

# ALFRED NZO DEVELOPMENT AGENCY

**ANDA**

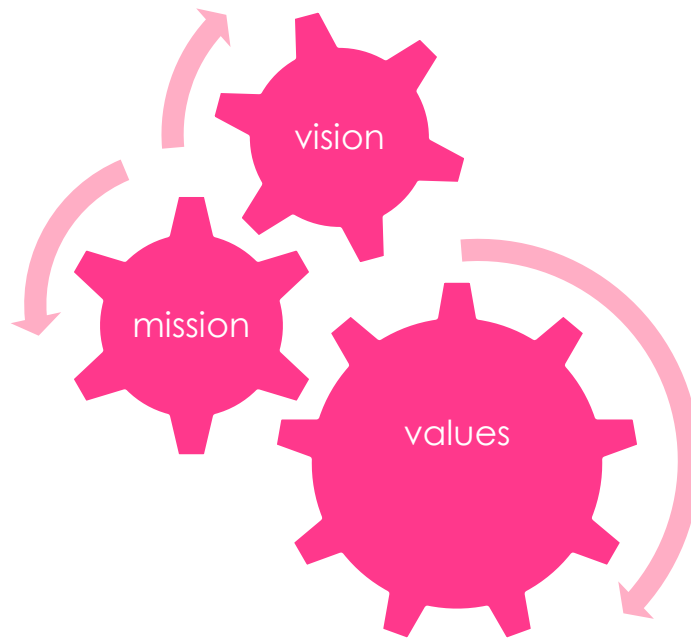


**ANNUAL REPORT**

**2011-2012**

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## VISION

***An innovative and efficient  
facilitator of shared economic  
growth and development***

## MISSION

***Facilitate the creation and promotion  
of sustainable economic growth and  
development, through capacity  
building and optimum use of natural  
resources***

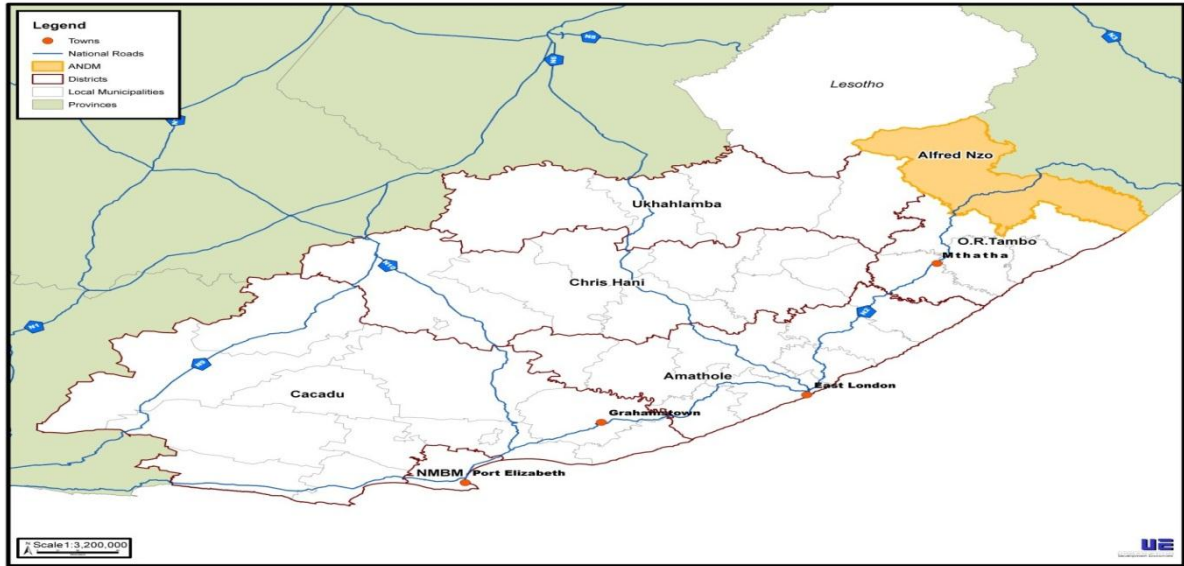
## VALUES

- ***Professionalism***
- ***Commitment***
- ***Accountability***
- ***Transparency***
- ***Ethical conduct***
- ***Consultative***
- ***Partnership***

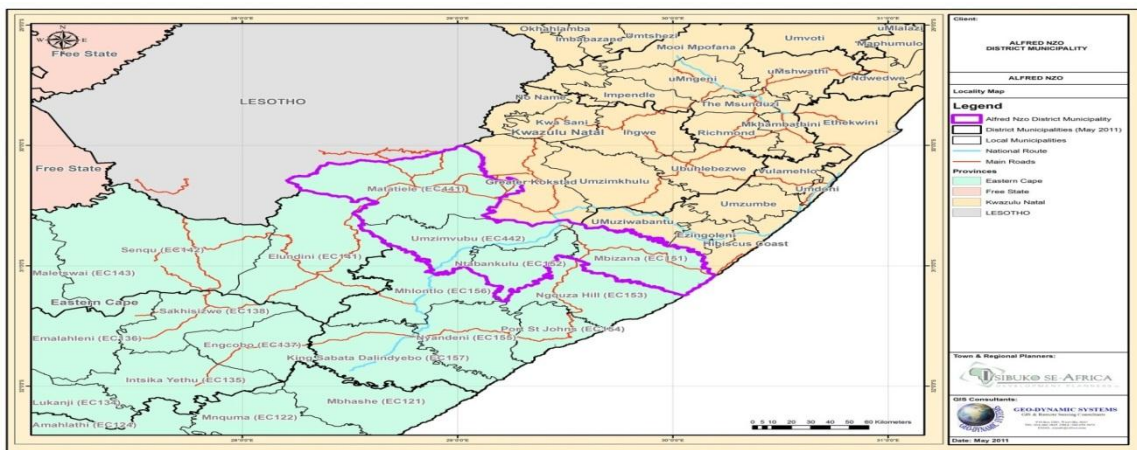
<b>LEGISLATIVE FRAMEWORK</b>	Alfred Nzo Development Agency (Pty) Ltd is a municipal entity of the Alfred Nzo District Municipality established in terms of s 84 of the Municipal Systems Act (MSA). It is also governed by the Companies Act of SA.		
<b>REGISTRATION NO.</b>	2008/009093/08		
<b>DIRECTORS</b>	F Maqwati	Chairperson	Appointed 03.04.2008 to 31.03.2012
	LUB Sibanyoni		Appointed 03.04.2008 to 31.03.2012
	N. Zilwa		Appointed 16.10.2009 to 31.03.2012
	M. Mondi		Appointed 16.10.2009 To 31.03.2012
	M. Mthimkhulu		Appointed 16.10.2009 To 31.03.2012
	S.Mase		Appointed 01.07.2010 to 31.03.2012
<b>ADDRESS OF THE REGISTERED OFFICE</b>	Physical address: Erf 1400 Ntsizwa Street Mount Ayliff 4735		
	Postal address: Private Bag X511 Mount Ayliff 4735		
<b>BUSINESS ADDRESS</b>	Physical address: Erf 1400 Ntsizwa street Mount Ayliff 4735		
	Postal address: Private Bag X511 Mount Ayliff 4735		
<b>NATURE OF BUSINESS</b>	Carry out the promotion and implementation of the local economic development initiatives and investment promotions in Alfred Nzo District Municipality		
<b>AUDITORS</b>	Office of the Auditor General		
<b>BANKERS</b>	First National Bank of South Africa		

# 1. DISTRICT SNAPSHOT

MAP 1: PROVINCIAL MAP



Alfred Nzo District Municipality is situated in the North Eastern corner of the Eastern Cape Province. It stretches from the Drakensberg Mountains, borders Lesotho in the West, Sisonke District Municipality to the North and O.R. Tambo District Municipality in the East and South.



Map 2: Locality Map sourced from ANDM SDF 2011/12

The Municipality as a result of Demarcation processes now shares a jurisdiction with the Matatiele, Umzimvubu, Ntabankulu and Mbizana Local Municipalities.

The Alfred Nzo District comprises 11119 km<sup>2</sup> and sizes of four local municipalities are summarized below:

Table 3: Geographic composition of Alfred Nzo District

Municipality	Area Km <sup>2</sup>	Percentage/ % of the District Area
Matatiele Local Municipality	4352	39
Umzimvubu Local Municipality	2506	23
Ntabankulu Local Municipality	1455	13
Mbizana Local Municipality	2806	25
Alfred Nzo District Municipality	11119	100

Population growth within Alfred Nzo has substantially increased over the years. This has been purely influenced by the changes on the administrative boundaries of the district in

2006 and recently in 2011. During the early 2000s, the district population comprised of Umzimvubu and Umzimkhulu Municipal Population. After the 2006 elections, Alfred Nzo District increased in geographical space to include Matatiele Local Municipality which increased the area's population to 479 591 people. Umzimkhulu was moved to Sisonke District in KwaZulu-Natal. The recent demarcation following 2011 local government elections has resulted in Alfred Nzo District obtaining two additional local municipalities (i.e. Ntabankulu and Mbizana). This has further increased the area's population to approximately 900 491 people. The geographical area has also increased from 6858 km<sup>2</sup> to 11 119 km<sup>2</sup>.

Table 4: Local Municipalities and Key Towns in the District

Local Municipality	Towns
Umzimvubu Local Municipality	Mount Ayliff
	Mount Frere
Matatiele Local Municipality	Matatiele
	Maluti
	Cedarville
Ntabankulu Local Municipality	Ntabankulu
Mbizana Local Municipality	Bizana
TOTAL	07 Towns

The District falls within the Umzimvubu River Basin. The terrain is largely mountainous and extends to more than to 1000m above sea level and rises to the Drakensberg on the border of Lesotho. On average the altitude ranges between 700-800m above sea level. It has steep river valleys. The northern areas below the escarpment have extensive wetlands which are not fed by flowing water or rivers<sup>1</sup>. Rainfall is relatively high at 900-1500 mm annually and increasing near the escarpment) with excellent agricultural soils near the rivers. The Alfred Nzo District Municipality is predominantly mountainous in the eastern and central areas with large tracts of grasslands in the north-western section.

The municipal area is predominantly rural with large number of villages scattered across the district. The N2 highway between Kokstad, located in Sisonke District Municipal area and Mthatha transects the most central part of the district. This route serves as the main linkage road from Kokstad through the central section of OR Tambo District Municipality to East London. Kokstad is some 37km from Mount Ayliff and 80km from Matatiele, and serves as an important commercial linkage town which is located outside of the Alfred Nzo District Municipality.

The district economy is characterized by limited formal economic activity and high dependency on the public sector for employment and social grants. Its proximity to the more developed towns of KwaZulu Natal such as Kokstad results in consumer spending leakage of funds out of the district into Sisonke District Municipal area and the Ugu District municipal area. This scenario has resulted in the district municipality embarking on a project of undertaking District Economic Leakage Analysis which shall inform the municipal strategic approach to turn around the situation in terms of getting its economy base increased through circulation within.

The population of Alfred Nzo is unevenly distributed amongst the four local municipalities. Mbizana has the highest population such that approximately 31% of the people within the district reside within it. This is followed by Matatiele which accommodate approximately 28% of the population. A substantial amount of the population also resides within Umzimvubu as well such that approximately 25% of the district population accounts for Umzimvubu population. Ntabankulu accounts for 16% of the population which implies that it is the area with least population within Alfred Nzo.

## **1.1 Demographic Analysis**

### *1.1.1 Population and population density*

According to the 2007 Community Survey conducted by Statistics South Africa the total population of the Eastern Cape Province is 6, 527 746 people. The following table provides a breakdown of the population per district.

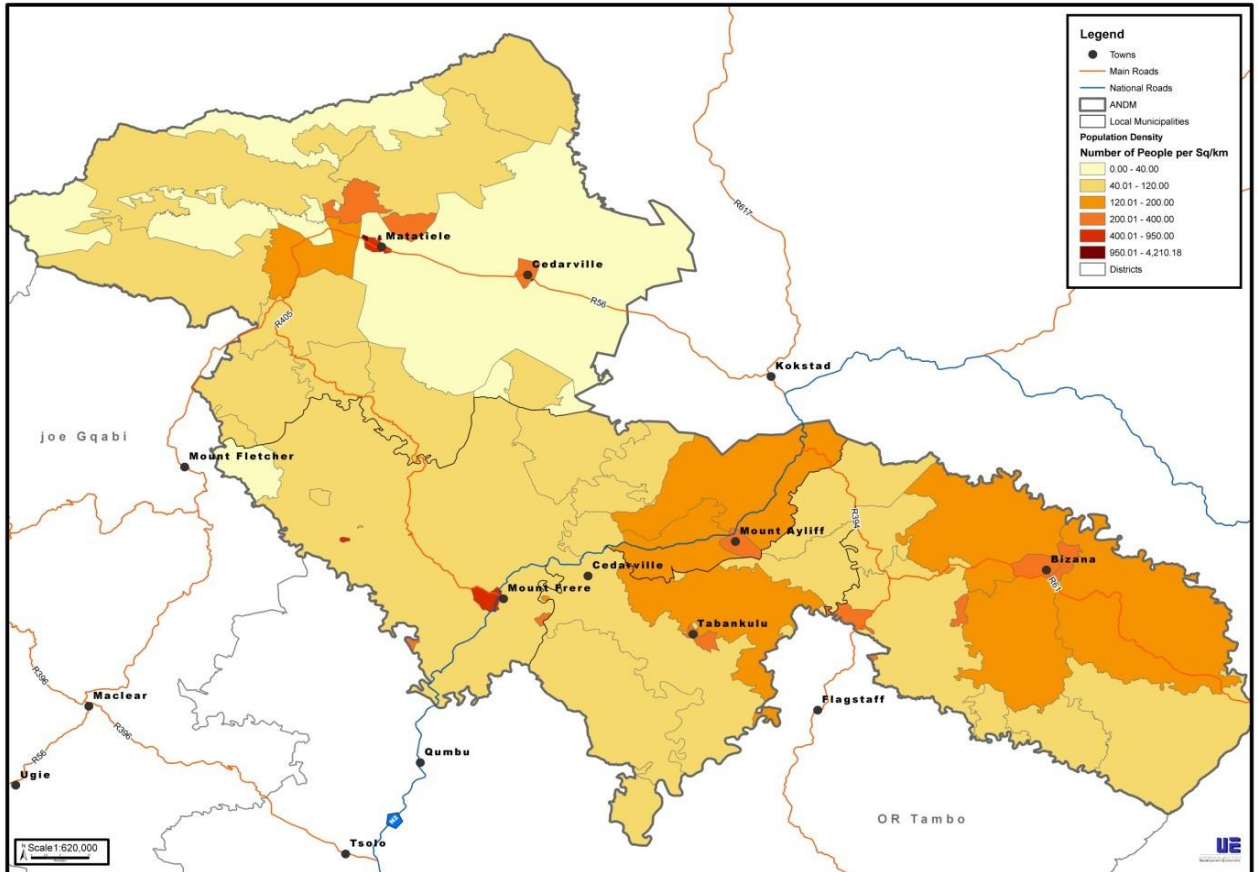
Table 5: Population per district

District Municipality	District population	Overall Percentage
Cacadu	363 493	5.7
Amathole	1 664 749	25.5
Chris Hani	798 600	12.1
Ukhahlamba	308 364	4.7
O.R. Tambo	1 441 123	22
Alfred Nzo	900 491	14
Nelson Mandela Metro	1 050 927	16
<b>Total</b>	<b>6 527 745</b>	<b>100</b>

Source; Statistics South Africa Community survey 2007

The Alfred Nzo District now has a total population of 900 491 (as a result of changes) which accounts for 14% of the Provincial population, however other data sources indicate that the population of the district is above 910 000 people. Matatiele Local Municipality has a total population of 258 758 which constitutes 29% of the total district population; Umzimvubu Local Municipality has a total population of 220 636 which constitutes 24% of the total district population, Mbizana Local Municipality has a total of 279 739 which constitutes 31% of the total district population and Ntabankulu Local Municipality has a total population of 141 358 which constitutes 16% of the total district population. Statistically the situation indicates an average of 5 persons per households. Statistically, the population density of the district is low which implies that there is a lot of land not occupied by residential or any other physical development. The average population density for the district is approximately 81 people per square kilometre. The population density of Matatiele Local Municipality is 59 people per square kilometre; the population density of Umzimvubu Local Municipality is 88 people per square kilometre; the population density of Mbizana Local Municipality is approximately 100 people per square kilometre and the

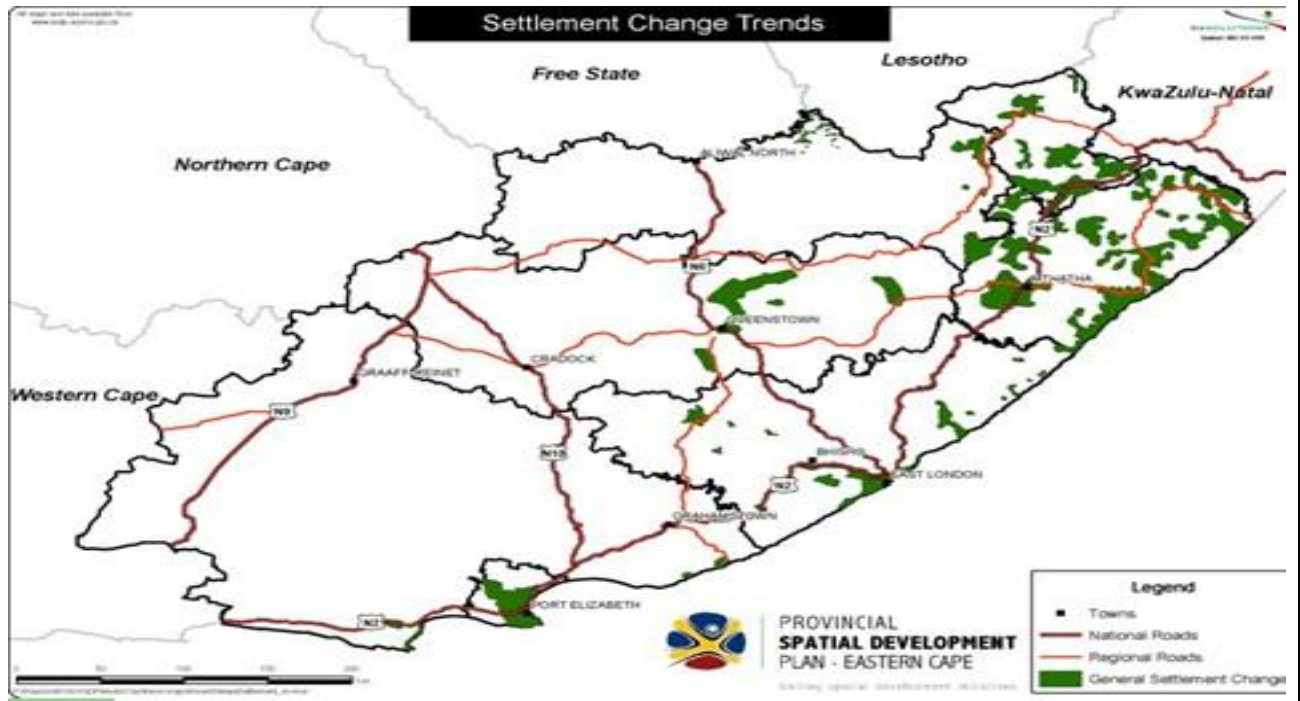
population density of Ntabankulu Local Municipality is approximately 97 people per square kilometre. Matafiere Local Municipality therefore has a significantly larger area than all other three local municipalities.



Map 3: District Population Density-sourced from Economic Leakages Analysis Study 2011/12

The recently reviewed Provincial Spatial Development Plan (2010/11) indicates that the population of the Eastern Cape is expected to grow with approximately 450 000 in the next 15 years. While the indication is based on the provincial estimated growth, it is further highlighted that the growth will be possible influenced by migration of people within the province combined with increasing birth rate to some extent. The current migratory trends appear to indicate the majority of these people will be living in the coastal belt and central to the eastern region of the

Province where Alfred Nzo DM is located. This scenario requires proper long-term planning especially in terms of infrastructure development and spatial planning to cater for such future growth.

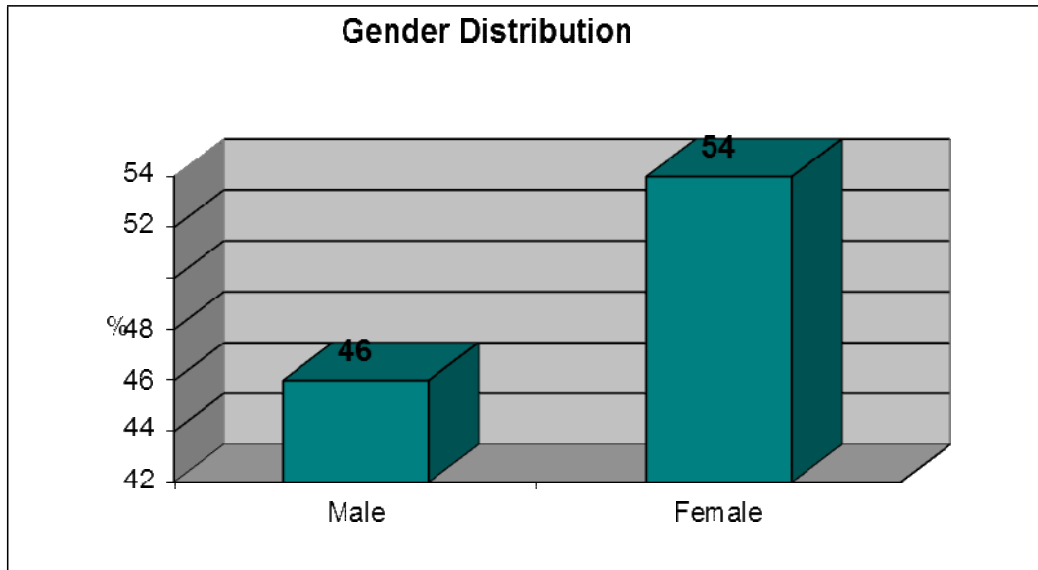


Map 4: Settlement Change Trends Source: EC PSDP, 2010

### 1.1.2 Gender distribution

The Alfred Nzo population is predominantly female. Females constitute 54. % of the population while males constitute 45% and this is a replica of the previous situation before the incorporation of Mbizana and Ntabankulu Local Municipalities. Municipal planning must take cognisance of this gender balance and the Municipality acknowledges this through inclusion of the needs of women and gender issues in its programmes for special groups. This approach by the district municipality is in line with Global approach on meeting Millennium Development Goals by 2014.

Figure 1: Gender Distribution



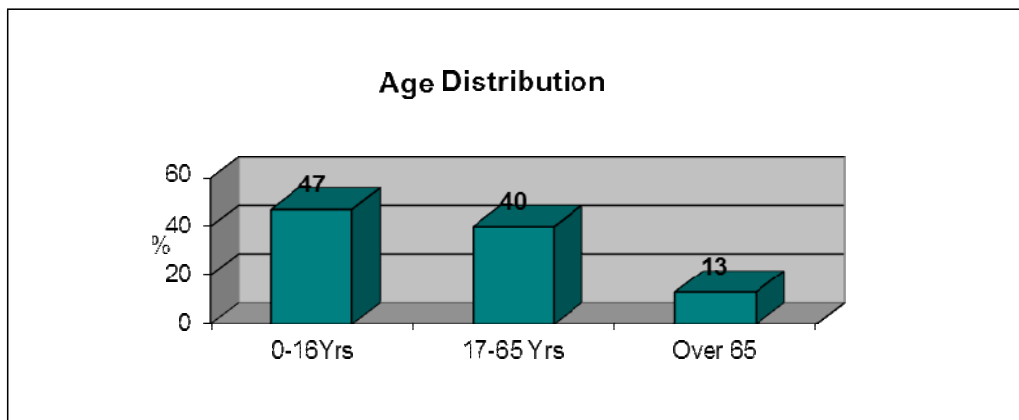
Source: Statistics South Africa: Community Survey 2007

### 1.1.3 Age Distribution

At Provincial level 69% of the population are under the age of 35 years and considered to be youth. Community Survey 2007 indicates that the population of Alfred Nzo District Municipality is youthful as more than 75% of the total population falls below the age of 35 years. Approximately 47% of the total population falls between 0-16 years of age which indicates that more youth is still dependent and possibly still attending schools. The situation can be attributed to possible population high growth rate and a low proportion of older people where people older than 65 years of age only constitute 13% of the total population. This scenario of possible high population growth rate and youthful population requires that more efforts are directed towards education and job creation which has topped the priorities list both National and Provincial Priority Programmes.

The potentially economically active population (16 - 65 years) constitutes 40% of the population. Municipal planning must take cognisance of the predominantly youthful population and the Municipality acknowledges this through inclusion of the needs of children and youth issues in its programme for special groups. This approach by the municipality is in line with one of Millennium Development Goals.

Figure 2: Age Distribution



Source: Statistics South Africa: Community Survey 2007

The high proportion of dependent youth in the district implies a higher burden on the economically active population. Given that a high percentage of the economically active population is not economically active this burden shifts to organs of state and places a higher burden on municipalities and government departments such as Social Development, Health etc.

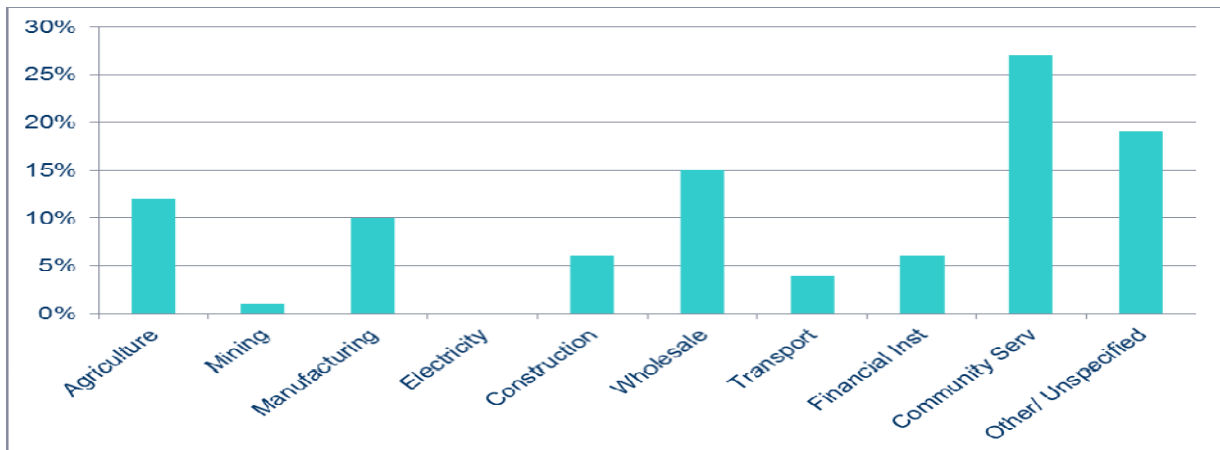
### 1.2 Socio Economic Profiles

The Alfred Nzo District is characterised by some poor socio economic conditions and low levels of development which is not an uncommon trend in the region.

#### 1.2.1 Indicators Of Economic Performance

The table below shows the total Gross Value Adding (GVA) of the district relative to that of other districts in the province. Alfred Nzo is the least significant contributor to the provincial GVA, contributing less than 1% of the province's GVA.

Figure 5: Sector Contributions to the District Economy



Source, Community Survey 2007)

The district local economy is heavily reliant on the Community Services sector which contributes 28% of the Gross Value Adding (GVA) in the District. This includes salaries and wages for government employees such as office workers, nurses, teachers and doctors.

The second highest contributor to the District's economy is Wholesale / Trade (15% of GVA). This sector is underpinned by the public sector based expenditure through government employment and social grants.

The third highest contributor to the District's economy is Agriculture (12% of GVA) and Manufacturing being the fourth highest contributing 10% to the district economy.

The contribution of the other sectors is very limited with construction contributing only 6%; transport contributing 4% and transport sector contributing 6.4%. This is a reflection of a relatively large number of informal taxi operators in the area.

### 1.2.2 Income Levels

Income levels within the District area are very low. Only 6.6% of the economically active population has an income of more than R1601.00 per month. The majority of the people within the district are having income that is less than R800 per month. Municipal planning needs to focus strongly on local economic development initiatives that will enable the community to generate an income. The absence of a higher income earning class limits the

growth potential of the District in that it is this category that usually offers the necessary intellectual and financial capital to support growth.

### 1.2.3 *Poverty levels*

Increasing levels of absolute poverty have been recorded in the Eastern Cape and 74% of the people of the Eastern Cape live below the poverty line of R800 or less a month). Poverty levels vary according to district but in Alfred Nzo 40.4% of the population live below the poverty line. High poverty levels imply a high dependency on social assistance in the form of grants. Municipal planning needs to focus strongly on poverty alleviation mechanisms.

### 1.2.4 *Employment levels and trends*

The Alfred Nzo District is characterised by low levels of employment and a high percentage of people who are not economically active. This in turn accounts for the high poverty levels and low income levels. High unemployment rates impact negatively on municipalities as low affordability levels result in a poor payment rate for services.

For the purposes of this section, people's employment status may be categorised as employed, unemployed and not economically active.

These statuses may be defined as:

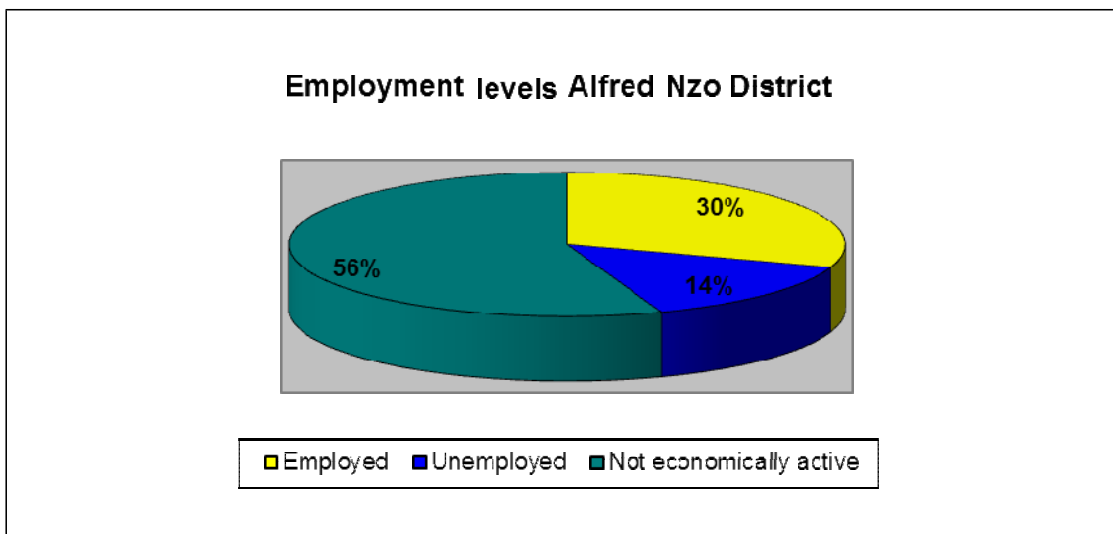
- Employed being people who have within the last thirty days performed work for pay.
- Unemployed are those people within the economically active population who: are not working; want to work and are available to start work immediately; and have taken active steps to look for work or to start some form of self-employment.
- Not economically active i.e. a person who is not working, not seeking work and not available for work

The labour force participation rate is also very low with only 30.2% of the population of working age (aged 15 to 64) either employed or seeking

employment. This is nearly half the national average and 50% of the provincial average.

This points to the fact that a very large portion of the potentially economic active people in the district do not seek employment because they hold no hope for being employed or they view themselves as unemployable due to low levels of skills. The following figure provides an overview of employment levels at district level.

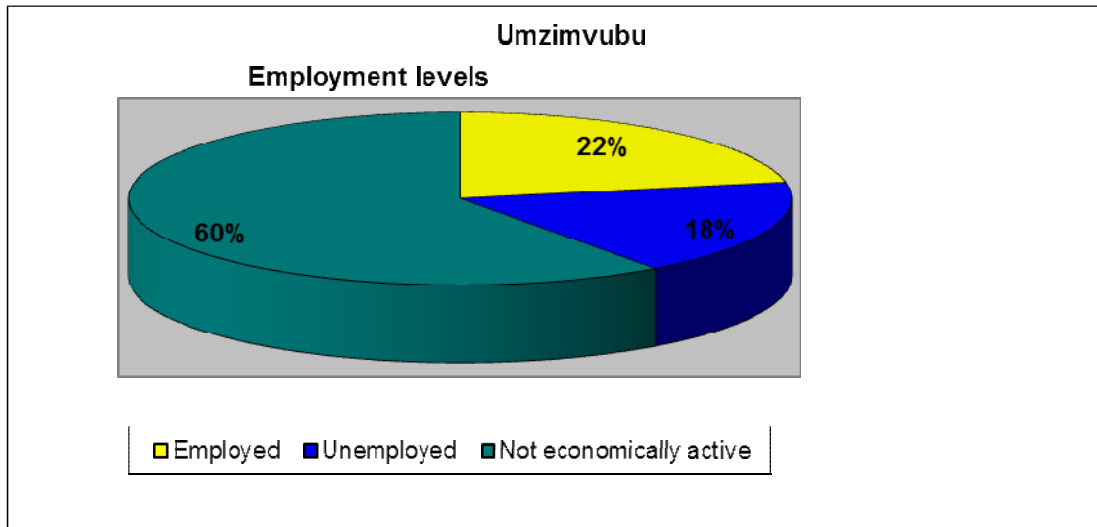
Figure 7: Employment levels Alfred Nzo District



Source: Statistics South Africa: Community Survey 2007

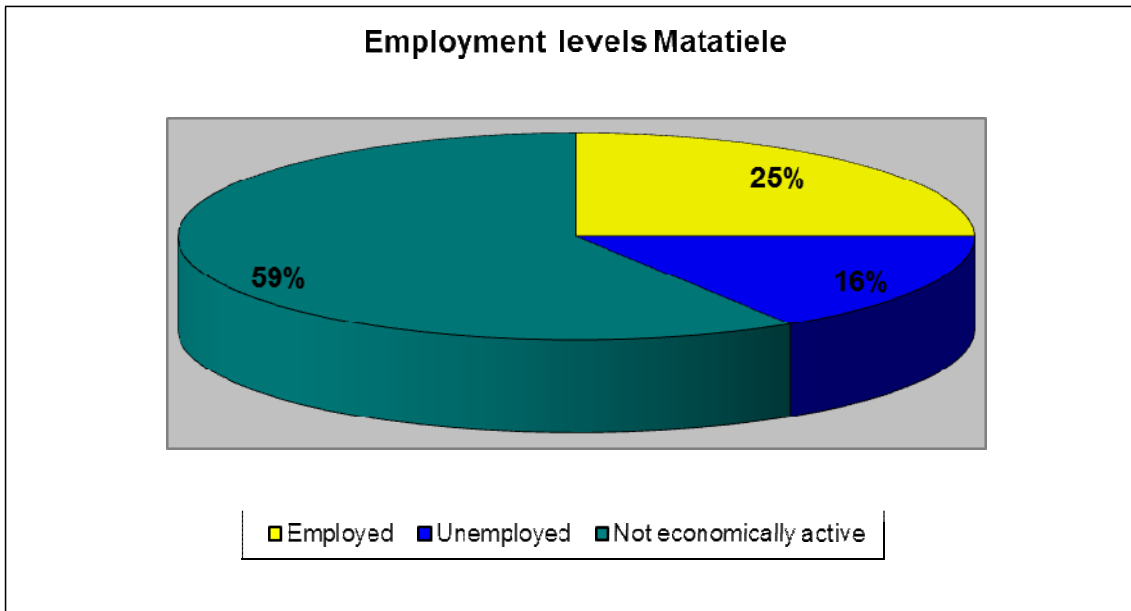
This trend is broadly reflected at local level with Mbizana Local Municipality having a higher percentage of employment at 34% followed by Matatiele Local Municipality having 25% employed population and Mbizana and Umzimvubu Local Municipalities both having 22% of employment. Both Ntabankulu and Umzimvubu are having a slight higher percentage 18% of unemployment compared to the other two local municipalities. All four local municipalities are having above 56% of population categorized as uneconomical active which is the same reflection at a district level. The following figures provide an overview of employment levels at local level.

Figure 8 : Employment levels Umzimvubu Local Municipality



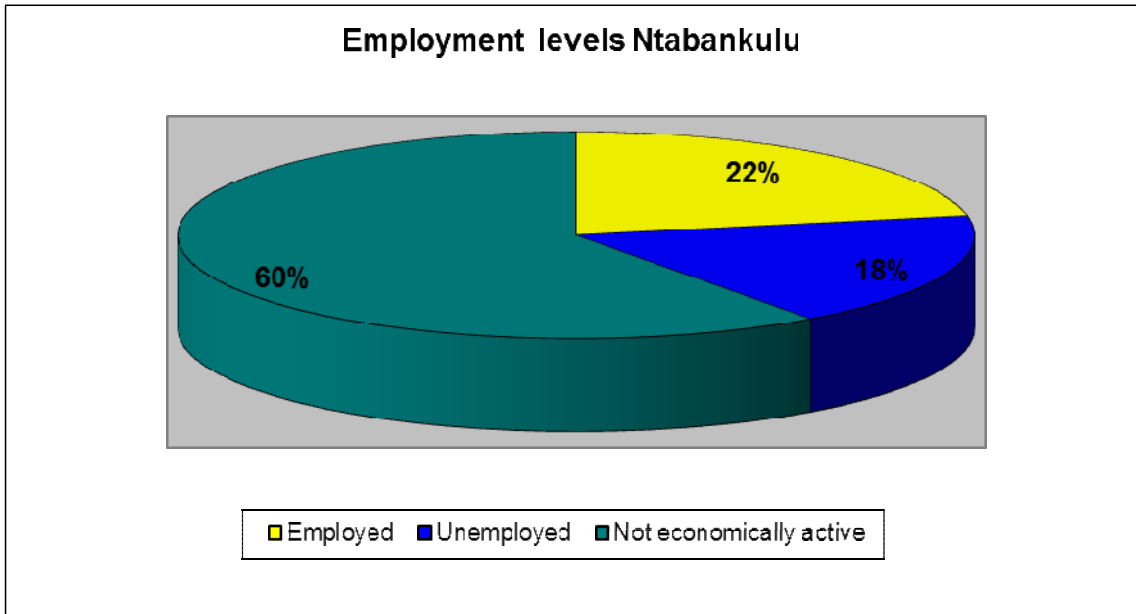
Source: Statistics South Africa: Community Survey 2007

Figure 9: Employment levels Matatiele Local Municipality



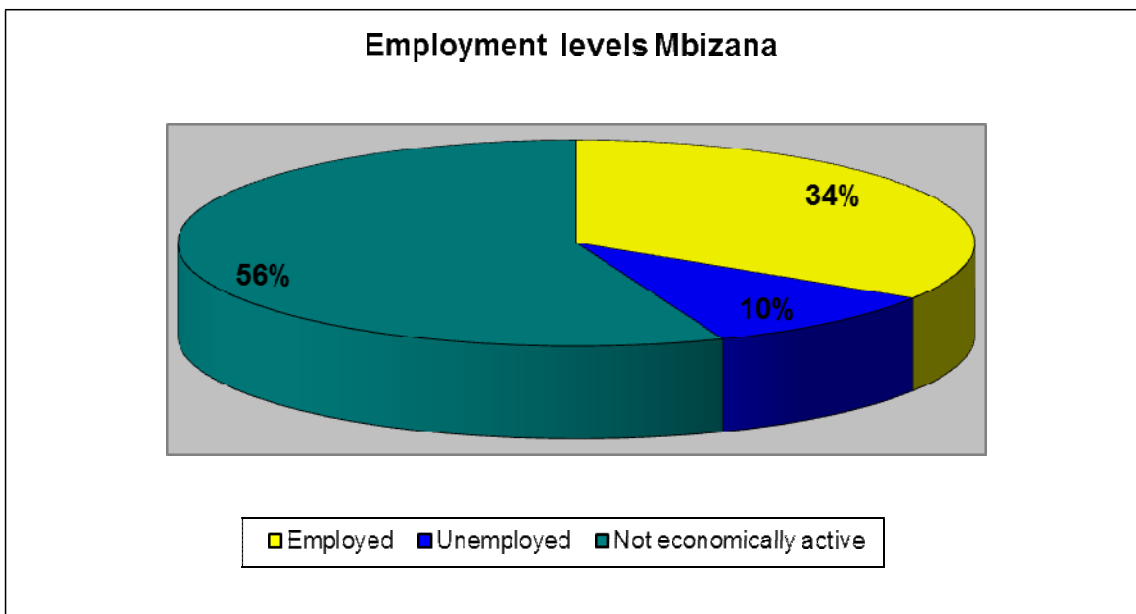
Source: Statistics South Africa: Community Survey 2007

Figure 10: Employment levels Ntabankulu Local Municipality



Source: Statistics South Africa: Community Survey 2007

Figure 11: Employment levels Mbizana Local Municipality



Source: Statistics South Africa: Community Survey 2007

A defining trait of the Alfred Nzo district is the large percentage of the population classified as not economically active. All of the municipalities registered average 60% of their working-age populations as not being economically active.

This is indicative of perceptions of limited opportunities for gainful and permanent employment in the district leading to worker discouragement. These perceptions may be formed by factors including:

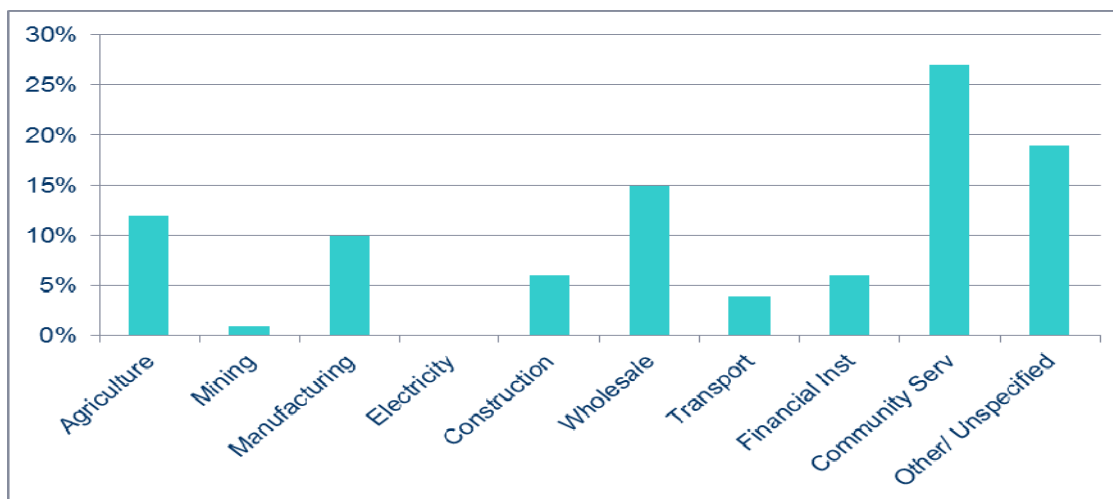
- Skills mismatch (given the educational profile of the district)
- Large percentage of the population that is classified as new entrants into the labour market (given the youthful demographic profile of the district)
- Barriers to entry into the job market (technical, geographic and financial)
- Low wages in the district in comparison to wages commanded in other districts and provinces.

The Eastern Cape Province derives income from basically three sectors:

- ∅ The primary sector made up by agriculture, forestry and fishing industry
- ∅ The secondary sector dominated by transport, construction, food industry, and wholesale industry.
- ∅ The tertiary sector dominated by community and public sector services.

On Provincial level employment is dominated by the tertiary sector. This is reflected in the Alfred Nzo District where the public sector or community services accounts for the majority of specified jobs (27%). This sector is an unlikely base for employment expansion.

Figure 12: Employment by Sector



Source: Community Survey 2007

As can be expected, the Community Services sector is the largest employer in the District (27%). This is followed by employment in the Wholesale sector which is 15%. The third highest employer in the District is the Agricultural sector at 12% of total employment. This underscores the importance of agriculture as a job creator despite the fact that this sector's contribution to the District economy is very limited.

1.2.5 Dependency on social grants

The Alfred Nzo District to some level is dependent on government grants to support the welfare of its population. A total of 314 489 people or 36 % of the population in the district are dependent on social grants:

Table 4: Number of grants per municipality

Municipality	Grants	Population	Percent
Umzimvubu	79 789	220 631	36.16%
Matatiele	80 493	258 758	31.11%
Mbizana	100 585	279 739	35.95%
Ntabankulu	53 622	141 358	37.93%
Alfred Nzo DM	314, 489	900 486	35.92%

Source: Statistics South Africa: Community Survey 2007

Table 5: Breakdown of grants in each local municipality

Municipality	Old age pension	Disability grant	Child support grant	Care dependency grant	Foster care grant	Grant in aid	Social relief	Multiple social grants	Total
Umzimvubu	20.87%	7.43%	68.65%	1.26%	0.15%	1.38%	0.00%	0.26%	100.00%
Matatiele	22.59%	5.64%	69.02%	1.37%	0.06%	0.86%	0.31%	0.16%	100.00%
Mbizana	17.38%	4.76%	75.87%	1.13%	0%	0.50%	0.21%	0.12%	100.00%
Ntabankulu	19.37%	4.98%	71.78%	1.20%	0.23%	1.90%	0%	0.50%	100.00%
Alfred Nzo DM	26%	8%	63%	2%	0%	1%	0%	0%	100 %

Source: Statistics South Africa: Community Survey 2007

Most grants are child support grants (63%) followed by people receiving old age pensions (26%). The number of people receiving disability grants is low at 10,466 considering that approximately 8% of the population, approximately 32 585 has at least one form of disability<sup>2</sup>.

The table above points to the fact that there is little regional variation in the pattern of support grants between local municipalities in the District. According to South African Social Security Agency beneficiary report (Oct 2011) indicates that beneficiaries of grants within the district stood at 247 970 and at estimated monthly cost of R157, 409, 659.00 which varies month to month which mostly increasing.

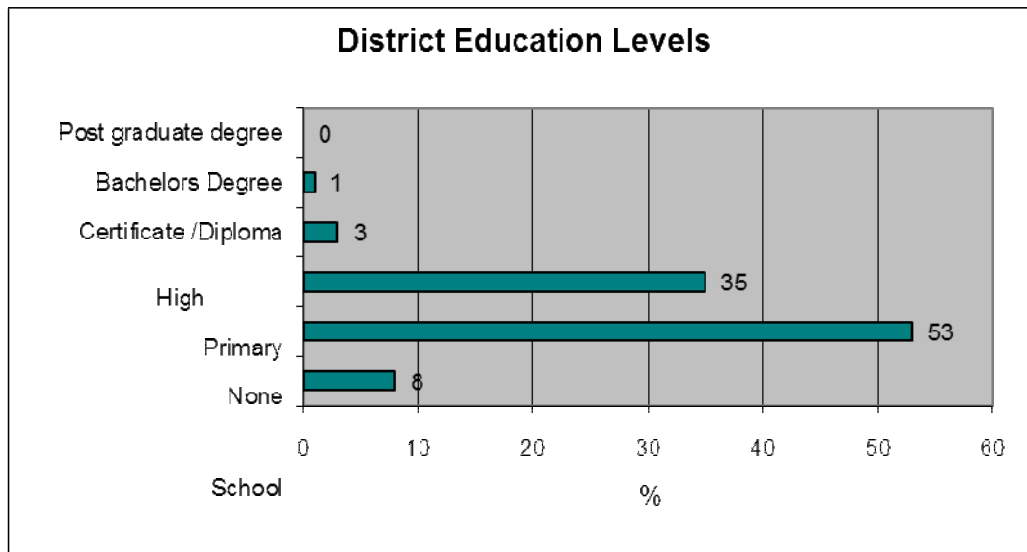
### 1.2.6 Education

Alfred Nzo is characterised by low education and literacy levels. 8 % of the population has no education while 53% have only some form of primary school education. Only

14.2% of the population have completed grade 12. Only 4% of the population has attained any higher qualification. The following figure represents the highest levels of education attained by the population over 20 years of age as at 2007

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Figure 13: Education levels (persons over 20 years)



Source: Statistics South Africa: Community Survey 2007

A comparison of education levels within the same age group reveals similar trends with some variation between districts. The number of persons with no schooling in Umzimvubu Local Municipality is significantly higher than persons with no schooling in other three Local Municipalities. The number of people completing Grade 12 is lower in Ntabankulu Local Municipality than any other three Local Municipalities. The numbers of persons completing post matric qualifications is however higher in Umzimvubu Local Municipality than in other three Local Municipalities.

## **2. EXECUTIVE MAYOR'S FOREWORD**

### **3. CHAIRPERSON'S REPORT**

#### 4. CEO'S REPORT

**WHEN SPIDER WEBS UNITE, THEY CAN TIE UP A LION**

**(ETHIOPIAN PROVERB)**

The mandate given to Alfred Nzo Development Agency by the Council of Alfred Nzo District Municipality in April 2008 was to:

- Implement local economic development initiatives
- Mobilise investment into the district
- Promote trade in the district
- Facilitate access to markets for local products

Our four short-term key performance areas are:

- *Building organizational and institutional capacity*
- *Facilitating development of a long term economic development strategy for the district area*
- *Trade and Investment promotion*
- *Managing municipal assets (land & buildings and business & economic assets)*

At the end of the 2011-2012 financial year, the agency has been operating for 4 years. The 2011-2011 has been challenging indeed for TEAM ANDA. The entity completed the last quarter of the financial year without a board as Council disbanded it in March 2012 and appointed an interim board in June 2012 for only a month. As the Accounting Officer, a major responsibility was then placed on my shoulders to steady and steer the ship through choppy waters and ride the storm. This was made even more challenging by the fact that this was a period when we were having our annual external audit. We survived the storm and received an unqualified audit opinion with matters of emphasis from the Auditor General for the 2011-2012 financial year. A process of "finding each other" with the parent municipality has started and the recruitment of a new board has commenced. This will result in the entity's governance structures being restored and service delivery stabilising.

The high vacancy rate in the agency continues to pose challenges in terms of delivering on our mandate. The filling of critical posts in the organogram will be started in the new financial year.

We continue to face the challenge of requiring more resources to fund our mandate as community expectations and demands far exceed our allocated budget from the parent municipality. This has forced us to think outside the box and aggressively pursue the formation of strategic partnerships both locally and internationally. The benefits of these strategic partnerships are that they give Anda access to more financial resources than we have, they give additional

capacity by providing an opportunity for practical learning, access to markets (cutting through the red tape), an opportunity for exposure to local and international players and they can be a shortcut to wealth-creation for local enterprises when managed correctly. When we stand alone as an entity, we are as weak as individual spider webs, but when we unite with other institutions through these strategic partnerships, together as spider webs we can tie up a lion. The key in making these partnerships to work is to start with the end in sight and be clear about what you want to achieve through them. This year we partnered with the private sector, the public sector, the community and international institutions in China and Mozambique.

We have also been focussing on establishing incubators for Agriculture and Agro-Manufacturing as a strategy to achieve our objective of enabling enterprises in the District to develop and grow. The incubator model used is aimed at stimulating the economy and employment opportunities in the Agro-Manufacturing Sector in the Alfred Nzo District Municipality – by creating and supporting small businesses, providing Business and Technical Skills Training to those that want to start their own businesses in the processing of agricultural and related products and providing Business Incubation Services to those that start their own businesses in the processing of agricultural and related products. We are implementing the agro-manufacturing incubator in partnership with SEDA Technology Programme and the agriculture incubator in partnership with the Joaquim Chissano Foundation from Mozambique and the community owned Goxe Enterprise project.

We have been implementing LED projects that cover Grain Production, Livestock and Poultry Production, Vegetable, Fruit and Flower Production, Tourism Development, SMME Development and the WoodCluster Initiative.

## **PERFORMANCE HIGHLIGHTS**

### *Partnerships Established*

The agency has formalized the partnership with the Joaquim Chissano Foundation in Maputo, Mozambique around agriculture development and heritage tourism.

The agency has been leading the development of funding proposals for the ANDM which will assist in mobilizing financial resources for the development of the District's critical water infrastructure. A funding proposal has now been approved by DBSA and is awaiting final approval by the National Treasury for frontloading to the value of R 720 million for 5 water projects for ANDM.

### *Grain Production*

Our most successful project has been the Grain Project which we implementing in partnership with ASGISA-EC. This partnership has proved to be most rewarding for us as it has led us to access more financial resources which have enabled us harvest more hectares in the year under review. ANDM & ANDA have signed this partnership agreement with ASGISA-EC for the development of agriculture in the district. 4073 ha were cultivated in the district of which 3018 ha were cultivated in Matatiele

Municipality and 1055 ha were cultivated in Umzimvubu Municipality in 2010-2011. In July 2011 we harvested 2.76 tons/ha in Umzimvubu and 1.06 tons/ha in Matatiele. A total of 5 792 tons of maize was harvested in the district.

Areas cultivated in Umzimvubu are: Essek, Dangwana, Saphukanduku, Lutateni and Mandileni

Areas cultivated in Matatiele are: Ongeluksnek Farms, Mthimkulu, Likamoreng, Likhetlane, Litifjereng, Mahareng, Masupha, Mpopo, Mehloloaneng, Rafu, Siketlane, Stuurman, Mondweni, Eric.

### *Livestock and Poultry Production*

The project is jointly funded by the District through ANDA and Goldfields and is implemented in partnership with Teba Development and Mngcunube Developments and aims to improve the quality of livestock, which is a widely held asset by the rural communities in the district, by removing constraints to growth of this asset. The target for this programme was to reach 3000 livestock farmers with 150 000 goats, sheep and cattle. As a result of the programme livestock owners would improve the quality of their stock and reduce mortality rates, earn higher prices for stock at auctions and earn on average R 10 000 per farmer. This would translate into an additional income earned by farmers in the district of R 48 million over 5 years. This would contribute significantly to the economy of the district, create jobs and reduce poverty levels. The increase in the quality and quantity of goats produced would address the supply of goats to the Umzimvubu Goats Project and lead to its sustainability once re-opened.

Private sectors partners were secured to support this initiative. Farmsecure, an agriculture company with a global footprint, has been providing access to markets for livestock farmers by purchasing direct from them and also giving technical and business training to farmers.

Our livestock improvement programme has supported 1292 emerging farmers in 54 villages throughout the district. There has been an increase in the total value of livestock net sales for farmers to R 265 259 this year.

### *Vegetables, Fruit and Cut-Flowers*

The project involves the cultivation of fruit, vegetables and cut-flowers for the local and international markets. The vegetable production project is jointly funded by the District and Harmony Gold. It is implemented in partnership with Teba Development, Lima and Mngcunube Developments. The agency assists enterprises to access local and international markets and facilitates capacity building in cultivation and value-addition and introduction to new cultivation technologies. The 500 ha Pomelo project for the Chinese market will create 50 new farmers and an additional 100 new jobs created. This project will contribute about R 90 million a year into the district's economy. For the Pomelo project this year, soil tests were conducted in Mbizana and came back positive for cultivation to take place. An MOU has been

signed with the Joaquim Chissano Foundation for the establishment of an agriculture incubator in Goxe Farm.

### *SMME Development*

The project involves support given to local SMME's through initiatives that will result in the creation of a conducive environment that will lead to their development and expansion. The initiatives include providing access to information and creating a platform for dialog through the hosting of annual business Imbizo's, facilitating the provision of training and support facilities for SMME's, initiating and developing micro/managed workspaces through a business incubation programme, developing local and international trade opportunities, facilitating local and international investment opportunities and facilitating investment in strategic hard infrastructure.

The partnership with SEDA Technology Programme (STP) and ANDA has resulted in the initiation of the SANAMI Agro-Manufacturing incubator in Mt. Ayliff. Furntech Incubator has been appointed as the implementing agent for the project. R3 million was secured from STP to fund this initiative.

An SMME from Umzimvubu was supported with funding for material for production of products which were displayed at the India International Trade Fair (IITF) 2011 in New Delhi, India. The SMME was selected and transported by the Dept. of Trade and Industry (dti) to participate in this annual fair.

### *Tourism Development*

The project involves the support of Tourism enterprises in the District by exposing them to Trade and Investment opportunities, facilitating training and capacity building opportunities, investing in tourism infrastructure and implementing the District Tourism Development Plan.

Our 4 local municipalities were supported by ANDA to attend the annual Tourism Indaba in Durban in May 2012. All 4 municipalities together with the district exhibited their tourism products under the Alfred Nzo stand. The districts tourism brand, "the Northern-Eastern Cape, Alfred Nzo, your Gateway District" was successfully launched at the Tourism Indaba by the Executive Mayor of Alfred Nzo District Municipality, Cllr. E. Diko. The launch received very good media coverage.

- Despite the challenges we faced as the municipal entity, once again TEAM ANDA stepped up to the pedestal and achieved against all odds. We will continue to raise the bar, to learn, to explore, to partner, to innovate and to work toward achieving our vision

of **An innovative and efficient facilitator of shared economic growth and development** in the coming year.

**IF YOU PLAN FOR A YEAR, PLANT RICE**

**IF YOU PLAN FOR 10 YEARS, PLANT TREES**

**IF YOU PLAN FOR 100 YEARS, EDUCATE MANKIND**

**(CHINESE PROVERB)**

.....  
Nandipa S. N. Bam

Chief Executive Officer

## 5. OWNERSHIP AND BOARD OF DIRECTORS

The Alfred Nzo Development Agency (ANDA) is wholly owned by the Alfred Nzo District Municipality (ANDM) and was formed in terms of the Municipal Finance management Act S84. It is governed by the Municipal Finance Management Act 56 of 2003, Municipal Structures Act, Municipal System's Act and the Companies Act. The agency is governed by a Board of Directors, appointed in terms of section 93E of the Municipal Systems Act, 2000. The board subscribes to the values of good corporate governance and recognises the need to conduct the agency's affairs with integrity and in accordance with generally accepted corporate practices. The board has approved a Board Charter which provides guidance to the Directors when discharging their roles and responsibilities. The agency and the board subscribe to the principles of the King II report. The relationship between the parent municipality and the agency is governed by a shareholder's agreement signed by the two parties.

### 5.1 BOARD OF DIRECTORS

The Directors are responsible for the following:

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

The agency has six non-executive directors and the parent municipality is represented by one councillor from the 31<sup>st</sup> May 2012.

*The board was disbanded by Council on the 31<sup>st</sup> March 2012.*

*An interim board was appointed by Council from the 1<sup>st</sup> June 2012 to the 31<sup>st</sup> of June 2012.*

#### 5.1.1 Board Committees

The board decided to set up the following committees:

- HR and Recruitment Committee
- Trade and Investment Committee
- Finance, Risk Management and Audit Committee

#### 5.1.1.1 HR and Recruitment Committee

The primary objective of the Human Resources Committee is to assist the board in discharging effective human resources management by reviewing the effectiveness of the ANDA's human resources management systems, practices and procedures, and providing recommendations for improvement, and also ensuring compliance to legislation.

POSITION	NAME
CHAIRPERSON	Mr. Sitembele Mase
Member	Mrs. Lumka Sibanyoni
Member	Mr. Monde Mondì
Member	Ms. Fezeka Maqwati

*The board and its committees was disbanded by Council on the 31<sup>st</sup> March 2012.*

#### 5.1.1.2 Trade and Investment Committee

The Investment and Trade Committee (I&TC) is a committee of the Board of the Alfred Nzo Development Agency (ANDA), with the responsibility to ensure the proper management of the investment and trade activities of ANDA.

POSITION	NAME
CHAIRPERSON	Mrs. Lumka Sibanyoni
Member	Miss Fezeka Maqwati
Member	Mr. Mvula Mtimkhulu

*The board and its committees was disbanded by Council on the 31<sup>st</sup> March 2012.*

#### 5.1.1.3 Finance, Risk Management and Audit Committee

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

<b>POSITION</b>	<b>NAME</b>
CHAIRPERSON	<i>Mr. Mnikelo Mazwane (Independent)</i>
Member	Mrs Nontlahla Zilwa
Member	Mr. Sithembele Mase
Member	Mr. Mvula Mtimkulu

*The board and its committees was disbanded by Council on the 31<sup>st</sup> March 2012.*

## **5.2 ALFRED NZO DISTRICT MUNICIPALITY**

The Alfred Nzo District Municipality has effective control over ANDA and is responsible for:

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

<b>BOARD MEMBER</b>	<b>DESIGNATION</b>	<b>TERM</b>	<b>BOARD MEETINGS ATTENDED</b>	<b>HR COMMITTEE MEETINGS ATTENDED</b>	<b>TRADE AND INVESTMENT COMMITTEE MEETINGS ATTENDED</b>	<b>FINANCE, RISK MANAGEMENT AND AUDIT COMMITTEE MEETINGS ATTENDED</b>
Fezeka Maqwati	Board Chairperson	03/04/2008 to 31/03/2012	2	0	0	0
Lumka Sibanyoni	Board Member and Trade and Investment Committee Chairperson	03/04/2008 to 31/03/2012	2	0	0	0
Monde Mondi	Board Member	16/10/2009 to 31/03/2012	0	0	0	0
Nontlahla Zilwa	Board Member	16/10/2009 to 31/03/2012	2	0	0	0
Mvula Mtimkulu	Board Member	16/10/2009 to 31/03/2012	0	0	0	0
Sithembele Mase	Board Member and HR and Recruitment Chairperson	01/07/10 to 31/03/2012	1	0	0	0

## MUNICIPAL REPRESENTATIVES

NAME	DESIGNATION
B. B. Maningi (31/05/2012)	Councillor, Mayoral Committee Member and Portfolio Head: Development Planning

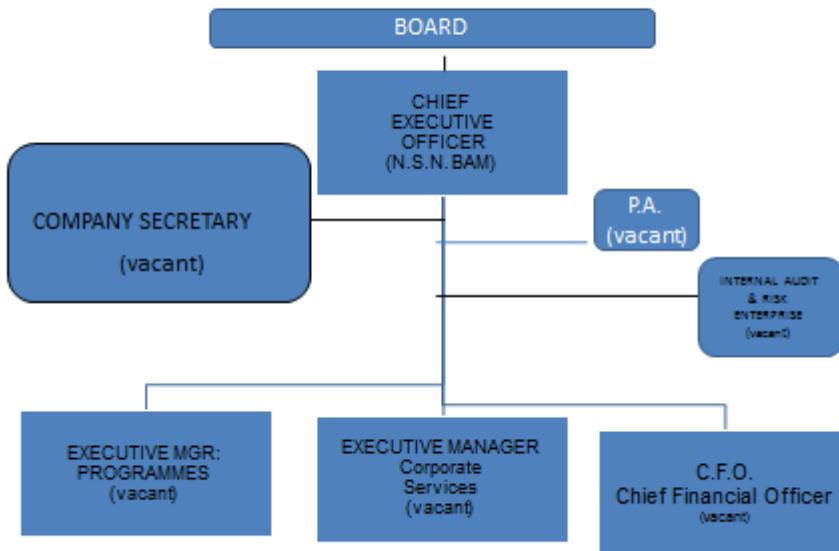
## PROFILES OF BOARD MEMBERS

Fezeka Maqwati Board Chairperson	<i>B.Com Hons. (Business Management)</i> Ms Maqwati has over 18 years' experience in the SMME development and Local Economic Development sector at provincial and local government level. She has served on various boards in the Eastern Cape province.
Nandipa Bam Chief Executive Officer	<i>B.Com Hons. (Business Administration), Certificate Programme in Management Development – Municipal Finance (CPMD-MF), Certificate in Business Project Management, Certificate in Trade and Investment Promotion (Malaysia)</i> Ms Bam has over 14 years' experience in the economic development sector specialising in the development of rural smme's , local economic development and trade and investment promotion at provincial and local government level. She served for 3 years in the National Small Business Advisory Council which advised the Minister of Trade and Industry on issues relating to SMME's.
Lumka Sibanyoni	<i>B.Tech. (Cost and Management Accounting), N. Dip. (Cost and Management Accounting), Project Management, Certificate in Investment Promotion, Board Leadership Programme, Director Development Programme</i> Ms Sibanyoni has worked, over the past 9 years, at provincial government level in finance and corporate services. She joined the public sector after working for 7 years in the private sector. She has worked as a senior manager in investment promotion agencies in Durban and Gauteng. She is currently a Deputy Director General (DDG) in the Eastern Cape Provincial Government. Her professional affiliations include the Institute of Commercial and Financial Accountants of South Africa (CFA) and the Association for the Advancement of Black Accountants in South Africa (ABASA).

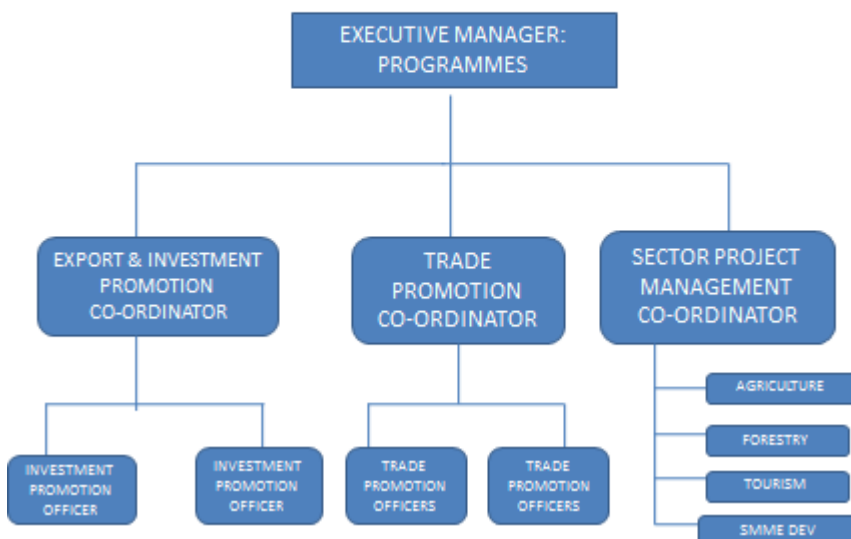
<p>Monde Mondi</p>	<p><i>MA (Labour Relations and Human Resources), B. Phil(Value Analysis and Policy Formulation), MDip Human Resources, BA Education, MDP, EDP(Korea)</i>          Mr. Mondi has over 20 years' experience as an HR practitioner in the public sector. He serves as a trustee in various PRASA committees.</p>
<p>Nontlahla Zilwa</p>	<p><i>B.Com, H.Dip. Education, N. Dip. Management and Administration</i>          Mrs. Zilwa has worked in the private and public sector for 24 years in the financial accounting and auditing field. She served and completed her articles of clerkship with KPMG. She is currently running her own business as a professional accountant and works extensively with SMME's. Her professional affiliations include the South African Institute of Professional Accountants (SAIPA) and the Association for the Advancement of Black Accountants in South Africa (ABASA). She serves on various boards and community development organisations in the Eastern Cape and has served as a member of the audit committee for a local municipality.</p>
<p>Mvula Mtimkulu</p>	<p><i>LLB, B.Jur., MPA, Cert. In Integrated Rural-Urban Development (Israel)</i>          Mr. Mtimkulu has worked in both local and provincial government in the legal field.</p>
<p>Sithembele Mase</p>	<p><i>Master's in Business Leadership (MBL)</i>  <i>B.Com Hons.</i>  <i>Certificate in Investment and Portfolio Management,</i>  <i>Certificate in International Trade and Finance (London,)</i>  <i>Certificate in Best Practice: Micro Finance Models (Colorado, USA)</i>          Mr. Mase is currently the Chief Executive Officer: Eastern Cape Development Corporation. He has extensive experience in the field of corporate and development finance.</p>

## 6. INTERNAL OPERATIONS

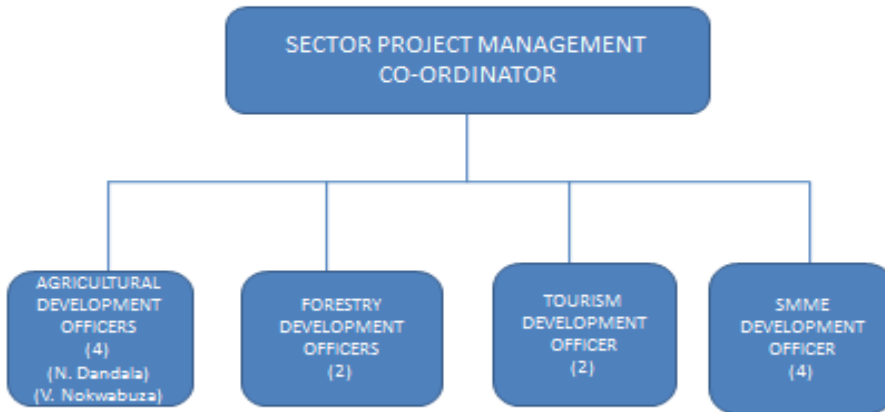
### ANDA ORGANOGRAM



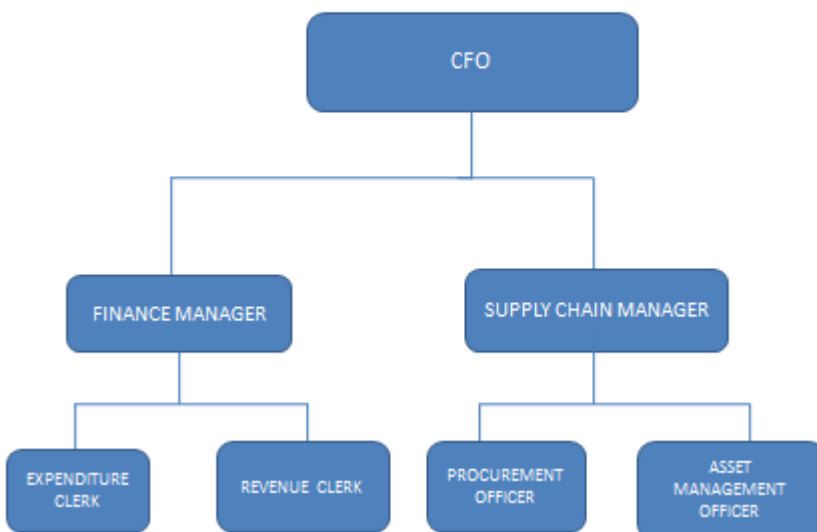
### EXECUTIVE MANAGER: PROGRAMMES



## SECTOR PROJECT MANAGEMENT CO-ORDINATOR



## BUDGET AND TREASURY



## CORPORATE SERVICES



## STAFFING

The agency currently has a Chief Executive Officer, two Agriculture Officers and an In-Service Trainee (Horticulture).

## FINANCIAL MANAGEMENT SYSTEM

The agency utilizes the Pastel Evolution Accounting and Pastel Evolution Payroll Systems as its accounting and payroll software. The agency is responsible for its own monthly financial processing and reporting. Additional modules for Fixed Assets Management, Procurement and Contact Management have also been activated.

## OPERATING POLICIES AND PROCEDURES

The agency has a Delegation of Authority for the CEO developed and approved. The purpose of these guidelines is to issue general provisions concerning delegations of authority in the Alfred Nzo Development Agency (ANDA) from the Board to management.

The following policies and procedures have been developed by the agency:

- Petty Cash Policy and Procedures
- Corporate Credit Card Policy and Procedures
- Banking and EFT Policy and Procedures

The agency currently utilises all other policies and procedures from the parent municipality that it has not yet developed and approved. This includes HR and Finance policies.

## REMUNERATION

Senior management and directors' emoluments	Fees for services	Salary	Acting allowance	Expense allowances	Pension contributions	Other benefits	Total
<b>Executive Management and Directors</b>							
Chief Executive Officer		659,223	-	357,980	-	-	<b>1,017,203</b>
<b>Directors</b>							
F Maqwati	7,410	-	-	-	-	-	<b>7,410</b>
L Sibanyoni	8,617	-	-	-	-	-	<b>8,617</b>
N Zilwa	4,000	-	-	-	-	-	<b>4,000</b>
S Mase	2,000	-	-	-	-	-	<b>2,000</b>
	<b>22,027</b>	<b>659,223</b>	-	<b>357,980</b>	-	-	<b>1,039,230</b>

**7. FUNCTIONAL AREA SERVICE DELIVERY REPORT**

***ALFRED NZO DEVELOPMENT AGENCY***

***ANNUAL PROGRESS REPORT***

***2011- 2012***

# ALFRED NZO DEVELOPMENT AGENCY

## REPORT ON PERFORMANCE OBJECTIVES

### 2011 - 2012

NATIONAL KPA: INSTITUTIONAL FINANCIAL VIABILITY AND MANAGEMENT								
NATIONAL KPA: INSTITUTIONAL CAPACITY AND ORGANIZATIONAL TRANSFORMATION								
KPA: BUILDING ORGANIZATIONAL AND INSTITUTIONAL CAPACITY								
								2011-2012
STRATEGIC OBJECTIVE	OBJECTIVE	ACTIVITIES	UNIT OF MEASURE	RESPONSIBILITY	ANNUAL TARGET	ANNUAL BUDGET	ACTUAL (Q1 -Q4)	NARRATIVE AND EXPLANATION FOR VARIANCE
AGENCY SET-UP AND CORPORATE GOVERNANCE								
	To promote Good Organizational Corporate Governance by exercising oversight function over the agency's affairs through the operation of governance structures, legislative compliance and an improved internal controls environment	Hold a minimum of 4 ordinary board meetings, 4 special board meetings and 8 board committee meetings a year	Attendance register and minutes of meetings	CEO	16 meetings	R 200 000.00	4 meetings held	The board was disbanded by council on the 31st March 2012. Council then appointed a 4 member interim board on the 31st May 2012 for a period of 1 month starting from the 1st June to the 30th June 2012 to deal with compliance issues. A new board was to be appointed by the 1st of July 2012. The interim board met only twice for special board meetings. All matters for committees were referred to the board for consideration.

		Hold a minimum of 4 audit committee meetings a year	Attendance register and minutes of meetings	CEO	4 meetings	R 60 000.00	0 meetings were held	No audit committee meetings were held in the past four quarters and all matters for the committee's attention were dealt with by the board and interim board
		Conduct quarterly internal audits	Quarterly internal audit reports submitted to the audit committee and the board	CEO	4 internal audit reports submitted	R 120 000.00	no internal audit reports were submitted	No quarterly internal audit reports have been submitted. Internal audit was not conducted as governance structures were compromised by the council's failure to appoint a board for the entity. This matter has been brought to the attention of the AG and Dept of Local Government

		Conduct quarterly risk assessments in order to track risks and update the risk register	Quarterly risk assessment reports submitted to the audit committee and the board	CEO	4 risk assessment and risk registers submitted		no quarterly risk assessment reports submitted	No quarterly risk assessment reports have been submitted to the audit committee or the board. The risk assessment of 3 quarters was conducted in the 3rd quarter with the assistance of the ANDM Risk Manager and CEO but could not be submitted as there were no governance structures in place due to the council's failure to appoint a board for the entity
		Obtain a positive unqualified audit outcome for the 2010-2011 financial year	Auditor-General's audit report	CEO	Unqualified audit opinion		unqualified opinion with matters obtained in 2010-2011 audit	The agency has received an unqualified audit opinion with matters of emphasis for the 2010-2011 financial year.
		Comply with relevant legislation	Submission of monthly budget statements as per legislation	CEO	Timely submission of required documents		Documents submitted to parent municipality	Monthly Budget statements have been submitted in the prescribed format to the accounting officer of the parent municipality

			Submission of quarterly reports as per legislation	CEO	Timely submission of required documents		Documents submitted to parent municipality	Quarterly progress reports have been submitted
		Ensure procurement is done in accordance with SCM policy and good practise	Limited queries from Internal and External Auditors	CEO	Annual External Audit and Quarterly Internal Audit		Not achieved	No quarterly internal audit reports have been submitted. Internal audit was not conducted as governance structures were compromised by the council's failure to appoint a board for the entity. This matter has been brought to the attention of the AG and Dept of Local Government
		Ensure that SCM is operating effectively by providing guidance to all staff involved with the process	Database is functional with supplier numbers allocated to suppliers	CEO	By March 2012		Database is functional with supplier numbers	Updating of the database is not regular. This is due to internal capacity constraints that are caused by funding shortfall which prevents the entity from

								recruiting additional staff in supply chain section.
			Contracts are developed in line with SCM policy	CEO	Bi-Annually		Achieved	Contracts have been developed in line with SCM policy
			Limited queries from Internal and External Auditors regarding SCM compliance	CEO	Quarterly and Annually		Not achieved	No quarterly internal audit reports have been submitted. Internal audit was not conducted as governance structures were compromised by the council's failure to appoint a board for the entity. This matter has been brought to the attention of the AG and Dept of Local Government

	Improve the internal control environment so as to improve the quality of service delivery for ANDM citizens	Develop policies, procedures and internal controls	Board approved policies and procedures	CEO	5 policies approved and 4 quarterly financial reports submitted to the board		Mid-term budget and performance report submitted to the board covering 2 quarters in January 2012 and to the parent municipality for the 3rd and 4th quarter, no policies submitted to the board for approval	No new policies developed due to internal capacity constraints which are a result of funding shortfall. The agency is still using the parent municipality's policies. The recruitment of a CFO for the entity has started; policies will be developed in the new financial year.
		Managing expenditure to match 100% the approved budget for the current financial year	Quarterly financial reports submitted to the audit committee, the board and council	CEO	100% match of expenditure to budget. 0% overspending and not more than 5% under spending		Not achieved	Under spending as at the end of the 4th quarter is 68.7%. The is largely due to the slowing down of expenditure as the agency faces a cash-flow crisis that has been caused by the parent municipality not transferring the full council approved budget of 2011-2012 to ANDA

NATIONAL KPA: LOCAL ECONOMIC DEVELOPMENT								
KPA: TRADE AND INVESTMENT PROMOTION								
								2011-2012
STRATEGIC OBJECTIVE	OBJECTIVE	ACTIVITIES	UNIT OF MEASURE	RESPONSIBILITY	ANNUAL TARGET	ANNUAL BUDGET	ACTUAL (Q1-Q4)	NARRATIVE AND EXPLANATION FOR VARIANCE
TRADE AND INVESTMENT PROMOTION	To facilitate investment in strategic public infrastructure that supports economic development and address socio-economic challenges in ANDM by June 2012	Facilitate the development of a funding proposal for identified water infrastructure projects	Water infrastructure funding proposal document	CEO	1 funding proposal developed	R 300 000.00	Achieved	A funding proposal for identified critical water infrastructure which was developed and submitted to DBSA for approval was approved in the 3rd quarter. Awaiting final approval from national treasury.
		Secure funding for strategic water infrastructure projects	letter of approval for funding	CEO	R 500 million worth of funding approved		letter of approval for R720 million received from dbsa	Awaiting final approval of funds from national treasury

To promote trade and investment within the district	Organize inward and outward trade missions to China and Mozambique	Trade mission reports	CEO	4 trade mission reports	R 250 000.00	5 trade missions achieved with reports written	5 trade missions were undertaken to the Joaquim Chissano Foundation (JCF) in Mozambique and Africa Square in China. An MOU on agriculture development and youth empowerment has been signed with the JCF. A letter of intent (LOI) was also signed with Africa Square to secure retail space for crafters in Shanghai, China
		Co-operation agreements signed	CEO	4 agreements signed		1 loi agreement signed in China and 1 MOU signed with JCF in Mozambique	An MOU on agriculture development and youth empowerment has been signed with the JCF. A letter of intent (LOI) was also signed with Africa Square to secure retail space for crafters in Shanghai, China
	Sign partnership agreements with local and international organizations	Partnership Agreements/ MOU's /Letter of Intent	CEO	3 agreements signed		2 agreements signed	A Letter Of Intent (LOI) has been signed with Africa Square to secure retail space for crafters in Shanghai, China and an MOU has been signed with JCF in
To facilitate mutually beneficial business partnership that will develop the local economy							

								Mozambique
To identify local, national and international trade opportunities for local products and with local businesses	Facilitate trade opportunities for SMME's in China	Signed letters of intent and service level agreements with partners in China	CEO	12 agreements signed		1 agreement signed	A Letter Of Intent (LOI) has been signed with Africa Square to secure retail space for crafters in Shanghai, China. As 11 agreements could not be finalised due to funding constraints, this target has been deferred to the next financial year.	
		Signed off-take agreements with buyers in China	CEO	4 agreements signed		Not achieved	This target was not achieved due to funding constraints that resulted from the municipality failing to transfer the council approved budget to ANDA. As a result this target is deferred	

								to the next financial year.
		Facilitate trade opportunities for SMME's in the SADC region	Signed letters of intent and service level agreements with partners in SADC	CEO	2 agreements signed		Not achieved	This target was not achieved due to funding constraints that resulted from the municipality failing to transfer the council approved budget to ANDA. As a result this target is deferred to the next financial year.

**DEVELOPMENT**

**KPA: INTEGRATED REGIONAL ECONOMIC DEVELOPMENT PLAN**

								<b>2011-2012</b>
<b>STRATEGIC OBJECTIVE</b>	<b>OBJECTIVE</b>	<b>ACTIVITIES</b>	<b>UNIT OF MEASURE</b>	<b>RESPONSIBILITY</b>	<b>ANNUAL TARGET</b>	<b>ANNUAL BUDGET</b>	<b>ACTUAL (Q1-Q4)</b>	<b>NARRATIVE AND EXPLANATION FOR VARIENCE</b>
<b>DEVELOP A LONG-TERM ECONOMIC DEVELOPMENT STRATEGY FOR THE DISTRICT</b>	To develop an Integrated and standardized long term economic development plan with appropriate sector plans	Facilitate the formation of a steering committee for the initiative	Steering Committee letters of appointment and minutes of meetings	CEO	6 member committee		Not achieved	This target was not achieved as we had limited internal capacity that was due to funding constraints that resulted from the municipality failing to transfer the council approved budget to ANDA. As a result this target is deferred to the next financial year.

		Develop terms of reference for the long-term economic development plan for the district	Terms of Reference developed	CEO	May-12		Not achieved	This target was not achieved as we had limited internal capacity that was due to funding constraints that resulted from the municipality failing to transfer the council approved budget to ANDA. As a result this target is deferred to the next financial year.
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**NATIONAL KPA: LOCAL ECONOMIC DEVELOPMENT  
KPA: MANAGING MUNICIPAL ASSETS & PROJECTS**

STRATEGIC OBJECTIVE	OBJECTIVE	ACTIVITIES	SUB-ACTIVITIES	UNIT OF MEASURE	RESPONSIBILITY	ANNUAL TARGET	ANNUAL BUDGET	ACTUAL (Q1-Q4)	2011-2012 NARRATIVE AND EXPLANATION FOR VARIANCE
<b>MANAGING MUNICIPAL ASSETS AND LED PROJECT IMPLEMENTATION</b>	To increase ANDM's contribution to the Eastern Cape's Agriculture sector by 5% in 2011/12	<b>Grain Production</b>	Achieve an average yield of 2 tons per ha in Umzimvubu and 2.5 tons per ha in Matatiele from harvesting 4000ha of maize from the 2010-11 planting season	No. of tons/ha harvested	<b>CEO</b>	2 tons/ha in Umzimvubu and 2.5 tons/ha in Matatiele	R 2 million	2.76 tons/ha in Umzimvubu and 1.06 tons/ha in Matatiele	Umzimvubu sites achieved an average of 2.76 tons/ha and Matatiele sites achieved an average of 1.06 tons/ha. The district yield was 1.46 tons/ha. The decrease in yield was largely due to flooding, veld fires and theft of maize

			Harvest 5000 tons of maize from the 2010-11 planting season	No. of tons harvested	CEO	3000 tons of maize from Matatiele and 2000 tons of maize from Umzimvubu		5 792 tons harvested in July - Aug 2011	2592 tons were harvested in the Umzimvubu sites and 3200 tons were harvested in the Matatiele site. Total harvest was 5 792 tons.
			Cultivate 100 ha of grain in the District	Number of ha planted	CEO	100 ha		0 ha planted	This target was not achieved as we had limited internal capacity that was due to funding constraints that resulted from the municipality failing to transfer the council approved budget to ANDA. As a result this target is deferred to the next financial year.

			Develop production plans for 4000ha of maize production in 10 sites	Number of production plans developed	CEO	10 production plans		4 production plans were developed for the 4 local municipalities covering 12 sites	4 production plans were developed for the 4 local municipalities of Umzimvubu, Matatiele, Mbizana and Ntabankulu covering 12 sites
		<b>Livestock and Poultry Production</b>	Develop funding proposal for livestock improvement in the District	Funding proposal document	CEO	1 funding proposal developed	R 1 million	1 funding proposal developed	A funding proposal has been developed for livestock improvement in the district. This will be submitted to funders in the next financial year.
			Secure a private sector partner for livestock improvement in the District	Signed MOU	CEO	1 partner secured		2 partners have been secured	2 partners, Farmsecure and Mngcunube have been secured for livestock improvement

			Support 1500 farmers in the district through the livestock improvement programme	No. of farmers supported	CEO	1500 farmers supported		1292 farmers supported	A cumulative total of 1292 farmers are currently being supported through the programme in 54 villages in the District. The small number of new farmers is due to funding constraints that are the result of the parent municipality's failure to transfer the council approved budget to the entity. This challenge was brought to the attention of the AG and Dept of Local Government
			Increase the total value of livestock net sales of beneficiaries to R250 000 in 2012	Value of livestock net sales	CEO	R 250 000 net sales value of livestock		R 265 259 cumulative net sales value of livestock	Cumulative net sales value of livestock to date is R265 259.00 which exceeds estimates. The programme will

									now include farmers from Ntabankulu and Mbizana
		<b>Fruit, Flowers and Vegetable Production</b>	Support the Cultivation of 500 ha of vegetables and 2ha of flowers in the District	No. of ha cultivated	CEO	502 ha cultivated	R 1,35 million	Not achieved	This target was not achieved as we had limited internal capacity that was due to funding constraints that resulted from the municipality failing to transfer the council approved budget to ANDA. As a result this target is deferred to the next financial year.
			Provide financial and non-financial support for the establishment of 500 keyhole garden projects in the district	No. of gardens established	CEO	500 household gardens established		Not achieved	This target was not achieved as we had limited internal capacity that was due to funding constraints that resulted from the municipality failing to transfer the council

									approved budget to ANDA. As a result this target is deferred to the next financial year.
			Facilitate the establishment of Pomelo orchards in the District	No. of ha secured and tested	CEO	250ha secured from local communities with soil tests conducted	100ha secured in Greenville area of Mbizana and soil tests conducted in 2 areas		This target was not achieved as we had limited internal capacity that was due to funding constraints that resulted from the municipality failing to transfer the council approved budget to ANDA. As a result this target is deferred to the next financial year.
			Facilitate the establishment of a Vegetable incubator with Goxe Co-operative and the Chissano Foundation	MOU and Business Plan	CEO	Signed MOU and Business Plan developed	Mou signed and business plan approved		The business plan for the Agriculture incubator to be implemented in Goxe in partnership with the

									Joaquim Chissano Foundation in Mozambique has been signed off and approved
To develop and promote tourism within the ANDM so as to increase domestic tourism by 5% in 2011/12	Tourism Development	Secure retail space for crafters in Africa Square, Shanghai, China by May 2012	Signed LOI and Lease Agreements	CEO	10 crafters with retail space	R 1 million	LOI signed	LOI signed with Africa Square in Shanghai, China. The target for lease agreements has not been achieved due to funding constraints and has been deferred to the next financial year	
		Facilitate product development for crafters	No. of crafters assisted	CEO	10 crafters		Not achieved	This target was not achieved as we had limited internal capacity that was due to funding constraints that resulted from the municipality failing to transfer the council approved budget to	

									ANDA. As a result this target is deferred to the next financial year.
			Facilitate the attendance of 8 crafters to the opening of Africa Square in Shanghai, China in 2012	No. of crafters attending launch	CEO	8 crafters		Not achieved	This target was not achieved as we had limited internal capacity that was due to funding constraints that resulted from the municipality failing to transfer the council approved budget to ANDA. As a result this target is deferred to the next financial year.
			Facilitate the attendance of ANDM and 4 LM,s at the Tourism Indaba in Durban, KZN in May 2012	No. of attendees	CEO	1 ANDM and 4 LM's		1 DM and 4 LM,s attended the tourism indaba	The ANDM and the 4 LM's of Umzimvubu, Matatiele, Mbizana and Ntabankulu participated at the tourism

									indaba in Durban in May 2012
			Launch ANDM tourism brand and brochure	Launch Report	CEO	May-12		District tourism brand was launched in May 2012	The District tourism brand was launched at the tourism indaba in Durban in May 2012
			Provide financial and non-financial support to 4 community tourism projects in the district	No. of projects supported	CEO	4 projects supported		1 projects is currently supported	Msukeni Enterprises is currently supported by the agency in terms of its operations. Due to funding constraints the agency has been unable to support a second community project in this quarter. Further support has been deferred to the next financial year

	To create an enabling environment for enterprises to grow in ANDM by 6% in 2011/12	SMME Development	Provide support to SMME's to attend regional and international trade exhibitions	Trade Exhibition Report detailing SMME's supported	CEO	5 Smme's supported	R 1 million	1 smme supported	1 Smme from Umzimvubu has been supported with material to produce products that were then displayed at the India International Trade Fair (IITF) 2011 in New Delhi, India. The SMME was selected and transported by the Dept of Trade and Industry (DTI), to participate in this annual Trade Fair.
			Secure funding for the establishment of an SMME Agro-Manufacturing Incubator	Funding approval letter and signed MOU with funder	CEO	R 3 million		Funding approval letter for R3 million received and MOU signed with STP and Furntech	Funding approval letter for R 3 million for an Agro-Manufacturing incubator has been received from Seda Technology Programme (STP). An

								MOU has been signed with STP and Furntech as the implementing agent.
		Develop funding proposals for 4 mari-and-aqua-culture projects in the district	Funding proposal for project	CEO	1 proposal by May 2012		Not achieved	This target was not achieved as we had limited internal capacity that was due to funding constraints that resulted from the municipality failing to transfer the council approved budget to ANDA. As a result this target is deferred to the next

								financial year.
			Host an SMME information sharing session on local and international trade opportunities	Information Sharing Session Report	CEO	2 sessions	Not achieved	This target was not achieved as we had limited internal capacity that was due to funding constraints that resulted from the municipality failing to transfer the council approved budget to ANDA. As a result this target is deferred to the next financial year.

	<p>To develop and promote the forestry and wood products sector within the ANDM</p>	<p><b>WoodCluster Production</b></p>	<p>Facilitate the development of a funding proposal for a bamboo production pilot project</p>	<p>Funding proposal</p>	<p>CEO</p>	<p>1 proposal by May 2012</p>	<p>R 150 000.00</p>	<p>Not achieved</p>	<p>This target was not achieved as we had limited internal capacity that was due to funding constraints that resulted from the municipality failing to transfer the council approved budget to ANDA. As a result this target is deferred to the next financial year.</p>
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# **1. AUDITOR GENERAL'S REPORT**

**2011-2012**



*Auditing to build public confidence*



# **Audit Report**

## **Alfred Nzo Development Agency**

For the Year ended 30 June 2012



AUDITOR - GENERAL  
SOUTH AFRICA

The accounting officer  
Alfred Nzo Development Agency  
Erf 1400 Intsizwa Street  
Mount Ayliff  
4537

30 November 2012

Reference: 61029REG1112

Dear Madam

**Report of the Auditor-General on the financial statements and other legal and regulatory requirements of Alfred Nzo Development Agency for the year ended 30 June 2012**

1. The above-mentioned report of the Auditor-General is submitted herewith in terms of section 21(1) of the Public Audit Act of South Africa read in conjunction with section 188 of the Constitution of the Republic of South Africa section 121(3) of the Municipal Finance Management Act of South Africa (MFMA)
2. We have not yet received the other information that will be included in the annual report with the audited financial statements and have thus not been able to establish whether there are any inconsistencies between this information and the audited financial statements and the reported performance against pre-determined objectives. You are requested to supply this information as soon as possible. Once this information is received it will be read and should any inconsistencies be identified these will be communicated to you and you will be requested to make the necessary corrections. Should the corrections not be made we will amend and reissue the audit report.
3. In terms of section 121(4) (municipal entity) of the MFMA you are required to include the audit report in the municipality's annual report to be tabled.
4. Until the annual report is tabled as required by section 127(2) of the MFMA the audit report is not a public document and should therefore be treated as confidential.
5. Prior to printing or copying the annual report which will include the audit report you are required to do the following:
  - Submit the final printer's proof of the annual report to the relevant senior manager of the Auditor-General of South Africa for verification of the audit-related references in the audit report and for confirmation that the financial statements and other information are those documents that have been read and audited. Special care should be taken with the page references in your report, since an incorrect reference could have audit implications.

- The signature *Auditor-General* in the handwriting of the auditor authorised to sign the audit report at the end of the hard copy of the audit report should be scanned in when preparing to print the report. This signature, as well as the place and date of signing and the Auditor-General of South Africa's logo, should appear at the end of the report, as in the hard copy that is provided to you. The official logo will be made available to you in electronic format.
6. Please notify the undersigned Senior Manager well in advance of the date on which the annual report containing this audit report will be tabled.
  7. Your cooperation to ensure that all these requirements are met would be much appreciated.

Kindly acknowledge receipt of this letter.

Yours sincerely



Sandile Hlatshwayo: ECPA

Enquiries: Sandile Hlatshwayo  
Telephone: (043) 709 7200  
Fax: (043) 709 7300  
Email: [sandileh@agsa.co.za](mailto:sandileh@agsa.co.za)

**REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL  
LEGISLATURE AND THE COUNCIL ON ALFRED NZO DEVELOPMENT AGENCY  
REPORT ON THE FINANCIAL STATEMENTS**

**Introduction**

1. I have audited the financial statements of the Alfred Nzo Development Agency set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2012, the statement of financial performance, statement of changes in net assets and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

**Accounting authority's responsibility for the financial statements**

2. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor-General's responsibility**

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Alfred Nzo Development Agency as at 30 June 2012, and its

financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the MFMA.

**Emphasis of matters**

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

**Restatement of corresponding figures**

7. As disclosed in note 16.3 to the financial statements, the corresponding figures for 30 June 2011 have been restated as a result of an error discovered during 2012 in the financial statements of the municipal entity.

**Irregular expenditure**

8. The municipal entity incurred irregular expenditure of R2 540 781 as the expenditure incurred was in contravention of the supply chain management (SCM) regulations as disclosed in note 21.2 to the financial statements.

**Material underspending of the budget**

9. The municipal entity has materially underspent its budget. The underspending as at year-end amounted to R14 911 093, which represents a 71% underspending of the approved budget. The impact of such underspending is that objectives of the entity were not achieved.

**Additional matter**

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

**Unaudited supplementary schedules**

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

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

11. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

**Predetermined objectives**

12. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages ... to ... of the annual report.
13. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to

whether indicators and targets are measurable and relevant as required by the National Treasury *Framework for managing programme performance information*.

The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts.

14. The material findings are as follows:

#### **Reliability of information**

##### **Accuracy**

15. The National Treasury *Framework for managing programme performance information* (FMPPI) requires that the indicator be accurate enough for its intended use and responds to changes in the level of performance. For programme 2: Local economic development a total of 40% of the actual reported indicators relevant to the selected programme were not accurate when compared to source information. This is due to the lack of proper review of information used to prepare the annual performance report as well as the lack of segregation of duties that exists at the municipal entity.

##### **Additional matter**

16. I draw attention to the following matter below. This matter does not have an impact on the predetermined objectives audit findings reported above.

##### **Achievement of planned targets**

17. Of the total number of planned targets (46), only 18 were achieved during the year under review. This represents 61% of total planned targets that were not achieved during the year under review. This was due to the parent municipality withholding a large amount of the approved budget.

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#### **Compliance with laws and regulations**

18. I performed procedures to obtain evidence that the entity had complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations, as set out in the *General Notice* issued in terms of the PAA, are as follows:

##### **Budgets**

19. The accounting officer of the entity did not submit monthly statements on the state of the entity's budget in the prescribed format to the accounting officer of the parent municipality reflecting, where necessary, an explanation of any material variances from the service delivery agreements and the business plan as per requirements of section 87(11)(g) of the MFMA .

##### **Strategic planning and performance management**

20. The accounting officer of the municipal entity did not within six months after the end of the financial year, or on such earlier date as agreed between the entity and its parent municipality, submit the entity's annual report for that financial year to the municipal manager of the entity's parent municipality as per requirements of section 127(1) of the MFMA.

**Annual financial statements, performance and annual report**

21. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of current assets, liabilities, expenditure and disclosure items identified by the auditors were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.
22. The accounting officer did not submit the entity's annual report for that financial year to the municipal manager of the entity's parent company within six months after the end of the financial year as per the requirements of section 127(2) of the MFMA.

**Audit committees**

23. The audit committee did not advise the accounting officer on matters relating to internal financial control, internal audit, risk management, accounting policies, effective governance, performance management and performance evaluation as per requirement of section 166(2)(a) of the MFMA.
24. The audit committee did not review the annual financial statements prior to submission for audit so as to fulfil its mandate of advising the municipal entity on matters relating to the adequacy, reliability and accuracy of financial reporting and information as per requirement of section 166(1) and (2) of the MFMA.
25. An audit committee has not been in place since 1 April 2012 and therefore not for the full financial year, as required by section 166 (1) of the MFMA.
26. The audit committee did not advise the accounting officer on matters relating to the adequacy, reliability and accuracy of financial reporting and information, as per requirement of section 166(2)(a)(iv) of the MFMA.
27. The audit committee did not respond to the council on the issues raised in the audit reports of the Auditor-General, as required by section 166(2)(c) of the MFMA.
28. The audit committee did not meet at least four times a year, as required by section 166(4)(b) of the MFMA.

**Internal audit**

29. An internal audit unit was not established, as required by section 165(1) of the MFMA.

**Procurement and contract management**

30. Goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations as required by SCM regulation 17(a) and (c).
31. Quotations were accepted from prospective providers who are not registered on the list of accredited prospective providers and do not meet the listing requirements prescribed by the SCM policy.
32. Quotations were awarded to providers whose tax matters had not been declared by SARS to be in order as required by SCM regulation 43.

33. The prospective providers list for procuring goods and services through quotations was not updated quarterly to include new suppliers that qualify for listing and prospective providers were not invited to apply for such listing at least once a year as per the requirements of the SCM regulation 14(1)(a)(ii) and 14(2).
34. The procurement of goods or services was deliberately split into parts or items of lesser value merely to avoid complying with the requirements of the SCM regulation 12(3).

#### **Expenditure management**

35. The accounting officer did not take reasonable steps to prevent irregular expenditure and fruitless and wasteful expenditure, as required by section 95(d) of the MFMA.
36. Money owing by the municipal entity was in some instances not paid within 30 days of receiving an invoice or statement, as required by section 99(2)(b) of the MFMA.

#### **Revenue management**

37. Revenue received by the municipal entity was not always reconciled at least on a monthly basis, as required by section 98(a) of the MFMA.

#### **Internal control**

38. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for emphasis of matter opinion, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

#### **Leadership**

39. The accounting authority did not exercise the required oversight responsibilities to ensure compliance with laws and regulations as well as internal control. The accounting authority did not exercise oversight of adherence to the SCM regulations. Non-adherence to these regulations resulted in irregular expenditure. Furthermore, due to the high senior manager vacancy rate at the municipal entity and dissolution of the board of directors, there were not enough staff members to ensure that oversight responsibilities were exercised. Also, the systems are not documented in the policy and procedure manual to indicate how activities within the entity should be carried out.

#### **Financial and performance management**

40. The municipal entity does not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information. As a result, material amendments were made to the financial statements as a result of the audit. Compliance with applicable laws and regulations is not adequately reviewed and monitored. In addition, there is no compliance checklist or compliance officer to ensure that the municipal entity complies with all laws and regulations. As a result, the entity has not complied with all laws and regulations as reported above under compliance with laws and regulations. The accounting authority did not design and implement adequate systems for predetermined objectives. As a result, significant deficiencies were identified regarding the accuracy of reported information in the performance report on

predetermined objectives.

**Governance**

41. The assessment of risks relating to compliance with laws and regulations and reporting on predetermined objectives was not adequate. An audit committee was not in place for part of the year and internal audit was not appointed during the year at the municipal entity. Therefore responsibilities relating to performance management and compliance with laws and regulations were not fulfilled, resulting in the findings relating to these matters. Furthermore, due to the failure to appoint an audit committee and internal audit, the audit committee and internal audit did not review financial statements before submission for audit, resulting in material corrections having to be made to the financial statements as a result of the audit.

*Auditor-General*

East London

30 November 2012



AUDITOR GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## 2. RESPONSES TO THE 2011-2012 REPORT OF THE AUDITOR GENERAL

Ref.	Matter	Detail	Planned corrective action	Responsible official/structure	Timeframe
7.	<b>Restatement of corresponding figures</b>	As disclosed in note 16.3 to the financial statements, the corresponding figures for 30 June 2011 have been restated as a result of an error discovered during 2012 in the financial statements of the municipal entity.	<ul style="list-style-type: none"> <li>The error related to the non-accounting for output VAT on the transfers from the District Municipalities to the municipal entity in terms Section 8(5) of the VAT Act;</li> <li>The municipal entity has corrected this and output VAT will now be accounted for on all future transfers from the District Municipality.</li> </ul>	CEO	June 2013
8.	<b>Irregular expenditure</b>	The municipal entity incurred irregular expenditure of R2, 540,781 as the expenditure incurred was in contravention of the supply chain management (SCM) regulations as disclosed in note 21.2 to the financial statements.	<ul style="list-style-type: none"> <li>The municipal entity will develop and adopt its own Supply Chain Management Policy;</li> <li>Supply Chain Management procedures will also be reviewed to address audit findings and leading practices will be adopted;</li> <li>A dedicated Supply Chain Management official will be appointed to attend to supply chain matters;</li> <li>A Supply Chain Management module is also in the process of</li> </ul>	CEO	June 2013

Ref.	Matter	Detail	Planned corrective action	Responsible official/structure	Timeframe
			being incorporated into the Pastel financial management system.		
9.	<b>Material under-spending of the budget</b>	The municipal entity has materially underspent its budget. The under spending as at year-end amounted to R14 911 093, which represents a 71% under spending of the approved budget. The impact of such under spending is that objectives of the entity were not achieved.	<ul style="list-style-type: none"> <li>The budget could not be spent because the funding due from the District Municipality to execute the entity's projects was not transferred timeously during the financial year;</li> <li>This was exacerbated by the dissolution of the Board of Directors which resulted in tensions between the entity and the parent municipality;</li> <li>With the appointment of a new Board in the current year, it is expected that the relationship will be rekindled and the funding will be transferred timeously to implement the budgeted projects of the entity.</li> </ul>	Board of Directors/CEO	June 2013
17.	<b>Achievement of planned targets</b>	Of the total number of planned targets (46), only 18 were achieved during the year under review. This represents 61% of the total planned	<ul style="list-style-type: none"> <li>The release of funds by the District Municipality will enable the entity to implement and execute a significant amount of the</li> </ul>	Board of Directors/CEO	June 2013

Ref.	Matter	Detail	Planned corrective action	Responsible official/structure	Timeframe
		targets that were not achieved during the year under review. This was due to the parent municipality withholding a large amount of the approved budget.	<p>projects that are on the budget;</p> <ul style="list-style-type: none"> <li>This should result in an achievement of a higher percentage of the planned targets.</li> </ul>		
19.	<b>Budgets</b>	The accounting officer of the entity did not submit monthly statements on the state of the entity's budget in the prescribed format to the account officer of the parent municipality reflecting, where necessary, an explanation of any material variances from the service delivery agreements and the business plan as per requirements of section 87 (11)(g) of the MFMA.	<ul style="list-style-type: none"> <li>The Pastel Financial Accounting System has been upgraded to enable the generation of the prescribed reports;</li> <li>It is expected that the entity will comply with Section 87(11) (g) of the MFMA in the current year.</li> </ul>	CEO	June 2013
20.	<b>Strategic planning and performance management</b>	The accounting officer of the municipal entity did not within six months after the end of the financial year, or on such earlier date as agreed between the entity and its parent municipality, submit the entity's annual report for that financial year	<ul style="list-style-type: none"> <li>With the appointment of the Board of Directors, it is expected that the annual report will be approved and submitted to the parent municipality timeously.</li> </ul>	Board of Directors/CEO	June 2013

Ref.	Matter	Detail	Planned corrective action	Responsible official/structure	Timeframe
		to the municipal manager of the entity's parent municipality as per the requirements of section 127(1) of the MFMA.			
21.	<b>Annual financial statements, performance and annual report</b>	The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of current assets, liabilities, expenditure and disclosure items identified by the auditors were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.	<ul style="list-style-type: none"> <li>The release of funds by the District Municipality will enable the entity to employ and fill vacant posts in its Finance Department;</li> <li>This will assist with the timeous processing and adequate filing of financial information which impacts on the compilation of annual financial statements;</li> <li>The re-constitution of the Audit Committee will also assist with the review of the annual financial statements prior to their submission to the Office of the Auditor-General.</li> </ul>	CEO/Audit Committee	June 2013
22.		The accounting officer did not submit the entity's annual report for that financial year to the municipal manager of the entity's parent company within six months after the end of the financial year as per the requirements of	<ul style="list-style-type: none"> <li>With the appointment of the Board of Directors, it is expected that the annual report will be approved and submitted to the parent municipality timeously.</li> </ul>	Board of Directors/CEO	June 2013

Ref.	Matter	Detail	Planned corrective action	Responsible official/structure	Timeframe
		section 127(2) of the MFMA.			
23.	Audit Committee	The audit committee did not advise the accounting officer on matters relating to internal financial control, internal audit, risk management, accounting policies, effective governance, performance management and performance evaluation as per requirement of section 166(2)(a) of MFMA.	<ul style="list-style-type: none"> <li>The Audit Committee will be re-constituted once the Board has been appointed;</li> <li>It is expected that the audit function will be reinstated in the current year.</li> </ul>	Audit Committee/CEO	June 2013
24.		The audit committee did not review the annual financial statements prior to submission for audit so as to fulfil its mandate of advising the municipal entity on matters relating to the adequacy, reliability and accuracy of financial reporting and information as per requirement of section 166(1) and (2) of the MFMA.	<ul style="list-style-type: none"> <li>The CEO will ensure that the established audit committee reviews the annual financial statements prior to their submission for audit.</li> </ul>	CEO/Audit Committee	June 2013
25.		An audit committee has not been in place since 1 April 2012 and therefore not for the full financial year, as required by section 166 (1) of the MFMA.	<ul style="list-style-type: none"> <li>The audit committee will, with effect from December 2012 be re-constituted and will be operational from that date.</li> </ul>	Audit Committee	December 2012

Ref.	Matter	Detail	Planned corrective action	Responsible official/structure	Timeframe
26.		The audit committee did not advise the accounting officer on matters relating to the adequacy, reliability and accuracy of financial reporting and information, as per requirement of section 166(2)(a)(iv) of the MFMA.	<ul style="list-style-type: none"> <li>The audit committee will, with effect from December 2012 be re-constituted and will be operational from that date.</li> </ul>	Audit Committee	December 2012
27		The audit committee did not respond to the council on the issues raised in the audit reports of the Auditor-General, as required by section 166(2)(c) of the MFMA.	<ul style="list-style-type: none"> <li>The re-constituted audit committee will ensure that Section 166(2)(a)(iv) of the MFMA is complied with.</li> </ul>	Audit Committee	December 2012
28.		The audit committee did not meet at least four times a year, as required by section 166(4)(b) of MFMA.	<ul style="list-style-type: none"> <li>The audit committee will ensure that the statutory requirement in terms of Section 166(4)(b) of the MFMA will be complied with;</li> <li>Meetings are to be scheduled in advance and disseminated to all the members timeously.</li> </ul>	Audit Committee	June 2013
29.	<b>Internal audit</b>	An internal audit unit was not established, as required by section 165(1) of the MFMA.	<ul style="list-style-type: none"> <li>The Board of Directors and the Audit Committee will decide in the current financial year on the establishment of the internal audit unit or on</li> </ul>	Audit Committee	June 2013

Ref.	Matter	Detail	Planned corrective action	Responsible official/structure	Timeframe
			outsourcing the function; <ul style="list-style-type: none"> <li>The decision will be based on the availability of funding.</li> </ul>		
30.	<b>Procurement and contract management</b>	Goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations as required by SCM regulation 17 (a) and (c).	<ul style="list-style-type: none"> <li>A dedicated Supply Chain Management official will be appointed to attend to supply chain matters;</li> <li>The Supply Chain Management module will be upgraded on Pastel Evolution</li> <li>All entity officials will be trained on SCM procedures.</li> </ul>	CEO	June 2013
31.		Quotations were accepted from prospective providers who are not registered on the list of accredited prospective providers and do not meet the listing requirements prescribed by the SCM policy.			
32.		Quotations were awarded to providers whose tax matters had not been declared by SARS to be in order as required by SCM regulation 43.			
33.		The prospective providers list for procuring goods and services through quotations was not updated quarterly to include new suppliers that qualify for listing			

Ref.	Matter	Detail	Planned corrective action	Responsible official/structure	Timeframe
		and prospective providers were not invited to apply for such listing at least once a year as per the requirements of the SCM regulation 14(1)(a)(ii) and 14(2).	<p>together with a calendar showing compliance deadline dates will be developed to ensure compliance with the SCM regulations.</p> <ul style="list-style-type: none"> <li>The Supply Chain Management module will be upgraded on Pastel Evolution. It will include an advanced supplier database management system.</li> </ul>		
34.		The procurement of goods or services was deliberately split into parts or items of lesser value merely to avoid complying with the requirements of the SCM regulation 12(3).	<ul style="list-style-type: none"> <li>A dedicated Supply Chain Management official will be appointed to attend to supply chain matters;</li> <li>The Supply Chain Manager will report to the CFO who will play an oversight role over SCM practices to ensure that malpractices do not occur.</li> </ul>	CEO/CFO/Supply Chain officer	June 2013
35.	<b>Expenditure Management</b>	The accounting officer did not take reasonable steps to prevent irregular expenditure and fruitless and wasteful expenditure, as required by section 95(d) of the MFMA.	<ul style="list-style-type: none"> <li>The fruitless and wasteful expenditure arose as a result of the late payment of the invoices of the Office of the Auditor-General's due to the withholding of funds by the District Municipality;</li> <li>Other fruitless and wasteful</li> </ul>	CEO	June 2013

Ref.	Matter	Detail	Planned corrective action	Responsible official/structure	Timeframe
			<p>expenditure was as a result of the non-payment of SARS payroll-related liabilities;</p> <ul style="list-style-type: none"> <li>• Interest and penalties were incurred on these outstanding amounts;</li> <li>• The Auditor-General outstanding amount has since been paid;</li> <li>• The SARS debt is still outstanding;</li> <li>• This will be extinguished as soon as the District transfers the outstanding amount from the 2012 transfers.</li> </ul>		
36.		<p>Money owing by the municipal entity was in some instances not paid within 30 days of receiving an invoice or statement, as required by section 99(2)(b) of the MFMA.</p>	<ul style="list-style-type: none"> <li>• Moneys owed to creditors are paid within 30 days when funds are available;</li> <li>• The withholding of funds by the District Municipality resulted in the failure in some instances to honour commitments within 30 days;</li> <li>• Every effort will be made in future, subject to the availability of funds, to ensure that money owing by the municipal entity is paid within 30 days.</li> </ul>	CEO	June 2013
37.	<b>Revenue Management</b>	<p>Revenue received by the municipal entity was not</p>	<ul style="list-style-type: none"> <li>• The filling of vacant posts in the Finance</li> </ul>	CEO	June 2013

Ref.	Matter	Detail	Planned corrective action	Responsible official/structure	Timeframe
		<p>always reconciled at least on a monthly basis as required by section 98(a) of the MFMA.</p>	<p>Section of the municipal entity will result in the execution of financial tasks on a monthly basis;</p> <ul style="list-style-type: none"> <li>The reconciliation of revenue on a monthly basis will be one of the tasks to be performed.</li> </ul>		
<p><b>39.</b></p>	<p><b>Leadership</b></p>	<p>The accounting authority did not exercise the required oversight responsibilities to ensure compliance with laws and regulations as well as internal control. The accounting authority did not exercise oversight of adherence to the SCM regulations. Non-adherence to these regulations resulted in irregular expenditure. Furthermore, due to the high senior manager vacancy rate at the municipal entity and dissolution of the board of directors, there were not enough staff members to ensure that oversight responsibilities were exercised. Also, the systems are not documented in the policy and</p>	<ul style="list-style-type: none"> <li>Council has taken a resolution to appoint a new Board of Directors for the entity</li> <li>It is expected that the Board will now give direction to the entity to ensure compliance with laws and regulations;</li> <li>Further, stemming from the Management and Audit Report, policies and procedure manuals and systems descriptions will be developed to guide the entity's staff in the performance of their tasks.</li> </ul>	<p>Board of Directors/ CEO</p>	<p>June 2013</p>

Ref.	Matter	Detail	Planned corrective action	Responsible official/structure	Timeframe
		<p>procedure manual to indicate how activities within the entity should be carried out.</p>			
<p>40.</p>	<p><b>Financial and performance management</b></p>	<p>The municipal entity does not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information. As a result, material amendments were made to the financial statements as a result of the audit. Compliance with applicable laws and regulations is not adequately reviewed and monitored. In addition, there is no compliance checklist or compliance officer to ensure that the municipal entity complies with all laws and regulations. As a result, the entity has not complied with all laws and regulations as reported above under compliance with laws and regulations. The accounting authority did not design and implement</p>	<ul style="list-style-type: none"> <li>• The entity is presently in the process of redesigning the control environment;</li> <li>• Compliance checklists will be developed taking into account all applicable laws and regulations.</li> </ul>	<p>CEO</p>	<p>June 2013</p>

Ref.	Matter	Detail	Planned corrective action	Responsible official/structure	Timeframe
		adequate systems for predetermined objectives. As a result, significant deficiencies were identified regarding the accuracy of reported information in the performance report on predetermined objectives.			
41.	<b>Governance</b>	The assessment of risks relating to compliance with laws and regulations and reporting on predetermined objectives was not adequate. An audit committee was not in place for part of the year and internal audit was not appointed during the year at the municipal entity. Therefore responsibilities relating to performance management and compliance with laws and regulations were not fulfilled, resulting in the findings relating to these matters. Furthermore, due to the failure to appoint an audit committee and internal audit, the audit committee and internal audit did not review	<ul style="list-style-type: none"> <li>• The Council resolved to appoint a new Board and an Audit Committee will be re-constituted in the current year;</li> <li>• The CEO will ensure that the established audit committee reviews the annual financial statements prior to their submission for audit.</li> </ul>	Audit Committee/CEO	June 2013

Ref.	Matter	Detail	Planned corrective action	Responsible official/structure	Timeframe
		financial statements before submission for audit, resulting in material corrections having to be made to the financial statements as a result of the audit.			

**3.**

**AUDITED  
ANNUAL FINANCIAL  
STATEMENTS**

**2011-2012**

**ALFRED NZO DEVELOPMENT  
AGENCY**

**(PROPRIETARY) LIMITED**

(REG. NO.: 2008/009093/08)

**ANNUAL FINANCIAL STATEMENTS**

**30 JUNE 2012**

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**ALFRED NZO DEVELOPMENT AGENCY (PTY) LIMITED**

(REG. NO.: 2008/009093/08)

**ANNUAL FINANCIAL STATEMENTS****30 June 2012**

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**REGISTRATION NAME** Alfred Nzo Development Agency (Pty) Ltd**REGISTRATION NO.** 2008/009093/08**DIRECTORS**

	Period of appointment
F. Maqwati	08 April 2008 to 31 March 2012
L. Sibanyoni	08 April 2008 to 31 March 2012
M. Mondl	19 October 2009 to 31 March 2012
M. Mtimkhulu	19 October 2009 to 31 March 2012
N. Zilwa	19 October 2009 to 31 March 2012
S. Mase	01 July 2010 to 31 March 2012

The Board was not replaced during the year. An interim Board was appointed on 1 June 2012 to 30 June 2012

**ADDRESS OF THE REGISTERED OFFICE** Physical address: Erf 1400  
Ntsizwa Street  
Mount Ayliff  
4735Postal address: Private Bag X511  
Mount Ayliff  
4735**BUSINESS ADDRESS**Physical address: Erf 1400  
Ntsizwa Street  
Mount Ayliff  
4735Postal address: Private Bag X511  
Mount Ayliff  
4735**NATURE OF BUSINESS**

Carry out the promotion and implementation of the local economic development initiatives and investment promotions in Alfred Nzo District Municipality

**AUDITORS**

Auditor-General of South Africa

**BANKERS**

First National Bank of South Africa

**LEGISLATION**

These financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, No 56 of 2003.

**ALFRED NZO DEVELOPMENT AGENCY (PTY) LIMITED**  
(REG. NO.: 2008/009093/08)  
**ANNUAL FINANCIAL STATEMENTS**  
**30 June 2012**

---

**TYPE OF FINANCIAL STATEMENTS**

Municipal Entity

**CONTACT INFORMATION**

**Name of Chief Executive Officer**  
**Contact telephone number**  
**Contact email address**

NSN Bam  
(039) 254 5000  
nandipab@futurenet.co.za

**NAME OF EXTERNAL AUDITOR**

**Contact telephone number**  
**Contact email address**

Auditor-General of South Africa  
(047) 531 1455

**PREPARER**

**Contact telephone number**  
**Contact email address**

Majokweni Sibisi Business Associates  
(045) 838 5820 or (031) 765 8432  
wongilem@msba.co.za

**NAME OF CONTACT AT PROVINCIAL TREASURY**

**Contact telephone number**  
**Contact email address**

Keitumetse Malebye  
(012) 315 5989  
Keitumetse.malebye@treasury.gov.za

**ALFRED NZO DEVELOPMENT AGENCY (PTY) LTD**

**ACCOUNTING AUTHORITY'S LETTER**

**For the year ended  
30 June 2012**

To whom it may concern

The attached financial statements for the year ended 30 June 2012 are hereby approved.

Yours faithfully

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**Chief Executive Officer  
Accounting Officer**

Name: N.S.N. Bam  
Date: 31 August 2012  
Contact Number: (039) 254 5000

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**Chairman of the Board  
Accounting Authority**

Date: 31 August 2012

**ALFRED NZO DEVELOPMENT AGENCY (PTY) LIMITED**  
(REG. NO.: 2008/009093/08)  
**ANNUAL FINANCIAL STATEMENTS**  
**FOR THE PERIOD 01 July 2011 to 30 June 2012**

---

In terms of section 30 of the Companies Act No. 71 of 2008 as amended and sections 122(1)(2)(3) and 126(2)(3), the following report is submitted for the year ended 30 June 2012.

**GENERAL REVIEW**

The company was incorporated on 3 April 2008 and commenced business operations on 1 February 2009.

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

The financial statements adequately disclose the results of the operations for the period under review and the state of the company's affairs at 30 June 2012.

There has been no material fact or occurrence since the end of the period under review on which we consider it necessary to report except that the Board was not replaced during the year.

**NATURE OF BUSINESS**

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

**SHARE CAPITAL**

100 ordinary shares with a par value of R1 each are held wholly by the Alfred Nzo District Municipality.

**DIVIDENDS**

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

**LIST OF DIRECTORS**

	Period of appointment
F. Maqwati	08 April 2008 to 31 March 2012
L. Sibanyoni	08 April 2008 to 31 March 2012
M. Mondli	19 October 2009 to 31 March 2012
M. Mtimkhulu	19 October 2009 to 31 March 2012
N. Zilwa	19 October 2009 to 31 March 2012
S. Mase	01 July 2010 to 31 March 2012

Fees for attendance at meetings are attached as Annexure 2 hereto.

**ALFRED NZO DEVELOPMENT AGENCY (PTY) LIMITED**  
(REG. NO.: 2008/009093/08)  
**ANNUAL FINANCIAL STATEMENTS**  
**FOR THE PERIOD 01 July 2011 to 30 June 2012**

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**STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS**

The directors acknowledge that they are required by the Companies Act to prepare financial statements each year, that fairly present the state of affairs, result and cash flow for the year and that the independent auditors' responsibility is limited to reporting on the financial statements.

It is the responsibility of the directors to ensure that the organisation maintains a system of internal control designed to provide reasonable assurance that the entity's assets are safeguarded against material loss or unauthorised use and that transactions are properly authorised and recorded. The control system includes written accounting and control policies and procedures and clearly drawn lines of accountability and delegation of authority.

All employees are required to maintain the highest ethical and integrity standards in ensuring that the entity's business practices are concluded in a manner, which in all reasonable circumstances, is above reproach. The concept of reasonable assurance recognises that the control procedures should not exceed the expected benefits. The entity maintains its internal control system through management review. Nothing has come to the attention of the directors to indicate any breakdown in the functions of these internal controls during the year, which resulted in any material loss to the entity.

The annual financial statements have been prepared on the going concern basis. The Board of Directors has adopted this basis of accounting after having made enquiries of management and given due consideration to information presented to the Board, including budgets and cash flow projections for the year ahead and key assumptions and accounting policies relating thereto. Accordingly, the Directors have no reason to believe that the entity will not continue as a going concern in the year ahead.

The annual financial statements were submitted to the Auditor General for auditing on 31 August 2012. The annual financial statements have been adopted by the Board of Directors on the 31<sup>st</sup> August 2012 and are signed by:

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**CHAIRPERSON**

**31 August 2012**

**Alfred Nzo Development Agency (Pty) Ltd**  
**Statement of Financial Performance (SPR) for the year**  
**ended**  
**30 June 2012**

		<u>2012</u>	<u>2011</u>
		R	R
	<b>Notes</b>		
<b>REVENUE</b>			
Grants receivable	<u>1</u>	15,809,895	9,384,346
<b>TOTAL REVENUE</b>		<u><b>15,809,895</b></u>	<u><b>9,384,346</b></u>
<b>EXPENDITURE</b>			
Administrative expenses	<u>2</u>	(140,731)	(165,378)
Staff costs	<u>3</u>	(1,547,306)	(139,124)
Project expenses	<u>4</u>	(2,296,481)	(2,611,463)
Other operating expenses	<u>5</u>	(2,224,389)	(3,160,333)
<b>TOTAL EXPENDITURE</b>		<u><b>(6,208,907)</b></u>	<u><b>(6,076,298)</b></u>
<b>SURPLUS FROM OPERATIONS</b>		<b>9,600,988</b>	<b>3,308,048</b>
Finance income	<u>6</u>	52,749	16,649
<b>SURPLUS FOR THE YEAR</b>		<u><b>9,653,737</b></u>	<u><b>3,324,697</b></u>

**Alfred Nzo Development Agency (Pty) Ltd**  
**Statement of Financial Position (SPO) as at**  
**30 June 2012**

		<u>30 June 2012</u>	<u>30 June 2011</u>
		R	R
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	<a href="#">7</a>	302,371	75,519
<b>Current assets</b>			
Trade receivables	<a href="#">8</a>	7,700,845	4,098,479
Cash and cash equivalents	<a href="#">9</a>	7,165,828	349,119
<b>TOTAL ASSETS</b>		<b><u>15,169,044</u></b>	<b><u>4,523,117</u></b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	<a href="#">10</a>	2,623,337	1,100,162
<b>TOTAL LIABILITIES</b>		<b><u>2,623,337</u></b>	<b><u>1,100,162</u></b>
<b>NET ASSETS</b>			
<b>CAPITAL AND RESERVES</b>			
Share Capital (Contributions from owners)	<a href="#">15</a>	100	100
Accumulated surplus	<a href="#">16</a>	12,545,607	3,422,855
<b>TOTAL NET ASSETS</b>		<b><u>12,545,707</u></b>	<b><u>3,422,955</u></b>
<b>TOTAL NET ASSETS AND LIABILITIES</b>		<b><u>15,169,044</u></b>	<b><u>4,523,117</u></b>

**Alfred Nzo Development Agency (Pty) Ltd**  
**Statement of Changes in Net Assets as at**  
**30 June 2012**

	Share Capital (Contr. from Owners)	Accumulated Surplus/(Deficit)	Total
	R	R	R
<b>Balance as at 30 June 2010</b>	<b>100</b>	<b>32,812</b>	<b>32,812</b>
Correction of prior period error		(4,391)	<b>(4,391)</b>
Restatement of opening balances	-	135,117	<b>135,117</b>
Reallocation of expenditure	<a href="#">16.1</a>	(65,380)	<b>(65,380)</b>
<b>Restated balance as at 30 June 2010</b>	<b>100</b>	<b>98,158</b>	<b>98,258</b>
Restated surplus for the year		3,324,697	<b>3,324,697</b>
<b>Balance at 30 June 2011</b>	<b>100</b>	<b>3,422,855</b>	<b>3,422,855</b>
Expenditure reallocated to current year	<a href="#">16.1</a>	(485,823)	<b>(485,823)</b>
Correction of current year balances	<a href="#">16.2</a>	(45,163)	<b>(45,163)</b>
<b>Restated balance as at 30 June 2011</b>	<b>100</b>	<b>2,891,869</b>	<b>2,891,969</b>
Surplus for the year		9,653,737	<b>9,653,737</b>
<b>Balance as at 30 June 2012</b>	<b>100</b>	<b>12,545,607</b>	<b>12,545,707</b>

**Alfred Nzo Development Agency (Pty) Ltd**  
**Cash Flow Statement**  
**30 June 2012**

		<u>2012</u>	<u>2011</u>
		R	R
	<b>Notes</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers		13,925,139	5,040,253
Cash paid to suppliers and employees		(6,884,008)	(4,705,090)
<b>Cash generated from operations</b>	<a href="#">11</a>	<b>7,041,131</b>	<b>335,163</b>
Interest received		52,749	16,649
<b>Net cash inflows from operating activities</b>	<a href="#">12</a>	<b>7,093,880</b>	<b>351,812</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment		(277,171)	(38,502)
<b>Net cash flows from investing activities</b>	<a href="#">13</a>	<b>(277,171)</b>	<b>(38,502)</b>
<b>Net increase in cash and cash equivalents</b>		<b>6,816,709</b>	<b>313,310</b>
Cash and cash equivalents at the beginning of the year	<a href="#">9</a>	349,119	35,809
<b>Cash and cash equivalents at the end of the year</b>	<a href="#">9</a>	<b>7,165,828</b>	<b>349,119</b>

**Alfred Nzo Development Agency (Pty) Ltd**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**For the year ending 30 June 2012**

---

**1. BASIS OF PREPARATION**

**1.1 BASIS OF COMPLIANCE**

These annual financial statements have been prepared in accordance with the effective Generally Recognised Accounting Practice (GRAP), including interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

**1.2 BASIS OF MEASUREMENT**

The annual financial statements have been prepared on the historical cost basis.

**1.3 FUNCTIONAL AND PRESENTATION CURRENCY**

These financial statements are prepared in South African RAND which is the functional currency of the municipal entity. All the financial information has been rounded to the nearest Rand.

**1.4 OFFSETTING**

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the municipal entity has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

**Alfred Nzo Development Agency (Pty) Ltd**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**For the year ending 30 June 2012**

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Revenue and expenses have not been offset except when offsetting is required or permitted by a standard of GRAP.

**1.5 GOING CONCERN ASSUMPTION**

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

**1.6 USE OF ESTIMATES AND JUDGEMENTS**

The preparation of financial statements in conformity with GRAP requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future.

**1.7 COMPARATIVE INFORMATION**

Budget information in accordance with GRAP 1 and principles of GRAP 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors 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.

**Alfred Nzo Development Agency (Pty) Ltd**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**For the year ending 30 June 2012**

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**1.8 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipal entity. Application of all of the GRAP standards noted below will be effective from a date to be announced by the Minister of Finance. The effective dates are currently unknown.

GRAP 18	Segment Reporting	issued February 2011
GRAP 20	Related Party Disclosures	Issued June 2011
GRAP 25	Employee Benefits	Issued November 2009
GRAP 105	Transfer of Functions Between Entities Under Common Control	Issued November 2010
GRAP 106	Transfer of Functions Between Entities Not Under Common Control	Issued November 2010
GRAP 107	Mergers	Issued November 2010

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been adopted by the municipal entity:

GRAP 21	Impairment of Non-cash-generating Assets	effective 1 April 2012
GRAP 23	Revenue from Non-exchange transactions (Taxes and Transfers)	effective 01 April 2012
GRAP 24	Presentation of Budget Information in the Financial Statements	effective 01 April 2012
GRAP 26	Impairment of Cash-generating Assets	effective 01 April 2012
GRAP 103	Heritage Assets	Effective 01 April 2012

**GRAP 21** - Non-cash-generating assets are assets other than cash-generating assets. When the carrying amount of a non-cash-generating asset exceeds its recoverable service

amount, it is impaired. The municipal entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, an entity estimates the recoverable service amount of the asset. The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

**Alfred Nzo Development Agency (Pty) Ltd**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**For the year ending 30 June 2012**

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If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

**GRAP 23** - Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipal entity.

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

As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised and recognise an amount equal to that reduction as revenue.

**GRAP 24** - The municipal entity is required to present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts is required to be presented separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipal entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in

conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where the municipal entity prepares its budget and annual financial statements on a comparable basis, it is required to include the comparison as an additional column in the primary annual financial statements.

Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This

**Alfred Nzo Development Agency (Pty) Ltd**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**For the year ending 30 June 2012**

---

statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

**GRAP 26** - Cash-generating assets are those assets held by the municipal entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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

An entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipal entity estimates the recoverable amount of the asset. When estimating the value in use of an asset, a municipal entity should estimate the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and a municipal entity should apply the appropriate discount rate to those future cash flows. If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

**GRAP 103** - Heritage assets are assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset is recognised as an asset only if:

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

Heritage assets are recognised at cost unless it is acquired through a non-exchange transaction, in which case it is recognised at its fair value as at the date of acquisition. The municipal entity has a choice between the cost and revaluation model as accounting policy for subsequent measurement and is required to apply the chosen policy to an entire class of heritage assets.

**Alfred Nzo Development Agency (Pty) Ltd**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**For the year ending 30 June 2012**

---

Heritage assets are subsequently carried at its cost or revalued amount less accumulated impairment. These assets are not depreciated.

**Impact on the municipal entity's financial statements once these standards of GRAP are implemented:**

**GRAP 21** - No material impact is expected. The requirements of GRAP 21 are similar to the requirements of IAS 36 Impairment of assets and IPSAS 21 Impairment of non-cash-generating assets.

For conditional grants, a liability will only be recognised if restrictions exist on the use of the resources received and it is required to repay any funds not utilised in accordance with those restrictions, while under GAMAP 9 a liability would be recognised if restrictions existed regardless of the requirement to repay the funds if it is not utilised.

**GRAP 24** - Although the municipal entity currently presents budget information in terms of legislation, additional disclosure is required in terms of GRAP 24.

The standard will however not impact the measurement of figures presented in the annual financial statements and will only result in additional detail being disclosed in relation to the budget.

**GRAP 26** - No material impact is expected. The requirements of GRAP 26 are similar to the requirements of IAS 36 Impairment of assets and IPSAS 21 Impairment of non cash-generating assets.

**GRAP 103** - The municipal entity does not own significant heritage assets and the standard is therefore not expected to have a significant impact on assets.

**Alfred Nzo Development Agency (Pty) Ltd**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**For the year ending 30 June 2012**

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**2. SIGNIFICANT ACCOUNTING POLICIES**

The following significant accounting policies had been applied consistently during the current and previous reporting period, as set out in note 1.2, been applied.

**2.1 PROPERTY, PLANT AND EQUIPMENT**

**2.1.1 INITIAL RECOGNITION**

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 year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded 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 the entity. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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.

Where an asset is acquired by the entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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.

Major spare parts and servicing equipment qualify as property, plant and equipment when the entity expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**For the year ending 30 June 2012**

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**2.1.2 SUBSEQUENT MEASUREMENT - COST MODEL**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the entity replaces parts of an asset, it de-recognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

**2.1.3 DEPRECIATION AND IMPAIRMENT**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Computer Equipment	5 Years
Equipment	6 years
General Equipment	6 years
Office furniture	6 years

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

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

#### **2.1.4 DE-RECOGNITION**

Items of Property, plant and equipment are de-recognised 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

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difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### **3. INTANGIBLE ASSETS**

#### **3.1 INITIAL RECOGNITION**

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipal entity recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipal entity and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipal entity intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipal entity has the resources to complete the project; and
- it is probable that the municipal entity will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipal entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset 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.

### **3.2 SUBSEQUENT MEASUREMENT – COST MODEL**

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

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**3.3 AMORTISATION AND IMPAIRMENT**

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	3 years
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The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipal entity tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

**3.4 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 intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**4. HERITAGE ASSETS**

**4.1 INITIAL RECOGNITION**

Heritage assets are assets that are normally held indefinitely for their unique cultural, environmental, historical, natural, scientific, technological or artistic significance for the benefit of future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

Heritage assets are recognised as an asset when:

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

If the municipal entity holds an asset that might be regarded as a heritage asset, but on initial recognition, the asset does not meet the above recognition criteria because it cannot be measured reliably, relevant and useful information about the heritage asset is disclosed in the notes to the financial statements.

On the date of initial recognition, heritage assets are measured at cost. Where a heritage asset is acquired through a non-exchange transaction, the cost is its fair value as at the date of acquisition.

#### **4.2 SUBSEQUENT MEASUREMENT – COST MODEL**

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

#### **4.3 DEPRECIATION**

Heritage assets are not depreciated. The municipal entity assesses at each reporting date whether there is any indication that a heritage asset may be impaired.

#### **4.4 DERECOGNITION**

The carrying amount of a heritage asset is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amounts of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

### **5. FINANCIAL INSTRUMENTS**

#### **5.1 INITIAL RECOGNITION**

Financial instruments are initially recognised at fair value.

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**5.2 SUBSEQUENT MEASUREMENT**

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

**5.2.1 INVESTMENTS**

Investments, which include short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments 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. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

**5.2.2 TRADE AND OTHER RECEIVABLES**

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial re-organisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

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**5.2.3 TRADE PAYABLES AND BORROWINGS**

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

**5.2.4 CASH AND CASH EQUIVALENTS**

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash 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, deposits held on call with banks, net of bank overdrafts. The entity categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

**6. FOREIGN CURRENCY TRANSACTIONS**

Transactions in foreign currencies are translated to the functional currency of the municipal entity at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

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Foreign currency differences arising on retranslation are recognised in surplus or deficit, except for differences arising on the retranslation of available-for-sale financial instruments, which are recognised in net assets.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

**7. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the relevant authority, it is treated as a receivable, if it meets the definition and the recognition criteria of an asset, in the statement of financial position until it is recovered or written off as irrecoverable.

**8. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to legislation or is in contravention of the 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.

**9. 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.

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**10. REVENUE**

**10.1 REVENUE FROM EXCHANGE TRANSACTIONS**

Revenue from exchange transactions refers to revenue that accrued to the municipal entity directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Interest revenue is recognised on a time proportion basis.

Revenue arising out of situations where the municipal 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 municipality as compensation for executing the agreed services.

**10.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS**

Revenue from non-exchange transactions refers to transactions where the municipal entity received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipal entity. Where public contributions have been received but the municipal entity has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipal entity.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

### **10.3 GRANTS, TRANSFERS AND DONATIONS**

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

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**11. VALUE ADDED TAX (VAT)**

The municipal entity accounts for VAT on the invoice basis. The municipal entity is liable to account VAT at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or is out of scope for VAT purposes. The municipal entity accounts for VAT on a bi-monthly basis.

**12. INCOME TAX**

As a registered municipal entity, the municipal entity is exempt from income tax.

**13. PROVISIONS**

Provisions are recognised when the municipal entity has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipal entity does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

**14. RELATED PARTIES**

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

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**15. EVENTS AFTER THE REPORTING DATE**

Events after the reporting date that are classified as adjusting events have been accounted for in the annual financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the annual financial statements.

**16. CAPITAL COMMITMENTS**

Items are classified as commitments where the municipal entity commits itself to future transactions that will normally result in the outflow of resources. Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes of the annual financial statements.

**17. IMPAIRMENT OF ASSETS**

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

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

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

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

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

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipal entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

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	<u>2012</u> R	<u>2011</u> R
<b>1 Transfers receivable</b>		
Alfred Nzo District Municipality	15,809,895	9,384,346
<b>Total</b>	<b><u>15,809,895</u></b>	<b><u>9,384,346</u></b>
<b>2 Administrative expenses</b>		
Bank charges	13,495	3,847
Fees: Board members	21,885	126,745
Licenses: Computer Programmes	32,676	27,372
Stationery and printing	43,306	7,414
Training and staff development	29,370	-
<b>Total</b>	<b><u>140,731</u></b>	<b><u>165,378</u></b>
<b>3 Staff costs</b>		
Wages and salaries		
- Basic salaries	1,134,640	94,087
- Car allowance	132,000	11,000
- Housing allowance	120,000	10,000
- Acting allowance	-	18,333
- Leave provision	106,938	5,704
- Contribution to UIF	4,522	-
- Contribution to SDL	14,216	-
- Back pay	34,989	-
<b>Total</b>	<b><u>1,547,306</u></b>	<b><u>139,124</u></b>

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	<u>2012</u> R	<u>2011</u> R
<b>Remuneration of the Chief Executive Officer</b>		
Annual remuneration	636,423	50,375
Backpay	22,800	
Car allowance	132,000	11,000
Housing allowance	120,000	10,000
Re-imbursive travel allowance	105,980	-
Contribution to medical aid	-	3,500
<b>Total</b>	<b><u>1,017,203</u></b>	<b><u>74,875</u></b>
<b>4 Project expenses</b>		
- Grain Production	922,822	1,009,586
- Fruit and Vegetables	405,119	2,543
- Tourism and Development	323,631	272,672
- Goxe Cut Flower	454,857	433,279
- Livestock and Poultry	160,485	868,612
- SMME Development	29,568	24,771
	<b><u>2,296,481</u></b>	<b><u>2,611,463</u></b>

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	<u>2012</u> R	<u>2011</u> R
<b>5 Other operating expenses</b>		
Accommodation	77,680	179,675
Advertising	-	87,216
Air Travel and Transportation: Local	129,754	181,579
Audit Committee	-	67,000
Casual wages	18,000	-
Catering and Venue Hire	15,585	23,638
Cleaning materials	2,298	-
Cleaning services	38,417	-
Computer accessories	5,212	-
Conference and Exhibitions	259,583	-
Consultancy and Professional Fees	603,136	1,154,474
Depreciation	50,317	15,017
Electricity	70,292	-
External Audit Fees	49,420	323,770
General equipment and minor items	49,818	-
Gifts	-	4,480
Hiring expenses	6,642	-
Interest paid	115,578	-
Internal Audit Fees	-	420,373
Marketing and branding	10,465	-
Penalties	141,141	-
Post and Telecommunications	718	9,712
Recruitment Advert	92,639	11,735
Refreshments	2,182	4,558
Repairs –building	37,972	-
Repairs-furniture and fittings	11,080	-
Security expenses	6,866	-

Subsistence and Travelling	154,467	292,774
Sundries	1,800	526
Trade Missions	273,327	383,806
<b>Total</b>	<b><u>2,224,389</u></b>	<b><u>3,160,333</u></b>

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	<u>2012</u> R	<u>2011</u> R
<b>6 Finance income</b>		
Interest on		
- Cash and bank deposits	52,749	16,649
<b>Total</b>	<b><u>52,749</u></b>	<b><u>16,649</u></b>
<b>Z Property, plant and equipment</b>		
<b>- Computer equipment</b>		
<b>Opening net carrying amount</b>	<b>50,742</b>	<b>42,826</b>
Gross carrying amount	68,530	50,237
Accumulated depreciation	(17,788)	(7,411)
Accumulated impairment		-
Revaluation adjustments	-	-
Additions	56,738	18,293
Borrowing costs capitalized		-
Transfer (to)/from asset held for sale or disposal group classified as held for sale		-
Assets acquired through a business/entity combination		-
Disposals		-
Depreciation charge	(20,797)	(10,377)
Impairment deficit (recognised)/reversed		
<b>Closing net carrying amount 30 June 2011</b>	<b>86,683</b>	<b>50,741</b>
Gross carrying amount	125,268	68,530
Accumulated depreciation	(38,585)	(17,788)
Accumulated impairment deficit	-	-

**Computer Software****Opening net carrying amount**

	<b>13,514</b>	<b>6,560</b>
Gross carrying amount	20,366	9,840
Accumulated depreciation	(6,852)	(3,280)
Accumulated impairment	-	-
Revaluation adjustments	-	-
Additions	-	10,526
Borrowing costs capitalised	-	-

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	2012 R	2011 R
Transfer (to)/from asset held for sale or disposal group classified as held for sale	-	-
Assets acquired through a business/entity combination		-
Disposals		-
Depreciation charge	(6,789)	(3,572)
Impairment deficit (recognised)/reversed	-	-
<b>Closing net carrying amount 30 June 2012</b>	<b>6,725</b>	<b>13,514</b>
Gross carrying amount	20,366	20,366
Accumulated depreciation	(13,641)	(6,852)
Accumulated impairment deficit	-	-
<b>General Equipment</b>		
<b>Opening net carrying amount</b>	<b>2,117</b>	<b>2,647</b>
Gross carrying amount	3,177	3,177
Accumulated depreciation	(1,060)	(530)
Accumulated impairment	-	-
Revaluation adjustments	-	-
Additions	-	-
Borrowing costs capitalised	-	-
Transfer (to)/from asset held for sale or disposal group classified as held for sale	-	-
Transfer (to)/from inventories and/or investment property	-	-
Assets acquired through a business/entity combination	-	-
Transfers from work-in-progress	-	-

Disposals	-	-
Depreciation charge	(530)	(530)
Impairment deficit (recognised)/reversed	-	-
Borrowing costs capitalised	-	-
<b>Closing net carrying amount 30 June 2012</b>	<b>1,587</b>	<b>2,117</b>
Gross carrying amount	3,177	3,177
Accumulated depreciation	(1,590)	(1,060)
Accumulated impairment deficit	-	-

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	2012 R	2011 R
<b>Office Furniture</b>		
<b>Opening net carrying amount</b>	<b>9,145</b>	-
Gross carrying amount	9,683	-
Accumulated depreciation	(538)	-
Accumulated impairment	-	-
Revaluation adjustments	-	-
Additions	202,257	9,683
Borrowing costs capitalised	-	-
Transfer (to)/from asset held for sale or disposal group classified as held for sale	-	-
Transfer (to)/from inventories and/or investment property	-	-
Assets acquired through a business/entity combination	-	-
Transfers from work-in-progress	-	-
Disposals	-	-
Depreciation charge	(21,383)	(538)
Impairment deficit (recognised)/reversed	-	-
Borrowing costs capitalized	-	-
<b>Closing net carrying amount 30 June 12</b>	<b>190,019</b>	<b>9,145</b>
Gross carrying amount	211,940	9,683
Accumulated depreciation	(21,921)	(538)
Accumulated impairment deficit		
<b>Equipment</b>		
<b>Opening net carrying amount</b>	-	-
Gross carrying amount	-	-
Accumulated depreciation	-	-

Accumulated impairment	-	-
Revaluation adjustments	-	-
Additions	18,176	-
Borrowing costs capitalized	-	-
Transfer (to)/from asset held for sale or disposal group classified as held for sale	-	-
Assets acquired through a business/entity combination	-	-
Disposals	-	-
Depreciation charge	(819)	-

**Alfred Nzo Development Agency (Pty) Ltd**  
**Notes to the Annual Financial Statements**  
**30 June 2012**

	2012 R	2011 R
<b>Closing net carrying amount 30 June 2012</b>	<b>17,357</b>	-
Gross carrying amount	18,176	-
Accumulated depreciation	(819)	-
Accumulated impairment deficit	-	-
<b>Total Property, plant and Equipment</b>		
<b>Opening net carrying amount</b>	<b>75,518</b>	<b>52,033</b>
Gross carrying amount	101,756	63,254
Accumulated depreciation	(26,238)	(11,221)
Accumulated impairment	-	-
Revaluation adjustments	-	-
Additions	277,171	38,502
Borrowing costs capitalized	-	-
Transfer (to) from asset held for sale or disposal group classified as held for sale	-	-
Assets acquired through a business/entity combination	-	-
Disposals	-	-
Depreciation charge	(50,317)	(15,017)
<b>Closing net carrying amount 30 June 2012</b>	<b>302,371</b>	<b>75,519</b>
Gross carrying amount	378,927	101,756
Accumulated depreciation	(76,556)	(26,237)
Accumulated impairment deficit	-	-
<b>8 Trade receivables</b>		
<b>Current</b>		
Alfred Nzo District Municipality	7,520,000	3,925,139
Prepayments	-	107,406
SARS – Input VAT	-	51,319
Staff debtors	14,423	14,615
Suspense - VAT	166,422	-
	<b>7,700,845</b>	<b>4,098,479</b>

**Alfred Nzo Development Agency (Pty) Ltd**  
**Notes to the Annual Financial Statements**  
**30 June 2012**

	2012 R	2011 R
<b>2 Cash and cash equivalents</b>		
Cash and balances with banks	7,141,484	329,593
Short-term deposits/investments	22,244	17,826
Petty cash	2,100	1,700
	<b>7,165,828</b>	<b>349,119</b>

The Entity has the following bank accounts: -

**Current Account (Primary Bank Account)**

First National Bank, Public Sector Cheque Account Number 62215290355

Cash book balance at beginning of year	329,593 3	17,097
Cash book balance at end of year	7,141,484	329,593
Bank statement balance at beginning of year	329,593	17,097
Bank statement balance at end of year	7,141,484	329,593

**Alfred Nzo Development Agency (Pty) Ltd**  
**Notes to the Annual Financial Statements**  
**30 June 2012**

	<u>2012</u> R	<u>2011</u> R
<b><u>Investment Deposits</u></b>		
Livestock Call Account No. 62238128351	3,027	1,769
SMME Call Account No. 62238128517	2,546	1,387
Tourism Call Account No. 62238128781	4,045	2,054
Fruit and Vegetable Call Account No. 62238129094	1,313	2,058
Wood Cluster Call Account No. 62238129804	1,324	1,678
ANDA Reserve Fund Account No. 62238130231	5,539	5,300
Grain Call Account No. 62238127949	2,470	1,685
Cut Flower Call Account No. 62238128129	1,980	1,894
	<b><u>22,244</u></b>	<b><u>17,826</u></b>
<b>For the purposes of the cash flow statement:</b>	<b><u>7,165,828</u></b>	<b><u>349,119</u></b>
Cash and cash equivalents	<b><u>7,165,828</u></b>	<b><u>349,119</u></b>
<b>10 Trade and other payables</b>		
South African Revenue Services - VAT	1,563,886	-
South African Revenue Services (PAYE, UIF, SDL)	617,015	28,152
Staff leave	112,642	5,704
Trade creditors	255,175	1,035,891
Suspense – Over-deducted tax	63,029	-
Sundry creditors	11,590	2,364
FNB Credit Card	-	28,051
<b>Total</b>	<b><u>2,623,337</u></b>	<b><u>1,100,162</u></b>

**Alfred Nzo Development Agency (Pty) Ltd**  
**Notes to the Annual Financial Statements**  
**30 June 2012**

	<u>2012</u> R	<u>2011</u> R
<b>11 Cash generated from/(utilised in) operations</b>		
Surplus for the year	9,653,738	3,324,697
Adjusted for:		
Interest received	(52,749)	(16,649)
Depreciation	50,317	15,017
Reallocation of prior year expenditure	(485,823)	(65,380)
Correction of previous year balance	(45,163)	-
	<u>9,120,320</u>	<u>3,257,685</u>
Working capital changes	(2,079,189)	(2,922,522)
Increase in trade receivables	(3,602,366)	(1,958,379)
Increase/(Decrease) in trade payables	1,523,177	(964,143)
<b>Net cash flows from operating activities</b>	<b><u>7,041,131</u></b>	<b><u>335,163</u></b>
<b>12 Net cash inflows from operating activities</b>		
Cash received from funders	13,925,139	5,285,867
Cash payments to suppliers and employees	(6,884,008)	(4,950,704)
<b>Cash generated from operations</b>	<b>7,041,131</b>	<b>335,163</b>
Interest received	52,749	16,649
<b>Net cash inflows from operating activities</b>	<b><u>7,093,880</u></b>	<b><u>351,812</u></b>
<b>13 For net cash flows from investing activities</b>		
Acquisition of:		
Property, plant and equipment	(277,171)	(38,502)
Replacement of property, plant and equipment		

**Alfred Nzo Development Agency (Pty) Ltd**  
**Notes to the Annual Financial Statements**  
**30 June 2012**

	<u>2012</u> R	<u>2011</u> R
<b>14 Share capital (Contributions from owners)</b>		
Balance at the beginning of the year	100	100
Shares issued	-	-
<b>Balance at the end of the year</b>	<b><u>100</u></b>	<b><u>100</u></b>
<b>15 Accumulated surplus</b>		
<b>Balance at the beginning of the year</b>	3,422,855	98,158
Surplus for the year	9,653,737	3,324,697
Correction of current year balance	(45,163)	-
Reallocation of prior year expenditure	(485,823)	-
<b>Balance at the end of the year</b>	<b><u>12,545,607</u></b>	<b><u>3,422,855</u></b>
<b>16 ADJUSTMENTS TO OPENING SURPLUS</b>		
<b>16.1 REALLOCATION OF PRIOR YEAR EXPENDITURE</b>		
Previous year expenditure erroneously accounted for in the current year, reallocated to the previous year	(485,823)	(65,380)
<b>16.2 CORRECTION OF PRIOR YEAR BALANCE</b>		
Correction of VAT balance at year end	(45,163)	-
	<b><u>(530,986)</u></b>	<b><u>(65,380)</u></b>

**Alfred Nzo Development Agency (Pty) Ltd**  
**Notes to the Annual Financial Statements**  
**30 June 2012**

	2012	2011
	R	R
<b>16.3 RESTATEMENT OF PRIOR YEAR FIGURES</b>		
Restated the 2011 revenue as a result of accounting for Output Tax on the transfer from the District Municipality in terms of Section 8(5) of the Value-Added Tax.		
The effect of the restatement is as follows:		
<b>Revenue</b>		
Transfer as previously reported	-	9,629,960
Transfer as presently reported	-	9,384,346
Reduction in revenue	-	<b>245,614</b>
<b>Trade Receivables</b>		
Trade Receivables as previously reported	-	4,344,093
Trade Receivables as reported	-	4,098,479
	-	<b>245,614</b>
<b>17 RELATED PARTIES</b>		
The entity in the ordinary course of business enters into transactions with related parties. These occur under the terms and conditions that are not more favourable to those entered into with third parties in arm's length transactions.		
Parent Municipality: Alfred Nzo District Municipality		
<b>Related party balances</b>		
Account owing by related party:		
Alfred Nzo District Municipality	<b>7,520,000</b>	<b>3,925,139</b>
Grant income received from Alfred Nzo District Municipality	<b>15,809,895</b>	<b>9,384,346</b>

**18 EVENTS AFTER THE REPORTING DATE**

There are no events subsequent to the reporting date which require reporting on.

**Alfred Nzo Development Agency (Pty) Ltd**  
**Notes to the Annual Financial Statements**  
**30 June 2012**

	<u>2012</u> R	<u>2011</u> R
<b>19 CONTINGENT LIABILITY</b>		
There is a contingent liability in respect of a claim by a past service provider for alleged breach of a Service Level Agreement with the entity. The matter is with the attorneys of the service provider. There is a contingent liability for	<b>120,734</b>	-
<b>20 COMMITMENTS</b>		
Commitments in respect of expenditure:		
Approved and contracted for:		
TEBA	500,000	2,500,000
Gestalt	-	560,000
EC Publishers	-	186,447
Digital Planet (Pty) Ltd	165,446	-
	<u>665,446</u>	<u>3,246,447</u>
Approved and not contracted for:	-	-
<b>Total</b>	<b><u>665,446</u></b>	<b><u>3,246,447</u></b>
<b>21 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE</b>		
<b>21.1 Fruitless and wasteful expenditure</b>		
Statutory deductions withheld from the employees' salaries and not paid over to SARS in terms of the Income Tax Act as well as Output Tax not accounted for and paid over. This resulted in the incurrence of interest and penalties. The entity also did not pay over the Skills Development Levy resulting in more interest and penalties. Further interest was also incurred in respect of the late payment of a creditor.	256,719	-
Expenditure incurred in respect of late returning of vehicle	-	1,255
Recovered from the Board Member	-	(1,255)
Net expenditure	<b><u>256,719</u></b>	<b><u>-</u></b>

**Alfred Nzo Development Agency (Pty) Ltd**  
**Notes to the Annual Financial Statements**  
**30 June 2012**

	<u>2012</u> R	<u>2011</u> R
<b>21.2 Irregular expenditure</b>		
Appointment of 2 officials who were volunteers for eight months without following the entity's Recruitment Policy and Procedures	-	7,712
The entity has a partnership agreement with a stated-owned entity, ASGISA-EC, around agricultural development in the District. As part of the agreement project implementation costs are shared. Expenditure was incurred for project management costs for the maize project and ASGISA's SCM regulations were followed	-	993 195
<b>Supply Chain Management Policy Deviations</b>		
Three quotations not obtained	1,437,111	-
Use of suppliers not on the database	211,932	-
Competitive bidding process not followed	891,738	-
	<u>2,540,781</u>	<u>-</u>
Submitted to Board for consideration and condonation	-	(7,712)
	<u>2,540,781</u>	<u>993,195</u>
Transfer to receivables – not condoned	-	-
	<u><b>2,540,781</b></u>	<u><b>993,195</b></u>

Due to the non-existence of a Board, none of the SCM deviations were considered or condoned as there was no forum at which to present these deviations.

**22 RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES**

**22.1 Maximum credit risk exposure**

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

Loans and Receivables comprise of the amount of the entity's debt that has been guaranteed by the Alfred Nzo District Municipality.

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

Call Deposits	22,244	17,826
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**Alfred Nzo Development Agency (Pty) Ltd**  
**Notes to the Annual Financial Statements**  
**30 June 2012**

	<u>2012</u> R	<u>2011</u> R
<b><u>22.1</u> Maximum credit risk exposure (cont'd)</b>		
Trade Receivables	7,700,845	4,098,479
These balances represent the maximum exposure to credit risk.		
<b><u>22.2</u> Interest Rate Analysis</b>		
<b>Financial Assets:</b>		
External Investments:		
Current investments	22,244	17,826
Bank balances and cash	7,143,584	331,293
	<u><b>7,165,828</b></u>	<u><b>349,119</b></u>
Interest earned on external investments	<u><b>52,749</b></u>	<u><b>16,649</b></u>
Interest rate	<u><b>0.7%</b></u>	<u><b>4.8%</b></u>
Trade Receivables	<u><b>7,700,845</b></u>	<u><b>4,098,479</b></u>
Interest earned on receivables	<u>-</u>	<u>-</u>
Interest rate	<u><b>0.0%</b></u>	<u><b>0.0%</b></u>
<b>Financial Liabilities</b>		
Long-term Liabilities	<u>-</u>	<u>-</u>
Long-term Liabilities	<u>-</u>	<u>-</u>
Interest paid on long-term liabilities	<u>-</u>	<u>-</u>
Interest rate	<u>-</u>	<u>-</u>

**Alfred Nzo Development Agency (Pty) Ltd**  
**Notes to the Annual Financial Statements**  
**30 June 2012**

	<u>2012</u> R	<u>2011</u> R
<b><u>22.3</u> Credit risk</b>		
Receivables:		
Trade Receivables	<u>7,700,845</u>	<u>4,098,479</u>
Ageing of trade debtors:		
31-60 days		
>60 days	7,700,845	4,098,479
Less: Provision for doubtful debts	-	-
Net debtors	<u>7,700,845</u>	<u>4,098,479</u>
Movement of Provision for doubtful debts:		
Balance at beginning of year	-	-
Contributions	-	-
Bad debts written off	-	-
Balance at end of year	<u>-</u>	<u>-</u>
<b><u>22.4</u> Liquidity Risk</b>		
Debt (Long-term liabilities)	<u>-</u>	<u>-</u>
Equity (Net Assets)	<u>15,169,044</u>	<u>4,523,117</u>
Net Debt to Equity Ratio	<u>0.0%</u>	<u>0.0%</u>

**23 BUDGET VERSUS ACTUAL PERFORMANCE ANALYSIS**

The comparison of the Entity's actual financial performance with that budgeted is set out below. The Entity's approved budget was under-spent by R14,911,093

**ALFRED NZO DEVELOPMENT AGENCY**

**BUDGET STATEMENT FOR THE YEAR ENDED 30 JUNE 2012**

<b>Description</b>	<b>Original Budget</b>	<b>Budget Adjustment</b>	<b>Virement</b>	<b>Final Budget</b>	<b>Actual Outcome</b>	<b>Unauthorised expenditure</b>	<b>Variance</b>	<b>Actual Outcome as % of Final Budget</b>	<b>Actual Outcome as % of Original Budget</b>	<b>Explanations of significant variances &gt; 10% of the budget</b>
	R	R	R	R	R	R	R	R	R	
<b>FINANCIAL POSITION</b>										
<b>ASSETS</b>										
<b>Non-current assets</b>										
Property, plant and equipment	93 000	367 000		460 000	277 171		182 829	60%	298%	
<b>Current assets</b>										
Trade receivables	-									
Cash and cash equivalents	-									
	93 000	367 000		460 000	367 000					
<b>LIABILITIES</b>										
<b>Current liabilities</b>										
Provision										
Trade and other payables										
	-									

**ALFRED NZO DEVELOPMENT AGENCY**  
**BUDGET STATEMENT FOR THE YEAR ENDED 30 JUNE 2012**

Description	Original Budget	Budget Adjustment	Virement	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Explanations of significant variances > 10% of the budget
<b>TOTAL LIABILITIES</b>	R	R	R	R	R	R	R			
<b>Total Assets and Liabilities</b>	<b>93 000</b>	367 000		460 000						
<b>FINANCIAL PERFORMANCE</b>										
<b>Revenue</b>										
Grant received	12 000 000	5 520 000		17 520 000	15 809 895		1 710 105	90%	132%	Accounted for VAT Output tax on actual Funds not received due to entity not complying with the requirements VAT claims not submitted during the financial year Interest on investments not budgeted for
SEDA Alfred Nzo Agro-Manufacturing Incubator		3,000,000		3,000,000	-		3,000,000	0%	0%	
VAT Recoverable		592,000		592,000	-		592,000	0%	0%	
Interest received		8,000		8,000	52 749		(44,749)	659%	0%	
<b>Administrative expenses</b>	<b>12,000,000</b>	<b>9,120,000</b>		<b>21,120,000</b>	<b>15,862,644</b>		<b>5,257,356</b>			
Allowances Board members	200 000			200 000	21 885		178 115	11%	11%	
Bank charges		15 000		15 000	13 495		505	90%	0%	

Licenses: Computer Programmes	30 000			30 000	32 676	(2 676)	(2 676)	0%	0%	Due to increase in cost of licences
Publications, stationery and printing	10 000	15 000		25 000	43 306	(18 306)	(18 306)	173%	433%	Printing done for Tourism Indaba
Training and staff development	80 000	60 000		140 000	29 370		110 630	21%	37%	Vacant posts not filled
	<b>320 000</b>	<b>90 000</b>	<b>-</b>	<b>410 000</b>	<b>131 484</b>	<b>(20 981)</b>	<b>269 269</b>			

**ALFRED NZO DEVELOPMENT AGENCY  
BUDGET STATEMENT FOR THE YEAR ENDED 30 JUNE 2012**

Description	Original Budget	Budget Adjustment	Virement	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Explanations of significant variances > 10% of the budget
	R	R	R	R	R	R	R			
<b>Staff costs</b>										
Basic salaries	3 000 000	746 019		3 746 019	1 134 640		2 611 379	0%	38%	Vacant posts not filled
Back pay		35 000		35 000	34 989		11	0%	0%	
Bonuses		80 000		80 000	-		80 000	0%	0%	
Car allowance		480 000		480 000	132 000		348 000	28%	0%	
Cellular phones		100 000		100 000	-		100 000	0%	0%	
Housing allowance		400 000		400 000	120 000		280 000	0%	0%	
Leave provision	20 000	90 000		110 000	106 938		3 062	97%	535%	Vacant posts not filled
Contribution to Medical Aid		500 000		500 000	-		500 000	0%	0%	
Contribution to Pension		300 000		300 000	-		300 000	0%	0%	
Contribution to SDL					14 216		-14 216	0%	0%	
Contribution to UIF	-	50 000		50 000	4 522		45 478	9%	0%	
	<b>3 020 000</b>	<b>2 781 019</b>	<b>-</b>	<b>5 801 019</b>	<b>1 547 306</b>	<b>-</b>	<b>4 253 713</b>			

<b>Project expenses</b>										
Furniture and Office Equipment	38 000	312 000		350 000		350 000	0%	0%		
General Equipment	5 000	25 000		30 000		30 000	0%	0%		
Computer Hardware	50 000	30 000		80 000		80 000	0%	0%		
Grain Production	2 500 000	(1 500 000)		1 000 000	922 822	77 178	92%	0%		
Fruit and Vegetables	2 000 000	(900 000)		1 100 000	405 119	694 881	37%	0%		
Tourism and Development	1 300 000	(300 000)		1 000 000	323 631	676 369	32%	0%		
Goxe Cut Flower				-	454 857	-454 857	0%	0%		Budgeted under Fruit and Vegetables

**ALFRED NZO ALFRED NZO DEVELOPMENT AGENCY**  
**BUDGET STATEMENT FOR THE YEAR ENDED 30 JUNE 2012**

Description	Original Budget	Budget Adjustment	Virement	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Explanations of significant variances > 10% of the budget
	R	R	R	R	R	R	R			
Livestock and Poultry	1 300 000	(200 000)		1 100 000	160 485		939 515	15%	0%	
SMME Development	1 500 000	209 861		1 709 861	29 568		1 680 294	2%	0%	
Wood cluster	535 000	(235 000)		300 000			300 000	0%	0%	
SEDA Alfred Nzo Agro-Manufacturing Incubator		3,000,000		3,000,000	-		3,000,000	0%	0%	
<b>Other operating expenses</b>	<b>9 228 000</b>	<b>441,861</b>	<b>-</b>	<b>9 669 861</b>	<b>2 296 481</b>	<b>-</b>	<b>4 373 380</b>			
Accommodation	60 000	190 000		250 000	77 680		172 320	31%	0%	
Advertising	100 000	50 000		150 000	-		150 000	0%	0%	
Air Travel and Transportation: Local	120 000	130 000		250 000	129 754		120 246	52%	0%	
Allowances: Audit Committee	60 000			60 000			60 000	0%	0%	
Capacity building	60 000	40 000		100 000			100 000	0%	0%	
Casual wages	-			-	18 000	(18 000)	(18 000)	0%	0%	Labour used for moving furniture to the existing office premises
Catering and Venue Hire	60 000			60 000	15 585		44 415	26%	0%	
Cleaning materials		40 000		40 000	2 298		37 702	6%	0%	
Cleaning services	5 000	45 000		50 000	38 417		11 583	77%	0%	
Computer accessories	-			-	5 212	(5 212)	(5 212)	0%	0%	Item budgeted under Computer Hardware
Conferences and Exhibitions	50 000			50 000	259 583	(209 583)	(209 583)	519%	0%	Attended Tourism Indaba not budgeted for

Consultancy and Professional Fees	350 000	150 000		500 000	603 136	(103 136)	(103 136)	121%	0%	Consulting services used for ITC Services, Payroll and Financial Reporting
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**ALFRED NZO ALFRED NZO DEVELOPMENT AGENCY  
BUDGET STATEMENT FOR THE YEAR ENDED 30 JUNE 2012**

Description	Original Budget	Budget Adjustment	Virement	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Explanations of significant variances > 10% of the budget
	R	R	R	R	R	R	R			
Depreciation	5 000	75 000		80 000	50 317		29 683 9	63%	0%	
Electricity	10 000	70 000		80 000	70 292		708 10	88%	0%	
Entertainment	10 000			10 000			000	0%	0%	
External Audit Fees	150 000	1 150 000		1 300 000	49 420		1 250 580	4%	0%	
General equipment and minor items	-			-	49 818	(49 818)	(49 818)	0%	0%	Items not capitalised as per Asset Management Policy but budgeted for under capital items
Gifts: Corporate	-	10 000		10 000			10 000	0%	0%	
Hiring expenses	40 000			40 000	6 642		33 358	17%	0%	
Insurance	30 000			30 000			30 000	0%	0%	

Interest paid	-			-	115 578	(115 578)	(115 578)	0%	0%	Due to non-payment of statutory deductions and late payment of service provider
Legal fees	60 000	20 000		80 000			80 000	0%	0%	
Marketing and branding	100 000	100 000		200 000	10 465		189 535	5%	0%	
Membership fees	5 000			5 000			5 000	0%	0%	
Municipal services	2 000	3 000		5 000			5 000	0%	0%	
Penalties	-			-	141 141	(141 141)	(141 141)	0%	0%	Due to non-payment of statutory deductions and late payment of service provider
Post and Telecommunications		60 000		60 000	718		59 282	1%	0%	
Recruitment: Accommodation	80 000			80 000			80 000	0%	0%	

**ALFRED NZO ALFRED NZO DEVELOPMENT AGENCY  
BUDGET STATEMENT FOR THE YEAR ENDED 30 JUNE 2012**

Description	Original Budget	Budget Adjustment	Virement	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Explanations of significant variances > 10% of the budget
	R	R	R	R	R	R	R			
Recruitment: Advert	100 000			100 000	92 639		7 361	93%	0%	
Recruitment: Travel	100 000			100 000			100 000	0%	0%	
Refreshments		15 000		15 000	2 182		12 819	15%	0%	
Relocation: Candidate	20 000	(880)		19 120			19 120	0%	0%	

Repairs - Building	-		-	37 972	(37 972)	(37 972)	0%	0%	Present office premises had to be renovated to suit the office requirements
Repairs - Computer Accessories	15 000		15 000			15 000	0%	0%	
Repairs - Furniture and Fittings	10 000	(5 000)	5 000	11 080	(6 080)	(6 080)	222%	0%	Air-conditioning had to be repaired and had not been budgeted for
Repairs - Motor Vehicles	-	10 000	10 000			10 000	0%	0%	
Security expense		60 000	60 000	6 866		53 134	11%	0%	
S&T: Board Members	150 000		150 000			150 000	0%	0%	
Subsistence and Travelling	150 000	250 000	400 000	154 467		245 533	39%	0%	
Sundries	5 000		5 000	1 800		3 200	36%	0%	
Trade Missions	500 000	350 000	850 000	273 327		576 673	32%	0%	
Workmens' Compensation	20 000		20 000			20 000	0%	0%	
	<b>2 427 000</b>	<b>2 812 120</b>	<b>-</b>	<b>5 239 120</b>	<b>(686 520)</b>	<b>3 014 731</b>			
<b>Total Expenditure</b>	<b>14 995 000</b>	<b>3 125 000</b>	<b>-</b>	<b>21 120 000</b>	<b>(707 501)</b>	<b>14 911 093</b>	29%	0%	
<b>Surplus/(Deficit) for the year</b>	<b>-2 995 000</b>	<b>2 995 000</b>	<b>-</b>	<b>-</b>	<b>9 653 737</b>	<b>(707 501)</b>			

**ALFRED NZO DEVELOPMENT AGENCY**

**BUDGET STATEMENT FOR THE YEAR ENDED 30 JUNE 2012**

Description	Original Budget	Budget Adjustments	Virements	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Explanations of significant variances > 10% of the budget
	R	R	R	R	R	R	R			
<b>CAPITAL EXPENDITURE PER ITEM</b>										
Furniture & Office Equipment	38,000	312,000	-	350,000	202,257	-	147,743	42.21%	532.25%	
General Equipment	5,000	25,000	-	30,000	18,176	-	11,824	60.58%	363.52%	
Computer Hardware	50,000	30,000	-	80,000	56,738	-	23,262	70.92%	70.92%	
	<b>93,000</b>	<b>367,000</b>	<b>-</b>	<b>460,000</b>	<b>277,171</b>	<b>-</b>	<b>182,829</b>			
<b>CASH FLOW</b>										
<b>Cash Flows from Operating Activities</b>										
Grant					13,925,139					
Interest received					52,749					
Staff costs					(1,547,306)					
Suppliers paid					(4,987,583)					
<b>Cash flows used in investing activities</b>										
Purchase of property					(277,171)					
<b>Cash and cash equivalents at year end</b>					<b>7,165,828</b>					

**ALFRED NZO DEVELOPMENT AGENCY**

**RECONCILIATION OF BUDGET DEFICIT WITH THE SURPLUS IN THE STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2012**

Description	2012
<b>Net surplus per the statement of Financial Performance</b>	<b>9 653 737</b>
<b>Revenue from Non-exchange Transaction</b>	1 710
Grant received	105
Grant ex SEDA	3 000 000
	<b>4,710,105</b>
<b>Revenue from Exchange Transaction</b>	
Interest received	(44,749)
VAT Recovery	592,000
	<b>547,251</b>
<b>Expenditure variances</b>	
Administrative expenses	269
Staff costs	269
Project expenses	4 253
Other operating costs	713
	7 373
	380
	3 014
	731
	<b>14,911,093</b>
<b>Net surplus per approved budget</b>	<b>-</b>

**ALFRED NZO DEVELOPMENT AGENCY (PTY) LTD  
DIRECTORS' AND MANAGEMENT EMOLUMENTS**

Senior management and directors' emoluments	Fees for services	Salary	Acting allowance	Expense allowances	Pension contributions	Other benefits	Total
<b>Executive Management and Directors</b>							
Chief Executive Officer		659,223	-	357,980	-	-	<b>1,017,203</b>
<b>Directors</b>							
F Maqwati	7,410	-	-	-	-	-	<b>7,410</b>
L Sibanyoni	8,617	-	-	-	-	-	<b>8,617</b>
N Zilwa	4,000	-	-	-	-	-	<b>4,000</b>
S Mase	2,000	-	-	-	-	-	<b>2,000</b>
	<b>22,027</b>	<b>659,223</b>	-	<b>357,980</b>	-	-	<b>1,039,230</b>