

**Dr. KKDM**  
**ECONOMIC AGENCY**

Dr. Kenneth Kaunda District Municipality  
Economic Agency

enabling economic growth & diversification

## **OVERSIGHT REPORT**

**2017/2018**

ADOPTED ON 28 March 2019

## NAMES OF MUNICIPAL PUBLIC ACCOUNTS COMMITTEE MEMBERS

1. Cllr. N. Adoons	Chairperson & Member
2. Alderman Coetzer	Member
3. Cllr. Botha	Member
4. Cllr. Dayiya	Member
5. Cllr. Saudi	Member
6. Cllr. Gwili	Member
7. Cllr. Mondlane	Member
8. Cllr. Motlhoiwa	Member
9. Cllr. Ndincede	Member
10. Cllr. Postma	Member
11. Cllr. Ntuli	Member

### MPAC SUPPORT

1. Brenda Roberts-Tebejane	MPAC Manager
2. Rosemary Gaaname	MPAC Administrator

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## FOREWORD BY THE CHAIRPERSON

On 31 January 2019, Council considered the Draft 2017/18 Annual Report of DR Kenneth Kaunda District Municipality Economic Agency referred the Report to the Municipal Public Accounts Committee for review and the drafting of this Oversight Report. Upon receipt of the annual report the committee exercise their oversight role and table an oversight report in Council within a prescribed period of two months.

The Annual Report provides management with the opportunity to report on the financial and non-financial performance of the entity. The Economic Agency received a qualified Audit opinion for the 2017/2018.

The Municipal Public Accounts Committee of the Municipality fulfils their oversight role envisaged in Section 129 of the MFMA and Circular number 32 of the MFMA by advising Council.

I would like to thank all the members of the committee and the support staff of MPAC and the office of the Speaker for tirelessly working hard to ensure that the oversight report is prepared within the prescribed legislation. I also would like to applaud the Executive Mayor and the administration for the support they gave the committee during the oversight process.



## INTRODUCTION

The purpose of the Oversight Report is to present to Council the 2017/2018 the final Annual Report as well as the Oversight Report on the Annual Report as required in terms of section 129 of the Municipal Finance Management Act, 56 of 2003. The Municipal Finance Management Act (MFMA) 56 of 2003 makes provision for the entity's Oversight Report on the Annual Report tabled in council at the same time as the Parent Municipality's report. Section 121, 127 and 129 of the MFMA 56 of 2003 regulates how the entity's Oversight Report should be considered by council.

Municipal Public Accounts Committee (MPAC) was established in terms of section 79 of the structures Act, 1998, council resolution no. ITEM A.41/09/2016. Within the Terms of Reference of the committee the committee is responsible to perform oversight on the Annual Report compile an Oversight Report and report to Council. Attached are Terms of References – *Refer to Annexure G.*

The MPAC consists of members from the ANC, DA, EFF and FF Plus. This is a clear representation of all political parties as represented in council.

The committee is made up as follows:

- African National Congress (ANC) - 6 Members
- Democratic Alliance (DA) – 3 Members
- Economic Freedom Fighters (EFF) -1 Member
- Freedom Front + (FF+) – 1 Member

The draft Annual Report for 2017/2018 was tabled to Council on the 31<sup>st</sup> January 2019 in compliance with the Municipal Finance Management Act (MFMA), no 56 of 2003 and Council referred the 2017/18 Annual Report to the Municipal Public Accounts Committee (MPAC), for oversight consultative process.

## LEGISLATIVE FRAMEWORK FOR THE OVERSIGHT REPORT

Herewith an extract from key legislative requirements as per the Local Government: Municipal Finance Management Act, no 56 of 2003 (MFMA) relating to the Annual Report: -

- **Section 121 - Preparation and adoption of the annual reports:**

*(1) Every municipality and every 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 a 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.*

*(2) The purpose of the annual report in terms of section 129 is to –*

- (a) To provide a record of the activities of the municipality or municipal entity during the financial year to which the report relates;*
- (b) To provide a report on performance against the budget of the municipality or municipal entity for that financial year; and*
- (c) To promote accountability to the local community for the decisions made throughout the year by the municipality or municipal entity.*

- **Section 127. Submission and tabling of the annual reports:**

*(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.*

- **Section 129. Oversight report on annual reports:**

*Subsection (1). The council of a municipality must consider the annual report of the municipality and of any municipal entity under the municipality's sole or shared control, and by no later than two months from the date on which the annual report was tabled in the council in terms of section 127, adopt an oversight report containing the council's comments on the annual report, which must include a statement whether the council-*

- (a) has approved the annual report with or without reservations;*
- (b) has rejected the annual report; or*
- (c) Has referred the annual report back for revision of those components that can be revised.*

## 2017/2018 ANNUAL REPORT CONSULTATION PROCESS

ACTIVITY	DATE	VENUE	TIME	RESPONSIBLE PERSON
Audit Report MPAC briefing	05/02/2019	Council Chamber	10H00	Manager MPAC
Radio Interview and the release of the media statement	Available slot /02/2019	Klerksdorp Records and Star FM	TBC BY RADIO	Communication Manager
Formulation of the questions for management	07/02/2019	Committee Room	10H00	Committee Members
Scrutinizing the ARs	14/02/2019	Committee Room	10h00	All MPAC Members and administration
Projects visits	15 and 18/02 /2019	Matlosana, JB Marks and Maquassie Hills	08H00	All MPAC Members and administration
Interviews with Political heads and Management	19 & 21 /02/2019	Committee Room	09H00	All MPAC members
Public Participation build up programs	26 and 27 Feb and 04 march 2019	Maquassie Hills LM City of Matlosana Tlokwe LM	15h00	Chairperson, support staff and Speaker's Office
Public Participation – All local municipality under one roof	08/03/2019	Maquassie Hills Local Municipality	15h00	Council and the entire administration
Going through the supporting documents of the Annual Reports	15/03/2019	Committee Room	10h00	All MPAC Members
Finalization of the reports	20/03/2019	Klerksdorp Golf Course	10h00	All MPAC Members
Tabling of Oversight Reports	28/03 2019	Council Chamber	10h00	Council

- The committee based its work on the following documents: The oversight process focused on the following documents:

- a) 2017/18 Annual Report
- b) Local Government: Municipal Finance Management Act (MFMA) No. 56 of 2003
- c) MFMA Circular 32 on the Oversight Report
- d) MFMA Circular 11 and 63 – The Annual Report

Annual Report was made public on the Pubic Municipal Websites and within 7 days after it was approved by the Council. Members of the community were invited to submit written comments on the final Annual Report. In this regard, the following initiatives were made:

Announcement on the Community Radio Station, Advertisement of Local Newspapers and Public Notice at Government buildings and Public. Furthermore, the Annual Report was submitted in terms of Section 127(5) (b) to the Auditor General of South Africa, Department of Local Government.

#### PREPARATION OF THE OVERSIGHT REPORT

The committee met on the following dates

- 05 February 2019 Briefing with the AG
- 07 February 2019 formulation of questions for the District Municipality and the Agency
- 14 February 2019 checking the contents of the annual report
- 15 February 2019 Project visits
- 18 February 2019 Project Visits
- 26 February 2019 Public participation built up program- Maquassie Hills
- 27 February 2019 Public participation built up program- Matlosana
- 04 March 2019 Public participation built up program – JB Marks
- 08 March 2019 Public Participation
- 14 March 2019 going through Legislative and compliance information
- 20 March 2019 Committee meeting to finalize the report and adopt it before council sitting
- 28 March 2019 Council Adoption of the report

#### CHECK LIST OF THE ANNUAL REPORT AS PER SECTION 121 (3) OF MFMA, 56 OF 2003 AND MFMA CIRCULAR 11.

CONTENT OF THE ANNUAL REPORT	TICK
a) Annual Financial Statement of the municipality	✓
b) AG's report on the financial statements	✓
c) Annual Performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal Systems Act.	✓

d) Auditor General's report in terms of section 45 (b) of the Municipal System Act	✓
e) An assessment by the Accounting Officer of any arrears on municipal taxes and services	✓
f) Assessment by the Municipality's Accounting Officer of the municipality's performance against the measurable performance objectives referred to in section 17 (3) (b) for revenue collection from each revenue source and for each vote in the municipality's approved budget for the relevant financial year.	✓
g) Particulars of corrective action taken or to be taken in response to issues raised in the audit reports referred to in paragraphs (b) and (d)	✓
h) Any explanation that maybe necessary to clarify issues about the financial statement	✓
i) Any information as determined by the municipality	✓
j) Any recommendations of the municipal's audit committee	✓
k) Any other information as may be prescribed	✓

#### COMMENTS ON THE ANNUAL REPORT CHAPTER 3, AFS AND ACTION PLAN 2017/18

LEGISLATIVE REQUIREMENT	COMPLIANCES	FINDING ON THE AR	RECOMMENDED CORRECTIVE ACTION
Annual financial statements- Section 121(3) (4); of MFMA.	<ol style="list-style-type: none"> <li>1. Have the AFS of the municipality been included in the annual report?</li> <li>2. Are annual financial statement been audited</li> <li>3. Are the AFS compliant with GRAP?</li> </ol>	<ol style="list-style-type: none"> <li>1. AFS have been included in the annual report</li> <li>2. They have been audited the AFS; Auditor General's report attached in the annual report.</li> <li>3. The Chief Executive Officer has indicated that the AFS has been prepared in accordance with GRAP</li> </ol>	<ol style="list-style-type: none"> <li>1. Records keeping should be enhanced to support what is contained in the AFS in order to avoid a finding on lack of evidence.</li> </ol>

	<p>4. Is the audit report included in the tabled annual report?</p> <p>5. Any explanations that may clarify issues in connection with the financial statement?</p>	<p>4. Audit report was tabled with the annual report in council</p> <p>5. Yes the AFS have notes explaining each amount in the AFS</p>	
	<p>6. Any assessment by the accounting officer on arrears on municipal taxes and service charges including that of DRKKDMEA?</p> <p>7. Any comment by the audit committee in relation to the AFS?</p>	<p>6. Not applicable for the district.</p> <p>7. Yes audit committee report found in the AR however the AFS review not clarified</p>	<p>7.audit committee report mentioned that the performance of the agency is not clearly stated in an agreement with the district</p>

Supply Chain Management Regulations and Policy	1. Has certain disclosures of SCM matters been included in the annual report as required.	1. Yes	1. The committee to be furnished with a UIF&W register compliant to sec 32 and chapter 15 of the MFMA for 2017/18 and all prior years

#### DIVISION OF REVENUE ACT

SECTION 123 OF MFMA AND CIRCULAR 11	<p>1. Has the municipality had any allocation per DORA delayed or withheld</p> <p>2. Is there any disclosure on allocation made by the municipality to an organ of state, municipal entity or other municipality?</p> <p>3. Are all compulsory disclosures contained in the notes to the Annual Financial Statements?</p> <p>4. Has the agency complied with the conditions of the grant from the parent municipality?</p>	<p>1. No funding was disclosed as being withheld the agency. Agency does not receive any DORA allocation</p> <p>2. The Agency did not give any grants to anyone they just received from the parent municipality.</p> <p>3. Yes the municipality and the agency disclosed all.</p> <p>4. NO, there was no MOU between the agency and parent municipality in the year under review.</p>	<p>2. Clarity on the assistance given to the project of the vine yard since there were amounts spent on goods purchased. During project visit the beneficiary explained that he was requested to write down what he needs but when the goods were bought it was not what he asked for e.g. he requested a duster</p>
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			<p>machine used on the grapes instead the agency bought two domestic further dusters</p> <p>4. MM to clarify how the agency is monitored, And the conditions of the R3m given should be outlined.</p>
SECTION 124 (1)(2)	<p>1. Have the salaries, allowances and benefits paid to Board and the CEO, and senior managers been disclosed?</p> <p>2. Is there a statement by the CEO, stating that salaries, allowance and benefits paid to board members and are they within the upper limits of the framework envisage in section 219 of the constitution?</p> <p>3. Have arrears for rates and services owed by councillors, in which the arrears was more than 90 days been disclosed including the name of the councillor?</p> <p>4. Have salaries of the board of DRKKDMEA, CEO and senior managers been</p>	<p>1. Note 14 and page 102 of the Annual financial statement in the annual report made disclosures on the board allowances</p> <p>2. No</p> <p>3. Not applicable</p> <p>4. Note 14 and page 102 of the Annual financial statement in the annual report made disclosures on</p>	<p>1. The committee is not satisfied with the performance of the agency because most of the grant from the district as the parent municipality goes to salaries but when input is measured against impact it is not visible. The committee recommends that the Agency should articulate their targets in the next financial year better to ensure that there are more tangible</p>



	disclosed?	the board allowances	results.
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#### MUNICIPAL SYSTEMS ACT- PERFORMANCE MANAGEMENT

LEGISLATIVE REQUIREMENT	COMPLIANCES	FINDING ON THE AR	RECOMMENDED CORRECTIVE ACTION
Section 46 of the MUNICIPAL SYSTEMS ACT Annual Performance reports of the Municipality	<ol style="list-style-type: none"> <li>Has the performance report been included in the annual report?</li> <li>Have all the performance target set in the budget, SDBIP, service agreements etc. been included in the report?</li> <li>Does the performance evaluation in the annual report compare actual performance with target expressed in the budget and SDBIP approved for the financial year?</li> <li>In terms of key functions or services, how has each performed?</li> <li>To what extent have targets been met?</li> <li>Are council and community satisfied with the performance?</li> </ol>	<ol style="list-style-type: none"> <li>Yes, Annual performance report has been included found on page 42 to page 47.</li> <li>The committee did not have a copy of the Agency budget and service agreements like the business plan of the Agency to be able to answer the question</li> <li>There is no comparison because there was no business plan in the year under review however the SDBIP and the actual performance information are similar</li> <li>There is a summary of the KPA found at the end which reflects performance. Two out of five targets were not achieved.</li> <li>3 out of 5 targets were met however the targets of the Agency are all of a monitoring and evaluation nature only which then lead to the Agency not having any tangible projects.</li> </ol>	<ol style="list-style-type: none"> <li>The Municipal Manager should ensure that the Agency develops a business plan annually and she should monitor its implementation according to sec 87 of the MFMA the same recommendation was given last year.</li> </ol>

	<p>7. What actions have been taken and planned to improve performance?</p>	<p>6. The public did not raise any concern on the agency for the financial year under review they however noted that they are not aware of the services offered by the Agency. The council of the District have raised concerns on the performance of the agency since its establishment.</p> <p>7. The performance contract of the agency and the district was not supplied to the committee however the Agency did supply an Action Plan aimed at improving its performance found on page 73-78.</p>	
	<p>8. Did the target set in the budgets, SDBIP agree with the targets set in the performance contracts of the CEO and other senior manager?</p> <p>9. Does the report evaluate the efficiency of mechanism applied to deliver the performance outcomes?</p> <p>10. Taking into account the audit report and opinion and the views of the audit committee, is performance considered to be efficient and</p>	<p>8. The committee was not given with the budget of the Agency hence the budget was not checked against the SDBIP.</p> <p>9. Note 47 of the AG's report on page 6 indicate that the Agency internal controls were ineffective of internal control.</p>	

	effective?		
PERFORMANCE OF MUNICIPAL ENTITIES AND MUNICIPAL SERVICE PROVIDERS	<ol style="list-style-type: none"> <li>Has an assessment been included in the Annual Report on the performance of the municipal entities?</li> <li>Has the assessment been included in the annual report on the performance of all contracted service providers?</li> </ol>	<ol style="list-style-type: none"> <li>No, however there is a summary of the performance of the agency at the end of the performance information</li> <li>Yes found from page 48</li> </ol>	

## MEETING OF MPAC WITH AUDITOR GENERAL SOUTH AFRICA (AGSA), AUDIT COMMITTEE AND INTERNAL AUDIT

The purpose of the meeting was for the AGSA to brief the MPAC on the outcomes of the audit and for the Audit Committee and Internal Audit to brief the MPAC status quo of the District Economic Agency.

During the discussion, the outcomes and the status quo were highlighted as follows:

AG briefing 2016/17	AG briefing 2017/18
<ul style="list-style-type: none"> <li>• Expenditure not paid in time</li> <li>• AG allowed corrections in the financial statements.</li> <li>• There was no proper system of internal control and proper records need to be in place.</li> <li>• Annual performance objectives and indicators for the DR Kenneth Kaunda District Municipality Economic Agency SOC limited were not established by agreement between the municipality and the entity as required by section 93B(a) and 93C(a)(iv) of the MSA</li> <li>• Financial Statements submitted for auditing contained errors.</li> <li>• The Agency is being operating for 11 years but cannot point sustainable projects implemented</li> </ul>	<p><b>Economic agency</b></p> <ul style="list-style-type: none"> <li>➤ Lack of segregation of duties</li> <li>➤ Structure need to be looked at without increasing the budget because salaries take most of the budget currently.</li> <li>➤ Qualified financial statement for the year</li> <li>➤ Number of qualified increased compare to last year.</li> <li>➤ Parent municipality need to assist the agency with financial administration</li> <li>➤ Capacitating one individual is a problem terms of when that individual leaves</li> <li>➤ Property plant and equipment – technical issue as not compliant with GRAAP standard.</li> <li>➤ Information need to be reviewed on PPE</li> <li>➤ Lack of proper records keeping</li> <li>➤ Expenditure management –no record keeping</li> <li>➤ Lack of second reviewer - No person reviews the work of other employees.</li> </ul>

<p>by the Agency.</p> <ul style="list-style-type: none"> <li>• The vacancy of CEO post has been filled.</li> <li>• Agency received qualified report for the 2016/2017 financial year.</li> <li>• Projects are stagnant and no proper monitoring and evaluations have been done.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Employee cost – lack of review as there are misstatement</li> </ul> <p><b>Irregular expenditure</b></p> <ul style="list-style-type: none"> <li>➤ They could not provide the approved budget to AG was R3 million</li> <li>➤ In the absence of the approved budget the amount that will be used will be irregular expenditure.</li> <li>➤ Deliver in a mandate in the absence of approved budget it will be irregular.</li> <li>➤ Budget for the projects not clear</li> <li>➤ Preparation of financial statement need to be verified whether are they correct or not.</li> <li>➤ No political will to close the Agency from the parent.</li> <li>➤ The parent municipality must check its objective about the entity as money spends only on salaries.</li> <li>➤ Decision need to be taken to assist and enhance the Agency's performance</li> <li>➤ Consequence management needs to be implemented on financial misconduct.</li> <li>➤ The Agency did not perform all their planned target</li> </ul> <p><b>Audit Committee briefing</b></p> <ul style="list-style-type: none"> <li>➤ The role the Agency is playing is not clearly stipulated. As the Agency is not clear in its mandate on whether they should fund the communities LED initiatives or play a facilitating role</li> </ul>
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	<ul style="list-style-type: none"> <li>➤ There is a need to reposition the Agency's mandate</li> <li>➤ There should be delegation of functions in the finance unit</li> <li>➤ Reserves are being depleted which will create a challenge in the future</li> <li>➤ The current package of the CEO was not lucrative enough to bring about competition for the position during interviews.</li> <li>➤ Agency need to search for other sources of income</li> </ul>
	<ul style="list-style-type: none"> <li>➤ Agency records keeping are a challenge as there are not documents in the Agency offices which substantiate what the budget was used for.</li> <li>➤ Over payment of salaries was realized on the year under review</li> <li>➤ Financial management training will assist the Agency in terms of financial records and entries.</li> <li>➤ Financial management challenges experienced for the 2017/18 need to be put in the action plan so that they may be addressed.</li> <li>➤ Board cannot be influenced on the decision to take on the existence of the Agency but they may be advised on how to correct the challenges</li> <li>➤ Board needs to take a decision on the bank changing of the signatories as one signatory is on suspension. This will ensure that the CEO is not signing alone.</li> </ul>

	<ul style="list-style-type: none"> <li>➤ Consequence management for those who over paid – deduction is being done monthly through their salaries.</li> <li>➤ In cases reported to SAPS and case number needed.</li> </ul>
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## MEETING WITH MANAGEMENT

The meeting between MPAC and management to clarify issues the committee raised in the Annual Report. During the engagement, the discussions and responses are listed below:

No	Questions on the 2017/18 Annual Report
1.	The performance report does not show how the funds were spent as the actual expenditures are all zero
2.	The CEO should explain to the committee how he intends to ensure that it becomes self sustainability. The majority of the fund given to the Agency by the Parent Municipality pays salaries hence the committee concluded that the purpose of the existence of the agency is not being achieved.
3.	The CEO should give clarity on the cash flow statement as the amounts of the same items are different
4.	Note 24 on the AFS are not appearing on the report. Why?
5.	Please provide an extensive explanation of the status of the current projects.
6.	The performance of the piggery was discussed and it was concluded that the reason given in the report is not a true reflection of the target not being achieved.
7.	It is clear in the Annual Report that what was planned by the Agency was not achieved and the desired results were not obtained from the monies spent, Please explain to the committee why the Agency should not be disestablished. Elaborate your answer with substantive evidence.

## MEETING WITH MANAGEMENT RESPONSES

See attached document

## PROJECT VISITS

According to the CEO in 2017/18 there were no physical projects implemented as all projects were still at conceptualization/ feasibility study stage. The Committee then visited the DR Kenneth Kaunda Economic Agency Offices to check its operational functionality since most of the budget goes to operational expenditure. The offices are functional and there are tools of trade to enable the office to perform the day to day operations.

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### **Unauthorized, Fruitless and Wasteful Expenditure**

Recommendations of the previous MPAC on the irregular expenditures of the prior year were not implemented. The year under review no information on the UIF&W was referred to MPAC again. The committee did not receive the UIF&W register from the Agency ever since it was established. Recommendations were made to Council and resolutions were made that the register for UIF&W should be submitted to the committee on 30 April 2018 but nothing was done. This is however in contravention to the MFMA and according to chapter 15 it is stated that any contravention to any section of the MFMA it constitutes a financial misconduct section 173(2) (a) (iii).



## PUBLIC PARTICIPATION

Public participation on the Annual Reports was held at the OR Tambo Hall in Vaal Reefs within City of Matlosana on 08/03/2019 at 15:00 pm. Please find the attached presentation and attendance registers.

The Agency Projects in 2017-2018 financial year in the Annual Report was presented as follows:

1. Tisang Piggery at Maquassie Hills
  - The project was having 5 members as beneficiaries
  - The beneficiaries decided to sell the pigs
2. Stepping Stone agriculture
  - The project was having 5 members as beneficiaries
  - The project was situated in Matlwang village
  - The project was for planting the sugar beans and the potatoes
  - Members were fighting amongst each other
3. Wine Yard in Ventersdorp
  - The project was for the Production of wine
  - The project is functioning well
4. Meat Processing plant in Matlosana
  - Still at planning phase
  - Meat to be processed e.g. sausages
  - The project managed to register
5. Boat manufacturing in Matlosana
  - Identification of manufacturing boat
  - The district partnered with a company which has several years of experience in boat manufacturing
  - The project is still at conceptualization stage

The community were not familiar with the work of the Agency they just accepted the presentation.

## Reservation on the annual report

The following are the reservations that the committee has on the Annual Report which needs to be looked at prior to the Oversight process.

- Term of the board of some members lapsed in December 2018, if there was any decisions taken the Executive Mayor should inform council about any extension and decision taken as it is March and no new members appointed
- That the committee receives the UIF&W register and conduct Oversight on the register of current and prior years and report to council by 30 June 2019 since it has never been submitted to the committee.

**DR KENNETH KAUNDA DISTRICT MUNICIPALITY AND THE DISTRICT ECONOMIC AGENCY TABLING OF MPAC OVERSIGHT REPORT ON THE ANNUAL REPORT FOR 2017/2018 FINANCIAL YEAR**

**PURPOSE**

To table to Council the Oversight Report on the Annual Report of both the DR Kenneth Kaunda District Municipality and District Economic Development Agency of 2017/2018.

**BACKGROUND**

According to section 129 of the MFMA the council of a municipality must consider the annual report of the municipality and of any municipal entity under the municipality's sole control not later than two months from the date on which the Annual Report was tabled in the council in terms of section 127 of the MFMA. The MPAC Committee is established in terms of Local Government Municipal Structures Act No 117 of 1998 to serve as an oversight Committee to exercise oversight over the executive and administration thereafter report to Council.

**RECOMMENDATIONS FOR THE DISTRICT MUNICIPALITY**

- a. That Council adopts the Oversight Report for 2017/2018.
- b. That Council approves the Annual Report with reservation.
- c. That the Oversight Report 2017/2018 be made public in accordance with Section 129 (3) of the Municipal Finance Management Act No 56 of 2003.
- d. That the Oversight Report and the Annual Report 2017/2018 be submitted to the Provincial Legislature, AG and MEC for Local Government and Treasury in accordance with section 132(2) of the MFMA.
- e. All delegated officials should be referred to the financial misconduct board in terms MFMA section 173(1)(a)(iii) for non compliance to section 32 of the MFMA.

- f. The Executive and the Administration should be invited to MPAC workshops in order to get the same understanding of the functions of MPAC
- g. The MM should write a report on steps taken when a service providers delivers poor service and goods.
- i. The municipality should implement the SCM policy at all times without fail.
- j. There should be a special council meeting after each workshop to adopt policies. Each policy page should be Initialled by the MM. The policy should reflect effective date and the date of next review.

#### **RECOMMENDATIONS FOR THE DISTRICT ECONOMIC AGENCY**

- a. That Council adopt the oversight report for 2017/2018
- b. That Council approves the Annual Report with reservation
- c. That Oversight Report 2017/2018 be made public in accordance with Section 129 (3) of the Municipal Finance Management Act No 56 of 2003
- d. That Oversight Report and Annual Report of 2017/2018 be submitted to the Provincial Legislature, MEC for Local Government and Treasury in accordance with section 132(2) of the MFMA
- e. The updated UIF&W register that is compliant to sec 32 and chapter 15 of the MFMA should be submitted to MPAC and the board by 30 April 2019.
- f. The Agency should be disestablished by 30 June 2020 in terms of section 109 of the MFMA.



**CLLR N.G. ADOONS**

**CHAIRPERSON:**

**MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC)**

20/03/2019

**DATE**

## ANNEXURE A: ALL AGENDAS RELATED TO OVERSIGHT PROCES

## ANNEXURE B: ALL MINUTES RELATED TO OVERSIGHT PROCESS

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ANNEXURE C: ALL ATTENDANCE REGISTERS RELATED TO OVERSIGHT  
PROCESS

## ANNEXURE D: TERMS OF REFERENCE

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## ANNEXURE E: ANNUAL WORK PLAN

ANNEXURE F: PUBLIC PARTICIPATION

**DR. KENNETH KAUNDA DISTRICT  
MUNICIPALITY ECONOMIC  
AGENCY**

**MPAC Public Participation**

**Sephaka Motswiane**

**08 MARCH 2019**

# 2017/18 PROJECTS

**sang Piggery Project**

**tepping Stone Project**

**Yard Project**

**eat Processing Project**

**oat Manufacturing Project**

# TIISANG PIGGERY PROJECT

## PROJECT :

urpose was to cater for the economic needs of the community while also transferring skill and wealth the beneficiaries. In the process, high reduction activity was to assist the area to develop into an evolving industrial meat producing location.

## EFITS TO THE COMMUNITY:

Poverty Alleviation linked to unemployment with a special focus on women.

Reduction in inequality through increasing the productive capacity and the asset base of the previously disadvantaged SMMEs. favourable term council also seek to leverage and lobby additional funds for

Economic growth through the full exploitation of the area's economic potential. Maquassi Hills has an abundance of fertile soils and v These natural endowments are not currently exploited to their full potential.

## IEVEMENT IN THE YEAR:

e to lack of funding from our partner department, not much could be done on the project.

# BENEFICIARIES FOR TIISANG PIGGERY PROJECT

NAME	SEX	ID NUMBER	ADDRESS	CONTACT NO.
Mofokeng M. M	Female	8307220718088	1911 7 <sup>th</sup> Ave. Ext 4 Tswelelang T/ship	0 786765017
Mofokeng M. P	Male	4902145634081	1911 7 <sup>th</sup> Ave. Ext. 4 Tswelelang T/ship	0786765017
Tihakanelo M.G	Male	6405225674089	1134 Ext. 10 Tswelelang T/ship	0736424754
Marumo M.R	Female	7208050425083	1943 7 <sup>th</sup> Ave. Ext 4 Tswelelang T/ship	N/A
Sepato R	Female	8310105617083	1943 7 <sup>th</sup> Ave. Ext 4 Tswelelang T/ship	n/a

# STEPPING STONE PROJECT

## PROJECT PURPOSE:

- Stepping Stone purpose was to work with women and youth. The project was to promote agricultural skill development in the potato industry.

## BENEFITS TO THE COMMUNITY:

- Job Creation for the community members.
- Families will be able to put food on their tables.
- Children will be able to be educated due to salaries received by their parents.
- Skills development because people will be trained in order to be professionals in this industry.

## ACHIEVEMENT IN THE YEAR:

- Investigation was conducted.

## BENEFICIARIES FOR STEPPING STONE PROJECT

NAME AND SURNAME	ID NUMBER	ADDRESS
Moleko Montshosi	820326 5773 087	Matlwang Village
Mosala Tshabadira	600511 5783 089	Matlwang Village
Selinah Tshabadira	810104 0780 088	Matlwang Village
Maria Mathibe	690209 0406 084	Matlwang Village
Maria Tlotleng	560219 0720 084	Matlwang Village
Damane Tlotleng	750331 5387 080	Matlwang Village
Sello Moeng	811215 5210 080	Matlwang Village



# VINEYARD PROJECT

## **PROJECT PURPOSE:**

The Ventersdorp Vineyard Project is intended to cultivate grapes that will mainly be used for rebate wine by Northside Distiller and other local distillers. The feasibility study indicates that there is a shortage of rebate wine required for the production of brandy in the industry. Therefore this project will therefore create an opportunity for the supply of rebate wine to the brandy making industry.

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## **DEFINITION OF THE COMMUNITY:**

- Creation
- Vitalization of the Agriculture and Agri-processing sector
- Transfer of scarce skills to ordinary members of the community

## **ACHIEVEMENT IN THE YEAR:**

100% support provided on monitoring and evaluation support.

# BENEFICIARIES FOR VINEYARD PROJECT

NAME AND SURNAME	ID NUMBER	ADDRESS
Moleko Jeffrey Nang	640228 5725 083	9303 ext 03, Orapeleng street Ikageng

# MEAT PROCESSING PLANT

## OBJECT PURPOSE:

establish a first class meat processing factory in South Africa for the processing of 1 000 pigs and 500 cattle. The plant is meant to be an integrated slaughter section and a processing section. The plant will slaughter bigger carcasses resulting in better yields of 30% on both pigs and cattle's. It will ensure that global export markets are exploited for the sale of product from the plant.

## DEFINITION OF THE COMMUNITY:

the project has the capacity to create 500 jobs and the capital required for the project is estimated at 76, 3 Million Euros with the estimated rate of return of 6%.

## ACHIEVEMENT IN THE YEAR:

the project has been registered as PPP.

## STAKEHOLDERS:

the project is still on the planning phase and therefore no beneficiaries have been identified at the moment.

# BOAT MANUFACTURING PROJECT

## PROJECT PURPOSE:

- The Boat Manufacturing is an initiative that was conceptualized in 2012, when it became apparent that the local boating manufacturing industry needed better incentives and structure to ensure its endurance and future growth. Boating as an industry is both a lifestyle as well as a long-term investment.

## BENEFITS TO THE COMMUNITY:

- Create an industry leading Centre of excellence for the province
- Provide access to new technologies and products
- To facilitate technology transfer to ensures the continued viability and growth of the cluster
- Job creation
- Training facilities with associated “on the job” training opportunities relative to the boating industry.

## ACHIEVEMENT IN THE YEAR:

- Unsolicited bid process was at an advanced stage.

## BENEFICIARIES:

The project is still on the planning phase and therefore no beneficiaries have been identified.

**THANK YOU**



AUDITOR-GENERAL  
SOUTH AFRICA

2018

Auditor-General of South Africa  
North-West Business Unit

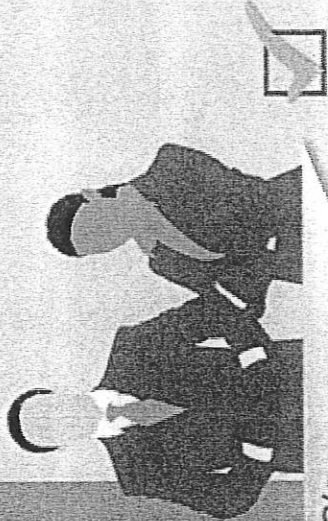


**Dr. Kenneth Kaunda District Municipality  
Economic Agency SOC Limited  
2017-18 Audit outcomes briefing note**











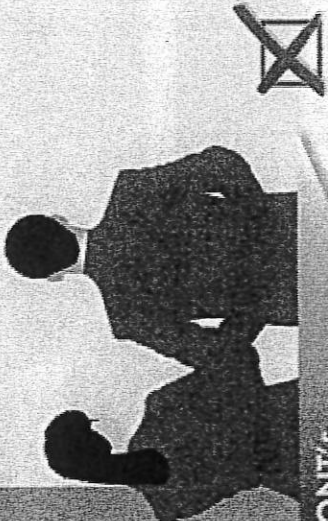
# What we do and what we do not do

## The Auditor-General South Africa









DO'S

		Provide assurance that financial statements are free from misstatements
		Report on material non-compliance with relevant legislation
		Report on usefulness and reliability of the information in the annual performance report
		Identify key internal control deficiencies to be addressed



DONT'S

		Provide assurance that all applicable legislation has been complied with
		Identify fraud
		Provide assurance that service delivery has been achieved

Auditing to build public confidence



## Introduction

The purpose of this report is to provide the constitutional stakeholders with an overview of the audit outcomes and internal control deficiencies that may have prevented the municipal entity from attaining the desired audit outcome, i.e. financially unqualified with no material findings on legislation and predetermined objectives (also known as a 'clean audit outcome'). Below is the summary of the 2017-18 audit outcomes and the status of material findings reported under predetermined objectives and compliance with legislations.

### Overall Message

The entity's audit outcomes remained the same as the prior year at a qualified audit opinion with material findings reported on the annual performance report and compliance with laws and regulations. This is an indication of lack of effort from the accounting officer and Executive authority to address prior year audit findings, this was evidenced by the fact that no action plan was developed and implemented to address prior year findings which also indicate lack of commitment from management to address prior year findings.

Most responsibilities of the entity have been entrusted to one person which has contributed to the misstatements identified in financial statements, performance management and compliance with laws and regulations. In addition, management did not develop proper filling and record management system that ensures ease retrieval of documentation to support financial statements, performance information and compliance as in when the information is needed to substantiate financial, performance and compliance reports.

## Audit opinion history

Clean audit opinion: Financially unqualified opinion with no findings on PDO and compliance					
Financially unqualified opinion with findings on PDO and compliance					
Qualified audit opinion (with findings)					
Disclaimed/adverse audit opinion					
<b>DESCRIPTION</b>	<b>Movement</b>	<b>17-18</b>	<b>16-17</b>	<b>15-16</b>	
<b>Audit opinions</b>					
Qualified audit opinion (with findings)	➔				
<b>Predetermined objectives (PDO's)</b>					
Key Performance area 1 – Implementation of the community work programme	➔				



## Summary of qualification areas, root causes and recommendations

### Financial Statement qualification areas

#### 1) Financial statement item

Finding	Root cause	Recommendation
<p>Property, Plant and Equipment:</p> <ul style="list-style-type: none"> <li>The municipal entity did not correctly account for property, plant and equipment as required by GRAP 17, Property, plant and equipment. As a result, property, plant and equipment was overstated by R119 597 and the depreciation and amortisation expense understated by the same amount. In addition, I was unable to obtain sufficient appropriate audit evidence for the restatements to the corresponding figures for property, plant and equipment and the depreciation and amortisation expense. I was unable to confirm these restatements by alternative means. Consequently, I was unable to determine whether any adjustments to corresponding figures for property, plant and equipment of R414 018 as presented in the statement of financial position and disclosed in note 5 to the financial statements and the depreciation and amortisation expense of R76 823 as presented in the statement of financial performance and disclosed in note 15 to the financial statements were necessary.</li> </ul>	<ul style="list-style-type: none"> <li>Regular, accurate and complete financial reports are not prepared throughout the financial year, nor have proper monitoring and revision controls been implemented to ensure that these financial reports are supported and evidenced by reliable information. The entity relied on consultants and there were no internal reviews on the work completed by consultants.</li> <li>There is a lack of proper record keeping controls and procedures to ensure that complete, relevant and accurate information is accessible and available to support financial reporting in a timely manner.</li> </ul>	<ul style="list-style-type: none"> <li>Regular, accurate and complete financial reports should be prepared throughout the financial year. In addition, proper monitoring and revision controls should be implemented to ensure that these financial reports are evidenced by reliable information.</li> <li>The work of consultant needs to be reviewed and there should be proper monitoring process for consultants.</li> <li>Proper record keeping controls and procedures should be implemented to ensure that complete, relevant and accurate information is accessible and available to support financial reporting in a timely manner</li> </ul>
<p>Payables from exchange transactions:</p> <ul style="list-style-type: none"> <li>I was unable to obtain sufficient appropriate audit evidence for trade payables included in payables from exchange transaction due to lack of proper record keeping and reconciliations of accounts by the municipal entity. I could not confirm the trade payables by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to payables from exchange transactions of R568 443 presented in the statement of financial position and disclosed in note 6 to the</li> </ul>	<ul style="list-style-type: none"> <li>The lack of proper records keeping controls and procedures to ensure that complete, relevant and accurate information is accessible and available to support financial reporting in a timely manner</li> </ul>	<ul style="list-style-type: none"> <li>Proper record keeping controls and procedures should be implemented to ensure that complete, relevant and accurate information is accessible and available to support financial reporting in a timely manner</li> </ul>

financial statements.		
<p>Expenditure:</p> <ul style="list-style-type: none"> <li>I was unable to obtain sufficient appropriate audit evidence for operational and service fees due to the entity's lack of proper record keeping as the information and records maintained by the municipal entity were not sufficient to substantiate that these payments made were for goods and services actually received by the entity. I was unable to confirm these expense by alternative means. Consequently, I was unable to determine whether any adjustments relating to operational fees of R1 295 662 (2017: R 1602 311) and service fees of R334 632 presented as expenditure in the statement of financial performance and disclosed in notes 17 and 18 to the financial statements were necessary.</li> </ul>	<ul style="list-style-type: none"> <li>The lack of proper records keeping controls and procedures to ensure that complete, relevant and accurate information is accessible and available to support financial reporting in a timely manner.</li> <li>Lack of proper review controls over daily and monthly processing of transactions.</li> </ul>	<ul style="list-style-type: none"> <li>Proper record keeping controls and procedures should be implemented to ensure that complete, relevant and accurate information is accessible and available to support financial reporting in a timely manner</li> <li>Proper review controls should be implemented over daily and monthly processing of transactions and there should be done by a separate person from the person who prepared the document.</li> </ul>
<p>Employee related cost:</p> <ul style="list-style-type: none"> <li>The municipal entity did not have adequate systems to ensure that payments made to employees were correctly accounted for, which resulted in overpayments to employees and incorrect classification of travel and accommodation expenses. Consequently, employee related cost was overstated by R233 928, receivables was understated by R133 324 and operational fees was understated by R100 604.</li> </ul>	<ul style="list-style-type: none"> <li>Lack of proper review controls over daily and monthly processing of transactions.</li> </ul>	<ul style="list-style-type: none"> <li>Proper review controls should be implemented over daily and monthly processing of transactions and there should be done by a separate person from the person who prepared the document.</li> </ul>
<p>Irregular expenditure:</p> <ul style="list-style-type: none"> <li>Section 125 of the MFMA requires the disclosure of irregular expenditure incurred. The municipal entity made payments of R545 335 in contravention with the supply chain management requirements and overspent the approved budget by R1 479 285 in contravention of section 87(8) of the MFMA. This irregular expenditure was not included in irregular expenditure disclosed in note 23 to the financial statements.</li> </ul>	<ul style="list-style-type: none"> <li>Lack of proper review and monitoring controls with applicable laws and regulations.</li> <li>Lack of proper review controls over daily and monthly processing of transactions.</li> </ul>	<ul style="list-style-type: none"> <li>Proper review controls should be implemented over daily and monthly processing of transactions and there should be done by a separate person from the person who prepared the document.</li> </ul>

<p>Cashflow statement:</p> <ul style="list-style-type: none"> <li>The municipal entity did not correctly calculate the net cash from operating activities required by GRAP 2, Cash flow statements. I was unable to quantify the full extent of the misstatements on the comparative items presented in the cash flow statement and the notes thereto as the municipal entity information presented to us made it impracticable to do so.</li> </ul>	<ul style="list-style-type: none"> <li>The lack of proper controls to ensure that accurate statement that is supported and evidenced by reliable information</li> </ul>	<ul style="list-style-type: none"> <li>Proper controls and procedures should be implemented to ensure that accurate statements are prepared and supported and evidenced by reliable information. The entity should have proper first line of review that should be done by competent people for internal audit reviews.</li> </ul>
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### Predetermined objectives qualification areas

### Key Performance area 1 – Implementation of the community work programme

Finding	Root cause	Recommendation
<ul style="list-style-type: none"> <li>The following indicators were not measurable and well defined.               <ul style="list-style-type: none"> <li>Percentage of support provided on Monitoring and Evaluation to Tiisang Piggery project in Maquassi Hills by June 2018</li> <li>Percentage of support provided on Monitoring and Evaluation to Vineyard project in Ventersdorp by June 2018</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>There is a lack of proper planning on the performance indicator and definition of those indicators against the SMART criteria as recommended by treasury.</li> <li>Lack of proper understanding the requirements of Framework for planning programme performance information.</li> </ul>	<ul style="list-style-type: none"> <li>Proper planning on the performance indicator and definition of those indicators against the SMART criteria should be applied as recommended by treasury.</li> <li>Training to officials involved in pre-determine objectives and assistant from the District should be sort.</li> </ul>

### Key focus areas

The table below provides an extract of the municipality's performance broken down into specific key areas. The colour attached to each area represents the severity of the concerns noted within the key area.

	Good – minor issues noted and reported
	In progress – resolution of concerning issues raised is in progress
	Intervention required – matters raised require urgent attention

• The quality of the annual financial statements remains a concern, various material misstatements were identified within various

<i>Quality of submitted financial statements</i>	<ul style="list-style-type: none"> <li>components which resulted to a modified audit opinion.</li> <li>The main root cause is lack of segregation of duties which resulted to inadequate reviews over the annual financial statements and the underlying records. Lack of proper record keeping system contributed negatively on the quality of the annual financial statements as some of the financial line items could not be supported by reliable and appropriate evidence resulting to limitation of the audit scope.</li> </ul>
<i>Quality of submitted annual performance reports</i>	<ul style="list-style-type: none"> <li>The quality of the annual performance report remains a concern as the material misstatements were identified and were reported in the management and the audit report.</li> <li>The main root cause is lack of segregation of duties which resulted to inadequate reviews over the annual performance plan and annual performance report in ensuring compliance with the prescribed framework</li> </ul>
<i>Supply chain management, and unauthorised, irregular as well as fruitless and wasteful expenditure</i>	<ul style="list-style-type: none"> <li>Compliance with SCM regulations and the MFMA remains a concern at the below compliances were identified within the SCM and expenditure management of the entity: <ul style="list-style-type: none"> <li>Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of by SCM regulation 17(a) and (c). Similar non-compliance was also reported in the prior year</li> <li>Some of the quotations were accepted from prospective providers who were not on the list of accredited prospective providers and did not meet the listing requirements prescribed by the SCM policy, in contravention of SCM regulations 16(b) and 17(b).</li> <li>Some of the quotations were accepted from 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). Similar non-compliance was also reported in the prior year.</li> <li>The contract performance and monitoring measures and methods were insufficient to ensure effective contract management, in contravention of section 116(2)(c) of the MFMA. Similar non-compliance was also reported in the prior year.</li> <li>The performance of some of the contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA. Similar non-compliance was also reported in the prior year.</li> <li>Money owed by the municipal entity was not always paid within 30 days, as required by section 99(2)(b) of the MFMA.</li> <li>Reasonable steps were not taken to prevent irregular expenditure, as required by section 95(d) of the MFMA. The expenditure of R5 308 620, disclosed in note 23, does not reflect the full extent of the irregular expenditure incurred as indicated in the basis for qualification paragraph. The majority of the disclosed irregular expenditure was caused by non-compliance with the SCM regulations.</li> <li>Reasonable steps were not taken to prevent fruitless and wasteful expenditure of R47 890, as disclosed in note 22 to the financial statements, in contravention of section 95(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest charged on late payments and penalties on submission of SARS returns.</li> <li>An adequate management, accounting and information system which recognised when expenditure was incurred was not in place, as required by section 99(2)(c) of the MFMA.</li> <li>Expenditure was incurred in excess of the approved budget, in contravention of section 87(8) of the MFMA.</li> </ul> </li> </ul>



	<p><i>Consequence management</i></p> <ul style="list-style-type: none"> <li>• There is no consequence management as Irregular and fruitless and wasteful expenditure incurred by the municipal entity were not investigated to determine if any person is liable for the expenditure, as required by regulation 75(1) of the municipal budget and reporting regulations. Similar non-compliance was also reported in the prior year.</li> <li>• This continues non-compliance with laws and regulations without consequences reflect negatively on management commitment towards clean administration.</li> </ul>
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### *Summary of common root causes to be addressed*

1. Lack of proper records management system and compliance with laws and regulations.
2. Lack of consequence management against poor performance.
3. Lack of proper segregation of duties.
4. Overreliance on the work done by consultants and also the absence of monitoring and reviews on the work done by consultants.

### *Conclusion*

*It is recommended that management make commitments in driving the entity towards clean administration and that can be achieved though the following:*

1. An adequate action plan must be developed and implemented by management to address prior year audit findings identified on annual financial statements, annual performance report and compliance with laws and regulations.
2. Irregular fruitless and wasteful expenditure incurred need to be investigated and consequence management be enforced against those responsible.
3. Enforce proper segregation of duties in ensuring that proper reviews are done over daily financial transactions and performance management as well as compliance with laws and regulations.

## Annexure B: Root cause analysis

Dr. Kenneth Kaunda District Municipality Economic Agency  
SOC Limited

AUDIT OUTCOME 2017/18

ROOT CAUSE ANALYSIS

Lack of proper records management system and compliance with laws and regulations.



Lack of consequence management against poor performance.



Lack of proper review and overreliance on consultants.





**DRKKDM**  
**ECONOMIC AGENCY**  
Dr. Kenneth Kaunda District Municipality  
Economic Agency

enabling economic growth & diversification

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Reg: 2007/00978/07  
Vat Reg:

TO : MUNICIPAL PUBLIC ACCOUNTS COMMITTEE  
FROM : DRKKDM ECONOMIC AGENCY  
CHIEF EXECUTIVE OFFICER  
DATE : 18 FEBRUARY 2019  
RE : ANSWERS TO QUESTIONS ON THE ANNUAL REPORT 2017/18.

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1. The performance report does not show how the funds were spent as the actual expenditures are all zero.

**ANSWER**

In the 2017/18 financial year the following <sup>projects</sup> budgets were budgeted for: 1. Meat processing plant project R800 000.00, 2. Boat manufacturing plant project R220 000.00. No expenditure was incurred for both projects from the agency's budget. The process to appoint Ace Boating through unsolicited bid by the district got delayed and not much of the facilitation could be done on the project.

2. The CEO should explain to the committee how he intends to ensure that it becomes self-sustainable. The majority of the funds given to the agency by the parent municipality pays salaries hence the committee concluded that the purpose of the existence of the agency is not being achieved.

ANSWER

The DRKKDMEA is a multi-jurisdictional service entity (MSA No32 of 2000 section 87), by definition the DRKKDM should not be the only one budgeting for the agency but all the three local municipalities as well.

~~And this is where the DRKKDM should start to ensure that the agency becomes sustainable.~~ It is true that, 80% of the 3 million rand the parent municipality gives to the agency is spent on salaries, and it is in fact not even enough. The agency is regulated and complies to MFMA just like any other municipality in the country. For full compliance with MFMA plus companies act, the agency needs more staff which the R3 million is not even enough.

Outside MFMA compliance, the agency needs qualified competent staff that can be able to prepare proposals, develop investment packages implement project so that the agency can be able to charge facilitation fee and make itself money. Since establishment the agency has not been implementing any project successfully which talks to the capacity constraints that the agency is going through and that has not been addressed.

When a municipality establishes an entity, that municipality should fund that entity and that is the beginning of the entity's sustainability. The CEO is also engaging different sector departments and lobbying for the departments to implement their projects in the KK district through the agency. That position is also supported by COGTA after the LEDAs conference which was held in Illembe District in December 2018. Kwa-Zulu Natal Cogta has already started implementing support for municipal agencies and funding them.

The other thing that the CEO is doing is to seek possible partners or projects <sup>for</sup> implementation, however this may not directly translate into money for the agency but economic development in the district. The committee should assist the CEO in politically lobbying for provincial



department implementing projects in the district to implement their project through the agency,  
that will be the quicker was to create income for the agency.

3. The CEO should give clarity on the cash flow statement as the amounts of the same items are different.

ANSWER

On the cash flow statement, we only showing cash movements. There is differing amounts on item Employee costs from the cash flow statement and statement of financial performance. Employee costs on the cash flow statement is R1 920,908 and on the statement of financial performance employee cost is R2 014 070.

The difference is R93 161.46 and its fully explained on note 19 last paragraph under related party transactions. The amount of R93 161.46 does not appear on the cash flow statement because by end of 2017/18 financial year there was no cash movement relating to that amount but its recognised on the statement of financial performance. (See annexure 1, cash flow statement, statement of comparison of budget and actual amount and note 19).

4. Note 24 on the AFS is not appearing on the report. Why?

ANSWER

On note 24 under changes from the approved budget to the final budget there is a statement which says that details on these changes should be referred to the annual report. That statement could have read as the information referred to the statement of comparison between budget and actual amounts which also includes the difference between final budget and actual, not the annual report. (refer to annexure 1).

5. Please provide an extensive explanation of the current status of the current projects.

ANSWER

**1. Stepping Stone (Dry Bean/Potato Project)**

**BACKGROUND**

Dry bean was identified as one of the important leguminous crops in South Africa. A co-operative named Stepping Stone Cooperative was planning to produce three kinds of kidney beans which were: Red speckled bean, small white bean and large white kidney bean. These beans were to be marketed locally, nationally and internationally. About 40 hectares was allocated for the pilot phase looking at increasing it when the soil proves to be suitable for this crop.

The name of the business is Stepping Stone Cooperative which it is a business based in Matlwang Village within the Tlokwe City Council which falls under Dr Kenneth Kaunda District Municipality. After realising that there is high unemployment rate and other employment opportunities are diminishing very fast, the community members of Matlwang, decided to establish this co-operative in order to create jobs for themselves and other community members. This business was established on the 05<sup>th</sup> December 2007 by 13 community members from Matlwang and registered the business as a primary cooperative with the Department of Trade and Industry (Cipro).

The Project was changed into Potato Project in the financial year of 2015/16.

2017/18 financial year - The Agency did not support the project

**ACTIVITIES THAT TOOK PLACE IN THE LAST FINANCIAL YEAR ON THE PROJECT**

**November 2017**

On the 08 November 2017 a meeting was held between the beneficiaries of Potato Project, the Acting CEO Mr. Makhetha and Projects Officer.

**1. Members of the Project**

NAME AND SURNAME	ID NUMBER	ADDRESS
Moleko Montshosi	820326 5773 087	Matlwang Village
Mosala Tshabadira	600511 5783 089	Matlwang Village

Selinah Tshabadira	810104 0780 088	Matlwang Village
Maria Mathibe	690209 0406 084	Matlwang Village
Maria Tlotleng	560219 0720 084	Matlwang Village
Damane Tlotleng	750331 5387 080	Matlwang Village
Sello Moeng	811215 5210 080	Matlwang Village

Beneficiaries that were present in that meeting were:

- Selinah Tshabadira
- Moleko Montshosi
- Maria Mothibe

In 2016 August beneficiaries planted on 1 ha potatoes and the other 1ha they planted pumpkins and watermelon. The main reason of having a meeting was to understand what happened to the 1ha of potatoes that was planted.

The members explained that they harvested the pumpkins and watermelons that were planted on the 1 ha and they left the Potatoes to die on the other 1ha.

The beneficiaries were asked individual why they are not participating in the project and they said:

- Moleko Montshosi - He explained that he is not working, but he doesn't go to the project site.
- Mosala Tshabadira - Members that were present explained that, he has never been active on the project since the re-registration of the project.
- Selinah Tshabadira - She explained that she is employed at CPW, and her contract is for 4 years and she works 4 days in a month.
- Maria Mothibe - She explained that is employed at the office of CPA as a Cleaner, she started January 2017 and her contract is for 12 years. Her working hours are from 07:30 am till 14:00 pm. She said she used to go on site from 15:00 till 18:00.
- Maria Tlotleng - She did not attend the meeting, members explained that she is babysitting her grandchild that is why she does not go the project.
- Damane Tlotleng - He did not attend the meeting. Other beneficiaries declared that he is employed permanently at the mines since 2016 November.

- Sello Moeng - He did not attend the meeting. Other beneficiaries declared that he is employed permanently at the mines since 2016 November.

### THE PROPOSAL 70% AND 30%

Mr. Montshosi explained the proposal of 70% for himself and 30% for the 3 female members and other members that they going to add on the project, he explained that the reason why he did not include the 2 beneficiaries is based on the fact that; they are permanently working so they will have to declare if they want to be part of the 30% they must explain the role they going to play in the project.

The two beneficiaries that were present did not agree with the proposal of 70/30%.

Mr. Montshosi went further to say the reason he proposed the 70% and 30% was based on the fact that he will be doing the following for the project

- Filing system
- Preparations of Monthly Reports
- Security
- Preparation of Financial statements
- Production

### WAYFORWARD OF THE MEETING

1. Members of the Potato Project requested to be given time to discuss a way forward as members only.
2. Mr. Makhetha then proposed the report be submitted on Monday the 13<sup>th</sup> of November 2017 to the office of the Projects Officer.

The report was never submitted by the beneficiaries.

### CURRENT STATUS

- The project is currently not operational.
- Dr.KKDM Economic Agency is not funding nor supporting the project due to a Council Resolution to stop funding the project.
- The project still has potential should it be revived.

## 2. TIISANG PIGGERY

### Project Background

When Dr. KKDM Economic Agency was formed, it inherited projects from Dr. Kenneth Kaunda District Municipality District Development Economic Department and Tourism. Tiisang Piggery was one of the projects that was inherited. A Bankable business plan was done for this project.

The main objective was to generate income through a sustainable manner. Members wanted to be provided with a piggery that will house 30 sows and 1 boar together with a production inputs for one production cycle. Maquassi Hills Local Municipality provided beneficiaries with 2ha of land with the intention to buy. The only potential competitors was about 30km from Wolmaranstad, as it was known that pigs are fast breeders and require no influence and give birth to 6-12 piglets. Pigs have a short financial life cycle and are ready for the market in 6-8 months. The market for pigs is huge with very little worldwide restrictions on trading pig meat.

Dr. KKDM Economic Agency as key implementers of the project continued with the partnership of Department of Agriculture in Maquassi Hills and Maquassi Hills Local Municipality. The Department of Agriculture as part of their new strategy in 2009/10 they were tasked to build piggeries in the Province, and provide the first cycle. Tiisang Piggery was one of the many grower piggeries units that were built in the Province. A grower piggery unit that is only house 160 pigs. Tiisang Piggery Project it is not a fully flesh piggery.

### Project Members

NAME	SEX	ID NUMBER	ADDRESS	CONTACT NO.
Mofokeng M. M	Female	8307220718088	1911 7 <sup>TH</sup> Ave. Ext 4 Tswelelang T/ship	0786765017
Mofokeng M. P	Male	4902145634081	1911 7 <sup>th</sup> Ave. Ext. 4 Tswelelang T/ship	0786765017
Tlhakanelo M.G	Male	6405225674089	1134 Ext. 10 Tswelelang T/ship	0736424754
Marumo M.R	Female	7208050425083	1943 7 <sup>th</sup> Ave. Ext 4 Tswelelang T/ship	N/A
Sepato R	Female	8310105617083	1943 7 <sup>th</sup> Ave. Ext 4 Tswelelang T/ship	n/a

The members decided to add one-member Mr. Kabelo Motjali as a part time member.

#### THE FINANCIAL YEAR 2017/18

THE AGENCY DID NOT SUPPORT THE PROJECT FINANCIALLY.

#### ACTIVITIES THAT TOOK PLACE AT THE PROJECT SITE

##### 16<sup>th</sup> of August 2017

- Beneficiaries sold 128 pigs at R1500, they made R192 000.00 from the sale.
- Beneficiaries had mortality of 8 pigs.

##### September, October and November 2017

For the 2<sup>nd</sup> cycle beneficiaries procured 160 weaners from their own savings, from the R192 000.00 of the last sale.

The following were procured:

- Piglet was R730x160 R116 800.00
  - Feed was R215X320 R 68 800.00
- Total amount = R185 600.00

##### The activities for 3 months for fattening the pigs:

- Feeding the piglets
- Cleaning of the piggery house and
- Cleaning of the piggery yard

Beneficiaries sold pigs in November, however they did not keep record of how many were sold and the number of mortality, they made R192 000.00 from that sale. The R192 000.00 was then agreed by beneficiaries to be saved at the bank so that in January 2018 they are able to procure piglets.

##### December 2017

Beneficiaries decided not to procure in December as they were struggling with procuring feed and piglets.

##### January 2018



On January a site visit was done to introduce the new CEO, and the beneficiaries gave the background of the project and they also informed the CEO that they are struggling to procure 160 piglets, feed and medication. The following financial breakdown was done.

#### Financial Breakdown

1 piglet @ R740 X160 = R118 000.00

#### FEED

Pellets @ 120 x 200 bags = R 24 000.00

Grower @ R215 X 600 bags = R129 000.00

Finisher @ 215 x 400 bags = R86 000.00

Total Expense = R239 000.00 and the beneficiaries had only R192 000.00 on their account.

#### February 2018

A visit was done and a request was made to check on available funds, bank statements indicated that beneficiaries withdrew the money and the project is in no position to function (annexure 3, bank statements)

#### CURRENT STATUS

- The project is currently not operational due mismanagement of funds.
- Dr.KKDM Economic Agency is not funding the project due to a Council Resolution to stop funding the project.

### 3. VINEYARD PROJECT

#### Project BACKGROUND

When Dr. KKDM Economic Agency was formed, it inherited projects from Dr.Kenneth Kaunda District Municipality District Development Economic Department and Tourism. Ventersdorp Vineyard Project was one of the project that was inherited. A feasibility study that was done by the Project beneficiary Jeff Nong through SEDA. In 2010/11 a Vineyard Business Plan was prepared through facilitation by the Dr. KKDM Economic Agency. The project was a collaborative effort between Ventersdorp Local Municipality, Dr. Kenneth Kaunda

District Municipality, hereby represented by District Economic Development and Tourism, Northside Distiller and Dr. KKDM Economic Agency.

The Vineyard Project is currently established on a 10-hectare piece of land. Ventersdorp Vineyard Project was intended to cultivate grapes that will mainly be used for rebate wine by Northside Distiller and other local distillers. The feasibility study indicates that there was a shortage of rebate wine required for the production of brandy in the industry. Therefore, this project will therefore create an opportunity for the supply of rebate wine to the brandy making industry. The feasibility study also reflected that almost 90% of South Africa grapes are exported, while only 1% of the grapes that remain are used for rebate wines. Vineyards are increasingly being established outside the traditional wine growing areas of the Western and Northern Cape to take advantage of the greater diversity of environmental conditions. In the early stage of the business a grape product, namely Chenin Blanc shall be cultivated. The product will be cultivated as fruit and sold to Northside distiller and other potential market such as fresh produce and other distillers.

#### **Beneficiary**

NAME AND SURNAME	ID NUMBER	ADDRESS
Moleko Jeffrey Nong	640228 5725 083	9303 ext 03, Orapeleng street Ikageng

#### **SUPPORT PROVIDED IN 2017**

The following chemicals to the value of R28 862.00 were delivered on site, the Project Promoter was not available but made arrangements with the workers on site to accept the delivery on his behalf. The following chemicals were then delivered on site annexure 4:

<u>ITEM</u>	<u>QUANTITY</u>
Chopped 5l Protek	x 2
Seccateur Star 4	x 2
Slasher Grass Curved 230 Lasher	x 2
Gallant Supper 5l	x 2
Dithane 25kg	x 2
Devipan 5l	x 2
Rossi Supper 1l	x 2
Fert 5l (36) 50kg Omnia	x 2
Hit 500 Sc 5l	x 2
	12

Map Tech 25kg	x 2
Notro Bor 20l	x 2
Mono Pottasuim Phosphate MKP Multi 25kg	x 2
Feather duster large head 1.8m	x 2

The records on the agency's books shows that two days before the delivery of the above items there has already being a supply of the following items to the value of R29500.00 which the beneficiary dispute receiving them (annexure 5)

<u>ITEM</u>	<u>QUANTITY</u>
Chopped 5l Protek	x 1
Seccateur Star 4	x 1
Slasher Grass Curved 230 Lasher	x 1
Gallant Supper 5l	x 1
Dithane 25kg	x 1
Devipan 5l	x 1
Rossi Supper 1l	x 1
Fert 5l (36) 50kg Omnia	x 1
Hit 500 Sc 5l	x 1
Map Tech 25kg	x 1
Notro Bor 20l	x 1
Mono Pottasuim Phosphate MKP Multi 25kg	x 1
Feather duster large head 1.8m	x 1

#### CURRENT STATUS

- The project is currently operational but the Agency is not supporting the project financially.
- Dr.KKDM Economic Agency is not funding the project due to a Council Resolution to stop funding the project.

#### 4. BOAT MANUFACTURING PROJECT

##### BACKGROUND

The Boat Manufacturing is an initiative that was conceptualized in 2012, when it became apparent that the local boating manufacturing industry needed better incentives and structure to ensure its endurance and future growth. Boating as an industry is both a lifestyle as well as a long-term investment.

The industry has grown twofold in the past decade and continuous growth is seen year on year. Arguably, imports of modernized boats are greater than exports. This sets precedence for the North West Province (NWP) to make its mark as one of the leading Boat manufacturers, sales and host to international boat shows in South Africa for local and international markets by using local dams as boating fanatics' hotspots. The African market has another potential to grow when continuous investment into boating occurs.

##### OBJECTIVES OF THE PROJECT

Boat Manufacturing Project aims to:

- Create an industry leading centre of excellence for the province
- Provide access to new technologies and products
- To facilitate technology transfer to ensures the continued viability and growth of the cluster
- Job creation
- Training facilities with associated "on the job" training opportunities relative to the boating industry.
- Boat marshalling and storage facilities
- Boat testing facilities
- Export initiative through processing of materials and value adding services
- Close proximity to key suppliers
- Showroom facilities
- Internationally accepted boat building standards, quality controls and accreditation (ISO and CE certification)

- Research and development facilities
- Business and product development incubator

### CURRENT STATUS

Ace Boating approached the District Municipality with a concept to establish a Boat Manufacturing Plant in the region. The project was then transferred to the entity for implementation through a Council Resolution following the appointment of Ace Boat.

A meeting was held on the 13<sup>th</sup> of September 2018 between IDC, DR. Kenneth Kaunda District Municipality and Dr. KKDMEA. This was the first meeting since 2016 after IDC submitted that the Municipality must outline and give assurance that all required legislation and or regulations were fully implemented in identifying and appointing Ace Boating as implementers of the projects. In that meeting a detailed assurance report with supporting documents was handed over to IDC. IDC will then make a submission to their procurement department for consideration and formal feedback will be given in a meeting to be scheduled by the Agency where in way forward will be decided.

The agency had targeted to have the feasibility study and business plan completed by December 2018

Since the last meeting on the 13<sup>th</sup> September 2018, efforts were made both from KKDMEA and IDC (written letters) to have a follow up meeting as planned for 29<sup>th</sup> October to approve the terms of reference for the appointment of a consultant to do study and business plan for funding application with IDC, but the appointed partner Ace Boating is nowhere to be found. Several letters, email and phone calls made to Ace Boating were not responded to (see attached email and letters). The CEO, Board Chairperson and Remi Mahonde from IDC tried to arrange a meeting with Ace Boating when they attended LEDA's dialogue in Durban but Ace Boating decided not to answer our calls after agreeing to meet us in Durban.

An unannounced visit was made to Ace Boating on the 1<sup>st</sup> February 2019 by the agency CEO and IDC Project Manager. Two directors of Ace Boating were found and recommitted to the project after they raised concerns around calls they received from different people to shift the project to a municipality in the Free State Province (See annexure 6)

Stopped  
Stopped

## 5. MEAT PROCESSING PLANT PROJECT

### BACKGROUND

The project is an initiative of Invest North West (INW) and Development Bank of South Africa (DBSA) in collaboration with DrKKDM and was included in the Dr KKDM's Integrated Development Plan (IDP) in 2010. Through a stakeholder consultation process by INW, Dr KKDM and Matlosana, AGA committed to assist the two municipalities to pursue the MPP project. Dr KKDM Council further endorsed a council resolution on the MPP project resulting in the project being included in the Service Delivery and Budget Implementation Plan (SDBIP) of Dr KKDM (2010). Stakeholder resolutions and mandates committed the following resources:

- Dr KKDM – funding of R2.5m.
- Matlosana - allocation of land provision and supply of bulk services.
- AGA - funding on a rand for rand basis to a maximum of R5m and deployment of project management resources (for the feasibility stage of the project only).

The relationship and MPP project commitments of the aforementioned organisations were formalised through the following agreements:

- Memorandum of Understanding
- Terms of Reference

### CURRENT STATUS

In the first quarter a meeting was held between the Matlosana Local Municipality, AGA, KKDMEA and DRKKDM to determine way forward on the project. The meeting decided that terms of reference for the appointment of the transactional advisor and the steering committee be developed and that a new agreement be signed.

In the second quarter follow up meetings which were arranged to finalise the terms of reference for the appointment of transactional advisors could not take place due to unavailability of key stakeholders such as Matlosana Local Municipality and Anglo Gold Ashanti. The agency has advertised in the second quarter for the appointment of transactional advisors and this project will also be among other

projects in which transactional advisors will be assisting to unlock investment (see annexure 7, draft terms of reference)

## 6. AUTOMOBILE PROJECT

### BACKGROUND

Automobile is a new project and the purpose of the project is to establish a Youth and Women automobile maintenance workshops fully accredited to work with insurance and banks. The workshop will maintain cars including government fleet. One enterprise owned by youth per locality will be developed under the mentorship of the DR. KKDMA.

### OBJECTIVES OF THE PROJECT

Automobile Project aims to:

- Create jobs
- Transfer skills
- Transfer wealth and
- Empower young people in the District
- Transform the sector

### CURRENT STATUS

The first workshop for the Automobile project will establish in the Maquassi Hills Local Municipality. A business plan for the Maquassi Hills workshop has been developed.

On the 08<sup>th</sup> of August 2018 a meeting was held between the Dr.KKDM Economic Agency and Maquassi Hills Local Municipality LED Manager and during that meeting a space for the project was identified and visited. The Dr.KKDM Economic Agency is very comfortable with the space for the project, furthermore a formal letter was written on the 20<sup>th</sup> of August 2018 to the then Acting Municipal Manager of Maquassi Hills Local Municipality requesting to utilize the space for the project.



A communique was received on the 10<sup>th</sup> of September 2018 from LED Manager in Maquassi Hills Local Municipality alerting the Agency that they have received the request for using the Municipal space for the automobile project, but the challenge is that the municipality has been place under Administration (section 139 1 (b)); the communique further highlighted that the administrator has not yet been introduced to council but as soon as they occupy office the letter from KKDMEA will be discussed.

The Agency is still awaiting the response from the LED Manager in Maquassi Hills Local Municipality for the Automobile project building.

In the second quarter the agency targeted to have a business to be used for the automobile project registered.

- An advert for potential candidates has been developed.
- During the second quarter an advert calling for those interested in participating in the project was placed on Maquassi Hills local municipality called Overvaal on 19 October 2018 and closed on 09 November 2018.

Only four (4) submitted their CV as per the advert. The four that submitted are:

- |                      |  |
|----------------------|--|
| 1. Marake Diphapang  | ID NO: 870430 60 46 080 (Appointed)  |
| 2. Phaliso Itumeleng | ID NO: 880115 5262 085 (Appointed)   |
| 3. Frans Abram       | ID NO: 920203 6789 080 (Appointed)   |
| 4. Lentikile Senoedi | ID NO: 860827 5376 087 (Could not be found when called to attend the interviews) |

On the four that submitted, only three attended the interviews which were held at Maquassi Local Municipality on the 13 December 2018.

The panel which conducted the interviews consisted of:

- |                        |   |
|------------------------|---|
| 1. Masego Itumeleng    | KKDMEA - Project Officer                            |
| 2. Andy Diphoko        | Maquassi Hills Local Municipality – Project Officer |
| 3. Olebalelo Slindinya | Maquassi Hills Local Municipality – LED Officer     |



4. Orapeleng Lesane      Maquassi Hills Local Municipality – Youth Coordinator

The panel decided after the interviews that the three candidates interviewed be all appointed into the project. Since then their IDs were submitted for company registration and the company Maquassi Auto Service Centre Reg No 2018/636528/07 has been registered.

On the 16<sup>th</sup> of January 2019, we received a letter from Maquassi Hills Local Municipality that was informing us that, they are going to lease the municipal building for us. They letter stated that before they resolve on the matter, we as the Agency must first advertise for possible objections for public participation process. A non-refundable fee of R780.75 was to be paid for advertising. The proposed building by Municipality was only going to be leased for a year as the building might be needed municipal workshop. The fee for the workshop is said to be R15.00 per m<sup>2</sup> per month.

A follow up clarity was done telephonically with the LED Manager of Maquassi Hills Local Municipality the very same day after receiving the letter, as to why they are leasing the building to the Agency. The LED Manager said proper channels were not taken and the Agency requested they do. The LED Manager then made a commitment that he will take the proposal to portfolio commitment before Council, for the request to use the municipal building. On the 22 January 2019 the Agency received an email from LED Manager informing the Agency that an Item went through Portfolio and has been forwarded to Council meeting which will be held on the 27 January 2019. After the 27 January 2019, a follow up was done telephonically to the LED Manager and the Agency was informed that Council only discussed few items and our item did not go through and it will be put again on the next council meeting (see annexure 8)

6. The performance of the piggery was discussed and it was concluded that the reason given in the report is not a true reflection of the target not being achieved.

ANSWER

The target we had set for the project was to give support, monitoring and evaluation to the project. That was based on the shared responsibilities that the agency, READ and Department of Agriculture. One would be buying the project stock of piglets and the other buying feed and medication, etc. We as the agency would further do monitoring and evaluation through projects visits even when we had not given any financial support. In the 2017/18 we planned such support but could not happen because READ and Department of Agriculture did not budget for the project, hence we felt that our target could not be achieved because of non-funding for the project by the two sister departments. Reason for deviation we put in the report lack of non-funding from sister department on the project since there was nothing to monitor when there was no stock in the project.

7. It is clear in the annual report that what was planned by the agency was not achieved and the desired results were not obtained from the monies spent, please explain to the committee why the agency should not be disestablished. Elaborate your answer with substantive evidence.

ANSWER

It is indeed true that most of what was planned in terms of the projects was not achieved. And it is for different reasons why some of the targets were not achieved. The reason differs for each project based on each project's challenges.

In the 2017/18 the agency only budgeted for two projects namely meat processing project 800 000, boat project R220 000. The only money spend on the projects was on one project, Vineyard project where the agency provided support with chemicals for the vineyard and basically the payment was for the transaction which overlapped from 2016/17 financial year.

On establishment of the agency:

According to the MSA No 32 of 2000, chapter 8 section 86E

- (1) A municipality may establish a private company or acquire an interest in such a company only –
- (a) For the purpose of utilising the company as a mechanism to assist it in the performance of any of its functions or powers referred to in section 8;
  - (b) If the municipality can demonstrate that
    - (i) There is a need to perform that function or power in accordance with business practices in order to achieve the strategic objectives of the municipality more effectively; and
    - (ii) The company would benefit the local community.

According to MFMA No.56 of 2003, chapter 10 section 84

- (1) When considering the establishment of, or participating in, a municipal entity, a municipality must first-
- (a) Determine precisely the function or service that such an entity would perform on behalf of the municipality; and

- (b) Make an assessment of the impact of the shifting of that function or service to the entity;

According to the Constitution of the Republic of South Africa, 1996-chapter 7 section 152;

- (1) The objects of local government are-

- (c) To promote social and economic development.

Looking at the above pieces of legislations, we agree that the agency has not indeed in the 2017/18 financial year done much including the previous years. However, we also concerned especially with the process during establishment if in line with MFMA the function or service to be performed by the entity was precisely determined. The mandate of the agency is to facilitate, promote and implement catalytic economic development projects in the district. From the mandate we can tell that there's a lot of activities that the agency has to be, but have we established an agency that will be equal to all the tasks of facilitating, promoting and implementing catalytic project? As the CEO my answer is NO, the current agency's capacity is way far less from achieving its mandate.

The second aspect is whether an impact assessment was done of shifting such a function or service? We still can't understand which function has been shifted from the parent municipality when the agency was established. Under normal circumstances when looking at MFMA, the economic development function should have been shifted completely to the agency and that is not the case, so we have parallel competing structures over one function which is economic development, that included LEDs since the agency is multi-jurisdictional agency.

According to MSA No32 of 2000 section 87 (establishment of multi-jurisdictional service utilities), two or more municipalities, by written agreement, may establish a multi-jurisdictional service utility to perform any function or power envisaged by section 8 in their municipal areas or in any designated parts of their municipal areas.

Section 89 further says that the contents of multi-jurisdictional service utilities agreement should include;

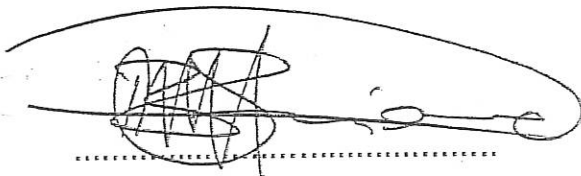
- (c) Identify the municipal service or other function to be provided in terms of the agreement;
- (d) Determine budgetary and funding arrangements for implementation of the agreement;
- (e) Provide for-

(f) Provide for-

- (iii) The appointment of staff by the multi-jurisdictional service utility, or the transfer or secondment of staff to the multi-jurisdictional service utility in accordance with applicable labour legislation.

There is currently no such an agreement with the local municipalities which adds another hurdle for the agency to realise its mandate.

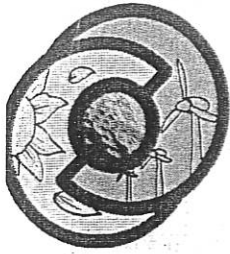
When looking at the MSA we are convinced that the agency if a multi-jurisdictional service entity but the conditions for a multi-jurisdictional entity establishment were not met which badly affects many operational (budget, staff, etc) aspects of the agency. As a result of all the establishment challenges outlined, the agency not performing the mandate is deeply structural than it seems. Disestablishing the agency does not take away the constitutional responsibility of the municipality to create and environment for social and economic development. That constitutional mandate needs the municipality to create able institutions that will be equal to the task. If the shareholder can consider all the areas raised in line with MFMA and MSA, disestablishment of the agency and re-establishing it following all the conditions of a multi-jurisdictional service utility would be the best thing. In its current form and state the agency will take some time to be where the shareholder really wish it to be.



Sephaka Motswiane  
CHIEF EXECUTIVE OFFICER

18/02/2019





**DRKKDM**  
**ECONOMIC AGENCY**  
Dr. Kenneth Kaunda District Municipality  
Economic Agency

enabling economic growth & diversification

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Vat Reg:

TO : MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

FROM : DRKKDM ECONOMIC AGENCY  
CHIEF EXECUTIVE OFFICER

DATE : 18 FEBRUARY 2019

RE : ANSWERS TO QUESTIONS ON THE ANNUAL REPORT 2017/18.

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1. The performance report does not show how the funds were spent as the actual expenditures are all zero.

**ANSWER**

In the 2017/18 financial year the following <sup>projects</sup> budgets were budgeted for: 1. Meat processing plant project R800 000.00, 2. Boat manufacturing plant project R220 000.00. No expenditure was incurred for both projects from the agency's budget. The process to appoint Ace Boating through unsolicited bid by the district got delayed and not much of the facilitation could be done on the project.



2. The CEO should explain to the committee how he intends to ensure that it becomes self-sustainable. The majority of the funds given to the agency by the parent municipality pays salaries hence the committee concluded that the purpose of the existence of the agency is not being achieved.

ANSWER

The DRKKDMEA is a multi-jurisdictional service entity (MSA No32 of 2000 section 87), by definition the DRKKDM should not be the only one budgeting for the agency but all the three local municipalities as well.

And this is where the DRKKDM should start to ensure that the agency becomes sustainable. It is true that, 80% of the 3 million rand the parent municipality gives to the agency is spent on salaries, and it is in fact not even enough. The agency is regulated and complies to MFMA just like any other municipality in the country. For full compliance with MFMA plus companies act, the agency needs more staff which the R3 million is not even enough.

Outside MFMA compliance, the agency needs qualified competent staff that can be able to prepare proposals, develop investment packages implement project so that the agency can be able to charge facilitation fee and make itself money. Since establishment the agency has not been implementing any project successfully which talks to the capacity constraints that the agency is going through and that has not been addressed.

When a municipality establishes an entity, that municipality should fund that entity and that is the beginning of the entity's sustainability. The CEO is also engaging different sector departments and lobbying for the departments to implement their projects in the KK district through the agency. That position is also supported by COGTA after the LEDAs conference which was held in Illembe District in December 2018. Kwa-Zulu Natal Cogta has already started implementing support for municipal agencies and funding them.

The other thing that the CEO is doing is to seek possible partners or projects <sup>for</sup> implementation, however this may not directly translate into money for the agency but economic development in the district. The committee should assist the CEO in politically lobbying for provincial



department implementing projects in the district to implement their project through the agency,  
that will be the quicker was to create income for the agency.

3. The CEO should give clarity on the cash flow statement as the amounts of the same items are different.

ANSWER

On the cash flow statement, we only showing cash movements. There is differing amounts on item Employee costs from the cash flow statement and statement of financial performance. Employee costs on the cash flow statement is R1 920,908 and on the statement of financial performance employee cost is R2 014 070.

The difference is R93 161.46 and its fully explained on note 19 last paragraph under related party transactions. The amount of R93 161.46 does not appear on the cash flow statement because by end of 2017/18 financial year there was no cash movement relating to that amount but its recognised on the statement of financial performance. (See annexure 1, cash flow statement, statement of comparison of budget and actual amount and note 19).

4. Note 24 on the AFS is not appearing on the report. Why?

ANSWER

On note 24 under changes from the approved budget to the final budget there is a statement which says that details on these changes should be referred to the annual report. That statement could have read as the information referred to the statement of comparison between budget and actual amounts which also includes the difference between final budget and actual, not the annual report. (refer to annexure 1).

5. Please provide an extensive explanation of the current status of the current projects.

ANSWER

**1. Stepping Stone (Dry Bean/Potato Project)**

**BACKGROUND**

Dry bean was identified as one of the important leguminous crops in South Africa. A co-operative named Stepping Stone Cooperative was planning to produce three kinds of kidney beans which were: Red speckled bean, small white bean and large white kidney bean. These beans were to be marketed locally, nationally and internationally. About 40 hectares was allocated for the pilot phase looking at increasing it when the soil proves to be suitable for this crop.

The name of the business is Stepping Stone Cooperative which it is a business based in Matlwang Village within the Tlokwe City Council which falls under Dr Kenneth Kaunda District Municipality. After realising that there is high unemployment rate and other employment opportunities are diminishing very fast, the community members of Matlwang, decided to establish this co-operative in order to create jobs for themselves and other community members. This business was established on the 05<sup>th</sup> December 2007 by 13 community members from Matlwang and registered the business as a primary cooperative with the Department of Trade and Industry (Cipro).

The Project was changed into Potato Project in the financial year of 2015/16.

**2017/18 financial year** - The Agency did not support the project

**ACTIVITIES THAT TOOK PLACE IN THE LAST FINANCIAL YEAR ON THE PROJECT**

**November 2017**

On the 08 November 2017 a meeting was held between the beneficiaries of Potato Project, the Acting CEO Mr. Makhetha and Projects Officer.

**1. Members of the Project**

<u>NAME AND SURNAME</u>	<u>ID NUMBER</u>	<u>ADDRESS</u>
Moleko Montshosi	820326 5773 087	Matlwang Village
Mosala Tshabadira	600511 5783 089	Matlwang Village

Selinah Tshabadira	810104 0780 088	Matlwang Village
Maria Mathibe	690209 0406 084	Matlwang Village
Maria Tlotleng	560219 0720 084	Matlwang Village
Damane Tlotleng	750331 5387 080	Matlwang Village
Sello Moeng	811215 5210 080	Matlwang Village

Beneficiaries that were present in that meeting were:

- Selinah Tshabadira
- Moleko Montshosi
- Maria Mothibe

In 2016 August beneficiaries planted on 1 ha potatoes and the other 1ha they planted pumpkins and watermelon. The main reason of having a meeting was to understand what happened to the 1ha of potatoes that was planted.

The members explained that they harvested the pumpkins and watermelons that were planted on the 1 ha and they left the Potatoes to die on the other 1ha.

The beneficiaries were asked individual why they are not participating in the project and they said:

- Moleko Montshosi - He explained that he is not working, but he doesn't go to the project site.
- Mosala Tshabadira – Members that were present explained that, he has never been active on the project since the re-registration of the project.
- Selinah Tshabadira - She explained that she is employed at CPW, and her contract is for 4 years and she works 4 days in a month.
- Maria Mothibe - She explained that is employed at the office of CPA as a Cleaner, she started January 2017 and her contract is for 12 years. Her working hours are from 07:30 am till 14:00 pm. She said she used to go on site from 15:00 till 18:00.
- Maria Tlotleng - She did not attend the meeting, members explained that she is babysitting her grandchild that is why she does not go the project.
- Damane Tlotleng - He did not attend the meeting. Other beneficiaries declared that he is employed permanently at the mines since 2016 November.

- Sello Moeng - He did not attend the meeting. Other beneficiaries declared that he is employed permanently at the mines since 2016 November.

### **THE PROPOSAL 70% AND 30%**

Mr. Montshosi explained the proposal of 70% for himself and 30% for the 3 female members and other members that they going to add on the project, he explained that the reason why he did not include the 2 beneficiaries is based on the fact that; they are permanently working so they will have to declare if they want to be part of the 30% they must explain the role they going to play in the project.

The two beneficiaries that were present did not agree with the proposal of 70/30%.

Mr. Montshosi went further to say the reason he proposed the 70% and 30% was based on the fact that he will be doing the following for the project

- Filing system
- Preparations of Monthly Reports
- Security
- Preparation of Financial statements
- Production

### **WAYFORWARD OF THE MEETING**

1. Members of the Potato Project requested to be given time to discuss a way forward as members only.
2. Mr. Makhetha then proposed the report be submitted on Monday the 13<sup>th</sup> of November 2017 to the office of the Projects Officer.

The report was never submitted by the beneficiaries.

### **CURRENT STATUS**

- The project is currently not operational.
- Dr.KKDM Economic Agency is not funding nor supporting the project due to a Council Resolution to stop funding the project.
- The project still has potential should it be revived.

## 2. TIISANG PIGGERY

### Project Background

When Dr. KKDM Economic Agency was formed, it inherited projects from Dr. Kenneth Kaunda District Municipality District Development Economic Department and Tourism. Tiisang Piggery was one of the projects that was inherited. A Bankable business plan was done for this project.

The main objective was to generate income through a sustainable manner. Members wanted to be provided with a piggery that will house 30 sows and 1 boar together with a production inputs for one production cycle. Maqwassi Hills Local Municipality provided beneficiaries with 2ha of land with the intention to buy. The only potential competitors was about 30km from Wolmaranstad, as it was known that pigs are fast breeders and require no influence and give birth to 6-12 piglets. Pigs have a short financial life cycle and are ready for the market in 6-8 months. The market for pigs is huge with very little worldwide restrictions on trading pig meat.

Dr. KKDM Economic Agency as key implementers of the project continued with the partnership of Department of Agriculture in Maquassi Hills and Maquassi Hills Local Municipality. The Department of Agriculture as part of their new strategy in 2009/10 they were tasked to build piggeries in the Province, and provide the first cycle. Tiisang Piggery was one of the many grower piggeries units that were built in the Province. A grower piggery unit that is only house 160 pigs. Tiisang Piggery Project it is not a fully flesh piggery.

### Project Members

NAME	SEX	ID NUMBER	ADDRESS	CONTACT NO.
Mofokeng M. M	Female	8307220718088	1911 7 <sup>TH</sup> Ave. Ext 4 Tswelelang T/ship	0786765017
Mofokeng M. P	Male	4902145634081	1911 7 <sup>th</sup> Ave. Ext. 4 Tswelelang T/ship	0786765017
Tlhakanelo M.G	Male	6405225674089	1134 Ext. 10 Tswelelang T/ship	0736424754
Marumo M.R	Female	7208050425083	1943 7 <sup>th</sup> Ave. Ext 4 Tswelelang T/ship	N/A
Sepato R	Female	8310105617083	1943 7 <sup>th</sup> Ave. Ext 4 Tswelelang T/ship	n/a

The members decided to add one-member Mr. Kabelo Motjali as a part time member.

#### THE FINANCIAL YEAR 2017/18

THE AGENCY DID NOT SUPPORT THE PROJECT FINANCIALLY.

#### ACTIVITIES THAT TOOK PLACE AT THE PROJECT SITE

##### 16<sup>th</sup> of August 2017

- Beneficiaries sold 128 pigs at R1500, they made R192 000.00 from the sale.
- Beneficiaries had mortality of 8 pigs.

##### September, October and November 2017

For the 2<sup>nd</sup> cycle beneficiaries procured 160 weaners from their own savings, from the R192 000.00 of the last sale.

The following were procured:

- Piglet was R730x160 R116 800.00
  - Feed was R215X320 R 68 800.00
- Total amount = R185 600.00

##### The activities for 3 months for fattening the pigs:

- Feeding the piglets
- Cleaning of the piggery house and
- Cleaning of the piggery yard

Beneficiaries sold pigs in November, however they did not keep record of how many were sold and the number of mortality, they made R192 000.00 from that sale. The R192 000.00 was then agreed by beneficiaries to be saved at the bank so that in January 2018 they are able to procure piglets.

##### December 2017

Beneficiaries decided not to procure in December as they were struggling with procuring feed and piglets.

##### January 2018



On January a site visit was done to introduce the new CEO, and the beneficiaries gave the background of the project and they also informed the CEO that they are struggling to procure 160 piglets, feed and medication. The following financial breakdown was done.

#### **Financial Breakdown**

1 piglet @ R740 X160 = R118 000.00

#### **FEED**

Pellets @ 120 x 200 bags = R 24 000.00

Grower @ R215 X 600 bags = R129 000.00

Finisher @ 215 x 400 bags = R86 000.00

**Total Expense = R239 000.00 and the beneficiaries had only R192 000.00 on their account.**

#### **February 2018**

A visit was done and a request was made to check on available funds, bank statements indicated that beneficiaries withdrew the money and the project is in no position to function (annexure 3, bank statements)

#### **CURRENT STATUS**

- The project is currently not operational due mismanagement of funds.
- Dr.KKDM Economic Agency is not funding the project due to a Council Resolution to stop funding the project.

### **3. VINEYARD PROJECT**

#### **Project BACKGROUND**

When Dr. KKDM Economic Agency was formed, it inherited projects from Dr.Kenneth Kaunda District Municipality District Development Economic Department and Tourism. Ventersdorp Vineyard Project was one of the project that was inherited. A feasibility study that was done by the Project beneficiary Jeff Nong through SEDA. In 2010/11 a Vineyard Business Plan was prepared through facilitation by the Dr. KKDM Economic Agency. The project was a collaborative effort between Ventersdorp Local Municipality, Dr. Kenneth Kaunda

District Municipality, hereby represented by District Economic Development and Tourism, Northside Distiller and Dr. KKDM Economic Agency.

The Vineyard Project is currently established on a 10-hectare piece of land. Ventersdorp Vineyard Project was intended to cultivate grapes that will mainly be used for rebate wine by Northside Distiller and other local distillers. The feasibility study indicates that there was a shortage of rebate wine required for the production of brandy in the industry. Therefore, this project will therefore create an opportunity for the supply of rebate wine to the brandy making industry. The feasibility study also reflected that almost 90% of South Africa grapes are exported, while only 1% of the grapes that remain are used for rebate wines. Vineyards are increasingly being established outside the traditional wine growing areas of the Western and Northern Cape to take advantage of the greater diversity of environmental conditions. In the early stage of the business a grape product, namely Chenin Blanc shall be cultivated. The product will be cultivated as fruit and sold to Northside distiller and other potential market such as fresh produce and other distillers.

### **Beneficiary**

NAME AND SURNAME	ID NUMBER	ADDRESS
Moleko Jeffrey Nong	640228 5725 083	9303 ext 03, Orapeleng street Ikageng

### **SUPPORT PROVIDED IN 2017**

The following chemicals to the value of R28 862.00 were delivered on site, the Project Promoter was not available but made arrangements with the workers on site to accept the delivery on his behalf. The following chemicals were then delivered on site annexure 4:

<u>ITEM</u>	<u>QUANTITY</u>
Chopped 5l Protek	x 2
Seccateur Star 4	x 2
Slasher Grass Curved 230 Lasher	x 2
Gallant Supper 5l	x 2
Dithane 25kg	x 2
Devipan 5l	x 2
Rossi Supper 1l	x 2
Fert 5l (36) 50kg Omnia	x 2
Hit 500 Sc 5l	x 2
	12

Map Tech 25kg	x 2
Notro Bor 20l	x 2
Mono Pottasuim Phosphate MKP Multi 25kg	x 2
Feather duster large head 1.8m	x 2

The records on the agency's books shows that two days before the delivery of the above items there has already being a supply of the following items to the value of R29500.00 which the beneficiary dispute receiving them (annexure 5)

<u>ITEM</u>	<u>QUANTITY</u>
Chopped 5l Protek	x 1
Seccateur Star 4	x 1
Slasher Grass Curved 230 Lasher	x 1
Gallant Supper 5l	x 1
Dithane 25kg	x 1
Devipan 5l	x 1
Rossi Supper 1l	x 1
Fert 5l (36) 50kg Omnia	x 1
Hit 500 Sc 5l	x 1
Map Tech 25kg	x 1
Notro Bor 20l	x 1
Mono Pottasuim Phosphate MKP Multi 25kg	x 1
Feather duster large head 1.8m	x 1

#### CURRENT STATUS

- The project is currently operational but the Agency is not supporting the project financially.
- Dr.KKDM Economic Agency is not funding the project due to a Council Resolution to stop funding the project.

#### 4. BOAT MANUFACTURING PROJECT

##### BACKGROUND

The Boat Manufacturing is an initiative that was conceptualized in 2012, when it became apparent that the local boating manufacturing industry needed better incentives and structure to ensure its endurance and future growth. Boating as an industry is both a lifestyle as well as a long-term investment.

The industry has grown twofold in the past decade and continuous growth is seen year on year. Arguably, imports of modernized boats are greater than exports. This sets precedence for the North West Province (NWP) to make its mark as one of the leading Boat manufacturers, sales and host to international boat shows in South Africa for local and international markets by using local dams as boating fanatics' hotspots. The African market has another potential to grow when continuous investment into boating occurs.

##### OBJECTIVES OF THE PROJECT

Boat Manufacturing Project aims to:

- Create an industry leading centre of excellence for the province
- Provide access to new technologies and products
- To facilitate technology transfer to ensures the continued viability and growth of the cluster
- Job creation
- Training facilities with associated "on the job" training opportunities relative to the boating industry.
- Boat marshalling and storage facilities
- Boat testing facilities
- Export initiative through processing of materials and value adding services
- Close proximity to key suppliers
- Showroom facilities
- Internationally accepted boat building standards, quality controls and accreditation (ISO and CE certification)

- Research and development facilities
- Business and product development incubator

## CURRENT STATUS

Ace Boating approached the District Municipality with a concept to establish a Boat Manufacturing Plant in the region. The project was then transferred to the entity for implementation through a Council Resolution following the appointment of Ace Boat.

A meeting was held on the 13<sup>th</sup> of September 2018 between IDC, DR. Kenneth Kaunda District Municipality and Dr. KKDMEA. This was the first meeting since 2016 after IDC submitted that the Municipality must outline and give assurance that all required legislation and or regulations were fully implemented in identifying and appointing Ace Boating as implementers of the projects. In that meeting a detailed assurance report with supporting documents was handed over to IDC. IDC will then make a submission to their procurement department for consideration and formal feedback will be given in a meeting to be scheduled by the Agency where in way forward will be decided.

The agency had targeted to have the feasibility study and business plan completed by December 2018

Since the last meeting on the 13<sup>th</sup> September 2018, efforts were made both from KKDMEA and IDC (written letters) to have a follow up meeting as planned for 29<sup>th</sup> October to approve the terms of reference for the appointment of a consultant to do study and business plan for funding application with IDC, but the appointed partner Ace Boating is nowhere to be found. Several letters, email and phone calls made to Ace Boating were not responded to (see attached email and letters). The CEO, Board Chairperson and Remi Mahonde from IDC tried to arrange a meeting with Ace Boating when they attended LEDA's dialogue in Durban but Ace Boating decided not to answer our calls after agreeing to meet us in Durban.

An unannounced visit was made to Ace Boating on the 1<sup>st</sup> February 2019 by the agency CEO and IDC Project Manager. Two directors of Ace Boating were found and recommitted to the project after they raised concerns around calls they received from different people to shift the project to a municipality in the Free State Province (See annexure 6)

Stopped  
Staped

## **5. MEAT PROCESSING PLANT PROJECT**

### **BACKGROUND**

The project is an initiative of Invest North West (INW) and Development Bank of South Africa (DBSA) in collaboration with DrKKDM and was included in the Dr KKDM's Integrated Development Plan (IDP) in 2010. Through a stakeholder consultation process by INW, Dr KKDM and Matlosana, AGA committed to assist the two municipalities to pursue the MPP project. Dr KKDM Council further endorsed a council resolution on the MPP project resulting in the project being included in the Service Delivery and Budget Implementation Plan (SDBIP) of Dr KKDM (2010). Stakeholder resolutions and mandates committed the following resources:

- Dr KKDM – funding of R2.5m.
- Matlosana - allocation of land provision and supply of bulk services.
- AGA - funding on a rand for rand basis to a maximum of R5m and deployment of project management resources (for the feasibility stage of the project only).

The relationship and MPP project commitments of the aforementioned organisations were formalised through the following agreements:

- Memorandum of Understanding
- Terms of Reference

### **CURRENT STATUS**

In the first quarter a meeting was held between the Matlosana Local Municipality, AGA, KKDMEA and DRKKDM to determine way forward on the project. The meeting decided that terms of reference for the appointment of the transactional advisor and the steering committee be developed and that a new agreement be signed.

In the second quarter follow up meetings which were arranged to finalise the terms of reference for the appointment of transactional advisors could not take place due to unavailability of key stakeholders such as Matlosana Local Municipality and Anglo Gold Ashanti. The agency has advertised in the second quarter for the appointment of transactional advisors and this project will also be among other



projects in which transactional advisors will be assisting to unlock investment (see annexure 7, draft terms of reference)

## 6. AUTOMOBILE PROJECT

### BACKGROUND

Automobile is a new project and the purpose of the project is to establish a Youth and Women automobile maintenance workshops fully accredited to work with insurance and banks. The workshop will maintain cars including government fleet. One enterprise owned by youth per locality will be developed under the mentorship of the DR. KKDMEA.

### OBJECTIVES OF THE PROJECT

Automobile Project aims to:

- Create jobs
- Transfer skills
- Transfer wealth and
- Empower young people in the District
- Transform the sector

### CURRENT STATUS

The first workshop for the Automobile project will establish in the Maquassi Hills Local Municipality. A business plan for the Maquassi Hills workshop has be developed.

On the 08<sup>th</sup> of August 2018 a meeting was held between the Dr.KKDM Economic Agency and Maquassi Hills Local Municipality LED Manager and during that meeting a space for the project was identified and visited. The Dr.KKDM Economic Agency is very comfortable with the space for the project, furthermore a formal letter was written on the 20<sup>th</sup> of August 2018 to the then Acting Municipal Manager of Maquassi Hills Local Municipality requesting to utilize the space for the project.

A communique was received on the 10<sup>th</sup> of September 2018 from LED Manager in Maquassi Hills Local Municipality alerting the Agency that they have received the request for using the Municipal space for the automobile project, but the challenge is that the municipality has been place under Administration (section 139 1 (b)); the communique further highlighted that the administrator has not yet been introduced to council but as soon as they occupy office the letter from KKDMEA will be discussed.

The Agency is still awaiting the response from the LED Manager in Maquassi Hills Local Municipality for the Automobile project building.

In the second quarter the agency targeted to have a business to be used for the automobile project registered.

- An advert for potential candidates has been developed.
- During the second quarter an advert calling for those interested in participating in the project was placed on Maquassi Hills local municipality called Overvaal on 19 October 2018 and closed on 09 November 2018.

Only four (4) submitted their CV as per the advert. The four that submitted are:

- |                      |  |
|----------------------|--|
| 1. Marake Diphapang  | ID NO: 870430 60 46 080 (Appointed)  |
| 2. Phaliso Itumeleng | ID NO: 880115 5262 085 (Appointed)   |
| 3. Frans Abram       | ID NO: 920203 6789 080 (Appointed)   |
| 4. Lentikile Senoedi | ID NO: 860827 5376 087 (Could not be found when called to attend the interviews) |

On the four that submitted, only three attended the interviews which were held at Maquassi Local Municipality on the 13 December 2018.

The panel which conducted the interviews consisted of:

- |                        |   |
|------------------------|---|
| 1. Masego Itumeleng    | KKDMEA - Project Officer                            |
| 2. Andy Diphoko        | Maquassi Hills Local Municipality – Project Officer |
| 3. Olebalelo Slindinya | Maquassi Hills Local Municipality – LED Officer     |



4. Orapeleng Lesane Maquassi Hills Local Municipality – Youth Coordinator

The panel decided after the interviews that the three candidates interviewed be all appointed into the project. Since then their IDs were submitted for company registration and the company Maquassi Auto Service Centre Reg No 2018/636528/07 has been registered.

On the 16<sup>th</sup> of January 2019, we received a letter from Maquassi Hills Local Municipality that was informing us that, they are going to lease the municipal building for us. Their letter stated that before they resolve on the matter, we as the Agency must first advertise for possible objections for public participation process. A non-refundable fee of R780.75 was to be paid for advertising. The proposed building by Municipality was only going to be leased for a year as the building might be needed municipal workshop. The fee for the workshop is said to be R15.00 per m<sup>2</sup> per month.

A follow up clarity was done telephonically with the LED Manager of Maquassi Hills Local Municipality the very same day after receiving the letter, as to why they are leasing the building to the Agency. The LED Manager said proper channels were not taken and the Agency requested they do. The LED Manager then made a commitment that he will take the proposal to portfolio commitment before Council, for the request to use the municipal building. On the 22 January 2019 the Agency received an email from LED Manager informing the Agency that an Item went through Portfolio and has been forwarded to Council meeting which will be held on the 27 January 2019. After the 27 January 2019, a follow up was done telephonically to the LED Manager and the Agency was informed that Council only discussed few items and our item did not go through and it will be put again on the next council meeting (see annexure 8)

6. The performance of the piggery was discussed and it was concluded that the reason given in the report is not a true reflection of the target not being achieved.

ANSWER

The target we had set for the project was to give support, monitoring and evaluation to the project. That was based on the shared responsibilities that the agency, READ and Department of Agriculture. One would be buying the project stock of piglets and the other buying feed and medication, etc. We as the agency would further do monitoring and evaluation through projects visits even when we had not given any financial support. In the 2017/18 we planned such support but could not happen because READ and Department of Agriculture did not budget for the project, hence we felt that our target could not be achieved because of non-funding for the project by the two sister departments. Reason for deviation we put in the report lack of non-funding from sister department on the project since there was nothing to monitor when there was no stock in the project.

7. It is clear in the annual report that what was planned by the agency was not achieved and the desired results were not obtained from the monies spent, please explain to the committee why the agency should not be disestablished. Elaborate your answer with substantive evidence.

ANSWER

It is indeed true that most of what was planned in terms of the projects was not achieved. And it is for different reasons why some of the targets were not achieved. The reason differs for each project based on each project's challenges.

In the 2017/18 the agency only budgeted for two projects namely meat processing project 800 000, boat project R220 000. The only money spend on the projects was on one project, Vineyard project where the agency provided support with chemicals for the vineyard and basically the payment was for the transaction which overlapped from 2016/17 financial year.

On establishment of the agency:

According to the MSA No 32 of 2000, chapter 8 section 86E

- (1) A municipality may establish a private company or acquire an interest in such a company only –
- (a) For the purpose of utilising the company as a mechanism to assist it in the performance of any of its functions or powers referred to in section 8;
  - (b) If the municipality can demonstrate that
    - (i) There is a need to perform that function or power in accordance with business practices in order to achieve the strategic objectives of the municipality more effectively; and
    - (ii) The company would benefit the local community.

According to MFMA No.56 of 2003, chapter 10 section 84

- (1) When considering the establishment of, or participating in, a municipal entity, a municipality must first-
- (a) Determine precisely the function or service that such an entity would perform on behalf of the municipality; and

- (b) Make an assessment of the impact of the shifting of that function or service to the entity;

According to the Constitution of the Republic of South Africa, 1996-chapter 7 section 152;

- (1) The objects of local government are-

- (c) To promote social and economic development.

Looking at the above pieces of legislations, we agree that the agency has not indeed in the 2017/18 financial year done much including the previous years. However, we also concerned especially with the process during establishment if in line with MFMA the function or service to be performed by the entity was precisely determined. The mandate of the agency is to facilitate, promote and implement catalytic economic development projects in the district. From the mandate we can tell that there's a lot of activities that the agency has to be, but have we established an agency that will be equal to all the tasks of facilitating, promoting and implementing catalytic project? As the CEO my answer is NO, the current agency's capacity is way far less from achieving its mandate.

The second aspect is whether an impact assessment was done of shifting such a function or service? We still can't understand which function has been shifted from the parent municipality when the agency was established. Under normal circumstances when looking at MFMA, the economic development function should have been shifted completely to the agency and that is not the case, so we have parallel competing structures over one function which is economic development, that included LEDs since the agency is multi-jurisdictional agency.

According to MSA No32 of 2000 section 87 (establishment of multi-jurisdictional service utilities), two or more municipalities, by written agreement, may establish a multi-jurisdictional service utility to perform any function or power envisaged by section 8 in their municipal areas or in any designated parts of their municipal areas.

Section 89 further says that the contents of multi-jurisdictional service utilities agreement should include;

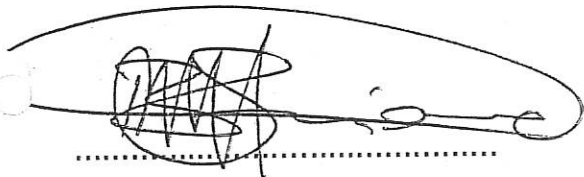
- (c) Identify the municipal service or other function to be provided in terms of the agreement;
- (d) Determine budgetary and funding arrangements for implementation of the agreement;
- (e) Provide for-

(f) Provide for-

- (iii) The appointment of staff by the multi-jurisdictional service utility, or the transfer or secondment of staff to the multi-jurisdictional service utility in accordance with applicable labour legislation.

There is currently no such an agreement with the local municipalities which adds another hurdle for the agency to realise its mandate.

When looking at the MSA we are convinced that the agency if a multi-jurisdictional service entity but the conditions for a multi-jurisdictional entity establishment were not met which badly affects many operational (budget, staff, etc) aspects of the agency. As a result of all the establishment challenges outlined, the agency not performing the mandate is deeply structural than it seems. Disestablishing the agency does not take away the constitutional responsibility of the municipality to create and environment for social and economic development. That constitutional mandate needs the municipality to create able institutions that will be equal to the task. If the shareholder can consider all the areas raised in line with MFMA and MSA, disestablishment of the agency and re-establishing it following all the conditions of a multi-jurisdictional service utility would be the best thing. In its current form and state the agency will take some time to be where the shareholder really wish it to be.



Sephaka Motswiane  
CHIEF EXECUTIVE OFFICER

18/02/2019