



Annual Report 2017/2018

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Foreword

The Financial year 2017/18 was marked and characterised by its high and low peaks. The year started with a clear focus on rolling out the programmes as expressed and identified in the IDP and operationalised by the SDBIP. There was adequate institutional energy and enthusiasm to match pound to pound with the task at hand. However the realities are that this good intention did not go without setbacks. The resignation of board member and Chairperson Mr Oupa Nkoana and persistent financial constrains were some of the setbacks experienced.

However the election of the 4th council Sekhukhune following the local government elections in August 2016 injected new life in the Agency. The new Council prioritised the appointment and reconfiguration of SDA Board which came into office March 2017 well in time for the 2017/2018 financial year that we are reviewing. The new Board has brought about governance stability, leadership and enhanced oversight on the operations of the agency.

The Agency has over the past years faced a mammoth challenge of struggling to forge strategic partnerships and attracting funding for its projects and programmes. Beside the assistance from Industrial Development Cooperation (IDC) and seed funding from the parent municipality, the Agency has no other source of revenue. The new Board has since prioritised this area for the ensuing financial year. During the financial year under review, the appoint initiated processes to robe in expertise in the form of financial mobilisation consultants. This process resulted in the appointment of three service providers which are working closely with SDA Board and management to raise much needed private and public funding for project implementation.

The Agency wishes to applaud the roles played by various oversight authorities in positively influencing and shaping its work. These oversight authorities includes and are not limited to the following: Municipal Council, Magoshi, Section 79 & 80 Municipal Public Account Committees (MPAC) and of critical importance the Audit and performance audit Committee.

Mr Kgopelo Phasha

Acting CEO

1. INTRODUCTION

Below is an outline of the structure for 2017/2018 SDA annual performance report

Sekhukhune Development Agency (SDA) herein presents annual report for 2017-2018 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 "every municipality and every 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
- (b) Auditor-General's report
- (c) Performance against measurable objectives
- (d) Audit action plan
- (e) Recommendations of audit committee

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"

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.

2. Financial Overview

2.1 Assets

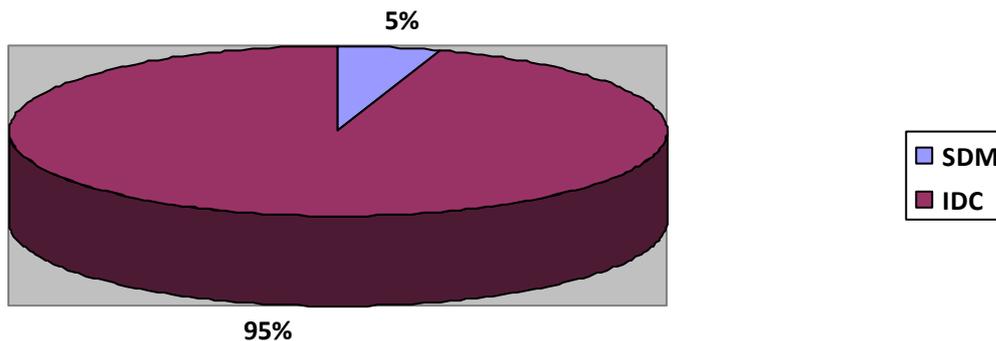
In the 2017/2018 financial year, the net assets for Sekhukhune Development Agency stood at R1 795 293 as compared to the net asset position of R1 943 071 in 2016/2017 financial year. The main contributor of the assets is a property (land) that was donated by Sekhukhune District Municipality which is 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 R100 000.00 in the evaluation done in the 2014/2015 financial year. 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 2017/2018 financial year stood at R3 339 008 compared to R 4 479 471 in the 2016/2017 financial year.

Revenue coming from Sekhukhune District Municipality (which is a government grant) amounted to R3 317 405 in the 2017/2018 financial as compared to R3 068 195 in the 2016/2017 financial year. Industrial Development Corporation (IDC), which is also a government entity, contributed the amount of R 1 737 696 towards Sekhukhune Development Agency (SDA) which was a rollover from the 2016/2017 financial year.

Revenue SDA 2017/2018



2.3 Liabilities

Sekhukhune Development Agency is sitting with liabilities amounting to R 2 148 799 in the 2017/2018 financial year as compared to liabilities of R2 053 433 in the 2016/2017 financial year. The liabilities relate to three main items;

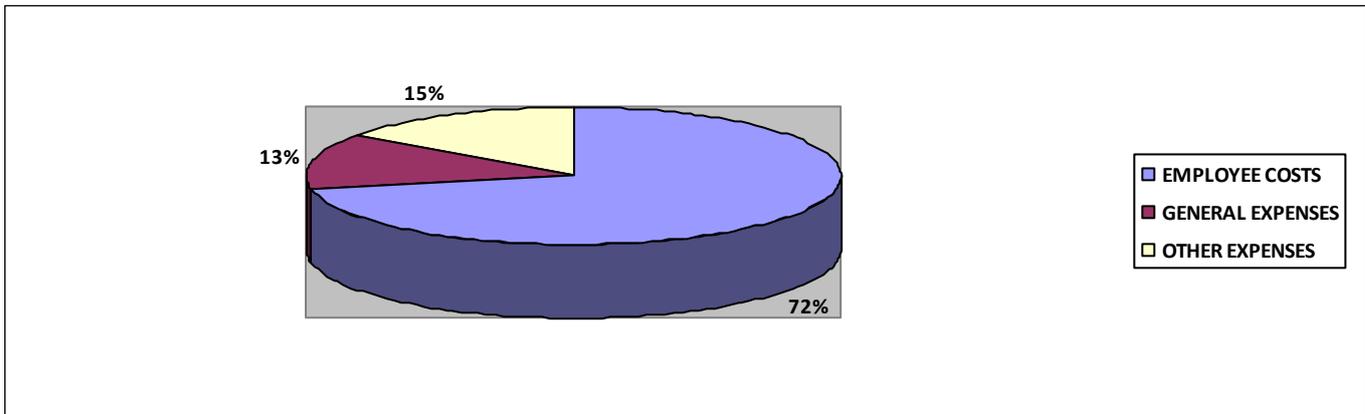
- Unspent conditional grant from Industrial Development Corporation amounting to R 1 720 608
- Trade and other payables amounting to R428 191.

2.4 Expenditure

The total expenditure incurred by Sekhukhune Development Agency in the 2017/2018 financial year stands at R3 582 150 as compared to R4 603 170 in the 2016/2017 financial year. Employee costs that were incurred in the 2017/2018 financial contributed to R2 610 048 as compared to R2 995 419 in 2016/2017 financial year. Payment for members of the SDA Board that were incurred in the 2017/2018 amounted to R339 116 as compared to expenditure of R304 760 in the 2016/2017 financial year. The increase in expenditure on board fees is attributable to the appointment new board in March 2017 and subsequent board meetings and subcommittee meetings held.

General expenses for SDA in the 2017/2018 financial year amounted to R497 782 as compared to R 1 203 010 in the 2016/2017 financial year. There are five main areas in the general expenses that were spent in the 2017/2018 financial year;

Expenditure SDA 2016/2017



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 2017/2018 financial year;

- Mr. Oupa Nkoane (Chairperson)-Later resigned during March 2018
- Ms. Seipati Tlaka (Board Member)
- Mr. Stephen Masemola (Board Member)
- Ms. Mercia Blake (Board Member)
- Mr. Madulo Mampuru (Board Member)

The following are the shareholder Representatives;

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

BOARD MEETINGS HELD						
No. of Meetings	2012/13	2013/14	2014/15	2015/16	2016/17	2017/2018
	04	04	02	02	05	
AGM	01	01	0	0	01	Due in May/June 2019

The term for the current Board members runs from the 1st March 2017 to the 29th February 2020.

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 27th – 29th 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.

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 01st 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 meetings were held and the members attended as follows:

Name of Audit Committee Member	Number of meetings attended
Mr. L Langalibalela (Chairperson)	6
Mr. M Mokwele	6
Ms. G Molepo	4
Mr. T.Mathabathe	3
Ms. M Ndlovu	4

3.4 Forensic Audit Progress on Hawks Fraud case Instigation

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.

3.5 Auditor-General Outcomes

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

4. PROJECTS UNDERTAKEN

Projects undertaken in the 2017/18 financial year: the agency had 11 projects in the financial year under review as depicted in the below table.

OBJECTIVE 01	ACTUAL PROGRESS	ACHIEVED/NOT ACHIEVED
To facilitate appointment of consultants to source funding for Da-Hoop, Flag Boshielo and Potlake Game reserve	By June 2018, the process to appoint consultants was at 90% of the SCM processes.	Not achieved by June 2018
To participate in Presidential Special Package by June 2018	4 quarterly meetings and engagements held	Achieved
To Monitor Implementation of Social Labour Plans by June 2018	4 quarterly engagements attended	Achieved
To facilitate meetings for Agri-Park Development	4 Agri-Par sessions coordinated and attended	Achieved
To Implement MOU with MINTEK on Mining development research	MOU Signed with MINTEK. By June 2018 the project has not kick-started pending finalisation of negotiations on finances.	Not Achieved
To facilitate MOU with Mining houses and TVET for mining related skills	Engagements held with Glenco Mine and Sekhukhune TVET. However no agreement was signed.	No achieved
To facilitate 100% signing of MOU for dry sanitation technology factory	MOU Signed in May 2018 with Betrum PTY LTD trading as Amalooloo	Achieved
To facilitate stakeholder engagement by June 2018	AGM held in June 2018	Achieved
To facilitate sourcing of funding	Process to source funding is ongoing and various	Not achieved

	submissions made to IDC, IDT and other funding agencies	
To facilitate appointment of consultants for Fresh produce market	SDA is in the process of finalising a partnership with a private investor in the name of fresh harvest as opposed to appointing consultants to produce feasibility study.	Not achieved
Erf. 448 Ext.5 Land Development	SDA has appointed transfer lawyers and conveyancers to register the land in the name of the agency. The process at 90% progress.	Not achieved

5. AGENCY PERFORMANCE

In the 2017/2018 financial year, Sekhukhune Development Agency set 5 targets for the year. At the end of the period 4 target was achieved compared to 7 targets that were not achieved. This therefore placed the overall performance of the Sekhukhune Development Agency at % at the end of 2017/2018 financial year. The 5 targets set and determined for the year were as follows:

- ❖ To facilitate growth through agricultural development
- ❖ To facilitate projects handover
- ❖ To facilitate the Precinct development on the identified growth
- ❖ To facilitate 100% construction on feedlot
- ❖ To facilitate projects for economic development through enterprise development and support, and
- ❖ To facilitate economic growth through tourism

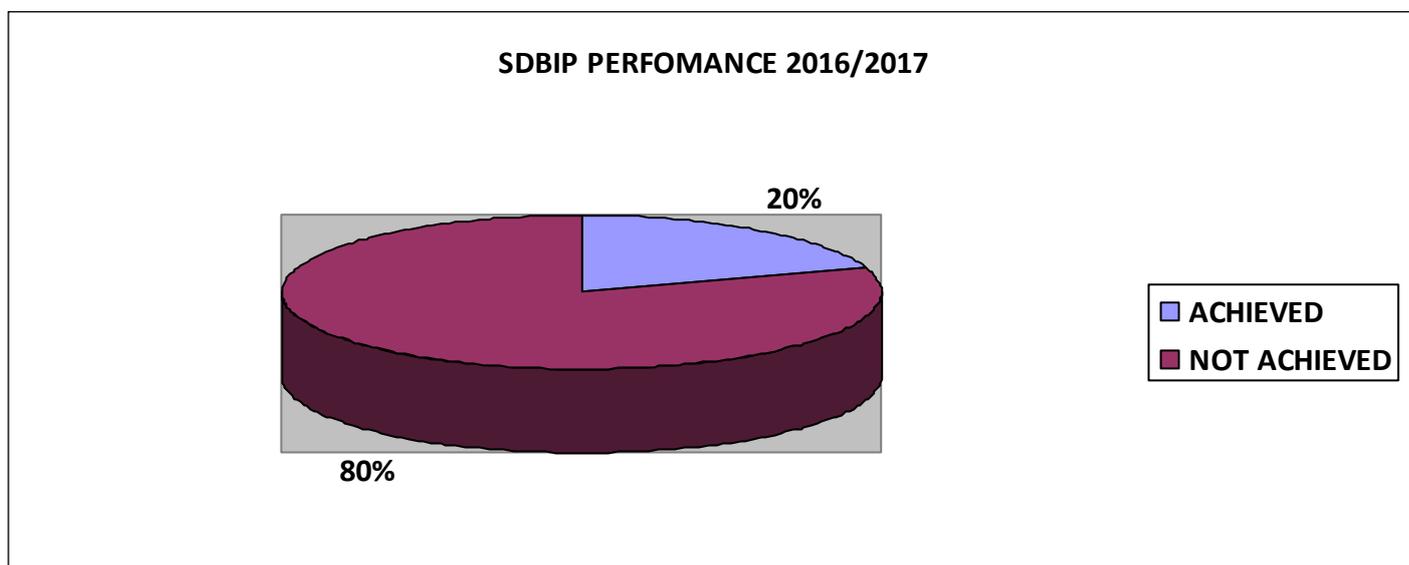
Section 53 (1) (ii) of the Local Government Municipal Systems Act, 2003 provides that the board of municipal entities and councils to consider and approve the Service Delivery and Budget Implementation Plan for each financial year.

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

6. AUDITOR GENERAL FINDINGS AND OPINION

6.1 Auditor General Report 2017/2018 financial year

During the financial 2017/2018 the Auditor General of South Africa issued an **Unqualified Audit Opinion** for Sekhukhune Development Agency. This represents an impressive quantitative leap as the previous year an unqualified audit outcome was received regardless of the hanging forensic investigation matter which led to a disclaimer outcome of 2015/2016.



The following issues were raised by the Auditor General in the 2017/2018 report that needs attention;

- Material losses as a results of fictitious transactions that occurred in the prior year implicating former employees and the matter reported to law enforcement
- Uncertainty on going concern due to withdrawal of funding by the IDC

7. CONCLUSION

The 2017/2018 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.

It has been through the strength of the Board and support from the Shareholder that ensured the showcase of the significant implications of the Board's oversight role and the enhancement in the value of the economic growth of the district.

The agency intended to leverage spin offs of its positive audit outcomes by engaging potential funders and strategic partners. There are engagements within the agency and with the parent municipality to reposition and refocus the agency so that it achieves its intended objectives. The future sustenance of the agency largely depends on its capacity to leverage private/public funding and forge strategic partnerships to implement its flagship projects.

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

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

