



**SDA**  
**SEKHUKHUNE**  
**DEVELOPMENT AGENCY**  
REACHING NEW HEIGHTS

## Sekhukhune Development Agency

2019



2020



**Annual**  
**REPORT**  
**2019/2020**





## Contents

# Contents

Item		Page
1.	Introduction	3
1.1	Legislative Framework for Annual Reporting	3
1.2	Mandate for Sekhukhune Development Agency (SDA)	4
2	Financial Overview	4
2.1	Assets	4
2.2	Revenue	4 – 5
2.3	Liabilities	5
2.4	Expenditure	5 – 6
3	Governance	6
3.1	Sekhukhune Development Agency Board	6 - 7
3.2	Strategic Plan Session	7
3.3	Audit and Risk Committee	7
3.4	Progress on Forensic Investigation By Hawks	7
3.5	Auditor General Outcomes	8
4	Projects Undertaken	8
4.1	Table on projects	8 – 9
5	Agency Performance	9
6	Auditor General Findings	10
6.1	Auditor General Report 2017/2018 Financial Year	10
7	Conclusion	10-11



## CHAIRPERSON OF THE BOARD OF DIRECTORS



Ms Maureen Ntshudisane  
Chairperson  
Sekhukhune Development Agency

***We remain committed to this cause of sustaining this special purpose vehicle for delivery of developmental programmes and this report reflect how our commitment outdone the insurmountable and attendant challenges of our operational and external environment in 2019/2020 financial year.***

The SDA entered the 2019/2020 with renewed hope and focus inspired by the collective wisdom of the board to propel the mandate of the agency through implementation of projects by forging social compact with the private sector. Mindful of its financial limitations with a low assets base, the Agency adopted a strategy of entering into partnerships with the public and private sector to implement its 2017-2020 strategic plan.

The SDA like many Institutions was severely affected by the socio-economic impact of Covid19 pandemic which inhibited its fundraising prospects. In addition to the challenges brought by the pandemic, the agency experienced some of the below subjective internal setbacks;

1. The projects could not be undertaken due to lapse of term of office for the board.
2. Absence of the CEO as he was seconded to Ephraim Mogale Local Municipality.
3. The impact resignation of the board secretary in November 2019 which created a huge administrative and governance compliance challenges
4. The expiry of the term of office for the Board in March 2020 which took a while to be extended by the appointing authority (council) thereby creating a governance vacuum
5. The absence of the Acting CEO who secondment to Mogale Ephraim Municipality for a period of 10 months which also brought administrative instability

Notwithstanding these challenges, SDA in the period under review was able to persue and fulfil some of its strategic projects and partnerships.

In line with good practice and legislation as espoused in the By-Law, Shareholder compact, Companies Act, MFMA, MSA and King IV code of good corporate governance, AGM could not be held due to lapse of term of office for the board, absence of the CEO as he was seconded to Ephraim Mogale Local Municipality. SDA held engagements with LEDET around programmes of common interests such as Limpopo village and township economic revitalisation strategic as well as Special Economic Zone. SDA successfully held district tourism promotion with the launch of tourism route and hosting of ancestral tour on the 26<sup>th</sup> and 27<sup>th</sup> November 2019 in Fetakgomo Tubatse Local Municipality.

In the previous financial year 2017/2018 we reflected sharply on the state of Municipal development agencies, and agreed that if well supported and resourced they remains an important special purpose vehicle for delivery of developmental programmes, service delivery and job creation.

We remain committed to this cause of sustaining this special purpose vehicle for delivery of developmental programmes and this report reflect how our commitment outdone the insurmountable and attendant challenges of our operational and external environment in 2019/2020 financial year.





# 1. INTRODUCTION

## Introduction

### 1. INTRODUCTION

Below is an outline of the structure for 2019/2020 SDA annual report together with mandatory supporting documents.

Sekhukhune Development Agency (SDA) herein presents annual report for 2019-2020 financial year. The annual report is a statutory requirement for all municipal entities in South Africa, primarily to report on performance during the year under review, guided by Municipal Finance Management Act (MFMA). Circular 63 of 2012, contents of this annual report are set out as below:

1. Introduction
2. Governance;
3. Project undertaken;
4. Organisational Development Performance;
5. Financial Performance;
6. Auditor General's Findings;

Appendices

However, this introductory chapter begins by presenting the legislative background, mandate, projects undertaken and financial sustainability, and a summary of the annual report process.

#### 1.1 Legislative Framework for Annual Reporting

Section 121 (1) provides that "each municipality and municipal entity must for each financial year prepare an annual report in accordance with this chapter. The council of a municipality must within nine months after the end of the financial year deal with the annual report of the municipality and of any municipal entity under the municipality's sole or shared control in accordance with section 129.

Section 121 (4) provides that an annual report of the municipal entity must include-

- (a) Annual financial statements of the entity as submitted to the Auditor General for audit in terms of section 126 (2)
- (b) Auditor-General's report in terms of section 126 (3) on those financial statement;
- (c) An assessment by the entity accounting officer of any arrears on municipal taxes and service charges
- (d) An assessment by the accounting officer of the entity's performance against any measurable performance,
- (e) Particulars of any corrective action taken or to be taken in response to an issue raised in the audit report,
- (e) Any recommendations of the audit committee of the entity or its parent municipality.

Section 127 (1) provides "the accounting officer of a municipal entity must, within six months after the end of the financial year or on such earlier date as may be agreed between the entity and its parent municipality, submit the entity's annual report for that financial year to the municipal manager of the entity's parent municipality"

Section 127 (2) "the mayor of a municipality must, within seven months after the end of the financial year, table in the municipal council the annual report of the municipality and of any municipal entity under the municipality's sole or shared control"







## ACTING CEO'S OVERVIEW & PERFORMANCE SUMMARY



Mr Kgopelo Phasha  
Acting Chief Executive Officer  
Sekhukhune Development Agency

*we deemed it necessary to facilitate a process of benchmarking and learning from them. There has been interactions with organizations such as Trade Investment KZN (TIKZN), Invest Durban, Funding Connection and Go Digital SA Foundation to understand how they promote economic development in their region and fulfill its mandate.*

2019/2020 Financial Year presented a highly volatile environment for the economies of the world. While in the wake of the pandemic and its dilapidating effect there are irresistible opportunities to be found. One such an opportunity is the legitimisation of digitised way of doing business as the safest way to get things done, not to mention cost effectively.

Dwelling on the lost opportunities within this financial year we count the implementation of *Kgoshi Sekhukhune The Musical* which is a theatre project that SDA was actively involved in from late 2019 to early 2020. The Musical project is a theatre production that is connected to immortalising, celebrating and popularising stories and legends from our District. Due to its national scale and acclaim the Musical is not just storytelling, it's also about destination marketing and career breakthroughs for the talented youth of our rural district to make a name for themselves, and make their communities proud. It envisaged premier show on 03 April 2020 was meant to showcase the raw talent from the villages of Sekhukhune into the floors of the world renowned State Theatre as a shift that blows opportunities towards Sekhukhune – and as SDA was in high spirits to ride this tidal wave of opportunities. We have entered into MoU with Agang Productions on the *Kgoshi Sekhukhune – The Musical* because of its catalytic promise to step-up local creative industry and unlock an untapped potential of the youth of Sekhukhune. SDA also supported the Finalist that are going to be given a month-long skills transfer which includes rehearsing alongside showbiz and theatre icons such as Seputla Sebogodi.

SDA has in this difficult period entered into advanced interactions with the Department of Rural Development and Land Reform (DRDLR) around implementation of Agri-park concepts in Sekhukhune. The DRDLR identified two farmers support unit in Vleesboom and Praktiseer for implementation. There has been engagements between DRDLR, SDM and SDA on the management of the site once completed.

SDA has observed with keen interest at the progressive Economic development initiatives that have been unfolding in the province of KwaZulu-Natal, hence we deemed it necessary to facilitate a process of benchmarking and learning from them. There has been interactions with organizations such as Trade Investment KZN (TIKZN), Invest Durban, Funding Connection and Go Digital SA Foundation to understand how they promote economic development in their region and fulfill its mandate.

2019/2020 Financial year has seen unprecedented Economic devastation as a result of the impact of the Novel Corona Virus/Covid19. Global economy has seen a significant decline and contradiction, South Africa as a developing economy is not an exception. The economic challenge imposed by Covid19 calls on countries and indeed municipalities to craft strategies to reignite economic growth. SDA as a municipal entity created to stimulate economic growth will have to leverage on national and provincial public policy interventions such as the economic recovery plan pronounced by the President.

Mr Kgopelo Phasha (ACTING CEO)



## MANDATE

## Mandate

### 1.2 Mandate of Sekhukhune Development Agency (SDA)

The mandate of Sekhukhune Development Agency is captured in the 'By-law for establishing and operating Sekhukhune Development Agency' which was published in the Provincial Gazette Extraordinary no. 1863 dated 4 November 2010. In terms of the By-law, the following are the **five strategic objectives** of SDA:

- ❖ To act as an engine for economic growth by diversifying and expanding the SDM economic base
- ❖ To secure a stable and sustainable financial base for the future development of the Agency
- ❖ To initiate, identify and implement high impact economic development Projects
- ❖ To develop businesses that create sustainable job opportunities
- ❖ To source funds for economic development concepts and convert these into projects aimed at transforming the district into the first economy

Based on the above five strategic objectives, Sekhukhune Development Agency has to ensure that the projects and programmes that are identified on an annual basis are aligned to the strategic objectives. The operations of SDA must also be informed in the same vein.

More importantly, the strategic objectives must inform the planning, implementation, monitoring as well as review of the SDA Programmes. The annual performance agreement between SDA Chairperson and Executive Mayor should also mirror the same strategic objectives. The SDA performance as assessed by the parent municipality on a quarterly basis as part of performance lekgotla reporting framework. The SDA reports starts from management, to sub-committees of the board, board of directors then to parent municipality.





## 2. FINANCIAL OVERVIEW



### 2. Financial Overview

#### 2.1 Assets

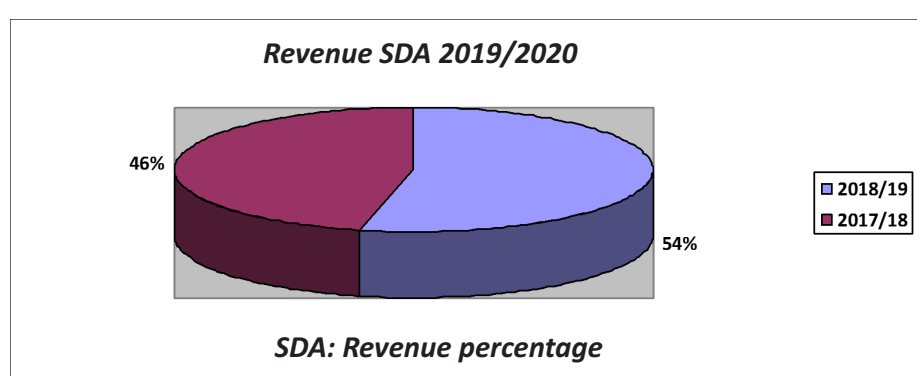
In the 2018/2019 financial year, the total assets for Sekhukhune Development Agency stood at R3 276 899 and net assets at R1 357 224 as compared to the total asset position of R1 843 277 and net assets at (R311 670) in 2017/2018 financial year. The main contributor of the assets is a property (land) that was donated by Sekhukhune District Municipality which is referred to as portion 1 of Erf 488 Groblersdal Extension 5.

The property is zoned as public open space (park) which means it can only be used as such. The value of the land is estimated at R900 000.00. In the financial year under review, SDA has appointed transfer attorneys to officially register the property under the name of the Agency, this will enable the agency to attract possible development applications for purposes of revenue generation.

#### 2.2 Revenue

The total revenue for Sekhukhune Development Agency in the 2018/2019 financial year stood at R5 687 026 compared to R3 386 991 in 2017/2018 financial. Grants received from Sekhukhune District Municipality amounted to R3 892 829 in the 2018/2019 financial as compared to R3 382 476 in the 2017/2018 financial year.

Industrial Development Corporation (IDC), which is also a government entity, contributed grants to the Agency in 2014/15 financial year that resulted in a roll over for the financial year 2017/18 of R301 750. The Agency generated income of R1 706 460 by year end 2018/19 Financial year.



#### 2.3 Liabilities

Sekhukhune Development Agency incurred liabilities amounting to R1 919 675 in the 2018/2019 financial year as compared to liabilities of R2 154 947 in the 2017/2018 financial year.

The liabilities relate to three main items;

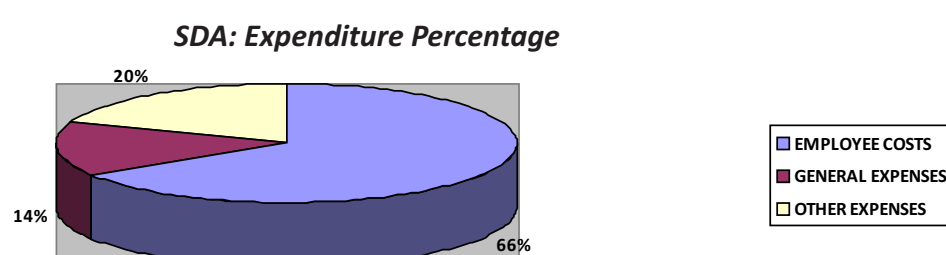
- Unspent conditional grant from Industrial Development Corporation amounting to R 1 526 829
- Trade and other payables amounting to R392 846.

#### 2.4 Expenditure

The total expenditure incurred by Sekhukhune Development Agency in the 2018/2019 financial year stands at R4 018 132 as compared to R3 520 617 in the 2017/2018 financial year. Employee costs that were incurred in the 2018/2019 financial year contributed to R2 658 622 as compared to R2 628 955 in 2017/2018 financial year. Payment for members of the SDA Board that were incurred in the 2018/2019 amounted to R575 646 as compared to expenditure of R258 676 in the 2017/2018 financial year. The increase in expenditure on board fees is attributable to the appointment additional member, subsequent board meetings (quarterly and investor meetings) and subcommittee meetings held during the year.

General Expenses for SDA in the 2018/2019 financial year amounted to R739 844 as compared to General Expenses of R497 782 in the 2017/2018 financial year. Depreciation and Amortisation at R739 844 in 2018/19 and in 2017/18 at R135 204.

#### Expenditure SDA 2019/2020



## 3. GOVERNANCE



### 3. GOVERNANCE

#### 3.1 Sekhukhune Development Agency Board

The By-law for establishing SDA read together with the Shareholder's Compact makes provision for establishment of the SDA Board of Directors. SDA Board is the highest decision making structure and it reports to the Executive Mayor of the parent municipality who then reports to Council.

**The following are the SDA Board Members in the 2018/2019 financial year;**

- Mr. Maureen Ntshudisane (Chairperson) Appointed in 2019
- Ms. Seipati Tlaka (Board Member) resigned in 2019
- Mr. Stephen Masemola (Board Member)
- Ms. Mercia Blake (Board Member)
- Mr. Madulo Mampuru (Board Member)
- Mr. Maselaganye Matji (Board Member) Appointed in 2018

#### Officials /Senior Management

- Mr Kgopelo Phasha (Acting CEO)
- Ms Mahlatse Shaibu (Finance Manager)
- Advocate Unarine Tshikovhi (Board Secretary)
- Ms Elizabeth Kubuzie (Project coordinator).

**The following are the shareholder Representatives;**

- Cllr. Nkosi (MMC Planning and Economic Development)
- Ms. Molatelo Mabitsela ( Director Planning and Economic Development)



**Board of SDA: Ms Mercia Blake (Board Director), Mr Madulo Mampuru (Board Director), Ms Molatelo Mabitsela (Shareholder Representative), Ms Maureen Ntshudisane (Board Chairperson), Cllr Samson Nkosi (Shareholder Representative) and Mr Petrus Matji (Board Director).**

BOARD MEETINGS HELD						
No. of Meetings	2013/14	2014/15	2015/16	2016/17	2017/2018	2018/2019
	04	02	02	05	5	4
AGM	01	0	0	01	1	June 2020

The term for the current Board members runs from the 1<sup>st</sup> March 2017 to the 29th February 2020. By the end of the financial year in June 2018, the entity was at an advanced stage to fill the vacant post and bring additional expert and experience in the board.







## 3.2 STRATEGIC PLANNING SESSION



### Strategic

#### 3.2 Strategic Planning Session

The new Board of the Agency held its strategic planning over a two and a half day session in Groblersdal on the 27<sup>th</sup> – 29<sup>th</sup> April 2017 wherein a strategic plan for the 3 year term was deliberated and later approved. (See copy of the strategic plan as appendix C). The strategic plan was returned for 2017/2018 financial year and only got reviewed during November 2018. See the new reversed strategic implementation plan document marked as annexure A.

#### 3.3 Audit and Risk Committee

Sekhukhune Development Agency makes use of the services of the Sekhukhune District Municipality Audit Committee and Performance Audit Committee as per the shareholder's compact.

**The Members of the Audit Committee are as follows** appointed on the 01<sup>st</sup> April 2017):

- Mr. L. Langalibalela (chairperson)
- Mr. M Mokwele
- Ms. G Molepo
- Ms. T Mathabathe
- Ms. M. Ndlovu

The audit committee members should meet 4 times per annum as per its approved terms of reference. During the current year four ordinary and two special meetings were held and the members attended as follows:

Name of Audit Committee Member	Number of meetings attended
Mr. L Langalibalela (Chairperson)	7
Mr. M Mokwele	6
Ms. G Molepo	3
Mr. T.Mathabathe	2
Ms. M Ndlovu	5

#### 3.4 Forensic Audit Progress on Hawks Fraud case Investigation

The Council in its sitting of 18 December 2015 resolved to undertake a forensic Audit on the entity. This exercise has been completed and the turn-around action plan has been developed. SDA has opened a criminal case with SAPS Groblersdal and the case has been transferred to HAWKS Polokwane Regional Office.

Investigations are still ongoing and administration is in contact with the responsible officer captain Mpati. Case number 153/05/2015. In the financial year under review, the agency has written a letter to the Hawks escalating the case so that there could be progress. The council of the Municipality has since written off irregular and fruitless expenditure as identified in the forensic report following elaborate processes including investigation by Municipal Public Accounts Committee (council resolution **14/07/2017**). The amount of R2,3 million was resolved for a write as irrecoverable and amount of R341 000 as certified to be recoverable and as such accounting officer of the parent municipality was instructed to recover from the former Chief Executive Officer. The processes are still ongoing as guided the criminal case opened with the Hawks.

#### 3.5 Auditor-General Outcomes

2012/13	Qualified
2013/14	Unqualified
2014/15	Disclaimer
2015/16	Unqualified
2016/17	Unqualified
2017/18	Unqualified
2018/19	Unqualified





## 4. PROJECTS UNDERTAKEN

### Projects

#### 4. PROJECTS UNDERTAKEN

Projects undertaken in the 2019/20 financial year: the agency had 7 projects in the financial year under review as depicted in the below table.

PROJECTS	NUMBER OF TARGETS	PROGRESS
Wild-Life Empowerment programmes	1	Achieved
Digital Economy	1	Achieved
Limpopo 6000 (Manufacturing of electrical vehicles)	1	Achieved
RAL-MOU (Steel Bridge)	1	Achieved
BEE Keeping	1	Achieved
Skills Development	1	Achieved
Solar Energy	1	Achieved



#### 5. AGENCY PERFORMANCE

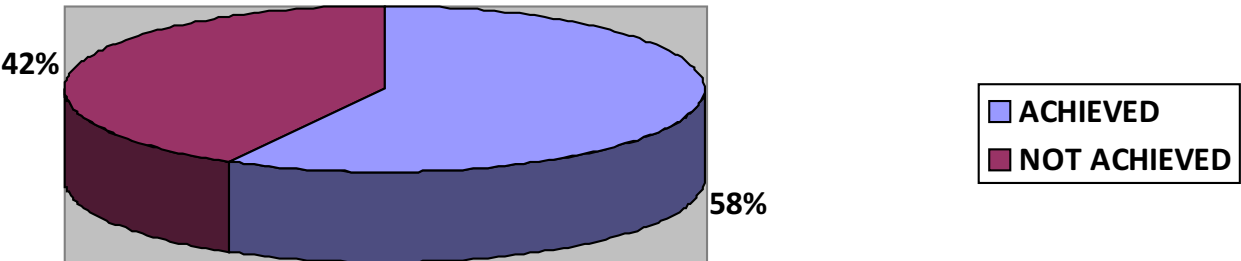
In the 2019/2020 financial year, Sekhukhune Development agency had a total of 22 planned targets. Out of 22 targets, 8 were achieved and 14 were not achieved. This therefore placed the overall performance of the Sekhukhune Development Agency at 58 % at the end of 2019/2020 financial year. The 7 targets set and determined for the year were as follows:

- ❖ Act as an engine for economic growth by diversifying& expanding local economic base.
- ❖ To secure a stable and sustainable financial base for the future of the agency.
- ❖ Develop/facilitate business that creates sustainable jobs.
- ❖ Source funds for economic concepts/projects

Section 53 (1) (ii) of the Local Government Municipal Systems Act, 2003 provides that the board of municipal entities and councils to consider and approve the Service Delivery and Budget Implementation Plan for each financial year.

*The figure below further illustrates the same scenario as depicted in the table above*

SDBIP PERFORMANCE 2018-2019





## 4. PROJECTS UNDERTAKEN

### Projects

Outlined in the table below are 14 targets not achieved with challenges and remedial actions

PROJECT	CHALLENGES	REMEDIAL ACTION
Mining Input Supplier Park (MISP)	1. The projects could not be undertaken due to lapse of term of office for the board. 2. Absence of the CEO as he was seconded to Ephraim Mogale Local Municipality. 3. The impact of covid 19 made it impossible to engage with stakeholders as we were observing lockdown restrictions	1. Board term to be extended. 2. Acting CEO secondment to Mogale Ephraim lapse and he will assume his duties at SDA
Tourism Route		
Agri-Park		
Mining Beneficiation		
Cotton Industry revitalisation Program		
Youth Entrepreneurship Development and Support		
Financial Mobilisation		
Amaloloo - MOU implementation		
Small Business Support		
Small Business Development Fund		
LED lights manufacturing		
Aquaculture farming		
SDA website development & maintenance		
Stakeholder management		





## 6. AUDITOR-GENERAL FINDINGS AND OPINION

## Audit Outcomes

### 6. AUDITOR GENERAL FINDINGS AND OPINION

#### 6.1 Auditor General Report 2019/2020 financial year

The Agency obtained an **unqualified opinion** with emphasis of matter on restated corresponding figures as a result of errors occurred in the previous year 2019/20 relating to payables on exchange transactions, accumulated surplus on bonus provision and general expenses. Other matters on material misstatements that were corrected during Annual Financial Statement adjustment conducted in November 2020 relates to misallocations on expenses and disclosure items

### 7. CONCLUSION

The 2019/2020 Annual Report for Sekhukhune Development Agency is hereby presented to stakeholders for engagement with the report as part and parcel of accountability. Whilst there are many challenges that SDA encountered during the year under review, there are also pockets of excellence that deserve celebration and consolidation. The Agency has improved over the years as the Board has regained full control over the entity, its plans and strategy. The performance of the agency in the previous financial year has been largely attributed to the effective managing of the comprehensive organisational changes.

Financial year has seen unprecedented Economic devastation as a result of the impact of the Novel Corona Virus/Covid19. Global economy has seen a significant decline and contradiction, South Africa as a developing economy is not an exception. The economic challenge imposed by Covid19 calls on countries and indeed municipalities to craft strategies to reignite economic growth. SDA as a municipal entity created to stimulate economic growth will have to leverage on national and provincial public policy interventions such as the economic recovery plan pronounce by the president

The annual performance report is accompanied by the following attachments/annexures;

- Auditor Audit Report
- Annual Financial Statement
- Audit Committee Report
- Strategic planning





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