Annual Report 2012-13

ANDA

ALFRED NZO DEVELOPMENT AGENCY

table of contents

CHAPTER 1

EXECUTIVE MAYOR'S FOREWORD

Executive Mayor's Foreword

CLLR. E. N. Diko
Executive Mayor

The advent of Democracy had brought hope to all South Africans for a better life and despite significant progress in our economic transformation, there is still disparities in our economy. This challenge continues to require robust strategies to be adopted on which has been a conscious decision by the District Municipality to establish the Development Agency as a special purpose vehicle for service delivery.

I am pleased with the commitment and dedication displayed by the new Board of Directors as they ended their first year on a high note with a full compliment of ANDA's Board as of December 2013. The finalisation of these long outstanding appointments will provide the Agency with the required skills and better performance of the Board's oversight function. As the Team, the Board together with Management of the Agency will contribute important insights into the way forward, and establish a path consitent with ANDA's mandate. In the discharge of their duties and responsibilities, both the Board and management of the Agency must strive to ensure that the programs of the Agency are aligned with, and complement, the development plans and strategies of all local municiplaities within Alfed Nzo District and other stekeholders, as a fundamental principle of Intergrated Governmental Relations.

ANDA's continued goal to conduct the agency with integrity and in accordance with generally accepted good corporate practices has resulted in the agency receiving an unqualified audit for the fourth year. This is indeed commendable and assuring on the state of its readiness towards meeting future mandates.

The Legislative Framework provides an enabling environment for the core process of governance, oversight, planning, performance management, resource mobilization and corporate administration. The 2012/2013 Annual Report is tabled as per the delegated powers and functions of the Mayor of a Municipality under its sole or shared control, as per the Municipal Finance Management Act.

Working together we will, indeed, build on our successes of the past towards better future for all.

Yours in developmental local government

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CLLR. E.N. DIKO
EXECUTIVE MAYOR

About ANDA

LEGISLATIVE FRAMEWORK

The Alfred Nzo Development Agency (ANDA) is a municipal entity of the Alfred Nzo District Municipality established in terms of the Municipal Financial Management Act (MFMA) s84. The Agency (ANDA) is mandated to carry out the promotion and implementation of local economic development initiatives and investment and trade promotion on behalf of the District Municipality. The Agency is registered as a Pty Ltd with the Alfred Nzo District Municipality being the sole shareholder. It has a Board of Directors.

VISION

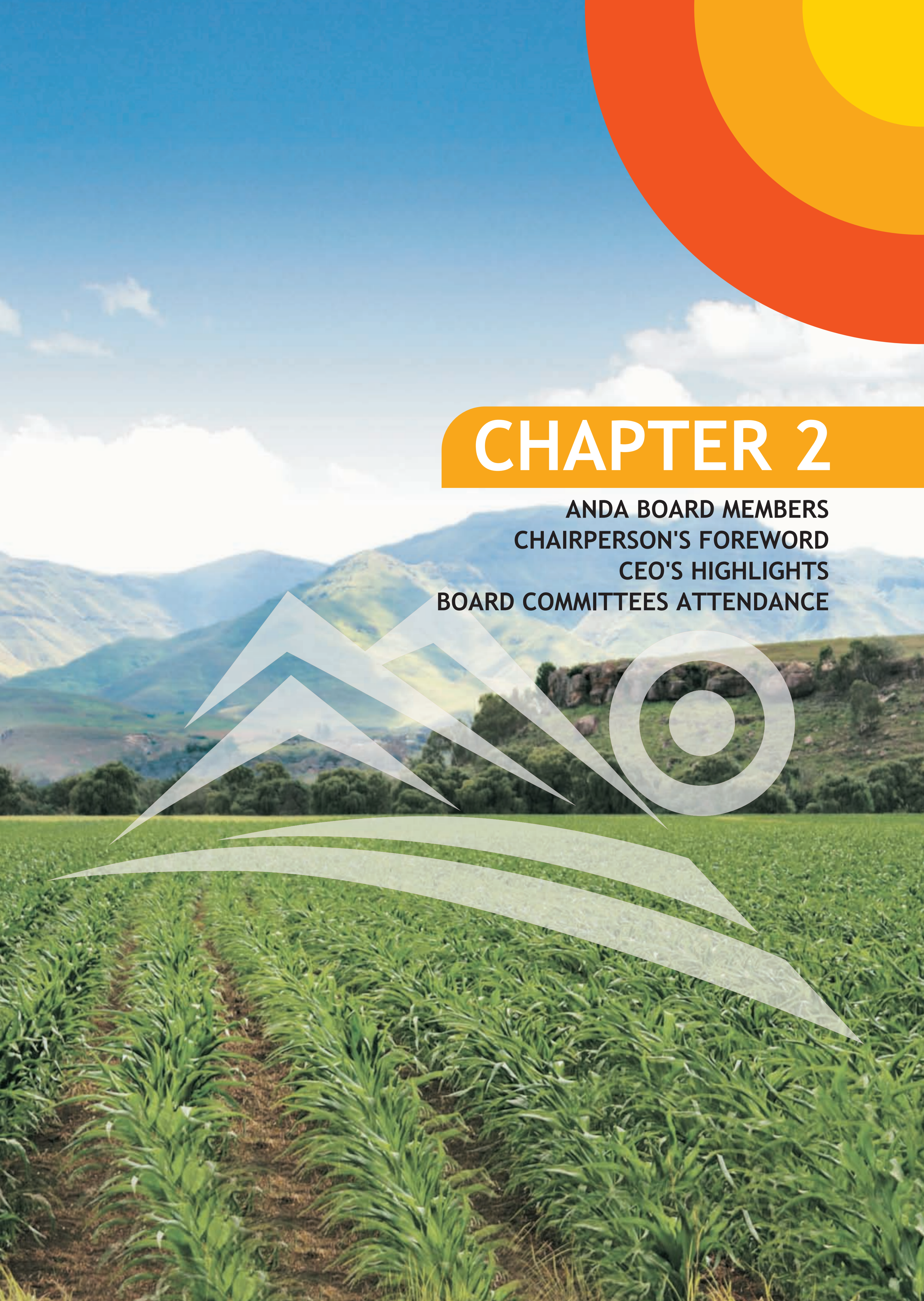
An innovative and efficient facilitator of shared economic growth and development.

MISSION STATEMENT

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
. Consulative
. Partnership



CHAPTER 2

ANDA BOARD MEMBERS
CHAIRPERSON'S FOREWORD
CEO'S HIGHLIGHTS
BOARD COMMITTEES ATTENDANCE

ANDA Board Members

Mr Mvula Mtimkulu
Board Member

Ms Ngcane Madikizela-Renene
Chairperson

Mr Lumko Mtimde
Board Member and Audit Committee Chairperson

Mr M Mtimkulu holds a Masters degree (University of Port Elizabeth) with specilialisation in local government development. He holds an LLB and B. Iuris degrees. He has in various capacities in national, provincial and local government as legal advisor and SANDF as Advanced Military Law Officer. He brings extensive legal expertise and experience in local government development.

Mrs Madikizela - Renene is Executive Director of Wasteng Recycling, a national waste and recycling company. She holds a B Degree in Social Work and Honors in Psychology from the University of Fort Hare. She has extensive executive experience having worked in different roles in government and private sector. She currently serves as a Board member of the Transkei Sun International Ltd and as a Trustee of the Wild Coast Sun Mbizana Development Trust.

Mr Lumko Mtimde - Lumko Mtimde is a graduate of the University of the Western Cape and the University of South Africa having completed a BSc. degree in Physiology and Biochemistry and a Postgraduate Diploma in Telecommunications and Information Policy respectively.

He has extensive policy, regulatory, leadership and management experience in the information and communications environment having served firstly as the CEO of the National Community Radio Forum before being appointed as a Councillor of the Independent Broadcasting Authority (IBA) in 1998 by President Mandela in terms of the IBA Act until 2000. From there he did consultative work for a wide range of organisations within the sector, including UNESCO, Open Society Institute of Southern Africa (OSISA), AMARC Africa, SACOD, Article 19 and the Department of Environmental Affairs and Tourism of South Africa.

From 2001 - 2002, he served as a General Manager /Chief Director (Broadcasting Policy) of the Department of Communications, Ministry of Communications, after that he was again appointed as a Councillor of the Independent Communications Authority of South Africa (ICASA) in 2002 by President Mbeki in terms of the ICASA Act until 2006. Mtimde served on a number of Boards including SABC, AMARC International (Canada), TRASA (now CRASA) (Botswana), NetTel@Africa (Tanzania), RIARC/ACRAN (Benin), Institute of the Advancement of Journalism (IAJ), etc. He has received a number of recognition awards from AMARC, NCRF, etc.

Currently, his Board membership includes World Summit Awards (Austria), MICTSeta, Alfred Nzo Development Agency (ANDA), KwaBhaca Community Support and Development Trust (KCSDT), Mvenyane Education Trust (MVEET) and Zakeni Burial Society. He held several leadership positions including being Vice President of AMARC International, President of AMARC Africa, Deputy Chairperson of TRASA (now CRASA), Chairperson of KCSDT), Chairperson of MVEET, etc.

Lumko has received several awards including Inkuthazo ICT & Broadcasting Award and others from AMARC, AMARC Africa, NCRF, etc.

From 2006 to date, Lumko has been the Chief Executive Officer of the Media Development and Diversity Agency (MDDA).

Chairperson's Foreword

Ms Ngcane Madikizela-Renene
Chairperson

It is now almost five years that the Alfred Nzo District Municipality Council took a bold and progressive decision to establish the Alfred Nzo Development Agency. The Agency is on track towards fulfilling its mandate that of trade and investment promotion, long term district economic development, management of municipal assets and corporate governance.

It is appropriate to take this opportunity on behalf of the Board of Directors to reflect and report to Council on how the Agency has pursued the implementation of its mandate for the reporting period 2012/13.This annual report contains a detailed progress and account of the activities of the Agency for the period under review.

In the present circumstances the District and indeed the Province is faced with the daunting challenge of dealing will the problems of unemployment and slow economic growth. Our programmes in agriculture, farming and tourism implemented in the reporting period have been designed to deal with this challenge.

OPERATIONAL PERFORMANCE

Despite these challenges, I am pleased to report that the organisation has continued to make strides in the delivery of its mandate with the available albeit limited resources at its disposal. Currently, ANDA is required to deliver on four operational areas which are corporate governance, trade and investment promotion, long-term economic development strategy as well as managing municipal assets.

The organisation continued to facilitate investment into strategic public infrastructure that supports economic development and address socio-economic challenges in ANDM.

The organisation is also tasked with the responsibility of managing municipal assets for a prolonged and meaningful economic impact. As such, ANDA developed a funding proposal for 10 maize production sites in the district. Production plans were also developed for 5 568 hectares (ha) in four local municipalities within the district. A total of R1,6 million was also secured from Sibanye Gold (formerly Goldfileds) through partner Teba Development for livestock improvement.

STRATEGIC PARTNERSHIPS

It is encouraging to note that relationships and partnerships forged with key stakeholders have began to bear results as evident through our project portfolio which we implement with key public and private sector organisations.

ANDA also signed a partnership agreement with Teba Development for livestock improvement programmes and crop production. A second agreement was signed with Seda Alfred Nzo Agro-Manufacturing Incubator (SANAMI) for the support of agriculture incubation initiatives for ANDA. These partnerships were aimed at facilitating mutually beneficial business partnerships that would develop the local economy by 2% by the end of the period under review.

More collaborative and sector-based focused approach in programme implementation have made our targets more achievable. The Agency has looked to strengthen its capacity to deliver by developing partnerships within and outside government, with private sector and civil institutions.

I would, however, wish to conclude with optimism having established a firm institutional framework coupled with strong leadership the Agency is poised to better serve the interest of the community.

APPRECIATION

It is an honor to have been afforded the opportunity to preside over the ANDA Board of Directors. It is only fitting that I acknowledge the continuous support received from fellow Board members, Council, the Executive Mayor, MMC of the Standing Committee on Local Economic Development and Alfred Nzo Development Agency Management and Staff.

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Ms Ngcane Madikizela-Renene
Chairperson

Chief Executive Officer's Highlights

Ms Nolubabalo Patricia Ncume
Chief Executive Officer

I am delighted to present the performance highlights of the Alfred Nzo Development Agency (ANDA) for the year ending June 2013. The period under review was characterised by immense challenges which also provided an exciting opportunity for ANDA to craft a new direction and future which should change the face and character of the Alfred Nzo region. From an operational perspective, the review period demonstrated that the fortunes of the entity inter lia its performance, are inextricably linked to that of its shareholder, the Alfred Nzo District Municipality.

The Alfred Nzo region is characterised by a number of pressing development and economic challenges which require steadfast resolve to overcome. These challenges require energetic and intelligent leadership which understands the needs of the people of the district and the attendant socio-economic challenges. Such challenges require robust partnerships and productive engagements which have the human needs of the district at the heart of the development mandate. While this task primarily rests on the shoulders of the municipality and its political leadership, it also requires the support of special purpose vehicles such as ANDA as well as its social partners for effective discharge.

As a strategic partner, ANDA is well-positioned to leverage the resources of public-private partnerships for maximum impact. As a lean and agile operation, ANDA should possess the skill, talent, management and human capital to play a sound supportive role in the realisation of the district's economic development aspirations. In essence, the shareholder demands of ANDA an intelligible, high-performing institution with highly-capable human capital at the helm.

The aspirations of the people of the district should at all times be embodied in ANDA's human capital and in the manner in which they discharge the stated objectives. For the desired development impact to materialise, an organised and productive institution is a non-negotiable. The work of ANDA should at all times reflect the demands of the people of the district as encapsulated in the Integrated Development Plan (IDP). The Local Economic Development (LED) plan in line with national and provincial priorities, provide the necessary framework with which to give effect to ANDA's stated mandate.

INTERNAL RENEWAL

As such, the Board under the capable leadership of chairperson, Ngcane Renene, impressed on management to move with haste to put in motion the necessary work needed to review the future of the organisation. The prevailing institutional challenges became the centre of engagement between the Board and management in a concerted bid to find lasting stability and clarity of purpose within the organisation. The organisation has been plagued by serious challenges from inadequate Board composition to high management vacancy rates which resulted in instability and uncertainty which affected organisational performance.

The institution is acutely aware that it is only through lasting stability that a high-performing and energised ANDA will become a reality. However, I am pleased to report that a capable service provider has been appointed to help the organisation craft a new strategic plan which should highlight the weaknesses, strengths and opportunities that exist for ANDA in the development space. This process should provide a roadmap and compass for an ANDA that knows the strategic direction it should pursue.

In the same vein, the recruitment of an able management team and human capital organisation-wide should become the centre of this new strategic trajectory. This comes with the acknowledgement that it is these human resources that will drive strategy and ultimately be the agents of active socio-economic change. This preparatory work should provide the organisation with the know-how and tools required for effective and efficient operational efficiencies. Much of the results of this work should begin to bear fruit in the new financial year.

SHAREHOLDER SUPPORT

Similarly, the support of the shareholder as well as that of social and private partners should form the central pillar of ANDA’s envisaged rigorous process of internal renewal and strategic posture. It requires ANDA to leverage off the resources of the shareholder and partners to improve its operational efficiencies. These strategic partnerships provide an ideal opportunity for cross-pollination and leverage in an environment characterised by fiscal and budgetary constraints. Going forward, public-private partnerships should become a central pillar in ANDA’s engagements. ANDA has a broad and expansive mandate which includes economic development, managing municipal assets as well as investment and trade promotion, all of which require skilful coordination and solid management for effective resource allocation. ANDA’s conviction is that adequate stakeholder and partner goodwill exists to help unlock the requisite resources.

MANDATE DELIVERY

I am pleased to report that while challenges exist, ANDA has produced some admirable results and performance highlights in the period under review. These results should provide the platform for enhanced organisation performance in the new financial year. A major highlight for the organisation was the approval of a sum of R500 million by the Development Bank of Southern Africa (DBSA) for strategic water infrastructure projects in the district municipality. Water infrastructure is a necessary cog in the development agenda because of its empowering social and economic role. Without adequate water infrastructure vis a vis the availability of water, the district’s investment and trade promotion efforts will bear no fruits. These funds are therefore vital in the region’s investment and trade efforts.

Chief Executive Officer's highlights conti...

In the same period, ANDA vigorously undertook trade promotion missions with the intention of gaining access to the growing African and Asian economies for local businesses. Access to trade opportunities is crucial in a highly-competitive global small business environment. Municipal support is pivotal in unlocking these opportunities for local businesses which have a product offering that can compete favourably with their global counterparts. As such, ANDA embarked on three trade and investment promotion missions to China and Mozambique in the review period.

These missions were meant to promote and present the abundant economic opportunities inherent in the district as well as its unique selling points and competitive advantages. ANDA went on a study tour to China to attend an incubator conference in September 2012. The organisation also undertook a mission to Mozambique to JCF agriculture projects and another one to China in April 2013 where several cooperation agreements were concluded. The team also attended the launch of an Eastern Cape Development Corporation (ECDC) permanent exhibition in Ningbo, China on 15 April 2013. This ECDC exhibition provides opportunities for Eastern Cape businesses to showcase their products in the massive and lucrative as well as growing Chinese consumer market. This presents an exciting opportunity for Eastern Cape businesses.

Another exciting development was the conclusion of a partnership agreement with Teba Development for the district's livestock and crop production improvement programmes. In addition, a second agreement was concluded with SANAMI for the support of agriculture incubation initiatives for ANDA. These partnerships were aimed at facilitating mutually beneficial business partnerships that would develop the local economy by 2% by the end of the period under review.

FUTURE FOCUS

ANDA has embarked on a robust plan and rollout of its programmes in the 2013/14 financial year. Management is committed to working closely with the shareholder and its local municipalities to accelerate development in the district. The primary focus at ANDA will be the mobilisation of about R3 billion into the district for strategic investments as well as promoting high value partnerships for domestic and international trade opportunities. Strengthening the capacity of cooperative and business enterprises through financial, non-financial and technical support will be the centre of operation. ANDA has also committed itself to assuming the posture of a repository of economic intelligence premised on primary and secondary research for the benefit of partners and beneficiaires.

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Ms Nolubabalo Patricia Ncume
Chief Executive Officer

2012/13 BOARD MEETING ATTENDANCE SCHEDULE

BOARD MEMBERS	MEETING 18-19 JAN	MEETING 25 FEB	MEETING 03-04 MAY
Mrs N Madikizela-Renene *	✓	✓	✓
Mr L Mtimde**	✓		✓
Mr M Mtimkulu	✓	✓	✓
Mr M Mondi	✓	✓	✓

2012/13 AUDIT COMMITTEE ATTENDANCE SCHEDULE

AUDIT COMMITTEE MEMBERS	MEETING 7 JUNE	MEETING 25 JUNE
Mr L Mtimde	✓	✓
Mr S Mntonga	✓	✓
Mr G Matengambiri	✓	

DIRECTOR'S REMUNERATION

BOARD MEMBERS	SALARY & BENEFITS	FEES	PERFORMANCE INCENTIVES	TOTAL COST TO COMPANY 2013	TOTAL COST TO COMPANY 2012
Mrs N Madikizela-Renene	-	7 500	-	7 500	-
Mr L Mtimde	-	8 000	-	8 000	-
Mr M Mtimkulu	-	6 000	-	6 000	-
Mr M Mondi	-	6 000	-	6 000	-
TOTAL	-	27 500	-	27 500	-

*(Chairperson of the Board)
** (Chairman of the Audit Committee)

CHAPTER 3

2012-2013 REPORT ON ANNUAL PERFORMANCE OBJECTIVES

2012 - 2013
REPORT ON ANNUAL PERFORMANCE OBJECTIVES
CORPORATE GOVERNANCE

STRATEGIC OBJECTIVE	OBJECTIVE	ACTIVITIES	UNIT OF MEASURE	RESPONSIB-ILITY	ANNUAL TARGET	ANNUAL BUDGET	2012 - 2013 Q1- Q4 CUMMULATIVE PROJECTED	ACTUAL	NARRATIVE AND EXPLANATION OF VARIANCE AND CORRECTIVE ACTION TO BE TAKEN
AGENCY SET-UP AND CORPORATE GOVERNANCE	To ensure intergrated planning, implementation, monitoring and evaluation for effective service delivery for ANDA by June 2013	Facilitate the development of ANDA's Strategic Plan	Letter of appointment	CEO	Appoint a service provider to facilitate the development of ANDA's Strategic Plan	R 180 000,00	Appoint a service provider to facilitate the development of ANDA's Strategic Plan	achieved	A service provider was appointed in June 2013
		Develop a Branding and Marketing Strategy and Corporate Brand for ANDA	Strategy framework signed off	CEO	Approve Strategy Intervension framework		Approve Strategy Intervension framework	achieved	The strategy intervension framework was approved
			Report on strategic issue identification and draft strategy workshop agenda and focus areas	CEO	Establish Board and Management strategic session expectations		Establish Board and Management strategic session expectations	achieved	Board and management expectations from the strategic planning session were established
			Sample of Strategic planning workshop materials and intervention templates	CEO	Produce strategic planning workshop material, worksheets and templates		Produce strategic planning workshop material, worksheets and templates	achieved	Strategic planning workshop material was produced

STRATEGIC OBJECTIVE	OBJECTIVE	ACTIVITIES	UNIT OF MEASURE	RESPONSIB-ILITY	ANNUAL TARGET	ANNUAL BUDGET	2012 - 2013 Q1- Q4 CUMMULATIVE		NARRATIVE AND EXPLANATION OF VARIANCE AND CORRECTIVE ACTION TO BE TAKEN
							PROJECTED	ACTUAL	
AGENCY SET-UP AND CORPORATE GOVERNANCE	To promote Good Or-ganizational Corporate Governance by excersizing oversight function over the agency's affairs through the operation of governance structures, legislative compli-ance and an improved internal controls environment by 30 June 2013	Hold a minimum of 4 ordinary board meetings, 2 special board meet-ings and 4 board committee meetings a year	Attendence register and minutes of meetings	CEO	Hold 10 meetings this financial year	R 250 000,00	Hold 10 meet-ings this financial year	not achieved	Only 3 board meet-ings (1 ordinary and 2 special board meetings) were held this financial year. This was largely due to the fact that the Board was only appointed on the 8th January 2013 and the 2012 -2013 budget was only transfered to ANDA from ANDM in March 2013. A board compliance plan with scheduled meetings has been developed. Committees will only be able to sit and operate effectively once Council ap-points additional board members as there are currently only four (4) Board members.
		Hold a minimum of 4 audit committee meetings a year	Attendence register and minutes of meetings	CEO	Hold 4 AC meetings this financial year	R 100 000,00	Hold 4 AC meet-ings this financial year	not achieved	Only 2 audit commit-tee meetings were held on the 7th June and 25th June 2013. This is due to the fact that the Board member who is also the Chairperson of the Audit Committee was only appointed on the 8th January 2013. There was also a delay in appointing independent audit committee members as the budget from ANDM was only transfered in March 2013. This adversely affected the op-erations of the Audit Committee. The audit committee will be fully functional in the 2013-2014 financial year.

STRATEGIC OBJECTIVE	OBJECTIVE	ACTIVITIES	UNIT OF MEASURE	RESPONSIB-ILITY	ANNUAL TARGET	ANNUAL BUDGET	2012 - 2013 Q1- Q4 CUMMULATIVE PROJECTED	2012 - 2013 Q1- Q4 CUMMULATIVE ACTUAL	NARRATIVE AND EXPLANATION OF VARIANCE AND CORRECTIVE ACTION TO BE TAKEN
AGENCY SET-UP AND CORPORATE GOVERNANCE	To promote Good Organizational Corporate Governance by excersizing oversight function over the agency's affairs through the operation of governance structures, legislative compliance and an improved internal controls environment by 30 June 2013	Conduct quarterly internal audits	Quarterly internal audit reports submitted to the audit committee and the board	CEO	Conduct 4 internal audits		Conduct 4 internal audits	not achieved	1 audit covering q1-q3 was conducted in the current financial year. The delay in internal auditing is due to the late transfer of fund from the DM which in turn delayed the appointment of an internal auditor due to funding constraints. This resulted in the late implementation of planned targets. The internal audit function will be fully operational in the 2013 - 2014 financial year as funding will be available.
		Obtain a positive unqualified audit outcome for the 2011-2012 financial year	Audit outcome in Auditor-General's audit report	CEO	Obtain an Unqualified audit opinion		Obtain an Unqualified audit opinion	not achieved	The agency received an unqualified audit opinion with matters of emphasis in the 2011-2012 financial year.

STRATEGIC OBJECTIVE	OBJECTIVE	ACTIVITIES	UNIT OF MEASURE	RESPONSIB-ILITY	ANNUAL TARGET	ANNUAL BUDGET	2012 - 2013 Q1- Q4 CUMMULATIVE PROJECTED	2012 - 2013 Q1- Q4 CUMMULATIVE ACTUAL	NARRATIVE AND EXPLANATION OF VARIANCE AND CORRECTIVE ACTION TO BE TAKEN
AGENCY SET-UP AND CORPORATE GOVERNANCE	To promote Good Organizational Corporate Governance by excersizing oversight function over the agency's affairs through the operation of governance structures, legislative compliance and an improved internal controls environment by 30 June 2013	Obtain a positive unqualified audit outcome for the 2011-2012 financial year	Audit outcome in Auditor-General's audit report	CEO	Obtain an Unqualified audit opinion		Obtain an Unqualified audit opinion	achieved	The agency received an unqualified audit opinion with matters of emphasis in the 2011-2012 financial year.
		Comply with relevant legislation	Report on Submission of monthly budget statements (s71 report) as per legislation	CEO	Timely submission of required documents		Timely submission of required documents	not achieved	Monthly budget statements were submitted to the parent municipality but not all on time. The agency has acquired a financial management programme that creates monthly financial reports accurately. The agency has also appointed a CFO and staff in the Finace unit. This will ensure that finance functions are properly carried out
			Report on Submission of quartely reports as per legislation	CEO	Timely submission of required documents		Timely submission of required documents	achieved	Quarterly reports on performance objectives (SDBIP) were submitted to the parent municipality

STRATEGIC OBJECTIVE	OBJECTIVE	ACTIVITIES	UNIT OF MEASURE	RESPONSIBILITY	ANNUAL TARGET	ANNUAL BUDGET	2012 - 2013 Q1- Q4 CUMMULATIVE PROJECTED	2012 - 2013 Q1- Q4 CUMMULATIVE ACTUAL	NARRATIVE AND EXPLANATION OF VARIANCE AND CORRECTIVE ACTION TO BE TAKEN
AGENCY SET-UP AND CORPORATE GOVERNANCE	To promote Good Organizational Corporate Governance by excersizing oversight function over the agency's affairs through the operation of governance structures, legislative compliance and an improved internal controls environment by 30 June 2013	Comply with relevant legislation	Minutes of meeting of oversight structures of Council e.g. MPAC attended	CEO	Attend (Municipal Public Account Committee) MPAC meeting to respond to question on the agency's performance reports		Attend (Municipal Public Account Committee) MPAC meeting to respond to question on the agency's performance reports	achieved	CEO was invited to an MPAC meeting in March 2013 to respond to questions on the agency's performance report
		Ensure procurement is done in accordance with SCM policy and good practise	Report from Internal and External Auditors	CEO	Limited queries from Internal and External Auditors		Limited queries from Internal and External Auditors	not achieved	The delay in staffing the Supply Chain Management unit as a result of the late transfer of funding from the DM has caused audit queries to still be high during the internal audit. Interns have now been appointed and trained in the new advance procurement module in pastel evolution. This module assists the entity to manage and streamline purchase order, requisition and tender processes. SCM checklists have also now been developed and implemented. A draft SCM policy has been developed and submitted to the Board for approval. A delegation framework has been developed for the Finance unit.

STRATEGIC OBJECTIVE	OBJECTIVE	ACTIVITIES	UNIT OF MEASURE	RESPONSIB-ILITY	ANNUAL TARGET	ANNUAL BUDGET	2012 - 2013 Q1- Q4 CUMMULATIVE		NARRATIVE AND EXPLANATION OF VARIANCE AND CORRECTIVE ACTION TO BE TAKEN
							PROJECTED	ACTUAL	
AGENCY SET-UP AND CORPORATE GOVERNANCE	To promote Good Organizational Corporate Governance by excersizing oversight function over the agency's affairs through the operation of governance structures, legislative compliance and an improved internal controls environment by 30 June 2013	Ensure that SCM is operating effectively by providing guidance to all staff involved with the process	Database is fully functional with supplier numbers allocated to suppliers	CEO	Database is fully functional By June 2013		Database is fully functional By June 2013	achieved	The database is fully functional and updated after adverts were placed in local papers inviting new prospective suppliers to register on ANDA's database. Supplier numbers have also been allocated to each supplier.
			Attendence register and manual on training conducted	CEO	Staff dealing with SCM is trained in Advance Procurement module in Pastel Evolution		Staff dealing with SCM is trained in Advance Procurement module in Pastel Evolution	achieved	All current agency staff has been trained in Advance Procurement module in Pastel Evolution
			Contracts are developed in line with SCM policy	CEO	Bi-Annually		Bi-Annually	achieved	Letters of appointment with SLA's are now issued when contracts are awarded

STRATEGIC OBJECTIVE	OBJECTIVE	ACTIVITIES	UNIT OF MEASURE	RESPONSIB-ILITY	ANNUAL TARGET	ANNUAL BUDGET	2012 - 2013 Q1- Q4 CUMMULATIVE		NARRATIVE AND EXPLANATION OF VARIANCE AND CORRECTIVE ACTION TO BE TAKEN
							PROJECTED	ACTUAL	
AGENCY SET-UP AND CORPORATE GOVERNANCE	To promote Good Organizational Corporate Governance by excersizing oversight function over the agency's affairs through the operation of governance structures, legislative compliance and an improved internal controls environment by 30 June 2013	Ensure that SCM is operating effectively by providing guidance to all staff involved with the process	Quarterly and Annual audit reports	CEO	Limited queries from Internal and External Auditors regarding SCM compliance		Limited queries from Internal and External Auditors regarding SCM compliance	not achieved	The delay in staffing the Supply Chain Management unit as a result of the late transfer of funding from the DM has caused audit queries to still be high during the internal audit. Interns have now been appointed and trained in the new advance procurement module in pastel evolution. This module assists the entity to manage and streamline purchase order, requisition and tender processes. SCM checklists have also now been developed and implemented. A draft SCM policy has been developed and submitted to the Board for approval. A delegation framework has been developed for the Finance unit.
		Develop policies, proceedures and internal controls	Board approved policies and proceedures	CEO	5 policies (finance and HR as identified in the audit report) approved and 4 quarterly financial reports submitted to the board		5 policies (finance and HR as identified in the audit report) approved and 4 quarterly financial reports submitted to the board	not achieved	Policies were developed by management and submitted to the board but approval was only done after 30 June 2013. The 3 quarterly financial narrative reports were submitted to the board this financial year from January 2013 as the Board was only appointed in January 2013. The review of existing policies and the development of new policies will be done in the 1st quarter of 2013 - 2014.

STRATEGIC OBJECTIVE	OBJECTIVE	ACTIVITIES	UNIT OF MEASURE	RESPONSIBILITY	ANNUAL TARGET	ANNUAL BUDGET	2012 - 2013 Q1- Q4 CUMMULATIVE		NARRATIVE AND EXPLANATION OF VARIANCE AND CORRECTIVE ACTION TO BE TAKEN
							PROJECTED	ACTUAL	
AGENCY SET-UP AND CORPORATE GOVERNANCE	Improve the internal control environment so as to improve the quality of service delivery for ANDM citizens by 30 June 2013	Develop and implement an action plan to address internal control deficiencies, internal and external audit findings	Action plan developed and implemented	CEO	100% Of the action plan is implemented		100% of the action plan is implemeted	not achieved	The action plan and dashboard reports on drivers of internal controls were developed. The 100% implementation has not been achieved due to internal capacity constraints. We have since appointed the CFO, expenditure clerk and interns in the Finance unit to improve capacity. Additional Board members have still not been appointed by Council and a reminder has been sent by the Board to the DM to speed up this process. In terms of financial and performance management, IT governance has not been fully addressed as the IT policy has not yet been approved by the Board. In terms of Governance, a risk assessment workshop is still outstanding and will only take place in the 1st quarter of 2013 - 2014.
		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		100% match of expenditure to budget. 0% overspending and not more than 5% under-spending		100% match of expenditure to budget. 0% overspending and not more than 5% under-spending	not achieved	Under-expenditure is more that 5% as the ANDM only transferred the 2012-2013 budget in March 2013. As a result we had to slow down expenditure and revise performance targets downwards. We have now appointed a CFO at the entity and have established a relationship between the CFO's of ANDA and ANDM which will result in the speeding up of transfers as queries can be addressed quickly.

2012 - 2013
REPORT ON ANNUAL PERFORMANCE OBJECTIVES

LONG-TERM ECONOMIC DEVELOPMENT STRATEGY

STRATEGIC OBJECTIVE	OBJECTIVE	ACTIVITIES	UNIT OF MEASURE	RESPONSIBILITY	ANNUAL TARGET	ANNUAL BUDGET	2012 - 2013 Q1- Q4 CUMMULATIVE		NARRATIVE AND EXPLANATION OF VARIANCE AND CORRECTIVE ACTION TO BE TAKEN
							PROJECTED	ACTUAL	
DEVELOP A LONG-TERM ECONOMIC DEVELOPMENT STRATEGY FOR THE DISTRICT	To develop an Integrated and stANDArdized long term economic development plan with appropriate sector plans	Facilitate the development of a long-term economic development plan for the district	Draft terms of reference for the steering committee	CEO	Develop terms of reference for the steering committee to facilitate the long-term economic development plan for the district		Develop terms of reference for the steering committee to facilitate the long-term economic development plan for the district	achieved	Terms of reference have been developed for the steering committee

2012 - 2013
REPORT ON ANNUAL PERFORMANCE OBJECTIVES

MANAGING MUNICIPAL ASSETS & PROJECTS

STRATEGIC OBJECTIVE	OBJECTIVE	ACTIVITIES	SUB-ACTIVITIES	UNIT OF MEASURE	RESPONSI-BILITY	ANNUAL TARGET	ANNUAL BUDGET	2012 - 2013 Q1- Q4 CUMMULATIVE PROJECTED	2012 - 2013 Q1- Q4 CUMMULATIVE ACTUAL	NARRATIVE AND EXPLANATION OF VARIANCE AND CORRECTIVE ACTION TO BE TAKEN
MANAGING MUNICIPAL ASSETS AND LED PROJECT IMPLEMENTA-TION	To increase ANDM's contribution to the Eastern Cape's Agriculture sector by 2% in 2012/13	Grain Production	Develop funding proposals for 10 maize production sites in the District	Funding proposals developed	CEO	1 funding proposal developed	R 900,000.00	1 funding proposal developed	achieved	A Funding proposal has been developed for maize production in the district
			Develop concept for rice production sites in the District	Concept document developed	CEO	1 concept document developed		1 concept document developed	not achieved	This target has not been achieved due to internal capacity constraints. It will be moved to the next financial year
			Develop production plans for 4000ha of maize production in 10 sites within the District	Production plans developed	CEO	Develop production plans for 4000ha of maize production		Develop production plans for 4000ha of maize production	achieved	Production plans have been developed for 5568 ha in 4 local municipalities
			Secure funding for livestock improvement in the District	Report from Teba Development on Letter of approval from funder/ partner	CEO	R 1 million secured	R 1 million	R1 million secured	achieved	R 1 667 678.10 was secured from Sibanye Gold (formerly Goldfields) through our partner Teba Development for livestock improvement
			Develop a concept document for a livestock incubator in the District	Concept document developed	CEO	Facilitate the development of a Livestock Incubator Concept document		Facilitate the devel-opment of a Livestock Incubator Concept document	not achieved	This target has not been achieved due to internal capacity constraints which resulted from the late transfer of the agency's budget from ANDM. The funding was only received in March 2013. the target will be moved to the next financial year.

STRATEGIC OBJECTIVE	OBJECTIVE	ACTIVITIES	SUB-ACTIVITIES	UNIT OF MEASURE	RESPONSIBILITY	ANNUAL TARGET	ANNUAL BUDGET	2012 - 2013 Q1- Q4 CUMMULATIVE PROJECTED	2012 - 2013 Q1- Q4 CUMMULATIVE ACTUAL	NARRATIVE AND EXPLANATION OF VARIANCE AND CORRECTIVE ACTION TO BE TAKEN
			Support 1500 farmers in the district through the livestock improvement programme	Report on No. of farmers supported	CEO	1500 farmers supported	R 900,000.00	1500 farmers supported	achieved	As at 30 June 2013, 2555 farmers have been supported in the project this financial year. There was a drop from 2869 farmers in the 3rd quarter to 2555 farmers in the 4th quarter. This was largely due to funding constraints from the mining houses and this affected the number of farmers we could continue supporting. We will continue to look for funding from other partners so that we can increase the number of farmers supported in the new financial year.
			Increase the total value of livestock net sales of beneficiaries to R250 000 in 2013	Report on Value of livestock net sales	CEO	Increase the net sales value of livestock to R250 000		Increase the net sales value of livestock to R250 000	achieved	The cummulative net sales value of livestock was R 391 338 by 30 June 2013
		Fruit, Flowers and Vegetable Production	Support the Cultivation of 100 ha of vegetables in the District	Report on the No. of ha cultivated	CEO	100 ha cultivated	R 1 million	100 ha cultivated	achieved	Over 100ha of vegetables cultivated in Goxe, Bizana, Matatiele, Mt Frere
			Provide financial and non-financial support for the establishment of 50 keyhole garden projects in the district	Report on No. of gardens established	CEO	50 household gardens established		50 gardens established	achieved	154 gardens have been established and supported this financial year

STRATEGIC OBJECTIVE	OBJECTIVE	ACTIVITIES	SUB-ACTIVITIES	UNIT OF MEASURE	RESPONSIB-ILITY	ANNUAL TARGET	ANNUAL BUDGET	2012 - 2013 Q1- Q4 CUMMULATIVE		NARRATIVE AND EXPLANATION OF VARIANCE AND CORRECTIVE ACTION TO BE TAKEN
								PROJECTED	ACTUAL	
			Develop a concept document for the establishment Pomelo production in the District	Concept document developed	CEO	Concept document for the establishment of 500ha of Pomelo developed	R1 Million	Concept document for the establishment of 500ha of Pomelo developed	achieved	A concept document for the development of 500ha of pomelo has been developed
			Develop a business plan for high value vegetable crop production in the District	Copy of the Advertisement	CEO	Advertise for the development of a business plan for sweet pepper production in the District		Advertise for the development of a business-plan for sweet pepper production in the District	achieved	Advert was issued
			Establish a Vegetable incubator with Goxe Co-operative and the Chissano Foundation in Goxe Farm	Business plan implemented and incubator operational with progress reports submitted quarterly	CEO	Implement institutional arrangements for incubator		Steering committee meeting held	achieved	2 steering committee meetings have been held in Goxe and Maputo
					CEO	Implement operational arrangements for incubator		recruit and train 3 technical interns for the incubator	achieved	The interns were appointed in May 2013 and training has been ongoing on the SANAMI water bottling, bottle moulding and water purification plant
					CEO	Procure and commission equipment for the incubator		advertise for the procurement of 4 sets of equipment for the incubator	achieved	Advert was issued

STRATEGIC OBJECTIVE	OBJECTIVE	ACTIVITIES	SUB-ACTIVITIES	UNIT OF MEASURE	RESPONSIB-ILITY	ANNUAL TARGET	ANNUAL BUDGET	2012 - 2013 Q1- Q4 CUMMULATIVE PROJECTED	2012 - 2013 Q1- Q4 CUMMULATIVE ACTUAL	NARRATIVE AND EXPLANATION OF VARIANCE AND CORRECTIVE ACTION TO BE TAKEN
					CEO	Concept document for the establish-ment of 500ha of Pomelo developed	R1 Million	Order 4 sets of equip-ment for the incubator	not achieved	The tenders came in at above R1million and the tender will be re-advertised in compliance with the SCM Policy
					CEO	Implement capacity building programme for the incubator through training and exposure visits		Sign MOU with SANAMI incubator for technical support	achieved	Technical training has been provided by SANAMI machinery suppliers to the technical interns during the commissioning phase for bottling and water purification machines.
								appoint service provider to train technical interns from the incubator		The tenders, which also included training on the machinery to be purchased, came in at above R1million and the tender will be re-advertised in compliance with the SCM Policy
					CEO	Develop a selection criteria for incubatee farmers		Develop a selection criteria for incubatee farmers	achieved	A selection criteria has been developed
	To develop and promote tourism within the ANDM so as to increase domestic tourism by 3% in 2012/13	Tourism Develop-ment	Secure retail space for products in Shanghai, China by June 2013	Signed LOI / MOU and Lease Agreements	CEO	30 sq metres of retail space secured for crafters and food products in Shanghai	R 700,000.00	30 sq metres of retail space secured for crafters and food products in Shanghai	achieved	Lease agreement signed with ATH in Shanghai
					CEO	30 sq metres of retail space secured for crafters and craft-products in Shanghai		30 sq metres of retail space secured for crafters and craft-products in Shanghai	not achieved	The additional retail space was to have been inspected and secured during a follow-up visit by ANDA and ANDM to China in May 2013. the parent munici-pality postponed the visit and therefore this target could not be achieved. A visit is planned in the new financial year.

STRATEGIC OBJECTIVE	OBJECTIVE	ACTIVITIES	SUB-ACTIVITIES	UNIT OF MEASURE	RESPONSIB-ILITY	ANNUAL TARGET	ANNUAL BUDGET	2012 - 2013 Q1- Q4 CUMMULATIVE PROJECTED	2012 - 2013 Q1- Q4 CUMMULATIVE ACTUAL	NARRATIVE AND EXPLANATION OF VARIANCE AND CORRECTIVE ACTION TO BE TAKEN
			Facilitate product development for crafters	Advert issued	CEO	Advertise for service provider	R 700,000.00	Advertise for service provider	not achieved	This target has not been achieved as it is directly linked to the follow up visit in May 2013 and securing retail space outside Shanghai. This target will be moved to the new financial year.
			Facilitate the attendence of ANDM and 4 LM's at the Tourism Indaba in Durban, KZN in May 2013	Indaba Report	CEO	Provide exhibition space for 4 LM's at the ANDM/ ANDA stand at the Tourism Indaba		Provide exhibition space for 4 LM's at the ANDM/ ANDA stand at the Tourism Indaba	achieved	Exhibition space was provided for 4 local municipalities at the ANDM stand at the 2013 Tourism Indaba in Durban
			Provide exhibition space for 4 SMME tourism businesses at the Tourism indaba in May 2013	Indaba Report	CEO	Provide 4 exhibition spaces at the indaba in May 2013		Provide 4 exhibition spaces at the indaba in May 2013	achieved	Exhibition space was provided for 4 SMME's at the ANDM stand at the 2013 Tourism Indaba in Durban
			Provide financial and non-financial support to 2 community tourism projects in the district	Report on No. of projects supported	CEO	Privide financial / non-financial support for 2 community tourism projects		Privide financial / non-financial support for 2 com-munity tourism projects	achieved	Non-financial support provided to Mehloding Hiking Trails and Financial support provided to Msukeni Development

STRATEGIC OBJECTIVE	OBJECTIVE	ACTIVITIES	SUB-ACTIVITIES	UNIT OF MEASURE	RESPONSIB-ILITY	ANNUAL TARGET	ANNUAL BUDGET	2012 - 2013 Q1- Q4 CUMMULATIVE		NARRATIVE AND EXPLANATION OF VARIANCE AND CORRECTIVE ACTION TO BE TAKEN
								PROJECTED	ACTUAL	
	To create an enabling environment for enterprises to grow in ANDM by 3% in 2012/2013	SMME DEVELOP-MENT	Provide financial and non-financial support for the imple-mentation of the SANAMI incubator business plan	Progress report on the imple-mentation of the SANAMI business plan which includes board minutes, financial reports and quarterly reports	CEO	Provide financial support for incubator infrastructure development, equipment and operations	R 2,100, 000.00	R1 050 000 trans-ferred to SANAMI to provide for infra-structure dev, equip-ment and operations	achieved	R2,1 million has been transferred to SANAMI to provided for phase 2 infrastructure dev, equipment and operations
						Sign MOA with SANAMI to formalise 3 year partnership		Sign MOA with SANAMI to formalise 3 year partner-ship	achieved	MOA signed with SANAMI
						Implement institutional arrange-ments for incubator		Attend steering committee meeting	achieved	Attended 2 SANAMI steering committee meetings
	To develop and promote the forestry and wood products sector within the ANDM by 1.5% in 2012/2013	Wood Cluster Production	Develop a business plan for moringa production in the district	Business plan developed	CEO	1 business plan developed		1 Business plan developed	achieved	Business plan developed
				Pilot site identified	CEO	2 pilot sites identified		2 pilot sites identified	achieved	2 pilot sites identified

STRATEGIC OBJECTIVE	OBJECTIVE	ACTIVITIES	SUB-ACTIVITIES	UNIT OF MEASURE	RESPONSIB-ILITY	ANNUAL TARGET	ANNUAL BUDGET	2012 - 2013 Q1- Q4 CUMMULATIVE		NARRATIVE AND EXPLANATION OF VARIANCE AND CORRECTIVE ACTION TO BE TAKEN
								PROJECTED	ACTUAL	
			Develop a concept document for the establish-ment of a research facility for the commer-cialization of medicinal plants and herbs in the District	Concept document developed	CEO	Develop a concept document for the establish-ment of a research facility in the District	R 400, 000.00	Develop a concept document for the establish-ment of a research facility in the District	achieved	Concept document developed
			Develop a business plan for honey production in the District	Advert issued	CEO	Advertise for a service provider to develop a business plan for honey production in the District		Advertise for a service provider to develop a business plan for honey produc-tion in the District	achieved	Advert was issued
			Develop a concept document for bamboo production in the district	Concept document developed	CEO	Develop a concept document for bamboo production in the District		Develop a concept document for bamboo produc-tion in the District	not achieved	This was not achieved due to internal capacity constraints. This target has been moved to the 4th quarter

2012 - 2013 REPORT ON ANNUAL PERFORMANCE OBJECTIVES

KPA: TRADE AND INVESTMENT PROMOTION

STRATEGIC OBJECTIVE	OBJECTIVE	ACTIVITIES	UNIT OF MEASURE	RESPONSIBILITY	ANNUAL TARGET	ANNUAL BUDGET	2012 - 2013 Q1- Q4 CUMMULATIVE		NARRATIVE AND EXPLANATION OF VARIANCE AND CORRECTIVE ACTION TO BE TAKEN
							PROJECTED	ACTUAL	
TRADE AND INVESTMENT PROMOTION	To promote and market the District and ANDA by June 2013	Develop a Logo and website for ANDA	Letter of appointment	CEO	Apoint a service provider	R 180 000,00	Apoint a service provider	achieved	A service provider has been appointed to develop a CI Manual, Logo and website for ANDA
			Signed off project plan	CEO	Approve project plan		Approve project plan	achieved	The project plan was approved and signed off
			Memo with 3 draft logos submitted to the board	CEO	Draft logo designed and submitted to the board		Appoint a service provider	achieved	Finalising the draft logo was delayed as the Strategic Planning session had to take place first. The draft CI Manual and logo will be tabled at a board meeting in August 2013
		Develop a Branding and Marketing Strategy and Corporate Brand for ANDA	Letter of appointment	CEO	Appoint a service provider		Appoint a service provider	achieved	A service provider has been appointed to develop a Branding and Marketing Strategy and Corporate Brand for ANDA
		Develop a Communication Strategy for ANDA	Signed off project plan	CEO	Approve project plan		Approve project plan	achieved	The project plan was approved and signed off
			Memo to service provider with ANDA Annual Report and ANDM IDP	CEO	Initiate Desktop review process		Initiate Desktop review process	achieved	The desktop review process has been initiated

STRATEGIC OBJECTIVE	OBJECTIVE	ACTIVITIES	UNIT OF MEASURE	RESPONSIB-ILITY	ANNUAL TARGET	ANNUAL BUDGET	2012 - 2013 Q1- Q4 CUMMULATIVE		NARRATIVE AND EXPLANATION OF VARIANCE AND CORRECTIVE ACTION TO BE TAKEN
							PROJECTED	ACTUAL	
TRADE AND INVESTMENT PROMOTION	To facilitate investment in strategic public infrastruc-ture that supports economic development and address socio-economic challenges in ANDM by June 2013	Facilitate the devel-opment of a funding proposal for identified water infra-structure projects	Water infrastruc-ture funding proposal document	CEO	1 funding proposal developed	R 300 000,00	1 funding proposal developed	not achieved	This target has not been achieved due to funding constraints that were caused by the late transfer of the agency's budget from ANDM. The target has been moved to the 2013-2014 financial year.
		Secure funding for strategic water infra-structure projects for ANDM	letter of approval for ANDM funding received from DBSA	CEO	R 500 million worth of funding approved		R 500 million worth of funding approved	achieved	Approval was granted to ANDM by National Treasury on the 21st January 2013 to secure financing from the DBSA to the value of R575 million
	To promote trade and investment within the district which will result in the development of 5 businesses by June 2013	Organize inward and out-ward trade missions to China and Mozam-bique	Trade mission reports	CEO	3 missions undertaken		3 missions undertaken	not achieved	1 Letter Of Intent has been signed with China National Health Centre and ATH to investigate the possibility of establishing a product research and training centre in the Alfred Nzo District area of South Africa and a products trading platform in Shanghai. Other agreements will be persued in the 2013 - 2014 financial year.
			Co-operation agreements signed in China and Mozambique	CEO	2 agrements/ LOI's/ MOU's signed		2 agre-ments/ LOI's/ MOU's signed		

STRATEGIC OBJECTIVE	OBJECTIVE	ACTIVITIES	UNIT OF MEASURE	RESPONSIB-ILITY	ANNUAL TARGET	ANNUAL BUDGET	2012 - 2013 Q1- Q4 CUMMULATIVE		NARRATIVE AND EXPLANATION OF VARIANCE AND CORRECTIVE ACTION TO BE TAKEN
							PROJECTED	ACTUAL	
TRADE AND INVESTMENT PROMOTION	To facilitate mutually beneficial business partnership that will develop the local economy by 2% by June 2013	Sign partnership agreements with local and international organizations	Letter of introduction	CEO	Initiate partnerships with 3 local and 1 international organization/institution	R 900 000,00	Initiate partnerships with 3 local and 1 international organization/institution	not achieved	This target has not been achieved due to funding constraints that were caused by the late transfer of the agency's budget from ANDM. The target has been moved to the 2013-2014 financial year.
			Signed Partnership Agreements/ MOU's /Letter of Intent	CEO	Sign 2 partnership agreements/ MOU's/ MOA's/ Letters of intent		Sign 2 partnership agreements/ MOU's/ MOA's/ Letters of intent	achieved	A partnership agreement has been signed with Teba Development for Livestock improvement programmes and crop production and the second agreement has been signed with SANAMI for support of agriculture incubation initiatives for ANDA
	To identify local, national and international trade opportunities for 4 local products and with 4 local bussinesses by June 2013	Facilitate trade opportunities for SMME's in China	Signed LOI	CEO	Sign LOI with partners in China		Sign LOI with partners in China	achieved	This target has not been achieved due to funding constraints that were caused by the late transfer of the agency's budget from ANDM. The target has been moved to the 2013 - 2014 financial year.
			Signed MOU/MOA	CEO	Sign MOU/ MOA with partner in China		Sign MOU/ MOA with partner in China	not achieved	
			Signed Lease agreement	CEO	Sign Lease agreement with partners in China		Sign Lease agreement with partners in China	achieved	Lease agreement has been signed with ATH in China for a showroom in Shanghai.

CHAPTER 4

REPORT OF THE AUDITOR GENERAL
AUDITOR GENERAL ACTION PLAN

Report of the **Auditor General**

To the provincial Legislature of Alfred Nzo Developemnt Agency SOC Limited

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Alfred Nzo Development Agency SOC Limited set out on pages 45 to 78, which comprise the statement of financial position as at 30 June 2013, the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act), and for such internal control as the accounting officer 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 conduct 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud of 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 SOC Limited as at 30 June 2013 and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the MFMA and Companies Act.

Report of the Auditor General

Emphasis on matters

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

Irregular expenditure

8. The municipal entity incurred irregular expenditure of R3 107 877 as the expenditure incurred was in contravention of the supply chain management (SCM) regulations as disclosed in note 29 to the financial statements.

Contingent liability

9. With reference to note 22 to the financial statements, the Alfred Nzo Development Agency SOC Ltd. was mandated by the Alfred Nzo District Municipality to obtain funding for the development of bulk water supply through the use of a consultant. The consultants fee was on a contingency basis, and due and payable on approval of the funding. Funds were approved and an invoice received from the consultant. The municipality is disputing the claim and as the second respondent in the case it is uncertain whether the entity will be required to settle the amount or part thereof as part of the outcome of this matter. The municipality entity disclosed a contingent liability of R10 898 400 for a potential claim.

Material understanding of the budget

10. The municipality entity materially underspent its budget. The underspending amounted to R8 000 000 at year-end, which represents a 38% underspending of the approved budget. The impact of the underspending was that most of the objectives of the entity were not achieved.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

11. In accordance with 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 report on annual performance objectives as set out on pages 11 to 29 of the annual report.
13. The report against predetermined objectives was evaluated against the overall criteria of usefulness and reliability.
14. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's 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's Framework for managing programme performance information.
15. The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).
16. The material findings are as follows concerning the usefulness of the information

Report of the Auditor General

Usefulness of Information

Presentation

17. Section 46 of the Municipality Systems Act of South Africa, 2000 (Act No. 32 of 2000) requires disclosure in the annual performance report of measures taken to improve performance where planned targets were not achieved. Measures to improve performance for 23% of the planned targets not achieved were not reflected in the annual performance report. This was due to a lack of documented and approved internal policies and procedures to address the reporting requirements.

Additional Matter

18. I draw attention to the matter below. This matter does not have an impact on the audit finding and predetermined objectives reported above.

Achievement of planned targets

19. Of the total number of planned targets (70), only 48 were achieved during the year under review. This means that 32% of the planned targets were not achieved during the year under review. This was due to the parent municipality withholding a large amount of the approved budget.

Compliance with laws and regulations

20. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on 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

21. The accounting officer of the entity submitted monthly statements on the state of the entity's budget to the accounting officer of the parent municipality without an explanation of any material variances from the service delivery agreements and the business plan, as per the requirements of section 87(11)(g) of the MFMA.

22. The board of directors did not approve the budget of the entity at least 30 days before the start of the financial year, as per the requirements of section 87(4) of the MFMA.

Annual Financial statements, performance reports and annual report

23. The financial statements for the year ended 30 June 2013 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 liabilities, expenditure and disclosure items identified by the auditors were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.
24. The municipal entity did not have and maintain effective, efficient and transparent systems of financial and risk management and internal controls, as required by section 95(c)(i) of the MFMA.

Report of the Auditor General

Audit committee

25. An audit committee was only established on 2 May 2013 and was therefore not operational for the full financial year, as required by section 166(1) of the MFMA.
26. The audit committee did not advise the accounting officer of matters relating to internal financial control, internal audit, risk management, accounting policies, effective governance, performance management, compliance with legislation and performance evaluation as per the requirement of section 166(2)(a) of the MFMA, due to the audit committee only being appointed on 2 May 20123 and thus not having sufficient time to do so.
27. The audit committee did not meet at least four times in the financial year as required by section 166(4)(b) of the MFMA, due to the audit committee only being appointed on 2 May 2013 and thus not having sufficient time to do so.

Internal Audit

28. The internal audit unit of the entity was appointed in May 2013 and did thus not function for the entire financial year, as required by section 165(1) of the MFMA.
29. The internal audit unit did not advise the accounting officer or report to the audit committee on matters relating to compliance with the MFMA and other applicable legislation, as required by section 165(2)(b)(vii) of the MFMA.

Procurement and contract management

30. Goods and services with transaction value below R200 000 were procured without obtaining the required price quotations, contrary to Supply Chain Management (SCM) Regulation 17 (a) and (c).
31. Goods and services with a transaction value of above R200 000 were procured without inviting competitive bids, as required by SCM Regulation 19(a)
32. The performance of contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.
33. The contract performance and monitoring measures and methods were insufficient to ensure effective contact management, as required by section 116(2)(c) of the MFMA.
34. Contracts and quotations were awarded to providers whose tax matters had not been declared by the South African Revenue Service to be in order, as required by the SCM Regulation 43.
35. Contracts and quotations were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM Regulation 13(c).
36. A list of accredited prospective providers was not in place for procuring goods and services through quotations, as required by SCM Regulation 14(1)(a)
37. The prospective providers' list for procuring goods and services through quotations was not updated at least 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 requirements of SCM Regulation 14(1)(a)(ii) and 14(2)
38. The entity did not implement an SCM policy, as required by section 111 of the MFMA.

Expenditure management

39. The accounting officer did not take reasonable steps to prevent irregular as well as fruitless and wasteful expenditure, as required by section 95(d) of the MFMA.

Report of the Auditor General

Internal Control

40. I consider internal control relevant to my audit of financial statements, report on annual performance objectives and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that result in emphasis of the matters, the findings on the report on annual performance objectives and the findings on compliance with laws and regulations included in this report.

Leadership

41. As the executive authority only appointed the board of directors in January 2013, the board did not exercise the required oversight responsibilities to ensure compliance with laws and regulations and internal control. The board of directors did not exercise oversight and adherence to SCM Regulations, with the non-adherence to these regulations resulting in irregular expenditure. Furthermore, due to the high senior manager vacancy rate at the municipal entity and the board of directors only being appointed in January 2013, there were not enough resources to ensure that oversight responsibilities were exercised during the year. Systems were also not documented in the policy and procedures manual to indicate how activities within the entity should be carried out.

Financial and performance management

42. The municipal entity did not prepare regular, accurate and complete financial reports that were supported and evidenced by reliable information. As a result, material amendments were made to the financial statements during the audit. Compliance with applicable laws and regulations was not adequately reviewed and monitored. Furthermore the entity had a high vacancy rate, with the chief financial officer post only being filled on 23 June 2013. In addition, there was no compliance checklist or compliance officer to ensure that the municipal entity complied with all laws and regulations, as reported above.

Governance

43. The assessment of risks relating to compliance with laws and regulations was not adequate. The audit committee and internal auditors were only appointed in May 2013. Therefore, the responsibilities relating to the monitoring of internal controls and compliance with laws and regulations were not fulfilled, resulting in findings on these matters and material corrections having to be made to the financial statements during the audit.

Auditor - General

East London
30 November 2013

AUDITOR - GENERAL
SOUTH AFRICA

AUDITOR GENERAL ACTION PLAN

Ref	Matter	Detail	Action Plan	Responsible Official	Timeframe
1	Irregular Expenditure	The municipal entity incurred irregular expenditure of R3 107 877 as the expenditure incurred was in contravention of the supply chain management (SCM) regulations as disclosed in note 29 to the financial statements.	"The entity has established an SCM unit to ensure that the SCM policy that is in line with SCM legislation is adhered to. The SCM unit ensures that processes are in place to prevent and detect unauthorised, irregular and fruitless and wasteful expenditure. This is done via checklists that ensure that no order is signed unless all the requirements are met. All the deviations to the SCM policy are reported to the Board and the parent municipality."	CFO	30-Jun-14
	Contingent Liability	With reference to note 22 to the financial statements, the Alfred Nzo Development Agency Soc Ltd was mandated by the Alfred Nzo District Municipality to obtain funding for the development of bulk water supply through the use of a consultant. The consultant's fee was on a contingency basis and due and payable on approval of the funding. Funds were approved and an invoice received from the consultant. The municipality is disputing the claim and as the second respondent in the case it is uncertain whether the entity will be required to settle the amount or part thereof as part of the outcome on this matter. The municipal entity disclosed a contingent liability of R10 898 400 for a potential claim	The management of the parent municipality and the entity have set up a committee that will deal with this matter and a legal opinion will be sought to ensure that this matter is resolved	CEO	30-Jun-14
9	Material underspending of the budget	The municipal entity has materially underspent its budget. The underspending as at year-end amounted to R8 000 000, which represents a 38% underspending of the approved budget. The impact of such underspending is that the majority of the objectives of the entity were not achieved.	"The Board and Audit Committee have resolved to intervene in ensuring that funding is transfered on time by the parent municipality so that objectives of the entity are met through spending the approved budget. More focus in the third quarter will be to ensure that the targets per the approved corporate plan are met and that will be done by ensuring that the projects are prioritised."	CEO	30-Jun-14
10	Pre-determined Objectives	Section 46 of the Municipal Systems Act requires disclosure in the annual performance report of measures taken to improve performance where planned targets were not achieved. Measures to improve performance for a total of 23% of the planned targets not achieved were not reflected in the annual performance report	This will be reflected in the quartely reports and the final performance report to be submitted for audit in 2014	Executive Manager: Programmes	30-Jun-14
15	Pre-determined Objectives	Of the total number of planned targets (70), only 48 were achieved during the year under review. This represents 32% 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.	"The release of funds by the parent municipality will be adressed by the Board, Audit Commitee and the incoming CEO. There is also a planned focus on the local economic development projects which are a core business of the entity..	CEO	30-Mar-14

Ref	Matter	Detail	Action Plan	Responsible Official	Timeframe
17	Budgets	The accounting officer of the entity submitted monthly statements on the state of the entity's budget to the accounting officer of the parent municipality without an explanation of any material variances from the service delivery agreements and the business plan as per the requirements of section 87 (11) (g) of the MFMA.	The monthly statements submitted are showing explanations of material variances and action plans to adress these variances.	CFO	30-Jun-14
20	Budgets	The Board of directors did not approve the budget of the entity at least thirty days before the start of the financial year, as per the requirements of section 87(4) of the MFMA.	There was no Board of Directors before the start of prior financial year and since Board of Directors are in existence they will approve the budget at least 30 days before start of next financial year.	CEO	30-May-14
20	Annual Financial Statements	The financial statements for the year ended 30 June 2013, 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 liabilities, expenditure and disclosure items identified by the auditors were subsequently corrected resulting in the financial statements receiving an unqualified audit opinion.	Every effors will be done to ensure that credible financial statements are submitted to the auditors for audit. There will be proper processing of financial transactions on a monthly basis, proper filing of supporting documentation, monthly reconciliasions performed on a monthly basis, and checklists to ensure that all the processes per policies and procedure manuals have been adhered to.	CFO	31-Aug-14
21	Audit Committee	"An audit committee was only established on 02 May 2013 and therefore not for the full financial year, as required by section 166 (1) of the MFMA. 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, compliance with legislation and performance evaluation as per requirement of section 166 (2) (a) of the MFMA due to the audit committee only being appointed on the 02 May 2013 and thus not having sufficient and appropriate time to do so. The audit committee did not meet at least four times in the financial year, as required by section 166(4)(b) of the MFMA due to the audit committee only being appointed on the 02 May 2013 and thus not having sufficient and appropriate time to do so."	"The Board will ensure that Audit Committee is in existence throughout the year. The Audit Committee Chair will ensure that the audit committee promotes accountability and service delivery through evaluating and monitoring responses to risks and providing oversight over the effectiveness of the internal control environment including financial and performance reporting and compliance with laws and regulations. The Audit Committee Chairperson will ensure that Audit Committee meets at least 4 times in the 2013/14 financial year."	CEO	30-Jun-14
23-25	Internal Audit	"The internal audit unit of the entity was appointed in May 2013, and thus was not functioning for the entire financial year ended 30 June 2013, as required by section 165(1) of the MFMA. The internal audit unit did not advise the accounting officer or report to the audit committee on matters relating to compliance with the MFMA and other applicable legislation, as required by section 165(2)(b)(vii) of the MFMA."	"The Audit Committee will ensure that there is an adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively. The internal auditors to be appointed will be independent and technically competent to carry out their duties, and do so in accordance with internal auditing standards.	CEO	30-Jun-14

Ref	Matter	Detail	Action Plan	Responsible Official	Timeframe
			The review of performance information is included in the internal audit plan and forms part of the agenda for discussion with the audit committee" "The entity has established an SCM unit to ensure that the SCM policy that is in line with SCM legislation is adhered to.		
26-27	Procurement and Contract Management	"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) Goods and services with a transaction value above R200 000 were procured without inviting competitive bids as required by SCM regulation 19 (a). The performance of contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA. The contract performance and monitoring measures and methods were insufficient to ensure effective contract management, as required by section 116(2)(c) of the MFMA." "Contracts and quotations were awarded to providers whose tax matters had not been declared by the South African Revenue Service to be in order, as required by SCM regulation 43.	The SCM unit ensures that processes are in place to prevent and detect unauthorised, irregular and fruitless and wasteful expenditure. This is done via checklists that ensure that no order is signed unless all the requirements are met. Any deviations from SCM policy to be approved by the Accounting Officer and reported to the Board of Directors. It should be noted however that there are contracts that have been signed before CFO was appointed and SCM unit was established and payment of these is resulting in irregular expenditure for 2013/14 financial year. These have been reported to the Board of Directors.	CFO	30-Jun-14
28-31	Procurement and Contract Management	Contracts and quotations were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c). A list of accredited prospective providers was not in place for procuring goods and services through quotations as required by SCM regulation 14(1)(a).	"The entity has established an SCM unit to ensure that the SCM policy that is in line with SCM legislation is adhered to. The SCM unit ensures that processes are in place to prevent and detect unauthorised, irregular and fruitless and wasteful expenditure. This is done via checklists that ensure that no order is signed unless all the requirements are met. Any deviations from SCM policy to be approved by the Accounting Officer and reported to the Board of Directors. It should be noted however that there are contracts that have been signed before CFO was appointed and SCM unit was established and payment of these is resulting in irregular expenditure for 2013/14 financial year. These have been reported to the Board of Directors.	CFO	30-Jun-14
32-34	Procurement and Contract Management	The prospective providers list for procuring goods and services through quotations was not updated at least 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).	The entity has established an SCM unit to ensure that the SCM policy that is in line with SCM legislation is adhered to. The SCM unit ensures that processes are in place to prevent and detect unauthorised, irregular and fruitless and wasteful expenditure. This is done via checklists that ensure that no order is signed unless all the requirements are met.	CFO	30-Jun-14

Ref	Matter	Detail	Action Plan	Responsible Official	Timeframe
		The entity did not implement an SCM policy as required by section 111 of the MFMA.	Any deviations from SCM policy to be approved by the Accounting Officer and reported to the Board of Directors. It should be noted however that there are contracts that have been signed before CFO was appointed and SCM unit was established and payment of these is resulting in irregular expenditure for 2013/14 financial year. These have been reported to the Board of Directors.		
35-36	Expenditure Management	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	There are compliance checklists that ensure that the irregular expenditure is prevented for all the orders and contracts signed after establishment of SCM unit. Fruitless and wasteful expenditure will be prevented by ensuring that all invoices especially SARS and auditor general payments are paid on time	CFO	
37	Leadership	Due to the high senior manager vacancy rate at the municipal entity and the board of directors only being appointed in January 2013, there were not enough resources to ensure that oversight responsibilities were exercised during the year.	The Board is now in existence and the Board Chair is ensuring that it playing the oversight role as per legislated requirements. The high senior management vacancy rate will be reduced as there are planned appointments as per approved corporate plan. Most of the budgeted posts will be filled by end of the financial year.	CEO Acting Executive Manager: Corporate Services	30-Jun-14
39	Financial and Performance Management	The municipal entity does not prepare regular, accurate and complete financial reports that are supported and evidenced by reliable information. As a result, material amendments were made to the financial statements during the audit. In addition, there is no compliance checklist or compliance officer to ensure that the municipal entity complies with all laws and regulations as reported above.	Reliable, complete and accurate monthly and quarterly financial statements, management information and reports on predetermined objectives are prepared and reviewed. Reliable, complete and accurate quarterly reports on predetermined objectives are prepared and reviewed.	CFO Executive Manager: Programmes	30-Jun-14
40	Governance	The audit committee and internal auditors were appointed in May 2013; therefore the responsibilities relating to monitoring of internal controls and compliance with laws and regulations were not fulfilled, resulting in findings on these matters and material corrections having to be made to the financial statements during the audit.	As per above the Audit Committee has been in existence from the beginning of the year and the Audit Comiitee Chair will ensure that all the legislated requirements of the Audit Committee and internal audit are adhered to.	CEO	30-Jun-14

CHAPTER 5

FINANCIAL PERFORMANCE
DIRECTOR'S REPORT

Director's Responsibilities and Approval

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

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

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

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

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

The directors have reviewed the entity's cash flow forecast for the year to 30 June 2014 and, in the light of this review and the current financial position, they are satisfied that the entity has access to adequate resources to continue in operational existence for the foreseeable future.

Director's Responsibilities and Approval

The directors have reviewed the entity's cash flow forecast for the year to 30 June 2014 and, in the light of this review and the current financial position, they are satisfied that the entity has access to adequate resources to continue in operational existence for the foreseeable future.

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

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

The external auditors are responsible for independently reviewing and reporting on the entity's financial statements.
The financial statements have been examined by the entity's external auditors and their report is presented on page 5.

The financial statements set out on pages 45 to 78, which have been prepared on the going concern basis, were approved by the Board of Directors on 30 August 2013 and were signed on its behalf by:

Mrs N Madikizela-Renene
Board Chairperson

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2013.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 2 meetings were held. The audit commitee could not meet at least 4 times because its members were appointed in May 2013, thus less than three months before the end of the financial year.

Name of member	Number of meetings attended
Mr L. Mtimde (Chairperson)	2
Mr S Mntonga	2
Mr G Matengambiri (resigned 12 June 2013)	1

Audit committee responsibility

The audit committee reports that it has since its appointment in May 2013 complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities from the date of appointment as contained therein.

The effectiveness of internal control

The system of internal control was not entirely effective for the year under review. During the year under review, several deviations and deficiencies in the system of internal control were reported by the internal auditors and the Auditor-General South Africa. In most instances, the matters reported previously have not been fully and satisfactorily addressed.

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the entity during the year under review. It was however noted that there were no explanations for the material variances from the service delivery and business plan.

Audit Committee Report

Evaluation of financial statements

The audit committee has:

- reviewed and discussed the audited financial statements to be included in the annual report, with the Auditor-General, management and the internal auditors.;
- reviewed the Auditor-General of South Africa's management report and management"D5s response thereto;
- reviewed changes in accounting policies;
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report on the financial statements, and are of the opinion that the audited financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The audit committee is not satisfied that the internal audit function was operating effectively and that it has addressed the risks pertinent to the entity and its audits because internal audit was only appointed in May 2013 and thus could not achieve all the statutory requirements.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit Committee

MR L. Mtimde
13 January 2014

Director's Report

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 2013.

1. General review

The entity was incorporated on 03 April 2008 and obtained its certificate to commence 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 2013.

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

2. Nature of business

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

3. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

4. Subsequent events

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

5. Share capital / contributions from owners

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

6. Dividends

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

7. Board of Directors

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

Name	Nationality	Date of Appointment
Mrs N.Madikizela-Renene	South African	8 January 2013
Mr L. Mtimde	South African	7 January 2013
Mr M. Mondi	South African	7 January 2013
Mr M Mtimkulu	South African	7 January 2013

Company Secretary's **Certification**

Declaration by the company secretary in respect of Section 88(2)(e) of the Companies Act

Section 88(2)(e) of the Companies Act 71 of 2008 requires a company secretary to certify whether the company has filed required returns and notices in terms of the Act, and whether all such returns and notices appear to be true, correct and up to date.

I hereby confirm, in my capacity as company secretary of the Alfred Nzo Development Agency (the company) that for the financial year 2012/2013, the company has filed all required returns and notices in terms of the Companies Act and that all such returns and notices are to the best of my knowledge and belief true, correct and up to date.

Frank Botha
Company Secretary

financial statements

Statement of Financial Position
as at 30 June 2013

	Note(s)	2013 R	2012 R
Assets			
Current Assets			
Receivables from exchange transactions	2	491,352	14,423
Receivables from non-exchange transactions	3	4,694,569	7,520,000
Cash and cash equivalents	4	6,336,395	7,165,828
		11,522,316	**14,700,251**
Non-Current Assets			
Property, plant and equipment	5	351,034	295,646
Intangible assets	6	102,078	6,726
		453,112	**302,372**
Non-Current Assets		453,112	302,372
Current Assets		11,522,316	14,700,251
Non-current assets held for sale (and) (assets of disposal groups)		-	-
Total Assets		**11,975,428**	**15,002,623**
Liabilities			
Current Liabilities			
Payables from exchange transactions	7	1,218,921	1,059,451
VAT payable	8	1,948,867	1,397,465
		3,167,788	**2,456,916**
Non-Current Liabilities		-	-
Current Liabilities		3,167,788	2,456,916
Liabilities of disposal groups		-	-
Total Liabilities		**3,167,788**	**2,456,916**
Assets		11,975,428	15,002,623
Liabilities		(3,167,788)	(2,456,916)
Net Assets		**8,807,640**	**12,545,707**
Share capital / contributions from owners	9	100	100
Accumulated surplus		8,807,539	12,545,606
Total Net Assets		**8,807,639**	**12,545,706**

Statement of Changes in Net Assets

	Share capital / contributions from owners R	Accumulated surplus R	Total net assets R
Opening balance as previously reported	100	3,422,855	3,422,955
Adjustments			
Correction of errors (Note 24)	-	(530,986)	(530,986)
Balance at 01 July 2011 as restated	**100**	**2,891,869**	**2,891,969**
Changes in net assets			
Surplus for the year	-	9,653,737	9,653,737
Total changes	-	9,653,737	9,653,737
Opening balance as previously reported	100	12,545,607	12,545,707
Adjustments			
Correction of errors	-	(25,890)	(25,890)
Balance at 01 July 2012 as restated	**100**	**12,519,717**	**12,519,817**
Changes in net assets			
Surplus for the year	-	(3,712,178)	(3,712,178)
Total changes	-	(3,712,178)	(3,712,178)
Balance at 30 June 2013	**100**	**8,807,539**	**8,807,639**
Note(s)	9		

Statement of Financial **Performance**

	Note(s)	2013 R	2012 R
Revenue			
Interest received - investment	10	150,789	52,749
Grants Received	11	15,813,949	15,809,895
Total revenue		**15,964,738**	**15,862,644**
Expenditure			
Personnel	12	(2,356,661)	(1,547,305)
Project Expenses	13	(4,942,450)	(2,296,481)
Depreciation and amortisation	14	(148,226)	(50,317)
Impairment loss	15	(7,520,000)	-
Finance costs	16	(254,377)	(115,578)
Repairs and maintenance		(6,981)	(49,052)
General Expenses	17	(4,448,221)	(2,150,174)
Total expenditure		**(19,676,916)**	**(6,208,907)**
		-	-
Total revenue		15,964,738	15,862,644
Total expenditure		(19,676,916)	(6,208,907)
Operating (deficit) surplus		**(3,712,178)**	**9,653,737**
(Deficit) surplus before taxation		(3,712,178)	9,653,737
Taxation		-	-
(Deficit) surplus for the year		**(3,712,178)**	**9,653,737**
Attributable to:			
Owners of the controlling entity		(3,712,178)	9,653,737

Cash Flow Statement

	Note(s)	2013 R	2012 R
Cash flows from operating activities			
Receipts			
Grants		13,333,333	13,925,139
Interest income		150,789	52,749
		13,484,122	13,977,888
Payments			
Employee costs		(2,401,428)	(1,440,367)
Finance costs		(254,377)	(115,578)
Other payments		(11,358,785)	(5,328,061)
		(14,014,590)	(6,884,006)
Total receipts		13,484,122	13,977,888
Total payments		(14,014,590)	(6,884,006)
Net cash flows from operating activities	18	**(530,468)**	**7,093,882**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(142,967)	(277,171)
Purchase of other intangible assets	6	(155,998)	-
Net cash flows from investing activities		**(298,965)**	**(277,171)**
Net increase/(decrease) in cash and cash equivalents		**(829,433)**	**6,816,711**
Cash and cash equivalents at the beginning of the year		7,165,828	349,119
Cash and cash equivalents at the end of the year	4	**6,336,395**	**7,165,830**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Interest received - investment	100,000	-	**100,000**	150,789	**50,789**	
Revenue from non-exchange transactions						
Taxation revenue						
Grants Received	20,000,000	-	**18,027,902**	15,813,949	**(2,213,953)**	Vat on grants received. The difference between original and adjusted budget relates to revised allocation by the parent municipality.
'Total revenue from exchange transactions'	100,000	-	**100,000**	150,789	**50,789**	
'Total revenue from non-exchange transactions'	20,000,000	-	**18,027,902**	15,813,949	**(2,213,953)**	
Total revenue	**20,100,000**	**-**	**18,127,902**	**15,964,738**	**(2,163,164)**	
Expenditure						
Personnel	(6,170,000)	-	**(6,942,288)**	(2,356,661)	**4,585,627**	Variance relates to vacancies not filled
Transfer payments	(6,150,000)	(450,000)	**(6,600,000)**	(4,942,450)	**1,657,550**	Variance due to late payment of grant. Adjustment relates to addition allocation to SANAMI project.
Depreciation and amortisation	(160,000)	60,000	**(100,000)**	(148,226)	**(48,226)**	
Impairment loss/ Reversal of impairments	-	-	**-**	(7,520,000)	**(7,520,000)**	Amount not receivable as municipality does not have budget
Finance costs	-	-	**-**	(254,377)	**(254,377)**	
Repairs and maintenance	(26,712)	-	**(26,712)**	(6,981)	**19,731**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference
General Expenses	(5,995,000)	(330,000)	**(6,051,000)**	(4,448,221)	**1,602,779**	Late payment of grant. Adjustment to original budget due to additional anticipated expenditure.
Total expenditure	**(18,501,712)**	**(720,000)**	**(19,720,000)**	**(19,676,916)**	**43,084**	
	1,598,288	(720,000)	**878,288**	(3,712,178)	**(4,590,466)**	
	-	-	-	-	-	
Deficit before taxation	**1,598,288**	**(720,000)**	**878,288**	**(3,712,178)**	**(4,590,466)**	
Surplus before taxation	1,598,288	(720,000)	**878,288**	(3,712,178)	**(4,590,466)**	
Taxation	-	-	-	-	-	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**1,598,288**	**(720,000)**	**878,288**	**(3,712,178)**	**(4,590,466)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference
Statement of Financial Position						
Assets						
Non-Current Assets						
Property, plant and equipment	360,000	(180,000)	**180,000**	351,034	**171,034**	
Intangible assets	-	-	-	102,078	**102,078**	
	360,000	**(180,000)**	**180,000**	**453,112**	**273,112**	
Non-Current Assets	-	-	-	11,522,316	**11,522,316**	
Current Assets	360,000	(180,000)	**180,000**	453,112	**273,112**	
Non-current assets held for sale (and) (assets of disposal groups)	-	-	-	-	-	
Total Assets	**360,000**	**(180,000)**	**180,000**	**11,975,428**	**11,795,428**	
Liabilities						
	-	-	-	3,167,788	**3,167,788**	
	-	-	-	-	-	
	-	-	-	-	-	
Total Liabilities	-	-	-	**3,167,788**	**3,167,788**	
Assets	360,000	(180,000)	**180,000**	11,975,428	**11,795,428**	
Liabilities	-	-	-	(3,167,788)	**(3,167,788)**	
Net Assets	**360,000**	**(180,000)**	**180,000**	**8,807,640**	**8,627,640**	

Accounting Policies

1. Basis of preparation

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

These 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.

1.1 Basis of measurement

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

1.2 Presentation of currency

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

1.3 Offsetting

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

1.4 Use of estimates

The preparation of financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.5 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

Accounting Policies

1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

1.7 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

Accounting **Policies**

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

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

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

Item	Useful life
Computer software, other	3 Years

Intangible assets are derecognised:

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

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

Accounting Policies

1.8 Financial instruments

Initial recognition and measurement

Financial instruments are recognised initially when the entity becomes a party to the contractual provisions of the instruments.

The entity classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

Accounting Policies

1.8 Financial instruments (continued)

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Impairment of financial assets

At each end of the reporting period the entity assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-forsale.

Accounting Policies

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1.9 Share capital / contributions from owners

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Accounting Policies

1.10 Irregular expenditure

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

1.11 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.12 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners. An exchange transaction is one in which the municipal entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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

Measurement

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

1.13 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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

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

Accounting Policies

1.13 Revenue from non-exchange transactions (continued)

Government grants

Government grants are recognised as revenue when:

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

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

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

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

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

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

Accounting Policies

1.14 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Accounting Policies

1.14 Provisions and contingencies (continued)

Provisions are not recognised for future operating deficits.

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 22.
The entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Accounting Policies

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

- inancial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

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

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.15 Related parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Accounting Policies

1.15 Related parties (continued)

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

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

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

1.16 Impairment of cash-generating assets

Cash-generating assets are those assets held by the 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.

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

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

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

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

Accounting Policies

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

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

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

Useful life is either:

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

Identification

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

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

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

1.17 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

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

Accounting Policies

1.18 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 statementst

1.19 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

1.20 Income tax

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

1.21 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.

1.22 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.

Accounting Policies

1.23 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. Foreign currency differences arising on retranslation are recognised in surplus or deficit, except for differences arising on the retranslation of available-forsale 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.

1.24 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.

1.25 Budget information

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

The approved budget covers the fiscal period from 2012/07/01 to 2013/06/30.

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

Notes to the Financial Statements

	2013 R	2012 R

2. Receivables from exchange transactions

Sundry Debtors	25,514	14,423
Other Debtors	465,838	-
	491,352	**14,423**

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2013, R - (2012: R -) were past due but not impaired.

3. Receivables from non-exchange transactions

Government grants and subsidies	4,694,569	7,520,000
Provision for impairment	-	-
	4,694,569	**7,520,000**

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2013, R 4,694,569 (2012: R 7,520,000) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

3 months past due	4,694,569	7,520,000

Receivables from non-exchange transactions impaired

As of 30 June 2013, other receivables from non-exchange transactions of R 7,520,000 (2012: R -) were impaired and provided for.

The amount of the provision was R 7,520,000 as of 30 June 2013 (2012: R -).

The ageing of these receivables is as follows:

Over 6 months	7,520,000	-

Reconciliation of provision for impairment of receivables from non-exchange transactions

Provision for impairment	7,520,000	-
Amounts written off as uncollectible	(7,520,000)	-
	-	-

The creation of provision for impaired receivables have been included in the face of statement of finacial performance.

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	-	2,100
Bank balances	6,313,265	7,141,484
Short-term deposits	23,130	22,244
	6,336,395	**7,165,828**

Notes to the Financial Statements

	2013 R	2012 R

4. Cash and cash equivalents (continued)

The entity had the following bank accounts

Account number / description	Bank statement balances 30 June 2013	30 June 2012		Cash book balances 30 June 2013	30 June 2012	
First National Bank - Public Sector Cheque Account - 62215290355	6,313,265	7,141,484	-	6,313,265	7,141,484	-
First National Bank - Call Account - 62238128351	3,148	3,027	-	3,148	3,027	-
First National Bank - Call Account - 62238128517	2,648	2,546	-	2,648	2,546	-
First National Bank - Call Account - 62238128781	4,206	4,045	-	4,206	4,045	-
First National Bank - Call Account - 62238129094	1,365	1,313	-	1,365	1,313	-
First National Bank - Call Account - 62238129804	1,377	1,324	-	1,377	1,324	-
First National Bank - Call Account - 62238130231	5,760	5,539	-	5,760	5,539	-
First National Bank - Call Account - 62238127949	2,658	2,470	-	2,658	2,470	-
First National Bank - Call Account - 62238128129	2,086	1,980	-	2,086	1,980	-
Total	**6,336,513**	**7,163,728**	**-**	**6,336,513**	**7,163,728**	**-**

5. Property, plant and equipment

	2013 Cost	2013 Accumulated depreciation and accumulated impairment	2013 Carrying value	2012 Cost	2012 Accumulated depreciation and accumulated impairment	2012 Carrying value
Furniture and fixtures	211,940	(58,051)	153,889	211,940	(21,921)	190,019
IT equipment	268,235	(86,506)	181,729	125,268	(38,585)	86,683
General Equipment	3,177	(2,091)	1,086	3,177	(1,589)	1,588
Equipment	18,175	(3,845)	14,330	18,175	(819)	17,356
Total	**501,527**	**(150,493)**	**351,034**	**358,560**	**(62,914)**	**295,646**

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	190,019	-	(36,130)	153,889
IT equipment	86,683	142,967	(47,921)	181,729
General Equipment	1,588	-	(502)	1,086
Equipment	17,356	-	(3,026)	14,330
	295,646	**142,967**	**(87,579)**	**351,034**

Notes to the Financial Statements

	2013 R	2012 R

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	9,145	202,257	(21,383)	190,019
IT equipment	50,742	56,738	(20,797)	86,683
General Equipment	2,117	-	(529)	1,588
Equipment	-	18,176	(820)	17,356
	62,004	**277,171**	**(43,529)**	**295,646**

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

6. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	176,366	(74,288)	102,078	20,367	(13,641)	6,726
Total	**176,366**	**(74,288)**	**102,078**	**20,367**	**(13,641)**	**6,726**

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software	6,726	155,998	(60,646)	102,078
	6,726	**155,998**	**(60,646)**	**102,078**

Reconciliation of intangible assets - 2012

	Opening balance	Amortisation	Total
Computer software	13,514	(6,788)	6,726
	13,514	**(6,788)**	**6,726**

7. Payables from exchange transactions

	2013 R	2012 R
Trade payables	252,553	255,175
South African Revenue Services (PAYE, UIF, SDL)	631,148	617,014
Sundry Creditors	13,735	74,620
Staff Leave	321,485	112,642
	1,218,921	**1,059,451**

8. VAT payable

	2013 R	2012 R
Tax refunds payable	1,948,867	1,397,465

Notes to the Financial Statements

	2013 R	2012 R
9. Share capital / contributions from owners		
Authorised		
100 Ordinary shares of R1 each	100	100
Reconciliation of number of shares issued:		
Reported as at 01 July 2012	100	100
Issued		
Ordinary	100	100
10. Revenue		
Interest received - investment	150,789	52,749
Grants Received	15,813,949	15,809,895
	15,964,738	**15,862,644**
The amount included in revenue arising from exchanges of goods or services are as follows:		
Interest received - investment	150,789	52,749
The amount included in revenue arising from non-exchange transactions is as follows:		
Transfer revenue		
Grants Received	15,813,949	15,809,895
11. Government grants and subsidies		
Alfred Nzo District Municipality	15,813,949	15,809,895

Notes to the Financial Statements

	2013 R	2012 R
12. Employee related costs		
Basic	1,683,748	1,134,640
UIF	7,098	4,522
SDL	21,696	14,216
Leave pay provision charge	182,953	106,938
Car allowance	224,333	132,000
Housing benefits and allowances	212,333	120,000
Backpay	24,500	34,989
	2,356,661	**1,547,305**
Remuneration of Chief Executive Officer		
Annual Remuneration	659,223	636,423
Car Allowance	132,000	132,000
Housing Allowance	120,000	120,000
Reimbursive Travel	91,101	105,980
Back pay	24,500	22,800
	1,026,824	**1,017,203**
Remuneration of Chief Finance Officer		
Annual Remuneration	10,803	-
Car Allowance	2,333	-
Housing Allowance	2,333	-
Reimbursive Travel	-	-
Back pay	-	-
	15,469	**-**

The Chief Financial Officer was appointed on 24 June 2013 and thus remuneration is only for one week.

	2013 R	2012 R
Remuneration of Executive Manager: Programmes		
Annual Remuneration	415,557	-
Car Allowance	90,000	-
Housing Allowance	90,000	-
Reimbursive Allowance	-	-
Back pay	29,746	-
	625,303	**-**

Executive Manager: Programs was appointed on 30 October 2012 and thus remuneration is only for 8 months.

	2013 R	2012 R
13. Project expenses		
Grain Production	333,507	922,822
Fruit and Vegetables	-	405,119
Tourism and Development	404,107	323,631
Goxe Cut-Flower	754,834	454,857
Livestock and Poultry	1,000,000	160,485
SMME Development	-	29,568
SANAMI	2,100,002	-
	4,592,450	**2,296,482**

Notes to the Financial Statements

	2013 R	2012 R
14. Depreciation and amortisation		
Property, plant and equipment	148,226	50,317
15. Impairment of assets		
Impairments		
Trade and other receivables	7,520,000	-
The parent municipality does not have the budget to pay the entity amounts owed from previous years		
	7,520,000	-
	-	-
16. Finance costs		
Other interest paid	254,377	115,578
17. General expenses		
Advertising	38,082	-
Auditors remuneration	508,675	49,420
Bank charges	14,264	13,495
Cleaning	71,063	40,715
Computer expenses	22,471	5,212
Consulting and professional fees	1,752,094	603,136
Entertainment	7,762	2,182
Fines and penalties	212,158	141,141
Gifts	2,500	-
Hire	42,799	22,227
Conferences and seminars	50,588	259,583
IT expenses	1,667	32,676
Marketing and Branding	-	10,465
Postage and courier	2,495	-
Printing and stationery	163,507	43,306
Protective clothing	9,164	-
Security	-	6,866
Telephone and fax	111,355	718
Training	30,220	29,370
Travel - local	488,757	284,221
General Equipment and Minor Items	9,306	49,818
Electricity	74,221	70,292
Accomodation	375,034	77,680
Fees: Board Members	69,680	21,885
Audit Committee	16,500	-
Casual Wages	-	18,000
Trade Missions	290,083	273,327
Recruitment Expenses	80,036	92,639
Other expenses	3,740	1,800
	4,448,221	**2,150,174**

Notes to the Financial Statements

	2013 R	2012 R
18. Cash (used in) generated from operations		
(Deficit) surplus	(3,712,178)	9,653,737
Adjustments for:		
Depreciation and amortisation	148,226	50,317
Impairment deficit	7,520,000	-
Prior Period Errors	(25,890)	(530,983)
Changes in working capital:		
Receivables from exchange transactions	(7,996,929)	107,598
Other receivables from non-exchange transactions	2,825,431	(3,709,964)
Payables from exchange transactions	159,470	(40,711)
VAT	551,402	1,563,888
	(530,468)	**7,093,882**
19. Auditors' remuneration		
Fees	508,675	49,420

Notes to the Financial Statements

20. New standards and interpretations

20.1 Standards and Interpretations early adopted

The entity has not chosen to early adopt any standards and interpretations

20.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2013 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	01 April 2013	None
• GRAP 25: Employee benefits	01 April 2013	None
• GRAP 105: Transfers of functions between entities under common control	01 April 2014	None
• GRAP 106: Transfers of functions between entities not under common control	01 April 2014	None
• GRAP 107: Mergers	01 April 2014	None
• GRAP 20: Related parties	01 April 2013	None
• IGRAP 11: Consolidation – Special purpose entities	01 April 2014	None
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2014	None
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2014	None
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2014	None
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2014	None
• GRAP 1 (as revised 2012): Presentation of Financial Statements	01 April 2013	None
• GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	01 April 2013	None
• GRAP 7 (as revised 2012): Investments in Associates	01 April 2013	None
• GRAP 9 (as revised 2012): Revenue from Exchange Transactions	01 April 2013	None
• GRAP 12 (as revised 2012): Inventories	01 April 2013	None
• GRAP 13 (as revised 2012): Leases	01 April 2013	None
• GRAP 16 (as revised 2012): Investment Property	01 April 2013	None
• GRAP 17 (as revised 2012): Property, Plant and Equipment	01 April 2013	None
• GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)	01 April 2013	None
• GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	01 April 2013	None
• IGRAP16: Intangible assets website costs	01 April 2013	None
• IGRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue	01 April 2013	None

Notes to the Financial Statements

	2013 R	2012 R
21. Commitments		
Commitments in respect of expenditure		
Already contracted for but not provided for		
• TEBA	-	500,000
• Digital Planet (Pty) Ltd	-	165,446
• Creative Hut	924,722	-
• ICMS	288,387	-
• Indingliz Advertising & Marketing	475,836	-
• Jonathan Clark	99,313	-
• Deloitte	373,510	-
• Furntech	197,000	-
	2,358,768	**665,446**

This committment will be financed by available retained surpluses and existing cash resources.

22. Contingencies

Contingent liabilities

	2013 R	2012 R
Contingent Liability		
A claim by past service provider: MC Mgugudo for alleged breach of service level agreement with the entity. Thismatter is still outstanding and not finalised from the prior year and ANDM is handling the matter on behalf of ANDA.	120,734	120,734
Gestalt: ANDA was given a mandate by the council of the parent municipality (ANDM) to mobilise funding for ANDM water infrastructure projects from DBSA through Gestalt. A fee was to be paid to Gestalt upon succesful application and approval of funding. The application was subsequently approved by DBSA. Gestalt then submitted an invoice and a letter of demand claiming the agreed fee for services rendered ANDM and ANDA as the second respondent. The parent municipality is disputing the role played by Gestalt in the approval of the funding by DBSA and thus are planning to defend this matter. The entity is thus raising a contingent liability as it is uncertain whether they may be asked to pay a portion or any other amount in full or part settlement of the claim as they are second respondents in the claim.	10,898,400	-
	11,019,134	**120,734**

Notes to the Financial Statements

	2013 R	2012 R

23. Related parties

Relationships	
Controlling entity	Alfred Nzo District Municipality
Members of key management	Ms N Bam: Chief Executive Officer
	Mr Bongani Mashiqa: Chief Financial Officer
	Ms T Ntsalla: Executive Manager Programs

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 arms's length transactions.

Related party balances

	2013 R	2012 R
Loan accounts - Owing (to) by related parties		
Alfred Nzo District Municipality	4,694,569	7,520,000
Related party transactions		
Grant income received		
Alfred Nzo District Municipality	15,813,949	15,809,895

24. Adjustments to Opening Surplus

Provision for leave was incorrectly calculated in the prior year.

The correction of the errors results in adjustments as follows:

	2013 R	2012 R
Statement of financial position		
Staff Leave	25,890	-
Statement of Financial Performance		
Leave provision	25,890	-
Reallocation of Prior Year Expenditure		
Previous year expenditure erroniously accounted for in the current year, reallocated to the previous year.	-	(485,823)
Correction of Prior Year Balance		
Correction of VAT balance at year end	-	(45,163)
	-	**(530,986)**

25. Risk management

Liquidity risk

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

Notes to the
Financial Statements

	2013 R	2012 R

25. Risk management (continued)

Credit risk

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

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

Financial instrument	2013	2012
FBN Current Account	6,313,265	7,143,584
Call Deposits	23,157	22,244
Trade Receivables	4,694,569	7,700,845

These balances represent the maximum exposure to credit risk.

Aging of Trade Debtors		
31-60 days	4,694,569	-
> 60 days	7,520,000	7,700,845
Less: Writeoff of uncollectable debt from Parent Municipality	(7,520,000)	-
Net Debtors	**4,694,569**	**7,700,845**

26. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

27. Events after the reporting date

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

28. Fruitless and wasteful expenditure

Interest and penalties for late payment: Late payments to SARS and Auditor General resulting in penalties and interest as a result of late payment of grant by parent municipality	276,948	256,719

29. Irregular expenditure

Opening balance	2,540,781	-
Add: Irregular Expenditure - current year	3,107,877	2,540,781
Less: Amounts written off	(2,540,781)	-
	3,107,877	**2,540,781**

Analysis of expenditure awaiting condonation per age classification

Current year	3,107,877	2,540,781

Details of irregular expenditure – current year

Three quotes not obtained		1,457,278
Competitive bidding process not followed		1,650,599
		3,107,877

Notes to the
Financial Statements

		2013 R	2012 R

29. Irregular expenditure (continued)

Details of irregular expenditure condoned

	Written off by the Board of Directors	2013 R	2012 R
Three quotes not obtained	30 June 2013		1,437,111
Use suppliers not on the database	30 June 2013		211,932
Competitive bidding process not followed	30 June 2013		891,738
			2,540,781

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