: REPORT BY THE EXTERNAL AUDITOR



Picture: Bricklaying Apprenticeship Programme in Partnership with Construction Seta (CETA) in Ngcobo

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

Qualified opinion

- I have audited the financial statements of the Chris Hani Development Agency SOC Limited, set
 out on pages xx to xx, which comprise the statement of financial position as at 30 June 2021,
 statement of financial performance, statement of changes in net assets and statement of cash
 flows and statement of comparison of budget and actual amounts for the year then ended, as
 well as the notes to the financial statements, including a summary of significant accounting
 policies.
- 2. In my opinion, except for the effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Chris Hani Development Agency SOC Limited as at 30 June 2021, and its financial performance and cash flows for the year then ended, in accordance with the 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 of 2003) (MFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (the Companies Act).

Basis for qualified opinion

Property, plant and equipment

3. I was unable to obtain sufficient appropriate audit evidence for valuation of farming machinery. The valuation report and other related documents supporting the valuation done by the management expert were not submitted. I was unable to confirm the farming machinery values by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the farming machinery and its related depreciation stated at R14 million (2020: R17.4 million) and R3.5 million (2020: R3.3 million) in note 2 to the financial statements respectively.

Principal and Agent

4. The municipal entity did not appropriately disclose principal and agent arrangement in note 37 to the financial statements in accordance with GRAP 109, Accounting by principals and agents. Projects that met the the principal and agent arrangement in which the entity was an agent were not disclosed in the note. Consequently, the disclosure note was understated by R8.1 million.

Revenue from non exchange transactions

The municipal entity did not account for revenue from non exchange transactions in terms of GRAP 23, revenue from non-exchange transactions. The municipal entity did not account for revenue and expenditure when conditions for recognition were met. Consequently, revenue from non exchange transactions and expenditure are understated by R13.6 million.

Receivables from exchange transactions

The municipal entity did not account for receivables from exchange transactions in accordance
with GRAP 104, Financial instruments. The municipal entity recognised a receivable for an
amount that was not due to them. Consequently, receivables from exchange transactions and
revenue from non-exchange transactions are overstated by R3.8 million.

Irregular expenditure

 The municipal entity did not disclose the irregular expenditure in accordance with section 125(2)(d) of the MFMA. The overspending on the budget was not correctly calculated. Consequently, irregular expenditure is overstated by R4.1 million in note 33 to the financial statements.

Prior Period Error

8. The municipal entity did not disclose the prior period error note to the financial statements in accordance with GRAP 3, accounting policies, changes in accounting estimates and errors. I was unable to determine the full extent of the understatement of prior year error note as it was impracticable to do so.

Taxation

 The municipal entity did not disclose the income tax note in accordance with GRAP 1, Presentation of Financial statements. Major components of tax expense and deferred tax were not disclosed as required. Consequently, I was unable to determine the impact on the income tax note as it was impracticable to do so.

Context for the opinion

- 10. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report.
- 11. I am independent of the municipal entity in accordance with Independent Regulatory Board for Auditors' Code of Professional Conduct for Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. I have fulfilled my other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (Including International Independence Standards).
- I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Responsibilities of accounting authority for the financial statements

- 13. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the MFMA and the Companies Act, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
- 14. In preparing the financial statements, the accounting authority is responsible for assessing the municipal entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipal entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Report on the audit of the annual performance report

Introduction and scope

- 17. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
- 18. My procedures address the usefulness and reliability of the reported performance information, which must be based on the entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
- 19. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as

defined in the general notice, for the following selected programmes presented in the Entity's annual performance report for the year ended 30 June 2021;

Programme	Pages in the annual performance report
Programme 3: to develop viable and sustainable rural economies	x - x

- 20. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
- 21.1 did not identify any material findings on the usefulness and reliability of the reported performance information for this programme.

Other matter

22. I draw attention to the matter below.

Achievement of planned targets

23. Refer to the annual performance report on pages xx to xx for information on the achievement of planned targets for the year and management's explanations provided for the under/ over achievement of targets.

Report on the audit of compliance with legislation

Introduction and scope

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

Annual Financial Statements

26. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a qualified audit opinion.

Expenditure management

- Expenditure was incurred in excess of the approved budget, in contravention of section 67(8) of the MFMA.
- Reasonable steps were not taken to prevent irregular expenditure, as required by section 95(d)
 of the MEMA.

Procurement and contract management

 Some of the commodities designated for local content and production, were produced from a supplier who did not meet the prescribed minimum threshold for local production and content, as required by the 2017 preferential procurement regulation 8(5).

Other information

- 30. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate as required by the Companies Act. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.
- 31. 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.
- 32. 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.
- 33. I did not receive the other information prior to the date of the auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

34. 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 basis for the qualified of opinion, and the findings on compliance with legislation included in this report.

- 35. The accounting officer did not exercise adequate oversight on the financial statements before submitting them for audit. This was mainly due to staff not fully applying the requirements of the financial reporting framework.
- The entity did not have adequate systems in place to monitor compliance with all applicable legislation.

Auditor General

East London

31 January 2022



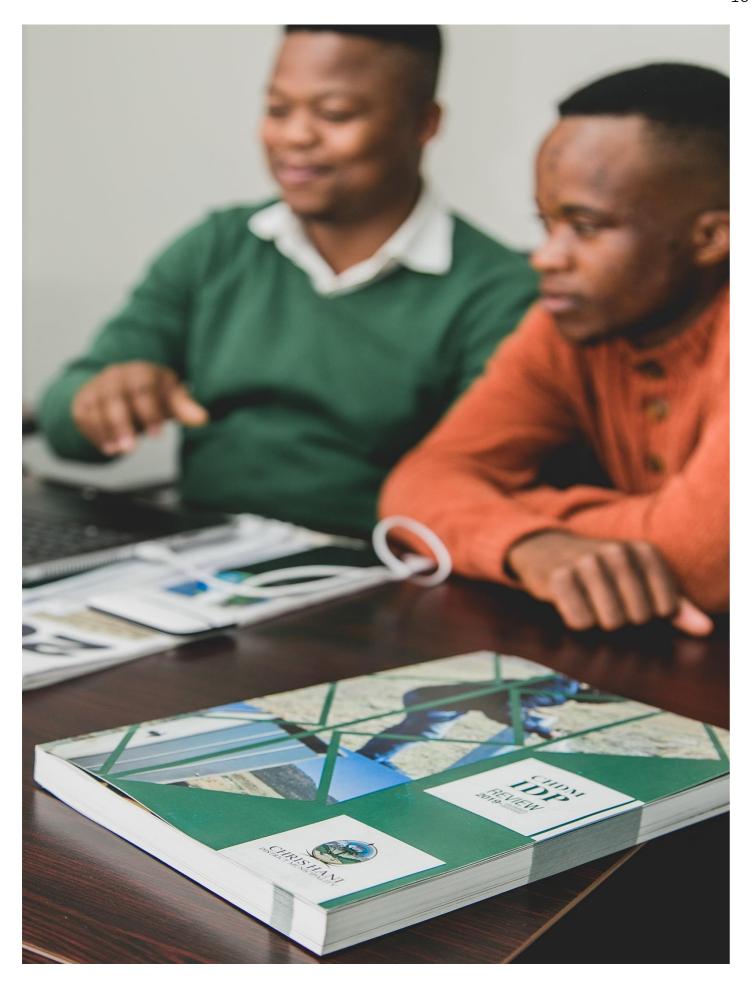
Auditing to build public confidence:

PART 7: ANNUAL FINANCIAL STATEMENTS (Refer AFS _ Annexed hereto)



Project: 30ha Pomegranite Pilot - Mitford Farms

(Annexure A_Insert final adjusted audited AFS here on layout)



PART 8: ANNUAL PERFORMANCE REPORT

(Refer APR _ Annexed hereto)

(Annexure B_Insert final adjusted audited APR here on layout)

PART 9: ORGANISATIONAL OVERVIEW



Project: DEA Waste Buy-back Centers

General Information

Detail	
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:	William Radcliffe Attorneys 2nd Floor, Block C, Edenburg Terraces, 348 Rivonia Boulevard, Johannesburg Tel: 081 046 1379 Email: jameson.matiza@williamradcliffe.co.za Website: www.williamradcliffe.co.za
Banker:	First National Bank of South Africa (FNB)

a) Establishment and Legislative 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.

b) Purpose and Strategic Mandate

The primary purpose of establishing this entity was based on the Chris Hani District Municipality's integrated regional economic development strategy (CHREDS). At the centre of this strategy was a focus on the development of corridor multi-sector initiatives which would be supported by value chain addition programmes as a means of facilitating and achieving local economic development in the district.

- □ It was thus envisaged that on establishment, the CHDA would be a self-sustainable entity tasked with co-ordination of regional economic development within the Chris Hani District Municipality, and from the year 2012 the primary focus of the Chris Hani Development Agency was to unlock the economic potential of the identified corridors within the Chris Hani District Municipality through partnerships and investments as well as to increase economic growth rates, as well as reduce poverty and unemployment. The corridors that were identified for development within the Chris Hani District were as follows:
- 1. **Sisulu Development Corridor** (running along the R61, linking Engcobo, Cofimvaba, Queenstown, Tarkastad and Cradock),
- 2. Ndondo Development Corridor (running along the R394, linking Elliot, Cala, Lady Frere, Queenstown) and the
- 3. Calata Development Corridor (running along the N10, linking Whittlesea, Queenstown, Molteno, Middleburg to Cradock).

After the CHDA was established, the focus of the agency was mainly directed towards the revitalisation of the 4 big irrigation schemes within the Chris Hani District Municipality, so that these irrigation schemes would produce and supply food to the District and the Eastern Cape Province at large. Other programmes were also implemented by the CHDA during this period but some challenges were faced to the extent that a pivot from the approved development corridor approach mandate was experienced.

After careful consideration of the path taken by the CHDA over these past years, a review of the mandate to re-direct it to its initial purpose became necessary. As a result, on the 28th of August 2019, a Council Resolution was taken by the Chris Hani District Municipality for the mandate of the CHDA to be reviewed, as follows:

c) Mission, Vision and Value Statement

Vision:

To be an economic development catalyst for the Chris Hani District

Mission:

To unlock the economic potential of the district through investment facilitation for corridor development

d) 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

e) 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 2019-2020, and have served the basis of structuring the agency's Annual Performance Plan (APP) for the year.

The strategic programmes for 2020-2021 were:

- 1) To develop a proficient, viable and self-sustainable entity by 2025
- 2) To mobilise funding and facilitate investment promotion into the district by 2025
- 3) To develop economically viable and sustainable rural corridors by 2025
- 4) To support implementation of enabling infrastructure projects in the district by 2025

f) Board, Leadership and 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.

The 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 Board comprises 13 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.

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.

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 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. The board members during the 2020-2021 financial period were:

Adv. A Mini (Board Chairperson)	South African	
Dr. N Khewu	South African	
Mr. A Hala	South African	
Mr. G Qotywa	South African	
Mr. L Mbokotho	South African	
Mr. M Sigabi	South African	Resigned April 2021
Mr. P Songo	South African	
Mr. R Ramabulana (Deputy Board Chairperson)	South African	
Mr. S Ngqwala	South African	
Ms. B Zantsi	South African	
Ms. F Mushohwe	Zimbabwean	
Ms. V Matsiliza	South African	
Ms. Z Kiviet	South African	

(Consider insert of board profiles and pictures in this section before final design layout)

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.

Board Sub-Committees

The effectiveness of the Board is assured by the work of five (5) 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.

1) GOVERNANCE COMMITTEE

The Governance committee is an independent advisory committee of the Board and is established to assist CHDA board to manage governance and compliance affairs of the agency. The committee therefore supports the board in implementing its oversight responsibility by being made up of all sub-committee chairpersons and the Board chairperson.

2) 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.

3) HR, REMUNERATION and ETHICS 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.

4) FINANCE AND INVESTMENT COMMITTEE

The FI 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 sound financial management, investment and revenue generation in support of agency mandate.

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.

5) PROJECT and DEVELOPMENT COMMITTEE

The PROJDEV 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

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 2020-2021 is as follows:

	Directors' fees	Committees fees	Total
Adv. A Mini (Board Chairperson)	284,375	-	284,375
Dr. N Khewu	66,000	_	66,000
Mr. A Hala	81,000	-	81,000
Mr. G Qotywa	68,000	-	68,000
Mr. L Mbokotho	134,000	-	134,000
Mr. M Sigabi	49,364	-	49,364
Mr. P Songo	39,000		39,000
Mr. R Ramabulana (Deputy Board Chairperson)	159,000	-	159,000
Mr. S Ngqwala	34,000	35,000	69,000
Ms. B Zantsi	78,000	-	78,000
Ms. F Mushohwe	67,000	-	67,000
Ms. V Matsiliza	76,000	-	76,000
Ms. Z Kiviet	146,000	-	146,000
Ms. A Kretzman	-	20,000	20,000
Mr. MK Mafani	-	35,000	35,000
Mr. G Rich	-	48,000	48,000
Mr. AM Langa	-	142,000	142,000
	1,281,739	280,000	1,561,739

Table 1: Schedule of Directors Fees 2021

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. No performance reviews were conducted for 2021.

Board Training and Development

During the year under review, there was two training session held on IT Governance and Ethics, buy the IODSA.

Executive Management

During the year 2020-2021, the CHDA was managed by the 3 executive members:

Zolile Duze - Chief Executive Officer

Andrew Hlubi - Chief Financial Officer

Nomveliso Nyukwana - Executive Manager Operations



Left to right: Mr Andrew Hlubi (Chief Finance Officer), Mr Zolile Duze (Chief Executive Officer), Mrs Nomveliso Nyukwana (Executive Manager Operations)

Zolile Duze - Chief Executive Officer

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.

Andrew Hlubi - Chief Financial Officer

Andrew is the Chief Financial Officer (CFO) at the Chris Hani Development Agency, appointed 1 July 2020, and he has over 15 years experience in municipal finance. Previous positions before joining CHDA include: Municipal Manager at Mafube Local Municipality, and Chief Finance Officer appointments for NAFCOC and USASSA.

Andrew has a Bachelor's degree in Accounting from the University of the Orange Free State, a certification in Municipal Finance and Management (CPMD) and the Management Advancement Programme (MAP) certificate by Wits University.

Nomveliso Nyukwana - Executive Manager Operations

Nomveliso is the programme and head of operations (EMO) at the Chris Hani Development Agency, appointed 1 July 2020, after serving as the agency's Project Manager: Special Projects since April 2019. Nomveliso has over 10 years experience in the field of education, with municipal and local government experience from 2006 to date.

Previous positions before joining CHDA include: PR Councillor and Mayor for Emalahleni Local Municipality, with a vast number of years as senior education specialist for the EC Department of Education.

Nomveliso has a Master's degree in Public Management from the University of Fort Hare, with postgraduate certification in Education from the University of Port Elizabeth.

Executive Remuneration

Remuneration made to Exco members during the period 2020-2021 is as follows:

MONTHLY COST BREAKDOWN															
											Medical				
											Contrib. by				
									Contribution		Employer	Provident	Max UIF		TOTAL
		Pay				Travel	Cellphone	Housing	to 13th	Total	Capped @	Contrib. by	Contrib. by	Total	MONTHLY
Start Date	End Date	Periods	Name	Position	Monthly Salary	Allowance	Allowance	Allowance	cheque	Earnings	R2540.25	Employer	Employer	Benefits	REMUNERATION
				Chief Executive											
01/07/2020	30/06/2021	1	DUZE, Z	Officer	105 227.74	31 568.32	2 500.00	545.00	8 768.98	148 610.04	-	10 522.77	148.75	10 671.52	159 281.57
				Executive Manager											
01/07/2020	30/06/2021	1	NYUKWANA, N	Ops	73 199.77	12 459.94	2 500.00	545.00	6 099.98	94 804.69	-	7 319.98	148.75	7 468.73	102 273.41
				Chief Finance											
01/07/2020	30/06/2021	1	HLUBI, AN	Officer	73 199.77	12 459.94	2 500.00	545.00	6 099.98	94 804.69	2 540.25	7 319.98	148.75	10 008.98	104 813.66

Ŀ	MINUAL DISC	LOSURE AMO	JUNIO													
ſ												Medical				
1												Contrib. by				
1										Contribution		Employer	Provident	Max UIF		
-			Pay				Travel	Cellphone	Housing	to 13th	Total	Capped @	Contrib. by	Contrib. by	Total	TOTAL ANNUAL
1	Start Date	End Date	Periods	Name	Position	Monthly Salary	Allowance	Allowance	Allowance	cheque			Employer	Employer	Benefits	REMUNERATION
Γ			12		Chief Executive											
-	01/07/2020	30/06/2021		DUZE, Z	Officer	1 262 732.89	378 819.87	30 000.00	6 540.00	105 227.74	1 783 320.50	-	126 273.29	1 785.00	128 058.29	1 911 378.79
ſ					Executive Manager											
-	01/07/2020	30/06/2021		NYUKWANA, N	Ops	878 397.21	149 519.28	30 000.00	6 540.00	73 199.77	1 137 656.26	-	87 839.72	1 785.00	89 624.72	1 227 280.98
Ī			1		Chief Finance											
L	01/07/2020	30/06/2021		HLUBI, AN	Officer	878 397.21	149 519.28	30 000.00	6 540.00	73 199.77	1 137 656.26	30 483.00	87 839.72	1 785.00	120 107.72	1 257 763.98

Table 2: Schedule of Executive Director Earnings - 2021

Corporate Services and 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 2017-18 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 2020-2021 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 was not completed or fully actioned, due to budget challenges and other operational matters, resulting in a 88% completion by end June 2021. Key challenges were the finalization of the organogram and critical staffing or priority positions, as well as delays in review of HRM policies, which will be carried forward to the next financial year.

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 100% budgeted for staff budget was expended, and allocation of employee costs for 2020-2021 can be summarised as follows, where the closing balances of R21.3 million exceeded the R19 million expenditure incurred in previous financial year. As a result, employee costs were one of the key cost drivers of the agency in the year under review.

Medical aid - company contributions	809,537	854,095
Statutory UIF levies	81,826	67,141
WCA	13.820	57,864
SDL	76,809	125,604
Leave pay provision charge	847,837	982,472
Defined contribution plans	1,320,018	886,006
·	21,340,922	18,099,545

Table 3: Summary Employee Costs - 2021

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.

Employee Health and Wellness:

The CHDA also implemented a shared services agreement with the CHDM on employee wellness. This included an wellness day expo for staff held in November 2020, where the CHDM supported the agency with stalls on various health topics, ranging from marriage and family, HIV-Aids and Sex-Education, through to Substance Abuse, Grief Counselling and Stress Management, over and above social work and counselling service for employees.

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.

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. The agency commenced disciplinary action against two employees involved in non-compliance to agency code of conduct. The agency commenced establishment of an employee representative forum, as well as an employee satisfaction survey, to help improve HR related issues in the organization going forward

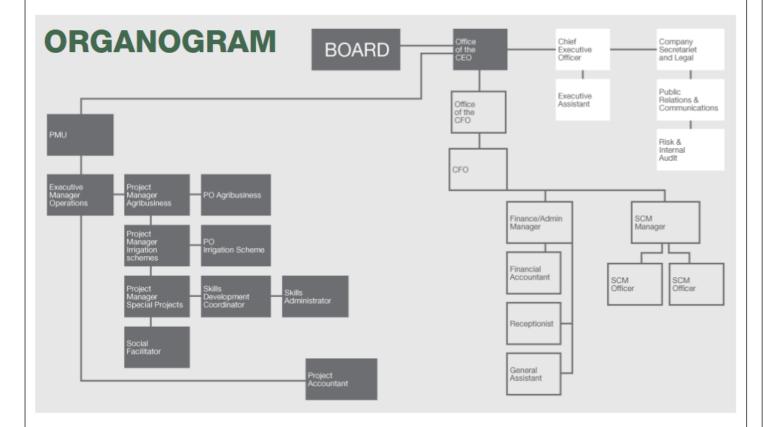


Career Seminars and Youth Skills Expo

Organogram:

The agency conducted a review on its organogram but the amendments were not approved by the Board before end of the financial year. The agency welcomed the new Executive appointments of the Chief Finance Officer from 1 July 2020, and the Executive Manager Operations position from 1 July 2020.

The agency also had one resignation, where a finance staff member left the agency due to finding a better employment opportunity outside the province.



ICT Governance

Governance Methodology and Focus

The CHDA has embarked on its third year of ICT governance in 2020-2021, 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:

1) 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

2) 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.

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, resulting in an overall 100% implementation of the ICT plan for 2020-2021. There were no major ICT projects implemented during the year.

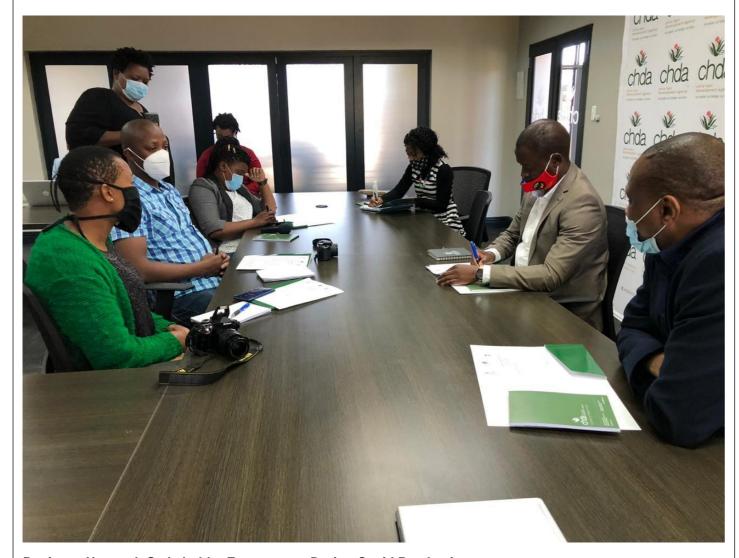
Supply Chain Management

During the year under review, the CHDA awarded contracts under the R 30 000 SCM threshold amounting to a value of R 1 225 125, with a closing commitments value of R 4140.00.

During the year under review, the CHDA awarded contracts between the R $30\,000 - R200\,000$ SCM threshold amounting to a value of R $3\,143\,999$, with a closing commitments value of R 0.00.

The agency also awarded a total of 8 formal tenders above the R 200 000 SCM threshold, which ranged from panels for engineering and construction companies to support the implementation support function entered into with the CHDM, as well as other contracts to support administrative and project functions.

There were however a number of challenges raised by the Auditor General of SCM processes, resulting in irregular expenditure during the year amounting to R 8 379 630, of which just under R 4 million was due to unauthorised expenditure incurred above approved budget. These will be addressed in line with MFMA processes and are being monitored as part of the agency Post-Audit Action plan.



Business Unusual: Stakeholder Engagement During Covid Pandemic

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