



Dr. KKDM
ECONOMIC AGENCY
Dr. Kenneth Kaunda District Municipality
Economic Agency

enabling economic growth & diversification

ANNUAL REPORT

2019/2020

Contents

CHAPTER 1: THE CHAIRPERSON'S FOREWORD AND EXECUTIVE SUMMARY.....	4
1.1. THE CHAIRPERSON'S FOREWORD	4
1.2. THE CHIEF EXECUTIVE OFFICER'S FOREWORD.....	5
OVERVIEW	5
1.3. OVERVIEW	7
BACKGROUND	7
1.4. MANDATE.....	7
1.5. VISION	7
1.6. MISSION	7
1.7. GOAL	8
1.8. DEMOGRAPHIC AND ECONOMIC GROWTH, POPULATION AND GROWTH	8
CHAPTER 2: GOVERNANCE.....	37
2.1. CORPORATE GOVERNANCE STATEMENT.....	37
2.2. BOARD OF DIRECTORS.....	37
2.2.1. AUDIT COMMITTEE.....	39
CHAPTER 3: SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART1).....	40
3.1. PERFORMANCE MANAGEMENT, DELIVERABLES FOR 2019/2020 FINANCIAL YEAR.....	40
3.2. PERFORMANCE REPORT	41
3.2.3. MAQUASSI AUTO SERVICE CENTRE	42
3.2.4. SERVICES SETA ACCREDITATION	44
3.3. PERFORMANCE INFORMATION	46
DISTRICT ECONOMIC DEVELOPMENT	46
1. KPA 3: DISTRICT ECONOMIC DEVELOPMENT	47
KPA 4: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT	49
3.4. CHALLENGES	57
CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE REPORT PART II)	58
4.1. ORGANIZATIONAL STRUCTURE.....	58
CHAPTER 5: AUDITOR GENERAL'S REPORT	61
5.1 AUDITOR GENERAL'S REPORT.....	61
5.2. SUMMARY OF DETAILED FINDINGS AND STATUS OF IMPLEMENTATION OF PREVIOUS YEAR'S RECOMMENDATIONS.....	68
5.3 2019/20 AUDIT COMMITTEE REPORT	76
5.4 2019/20 INTERNAL AUDIT REPORT.....	80
CHAPTER 6: FINANCIAL PERFORMANCE	87

ABBREVIATIONS IN ALPHABETIC ORDER

ARC	Audit and Risk Committee
CASP:	Comprehensive Agricultural Support Programme
CEO:	Chief Executive Officer
CIPC:	Companies and intellectual property commission
DARD:	Department of Agriculture and Rural Development
DED & T	District Economic Development and Tourism
DGDS:	District Growth and Development Strategy
DR. KKDM:	Dr. Kenneth Kaunda District Municipality
GDS:	Growth and Development Strategy
IDC:	Industrial Development Corporation
IDP:	Integrated Development Plan
INW:	Invest North West
KPIs:	Key Performance Indicators
LED:	Local Economic Development
MFMA	Municipal Finance Management Act
MPAC:	Municipal Public Accounts Committee.
MSA	Municipal Systems Act
NW:	North West
R&D:	Research and Development
SLA:	Service Level Agreement

CHAPTER 1: THE CHAIRPERSON'S FOREWORD AND EXECUTIVE SUMMARY

1.1. THE CHAIRPERSON'S FOREWORD

I take this opportunity on behalf of the Board to express our gratitude to Council and management of DR KKDM, partners and stakeholders have given and unwavering support in delivering on our mandate. To every staff member of the DR KKDMEA, we say thank you for playing your pivotal part in making this yet another growing year for the Agency.

The Board also ensured that policies are approved in current financial and internal controls are in place to ensure prudent management of the united financial resources in place. This also resulted with some of the kept long serving personnel in the agency being suspended and disciplinary processes taking place which by the end of the year the processes were still on-going. We also had a challenge when term of office for 3 (three) Director lapsed which affected the functioning of the board and we trust that the shareholder will promptly attend to the vacancies.

Developing strong, efficient and fully integrated working arrangements with both private and public sector partners and stakeholders especially local municipalities and state owned agencies remains an important priority. Whilst DR KKDM has been making great strides in ensuring an integrated approach to driving economic development in the district, challenges still remain.

One of these challenges being financial viability and sustainability the entity. Financial sustainability is desirable for the DR KKDMEA as it holds a number of advantages for the Agency and its operations and the community at large. The Board shall continue engaging with the shareholder and funding partners on the issue.

Thank you to all that continue to support the Agency. Let us continue to work hard and ensure that the agency make meaningful contribution to the communities we serve.



Prof T Thekiso (Chairperson)

1.2. THE CHIEF EXECUTIVE OFFICER'S FOREWORD

OVERVIEW

It gives me pleasure to report about the Dr Kenneth Kaunda District Municipal Economic Agency in the 2019/2020 financial year. The 2019/2020 financial year was a very different year in local government considering the Covid 19 pandemic which disorganised the whole world and we were not an exception on that. We had a very hectic year. We started the 2019/2020 financial year without a board and that made decision making and governance much more difficult in the agency. A board was appointed on the 18th December 2019 and started working in January 2020.

During the board introductory meeting, the shareholder gave the board a mandate to develop a turnaround strategy and indeed during the third quarter we were working on finalisation of the strategy until the lockdown regulations were introduced. That affected our momentum. We however continued to work online until we finalised the strategy and presented it to the shareholder during the fourth quarter. The turnaround strategic document is a very lifesaving document for the agency because it highlights on all the challenges that the agency has been facing since its establishment and further come up with alternative ideas on how to navigate through the challenges and be a high performing organisation.

During the year under review, the agency has managed to navigate the teething problems associated with development agencies in local government including:

- Incomplete governance structure
- Operating with limited capacity especially in the finance department
- Implementation of MSCOA notwithstanding the size of the entity and the associated challenges brought by MSCOA.
- Established internal controls and policies.
- Ushering in a new board of directors
- Developing a turnaround strategy

Service delivery: Partnerships

We kept and maintained our relationship with other government entities such as MINTEK, NWDC and IDC. Most plans we anticipated with our partners got affected by the lockdown regulations.

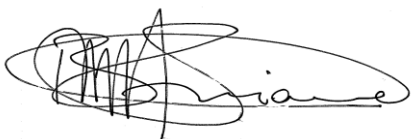
We in the year in question commissioned a study to develop a strategy on agriculture and agro-processing in the district to unlock the economic potential of agriculture and agro-processing while also unlocking the entire value chain to accommodate emerging farmers in the district. The study went at length to also

identify low hanging possible projects that the agency together with relevant sector departments and other government agencies can partner and maximise the limited resources we all have.

The agency continued to finalise preparations to operationalize the Maquassi Auto Service Centre. The project was officially opened by the Executive Mayor and the Mayor of Maquassi Local Municipalities. It's such projects where we displayed what economic development and wealth transfer means to young people when the four young people were given a fully equipped auto service workshop. We continue to support and monitor the Maquassi Auto service centre in the 2019/2020 financial year. By the end of the financial year we had already started engagements with JB Marks local municipality for the establishment of Ventersdorp Auto Service Centre. The year under review was short and difficult however impact was made where necessary. I wish to express my gratitude to the entire staff for their commitment, dedication and loyalty displayed during the year, not forgetting the Board of directors as well.

CHALLENGES FACING THE AGENCY

Since it's establishment the Agency went through different agency developmental phases as per the IDC guideline. According to the IDC guideline, the agency could have by now had sustainable means of revenue of which is a fallacy in most instances. Unfortunately, most of the projects which were identified when the agency was established could only be seen up to business plans level. The other main challenge its being that with the little budget the agency is not able to employ qualified experienced personnel which makes it difficult to tighten internal control and financial management in compliance with MFMA and that was also flagged in the strategic planning process and risk registers. This then resulted in an entity that is continuously under-funded and under-capacitated. On the 16th July 2020 Council took a resolution to wind down the Agency within a period of 3 months from the date of the meeting.



SEPHAKA MOTSWIANE
CHIEF EXECUTIVE OFFICER

1.3. OVERVIEW

BACKGROUND

The Dr. Kenneth Kaunda District Municipality Economic Agency is an economic development entity of the Dr. Kenneth Kaunda District Municipality responsible for Economic Development within the DR Kenneth Kaunda District.

The Agency through its Board of Directors and Executive Management is responsible for the identification, facilitation, implementation and support of projects and programs as per the Shareholder's mandate. The Board is accountable to the Dr. Kenneth Kaunda District Municipal Council.

1.4. MANDATE

To be the champion of the selected impact projects in order to stimulate economic, job creation and economic diversification in the district as well as to focus on an identified niches that are in developmental stage and also as a special vehicle to complement the District Economic Development and Tourism department.

1.5. VISION

To be a catalyst for the Economic Development in the Dr. Kenneth Kaunda District Municipality of North West province, benefitting all communities in the district-designated area of jurisdiction.

1.6. MISSION

The mission of the Entity is to:-

- ❖ Effectively implement existing, partner and new projects,

- ❖ Attract investment for business development within the Dr. KKDM region,
- ❖ Encourage and support business participation in spatial development initiatives, as well as,
- ❖ Strengthen and regenerate business sectors (sector development).

1.7. GOAL

To partner with Local Municipalities within the Dr. Kenneth Kaunda District in the implementation of Local Economic Development projects, by championing investment in or supporting business development for selected high impact projects to stimulate economic growth, job creation, and economic diversification in the Dr. Kenneth Kaunda District.

1.8. DEMOGRAPHIC AND ECONOMIC GROWTH, POPULATION AND GROWTH

1.8.1. THE SITUATION ANALYSIS

Introduction

Dr. Kenneth Kaunda DM consists of three local municipalities i.e. Matlosana, JB Marks, and Maquassi Hills. The area covered by the District Municipality appears on the map below (Figure B.1) and this is followed by the demographics. The statistical information is the combination of the Census 2011, the 2016 Community Survey by StatsSA, and the IHS Market Regional explorer, the Dr. Kenneth Kaunda DM Spatial Development

Framework of 2011, and other analyses described hereunder. The analyses are based upon the demarcation boundaries as of 2016 provided by the Municipal Demarcation Board (MDB) of the Republic of South Africa.

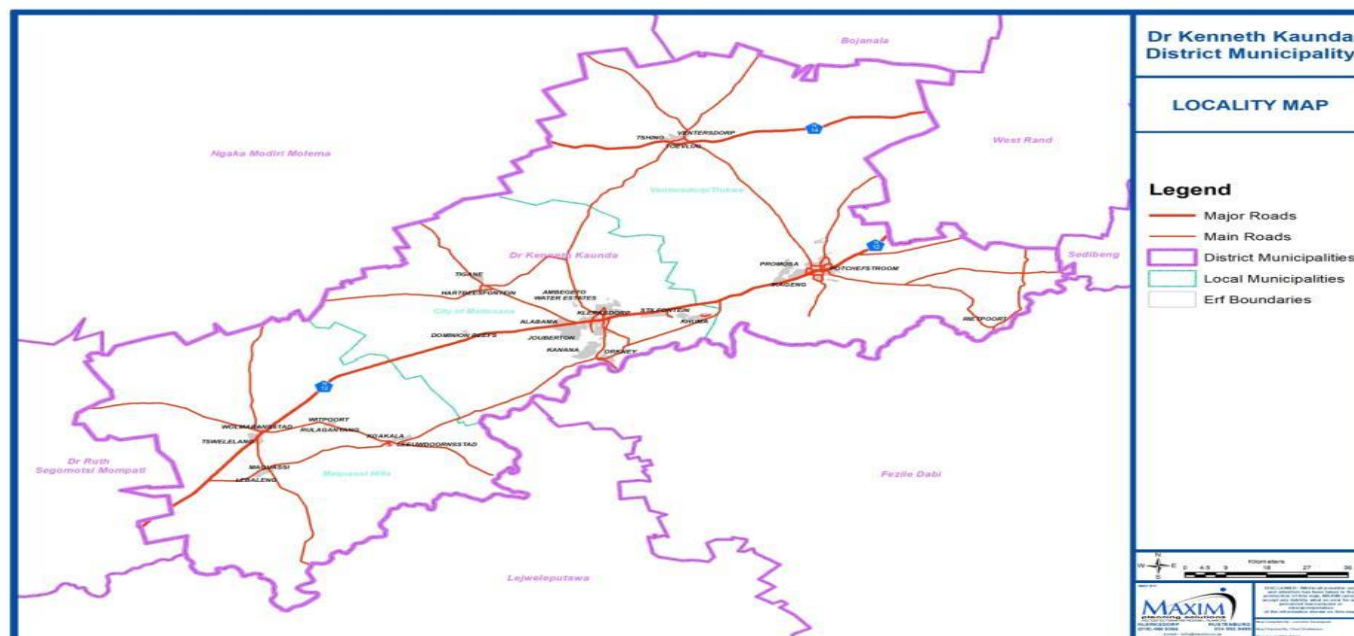


Figure B.1: Map of Dr Kenneth Kaunda District Municipality

The Municipal Demographics

Total Population

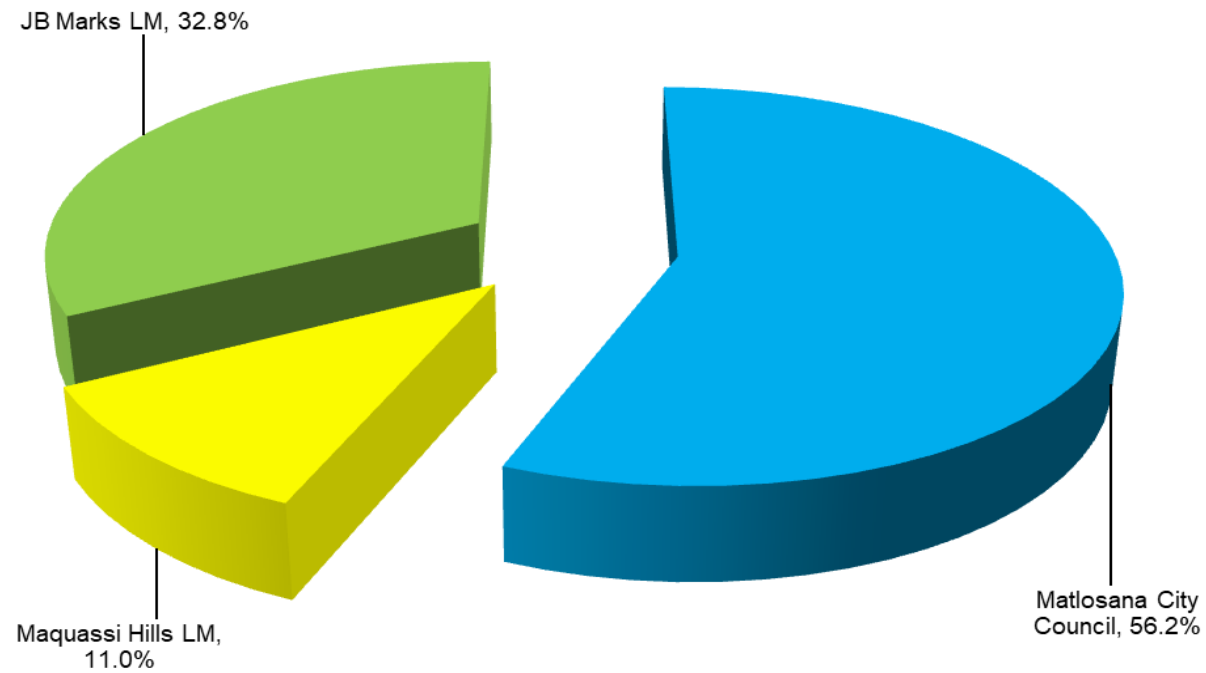
According to Statistics South Africa (Community Survey 2016), the population of the Dr. Kenneth Kaunda District (based on 2016 municipal boundaries) is 742 822, which increased from 695 934 in 2011 (Consider Table B.2.1). The population is unevenly distributed among the three (3) Local Municipalities and the average annual growth rate of the district is 1.07% which dropped from 1.16% between 2001 and 2011.

Table B.2.1: Dr. Kenneth Kaunda District Population Figures

Municipality	Total Population			Population (%)			Annual Growth (%)	
	2001	2011	2016	2001	2011	2016	2001-11	2011-16
JB Marks (NW405)	171431	219464	243528	28.59	31.54	32.78	1.28	1.11
City of Matlosana (NW 403)	359202	398676	417281	59.90	57.29	56.18	1.11	1.05
Maquassi Hills (NW 404)	69037	77794	82013	11.51	11.18	11.04	1.13	1.05
Dr Kenneth Kaunda (DC40)	599670	695934	742822	100	100	100	1.16	1.07

The majority of the Dr. Kenneth Kaunda District population reside within the City of Matlosana LM (56.18, down from 57.29% in 2011), followed by NW405 JB Marks (32.78, up from 31.54% in 2011). The Local Municipality with the lowest population in the Dr. Kenneth Kaunda District is Maquassi Hills (11.04, down from 11.18%). The number of wards per local municipality is Matlosana (39), JB Marks (34), and Maquassi Hills (11) for a total of 84 in the DM, as in September 2016 (Statistics SA, Census 2011, and Community Survey 2016). The number of households within the Dr. Kenneth Kaunda District was estimated at about 221 400 in 2016, from 203 331 in 2011 (IHS Market Regional Explorer Version 1160).

Figure B.2.1 Population of Dr Kenneth Kaunda DM (Percentage Distribution)



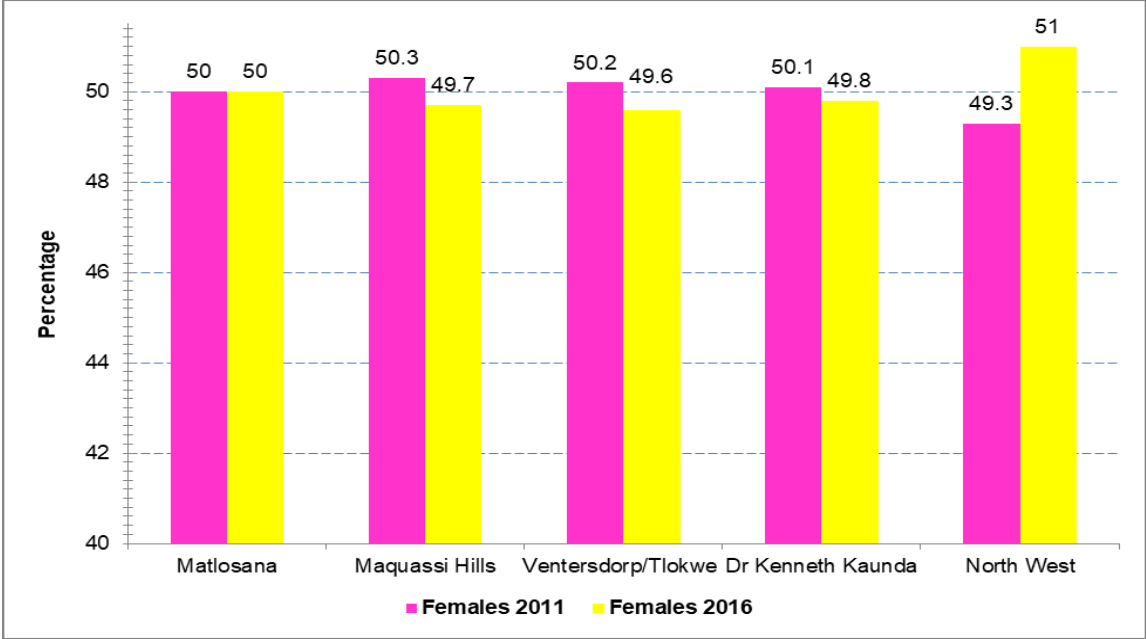
Source: Statistics SA, Community Survey 2016

Population by Gender

The gender structure of the North West Province, Dr. Kenneth Kaunda DM, and its constituent Local Municipalities are depicted in Figure B.2.2. This information indicates a fairly equal distribution between the male and female population in all constituent municipalities. The proportion of the female population is for NW405 JB Marks, 49.6%, Matlosana, 50%, Maquassi Hills, 49.7%, and Dr. Kenneth Kaunda DM averages at 49.8, while the NW Province sits at 51%.

There are no apparent significant changes that have occurred between 2011 and 2016 in terms of gender population. It would normally be expected that the gender structure of the population in an area dominated by the mining sector (such as Matlosana) is dominated by males due to the presence of migrant workers. The continuous closure of mines has seen the male, female population percentage ratio in Matlosana at almost 50:50 (percentage points). This is consistent with the Census of 2011 and the Community Survey of 2007 estimates.

Figure B.2.2: Percentage Female Population, 2011 and 2016

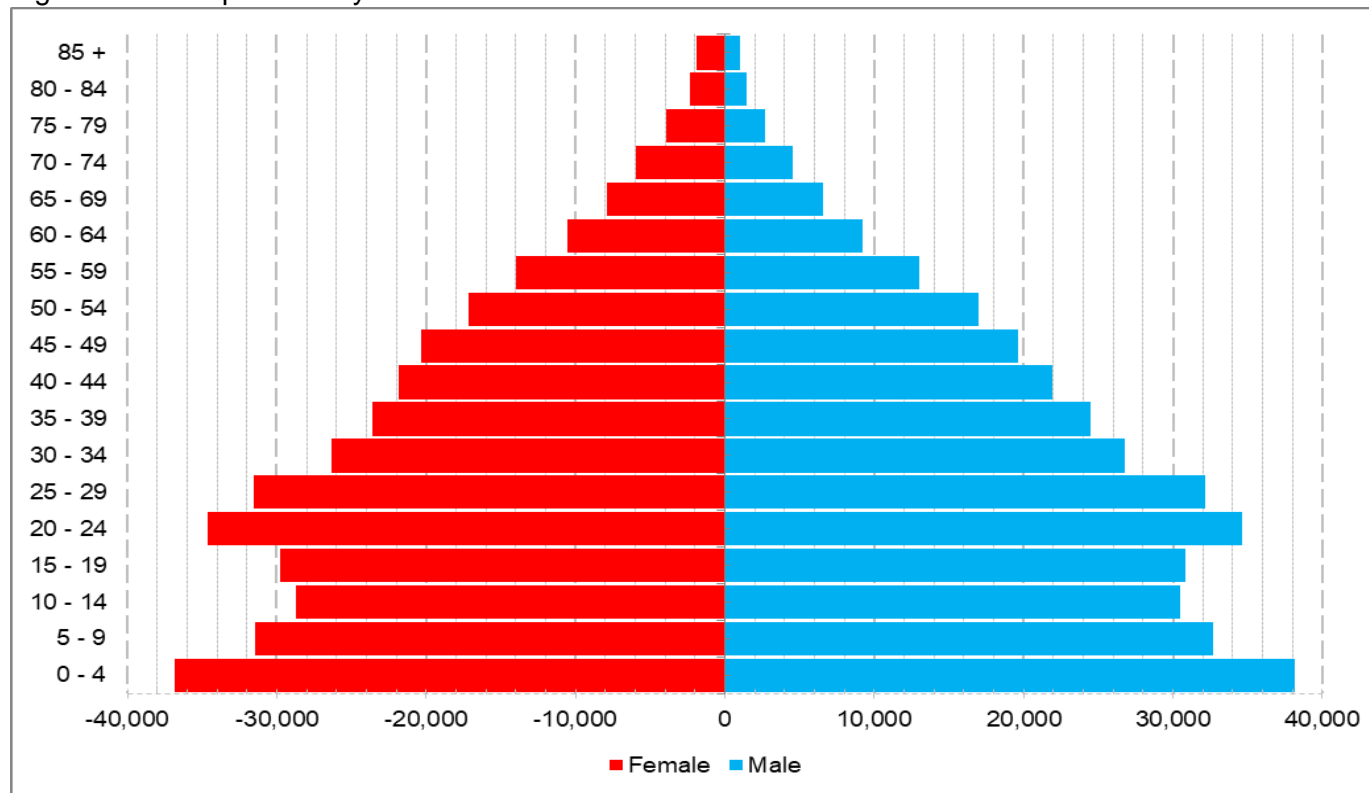


Source: 1. Statistics SA, Census 2011
2. Statistics SA, Community Survey 2016

Population by Age

The population pyramid (Figure A.1.3) indicates that there were more people in younger ages, particularly in age groups 0–4 and 5–9, and fewer people in older ages, particularly from the ages 65 and older. A new cycle of the pyramid is being developed from the lower ages, barring some significant changes in the mortality rates. The graph explicitly indicates that from about ten (10) to twenty (20) years ago, infant mortality was high, hence the indentation in the pyramid. The population distribution has, however, followed a normal distribution for the past ten years. This may be attributed to the increasing quality of health care which contained the epidemic successfully. The department of Health is better positioned to explain the reasons for the high infant mortality which occurred in the past ten to twenty years' timeframes.

Figure A.1.4: Population Pyramid: 2011

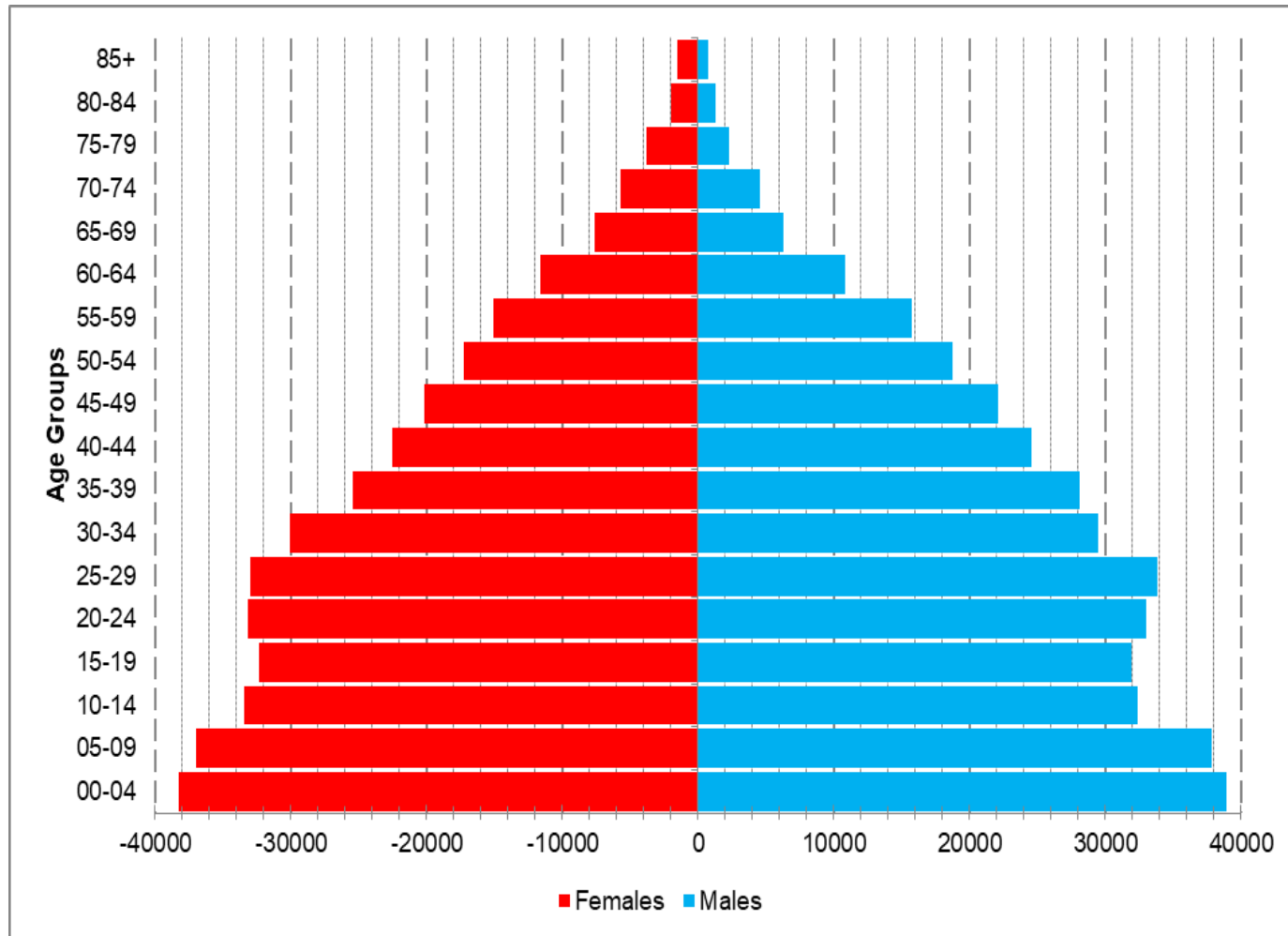


Source: Statistics SA, Census 2011

Population by Province of Previous Residence

According to Table B.2.4, the highest number of immigrants from outside the province comes from the Gauteng Province, followed by the Free State, then those outside the Republic of South Africa, and then the Eastern Cape Province.

Table 2.4: Population numbers by Province of Previous Province



Source: Statistics SA, Community Survey 2016

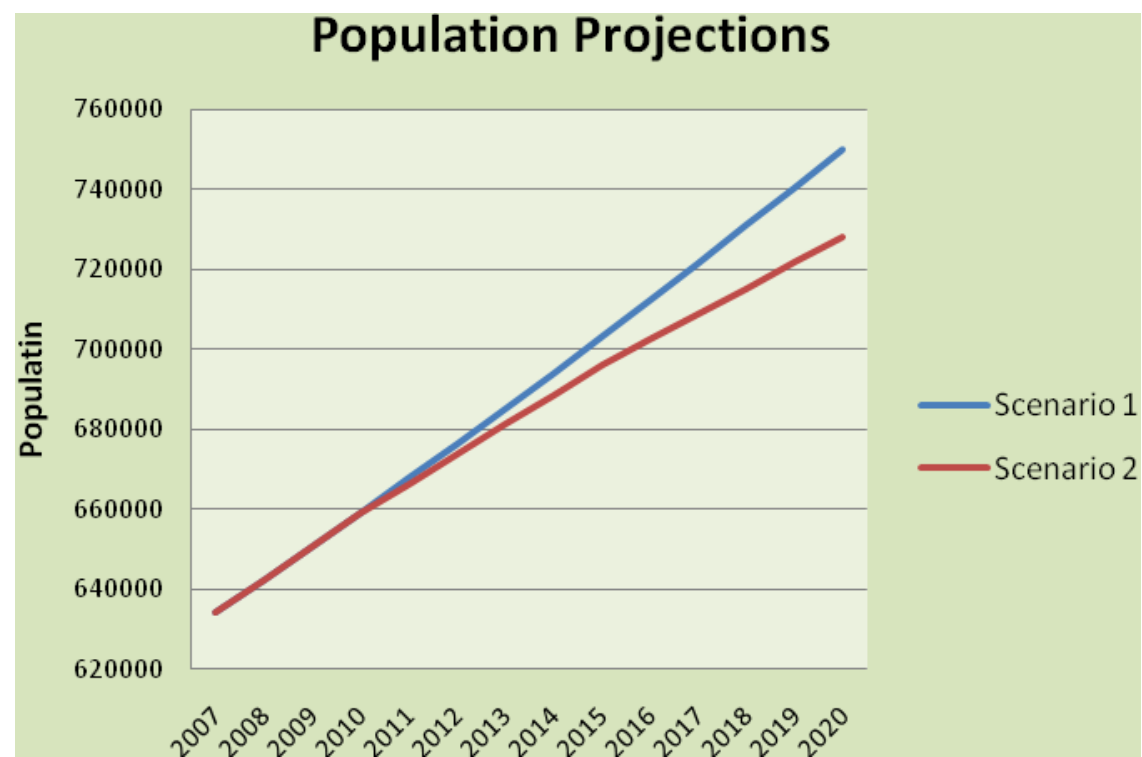
	Western Cape	Eastern Cape	Northern Cape	Free State	Kwazulu -Natal	North West	Gauteng	Mpumalanga	Limpopo	Outside SA	Do not know	Not Applicable	Unspecified
City of Matlosana	310	1070	498	2589	446	30984	3477	361	750	1618	99	375013	69
Maquassi Hills	20	19	49	350	-	6599	333	-	458	239	-	73944	-
JB Marks	630	459	484	2017	425	15025	5081	474	834	617	75	217388	17
Dr Kenneth Kaunda DM	960	1548	1031	4956	871	52608	8891	835	2042	2474	174	666345	86

Population Growth Rate

The population growth figures for the district between 2011 and 2016 are summarized in Table B.2.1 and Figure B.2.5. According to the official Statistics SA data, the total population has increased from 695 933 in 2011 to 742822 in 2016. The average annual growth rate has declined from 1.18% “between” 2001 to 2011, to 1.07% between 2011 and 2016. This growth rate is significantly lower than 2.1% which is necessary to maintain the current population levels constant.

Various population growth rates are being utilized for population projections in various existing policy documents and plans. Two alternative population projections, utilizing the base year figure in 2007 was provided by Statistic SA and is restarted for the SDF. The first scenario assumes a constant annual growth rate remaining at 1.3% per annum from 2007 to 2020. The second scenario assumes a decreasing growth rate estimating a figure of 1.3% per annum up to 2010, a figure of 1.1% per annum from 2011 to 2015, and 0.9% from 2016 to 2020. The projected 2020 population figures, based on these alternative scenarios will be 750 000 and 728 000 respectively by 2020.

Figure B.2.4: Population Projections, 2007-2020



(Stats SA, Community Survey, 2007)

The population characteristics and trends as referred to above take cognizance of migration trends to and from the district and its surrounding areas.

Population Education Levels

The status and changes in the education profile of the district population between 2001 and 2016 is given in Table B.2.6 and depicted in Figures B.2.6 (a) to (b). There has been a significant improvement in overall skill levels, most notably the decrease of adult illiteracy by 0.67 as a percentage of the

population. Also, the percentage of people without matric have decreased by 0.91%, with a corresponding increase in the proportion of the population with matric 0.05%), matric and bachelor's degrees (or equivalent qualification (0.52%)) and matric plus postgraduate degrees (or equivalent qualification (0.08%)).

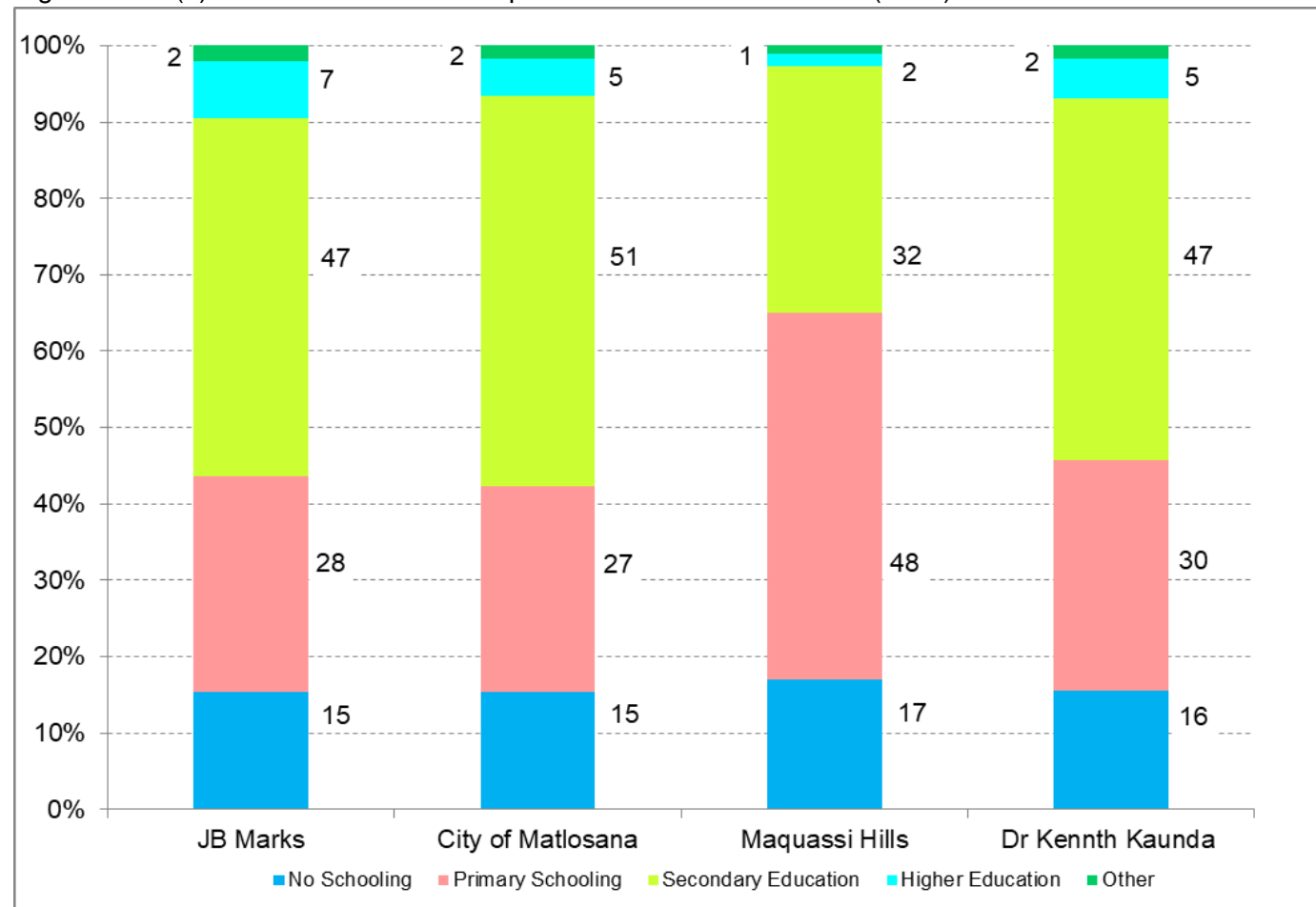
Matlosana has the highest proportion of the population with matric (51%), with the lowest proportion in Maquassi Hills (32%). Maquassi Hills has also a corresponding higher percentage of the population with a qualification of less than matric at 48% (district average is 30%) and a slightly higher percentage of the population without any schooling at 17% (just higher than the district average of 16%). The newly established (through a merger of Ventersdorp and Tlokwe) municipality has a higher percentage of the population with qualifications higher than matric at 9% to the district average of 7%.

Table B.2.6: Education Profile of Population older than 20 Years (2001-2016)

	Dr. Kenneth Kaunda			City of Matlosana			Maquassi Hills			JB Marks		
	2001	2011	2016	2001	2011	2016	2001	2011	2016	2001	2011	2016
No schooling	59968	41333	39545	30996	18836	18177	13084	10026	8143	15888	12471	13225
Certificate / Diploma without Matric	219753	237853	249438	138467	139604	142587	19814	24596	27906	61472	73653	78945
Matric only	74003	116527	125902	46846	70972	75369	4842	8566	9631	22315	36989	40902
Matric & Bachelor's Degree	22563	34301	40855	12780	19731	22812	1268	1903	2182	8515	12667	15861
Matric & Postgrad Degree	3279	8259	9477	1147	3344	4044	94	290	332	2038	4625	5101

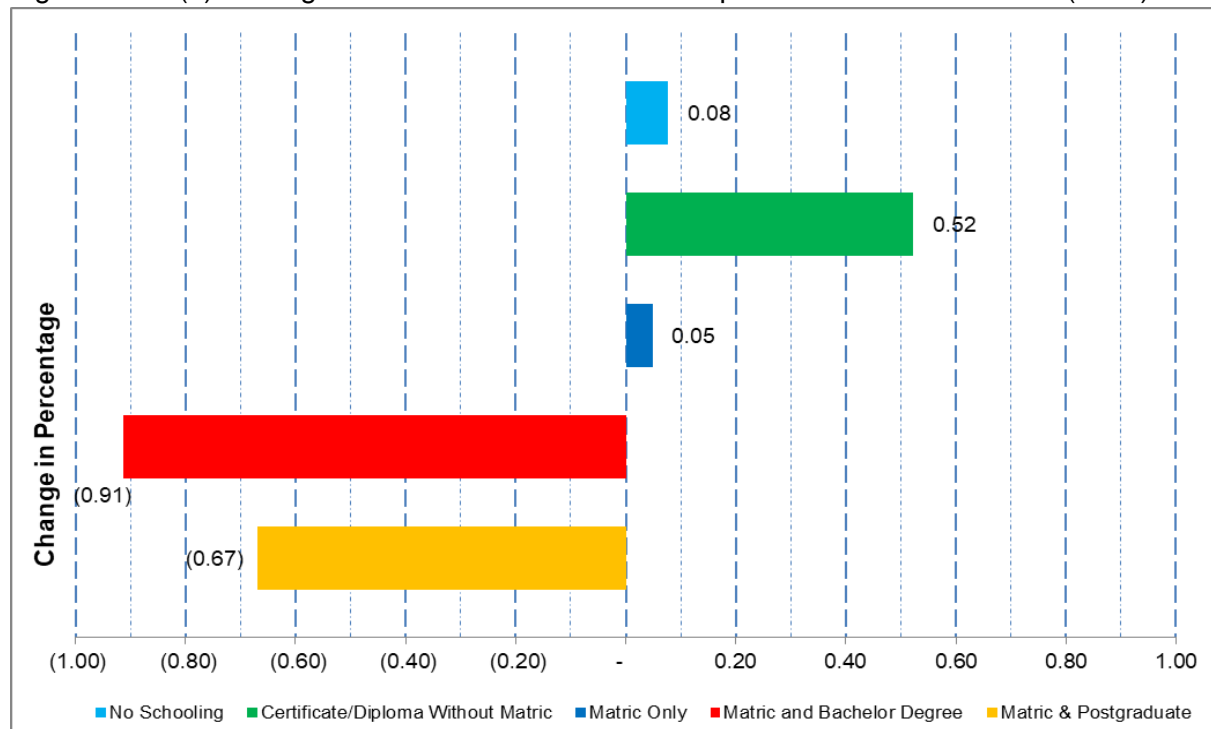
Source: Statistics SA, Community Survey 2016

Figure B.2.5 (a): Education Profile of Population Older than 20 Years (2016)



Source: Statistics SA, Community Survey 2016

Figure B.2.5 (a): Change in the Education Profile of Population across Dr. KKDM (2016)



Source: Statistics SA, Community Survey 2016

Spatial Analysis

The spatial analysis of the Dr. Kenneth Kaunda DM is given in the Spatial Development Framework (SDF) review document adopted in March 2011. The review, which started in 2009, was of the original 2004 document which had become outdated due to the many developments that had occurred since it was completed-including Merafong City Local Municipality being incorporated into and out of the District Municipality.

Analysis and additional information, including the Strategic proposals based on both the 2004 and the 2011 adopted documents, are given under Chapter D of this IDP. The 2011 SDF will be reviewed in the 2018/19 financial year.

Social and Economic Analysis of Patterns, Trends, and Risks

The analysis of patterns, trends, and risks in the Dr. Kenneth Kaunda DM is given in the Southern District Growth and Development Strategy (GDS) which was developed in 2005 and reviewed in February 2007.

During the 2008/09 Financial Year, the DTI collaborated with the Dr. Kenneth Kaunda DM to develop the latter's Local Economic Development (LED) Strategy. The analyses that follow are mainly derived from statistical information provided by Statistics SA, 2016 Community Survey and IHS Market Regional explorer:

Access to Basic Services

The following table indicates the access to basic services for households within the DM, according to the Statistics SA, 2016 Community Survey.

Table B.4.1 (a): Access to Basic Services

Municipality	Percentage Access to Basic Services								
	Electricity: Cooking	Electricity: Lighting	Electricity: Space Heating	Electricity: Water Heating	Electricity: General	Formal Refuse Removal	Access to Safe Drinking Water	Sanitation (Connected to a public sewerage system)	Formal Dwelling
City of Matlosana	90.9	95.7	69.6	91.5	96.0	95	85.4	95.4	91.6
Maquassi Hills	90.4	96.6	53.1	87.9	94.5	76.8	92.2	87.9	87.3
JB Marks	82.9	91.4	52.1	85.2	92.9	79.6	89.9	77	85.5
Dr Kenneth Kaunda	88.2	83.3	62	89	94.8	87.9	87.6	88.6	89.1

Source: Statistics SA, Community Survey 2016

The majority of households in the DM (87.6%) have access to piped water either inside the dwelling, inside the yard or from an access point outside the yard. About 87.9% have access to refuse removal for at least once a week, while almost 88.6% have sanitation that is connected to a formal sewage system. Almost 89.1% of the population stay informal dwellings and about 95% have access to one or another form of access to electricity access.

Table B.4.1 (b): Main Type of Dwelling in the DM

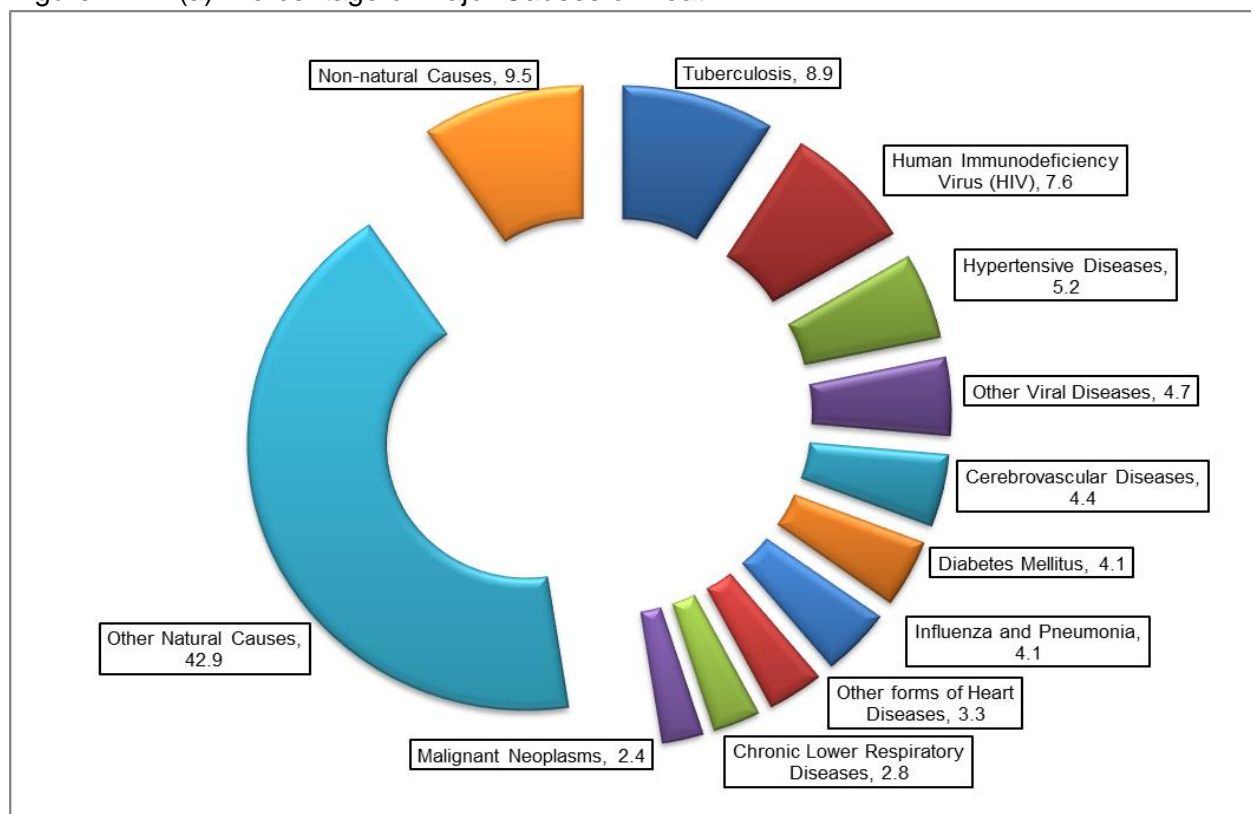
	Formal dwelling/house or brick/concrete block structure on a	Traditional dwelling/hut/structure made of traditional mater	Flat or apartment in a block of flats	Cluster house in complex	Townhouse (semi-detached house in a complex)	Semi-detached house	Formal dwelling/house/flat/room in backyard	Informal dwelling/shack in backyard	Informal dwelling/shack not in backyard (e.g. in an informal	Room/flat let on a property or larger dwelling/servants quart	Caravan/tent	Other	Unspecified	Total
City of Matlosana	345725	4024	8579	1483	5144	4244	11602	15220	16131	1313	-	3817	-	417282
Maquassi Hills	70783	169	199	20	54	64	239	2721	2486	94	-	5182	-	82012
Ventersdorp/Tlokwe	175410	765	8463	1984	854	2673	16603	12439	20502	1463	54	2319	0	243527
Dr Kenneth Kaunda DM	591918	4958	17241	3487	6052	6981	28444	30380	39119	2870	54	11318	0	742821

Source: Statistics SA, Community Survey 2016

Major Causes and Number of Deaths by Age Group

According to the Mortality and Causes of Death in SA, 2015, (a publication of Statistics SA), the major causes of death in the Dr. Kenneth Kaunda district measured in 2015 were led by non-natural causes at 9.5%, followed by tuberculosis at 8.9%. The HIV infection rate was measured at 7.6% in the same period and the number of AIDS-related deaths, as a percentage of the DM population is standing at 7.6% (Fig 4.2 (a)).

Figure B.4.2 (a): Percentage of Major Causes of Death

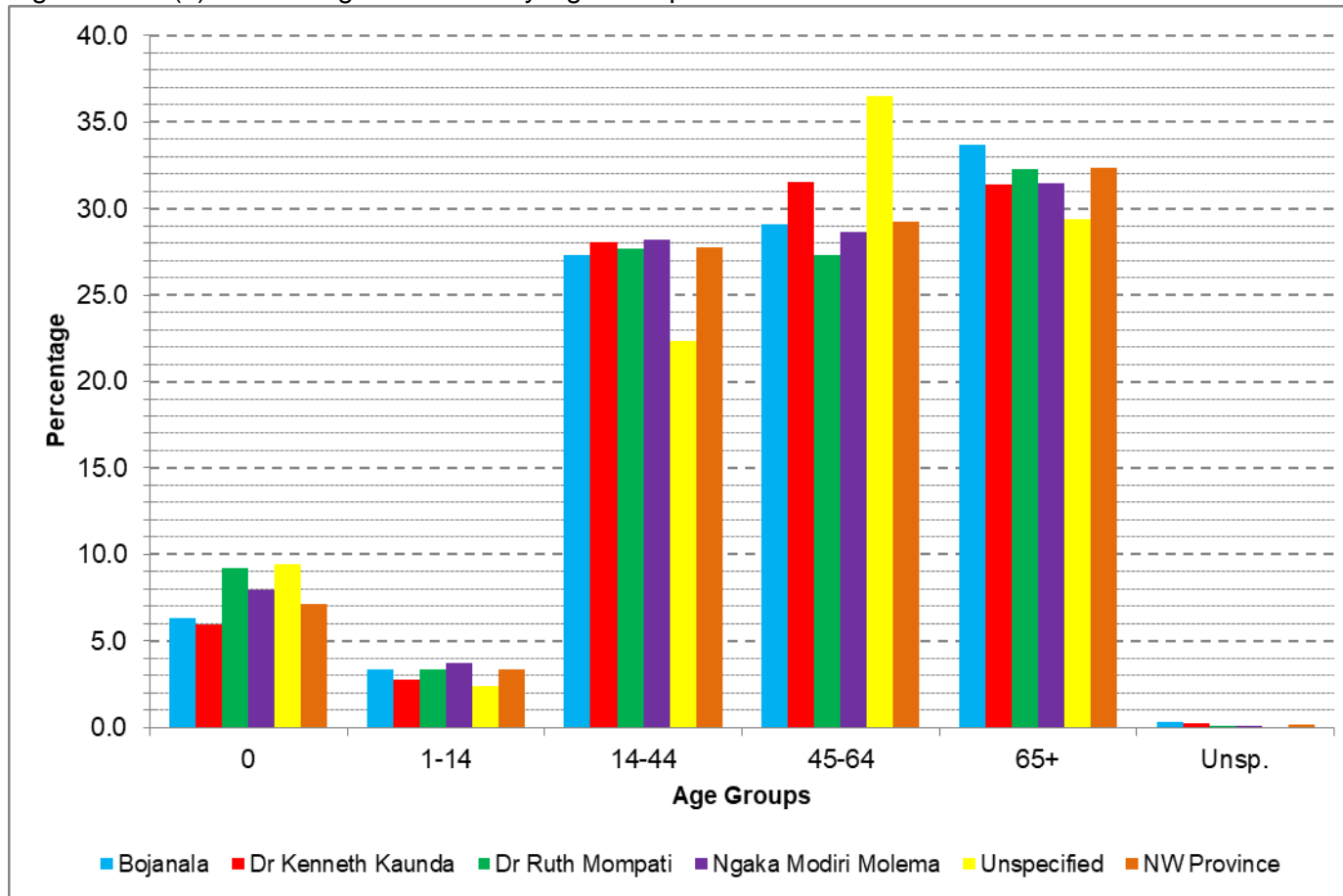


Source: Statistics SA, Mortality and Causes of Death in SA, 2015

In the same period, according to the same publication, the number of deaths per age group was almost similar across the district municipalities in the North West Province (consider Figure B.4.2 (b)). In the age group 45-64, the district municipality with more deaths as a percentage is Dr. Kenneth Kaunda DM (at 30%), while Bojanala Platinum DM has the highest percentage of deaths per population in the age group above 65 years (close to

34%). Across the province, the infant mortality rate is at 7%, while the lowest percentage of deaths per population in the province is in the age group of 1-14 years (about 3.3%)

Figure B.4.2 (b): Percentage of Deaths by Age Groups

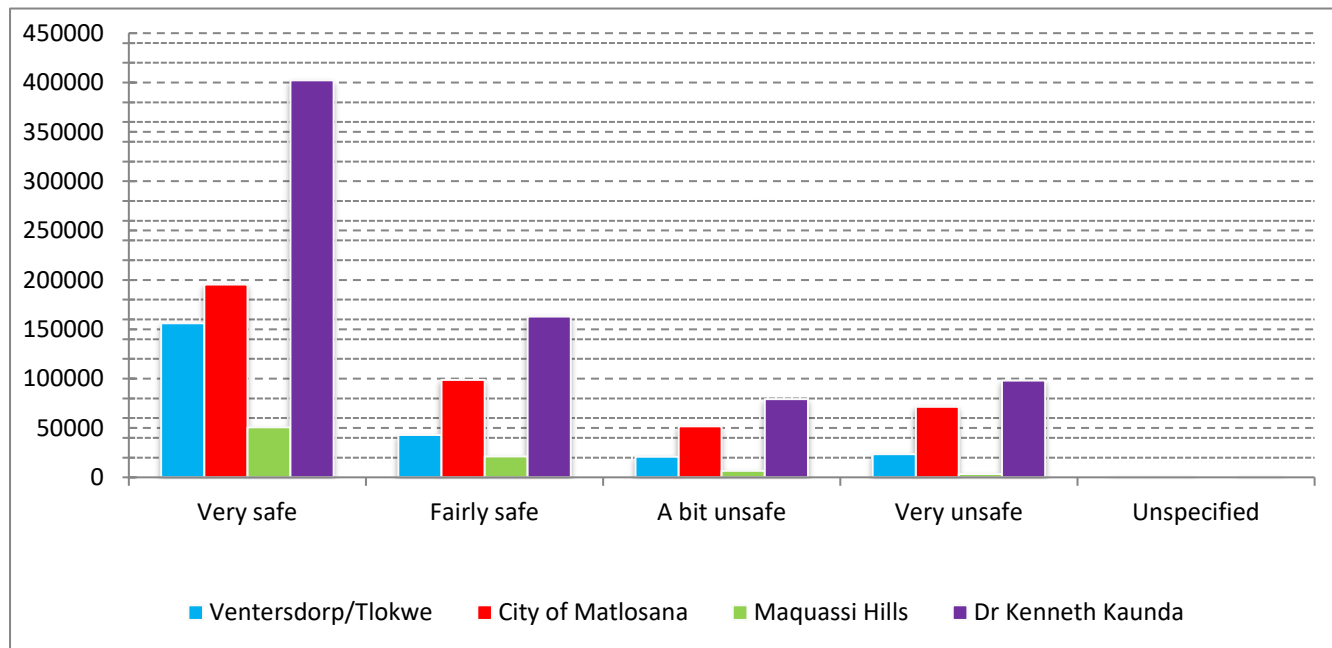


Source: Statistics SA, Mortality and Causes of Death in SA, 2015

The largest number of people who feel safe during the day the district (with 54%), is highest in Ventersdorp/Tlokwe at about 64%, with less than 50% of people who feel safe are located in Matlosana (lowest at 47%). (Consider Fig B.4.3 (a)). The converse is also replicated where the highest number of people (17%) in Matlosana feels very unsafe during the day, followed by Ventersdorp/Tlokwe at 10% and the least at Maquassi Hills (4%).

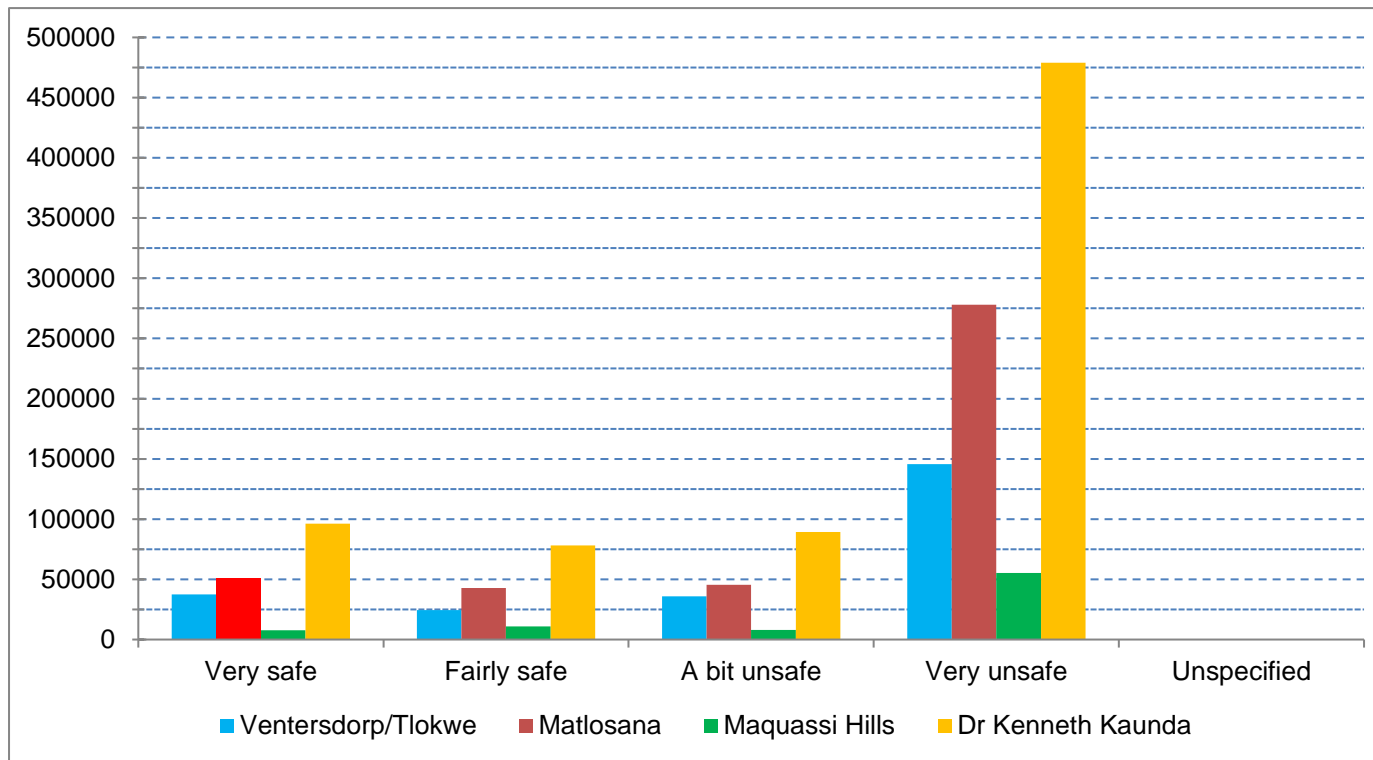
At least 60% of people feel very unsafe in the dark, with an average of 64% across the district. Maquassi Hills and Matlosana share the highest percentage, per population number of people who feel very unsafe in the dark at 67% and Ventersdorp/Tlokwe at 60%. An average of people who feel very safe in the dark is 13% across the district, with 15% in Ventersdorp/Tlokwe and the lowest number being found in Maquassi Hills at 9% per total municipality population. (Consider Fig B.4.3 (b))

Fig B.4.3(a): Perception of Safety during the Day



Source: Statistics SA, Community Survey, 2016

Fig A.3.5 Perception of Safety in the Dark



Source: Statistics SA, Community Survey, 2016

Economic Performance and Trends

Growth Domestic Product

Annual GDP growth in the DM broadly follows the national trend. DM GDP growth is generally lower than both the national and provincial averages. The next tables (B.4.4.1 (a)-(c)) and graphs (B.4.4.1) indicate annual GDP growth rates for the local municipalities within the DM over the period 2006-2016.

Table 3.4.1 (a): Average Growth Rate for Dr. Kenneth Kaunda Municipalities, 2006-2016

	Dr. Kenneth Kaunda	City of Matlosana	Maquassi Hills	JB Marks
Gross Domestic Product by Region (GDP-R)				
Average annual growth (Constant 2010 Prices)				
2006-2011	-0.8%	-2.5%	2.7%	2.1%
2011-2016	-1.2%	-2.4%	-0.1%	0.7%

Source: IHS Market Regional Explorer version 1181

The average growth rate of the entire DM declined by 0, 8% between 2006 and 2011. The decline continued to increase to 1.2% in the following five years. The main contributor to the decline in the economic growth was the City of Matlosana, going down by 2.5 and 2.4 percentage points in the respective periods. The JB Marks Municipality grew by 2.1 and 0.7 percent in the same timeframes, indicating a steady decline across the board (Table B.4.3.1 (a)). Between 1997 and 2016 (Fig B.4.3.1), the growth increased mostly in the years 1999-2001 and in 2006 at almost 6% to 8%. The DM economy declined mainly in 2009 (above 6%), followed by figures of between 2 and 3% in 2012 and 2014. The decline has been seemingly arrested because of smaller declines in 2015 and 2016, with the prospects of complete turnaround, albeit marginal, in 2017 and going forward.

Table B.3.4.1 (b): Gross Domestic Product (GDP) for Dr. KK Municipalities, Share and Change, 2006-16

	2016 (Current prices)	Share of the district municipality	2006 (Constant prices)	2016 (Constant prices)	Average Annual growth
City of Matlosana	35.40	58.88%	26.15	20.40	-2.45%
Maquassi Hills	3.25	5.40%	1.78	2.02	1.29%
JB Marks	21.48	35.72%	12.08	13.84	1.37%
Dr. Kenneth Kaunda	60.13	100	40.01	36.26	0.21

Source: IHS Market Regional Explorer version 1160

The JB Marks Municipality had the highest average annual economic growth, averaging 1.37% between 2006 and 2016 when compared to the rest of the regions within the Dr. Kenneth Kaunda District Municipality. The Maquassi Hills local municipality had the second-highest average annual growth rate of 1.29%. The city of Matlosana local municipality had the lowest average annual growth rate of -2.45% between 2006 and 2016.

The greatest contributor to the Dr. Kenneth Kaunda District Municipality economy is the City of Matlosana local municipality with a share of 58.88% or R 35.4 billion, increasing from R 17.1 billion in 2006. The economy with the lowest contribution is the Maquassi Hills local municipality with R 3.25 billion growing from R 1.3 billion in 2006.

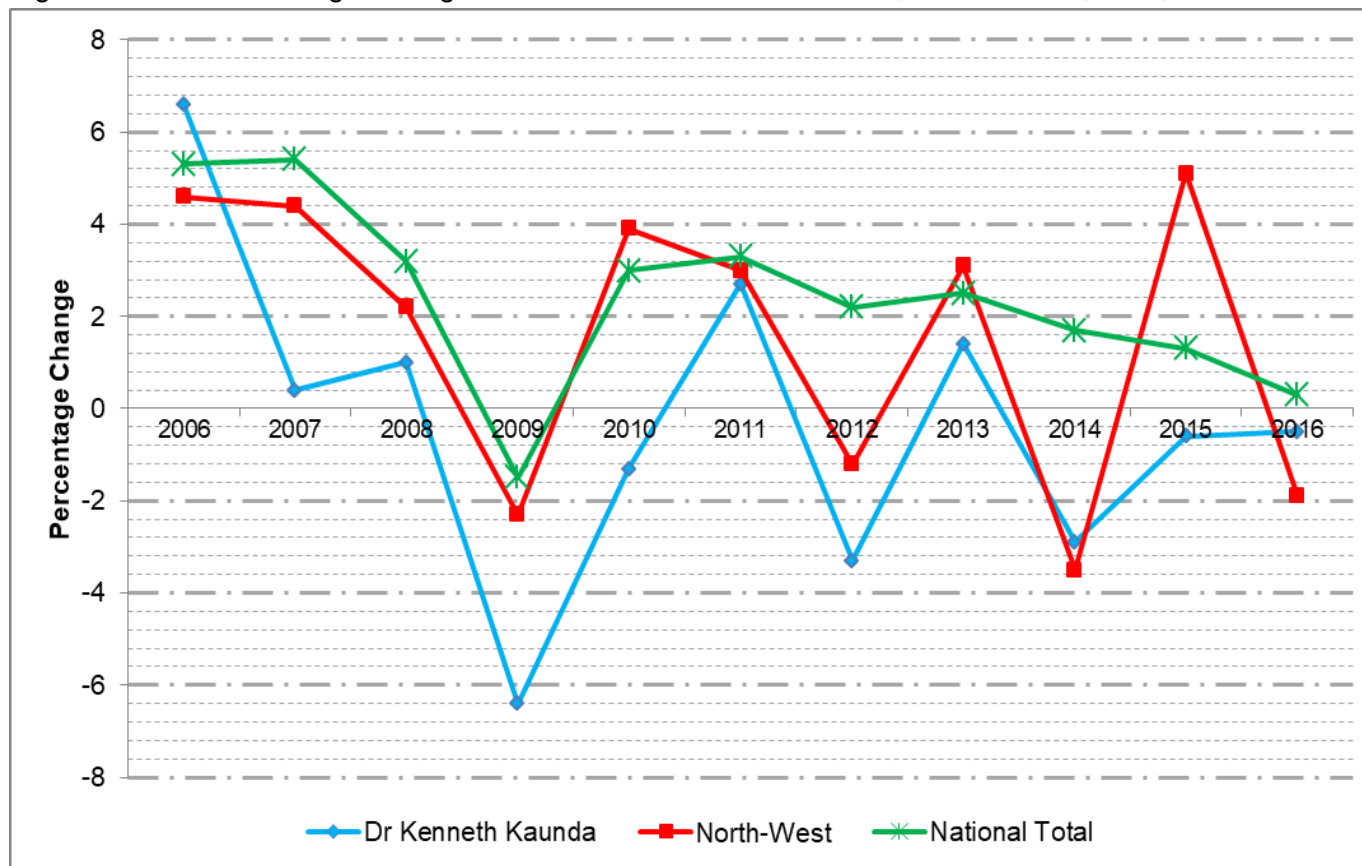
Table B.3.4.1 (c): Gross Domestic Product (GDP)-Dr KK DM, NW Province, RSA-2006-2016 (Billions)

	Dr. Kenneth Kaunda	North-West	National Total	Dr. Kenneth Kaunda as % of the province	Dr. Kenneth Kaunda as % of national
2006	27.1	105.0	1,839.4	25.8%	1.47%
2007	29.9	120.7	2,109.5	24.8%	1.42%
2008	33.0	138.9	2,369.1	23.8%	1.39%
2009	34.5	147.9	2,507.7	23.3%	1.38%
2010	37.5	164.5	2,748.0	22.8%	1.37%
2011	43.0	185.8	3,023.7	23.2%	1.42%
2012	45.5	191.0	3,253.9	23.8%	1.40%
2013	50.4	222.1	3,539.8	22.7%	1.42%
2014	51.3	227.2	3,807.7	22.6%	1.35%
2015	54.7	243.2	4,049.8	22.5%	1.35%
2016	60.1	263.8	4,338.9	22.8%	1.39%

Source: IHS Market Regional Explorer version 1160

With a GDP of R 60.1 billion in 2016 (up from R 27.1 billion in 2006), the Dr. Kenneth Kaunda District Municipality contributed 22.79% to the North-West Province GDP of R 264 billion in 2016: decreasing in the share of the North-West from 25.79% in 2006. Dr. Kenneth Kaunda DM contributes 1.39% to the GDP of South Africa which had a total GDP of R 4.34 trillion in 2016 (as measured in nominal or current prices). Its contribution to the national economy stayed similar in importance from 2006 when it contributed 1.47% to South Africa, but it is lower than the peak of 1.47% in 2016.

Figure B.3.4.1: Percentage Change in GDP-Dr Kenneth Kaunda DM, NW Province, RSA, 2006-2016



Source: IHS Markit Regional Explorer version 1181

Sectoral Comparative Advantage

The comparative advantage of an area indicates a relatively more competitive production function for a product or service in that specific economy, than in the aggregate economy. The economy, therefore, produces the product or renders the service more efficiently. The location quotient is an indication of the comparative advantage of an economy. A location quotient of larger than one (1) indicates a relative (favourable) comparative advantage in that sector.

Table B.4.4.2: Location Quotients for Dr. Kenneth Kaunda Municipalities, 2016

No	Economic Sector	Dr. Kenneth Kaunda	City of Matlosana	Maquassi Hills	JB Marks
1.	Agriculture	1.3	0.5	5.5	2.0
2.	Mining	2.6	3.4	1.5	1.2
3.	Manufacturing	0.4	0.3	0.4	0.5
4.	Electricity	1.0	0.8	0.5	1.3
5.	Construction	0.9	0.8	1.3	0.9
6.	Trade	1.0	1.0	1.0	1.0
7.	Transport	0.8	0.8	0.8	0.7
8.	Finance	0.8	0.8	0.7	0.8
9.	Community Services	1.1	1.0	1.1	1.4

Source: IHS Market Regional Explorer Version 1160

Household Income

The income profiles (in Rands) of the municipalities within the district is depicted in Table B.4.5 and illustrated in the accompanying graph (Figure B.4.5), showing the distribution of annual household income among the different income groups in the Dr. Kenneth Kaunda District Municipality, as measured in the 2016 StatsSA, Community Survey.

Table B.4.5: Income Profiles for Households in Dr. Kenneth Kaunda Municipalities, 2016

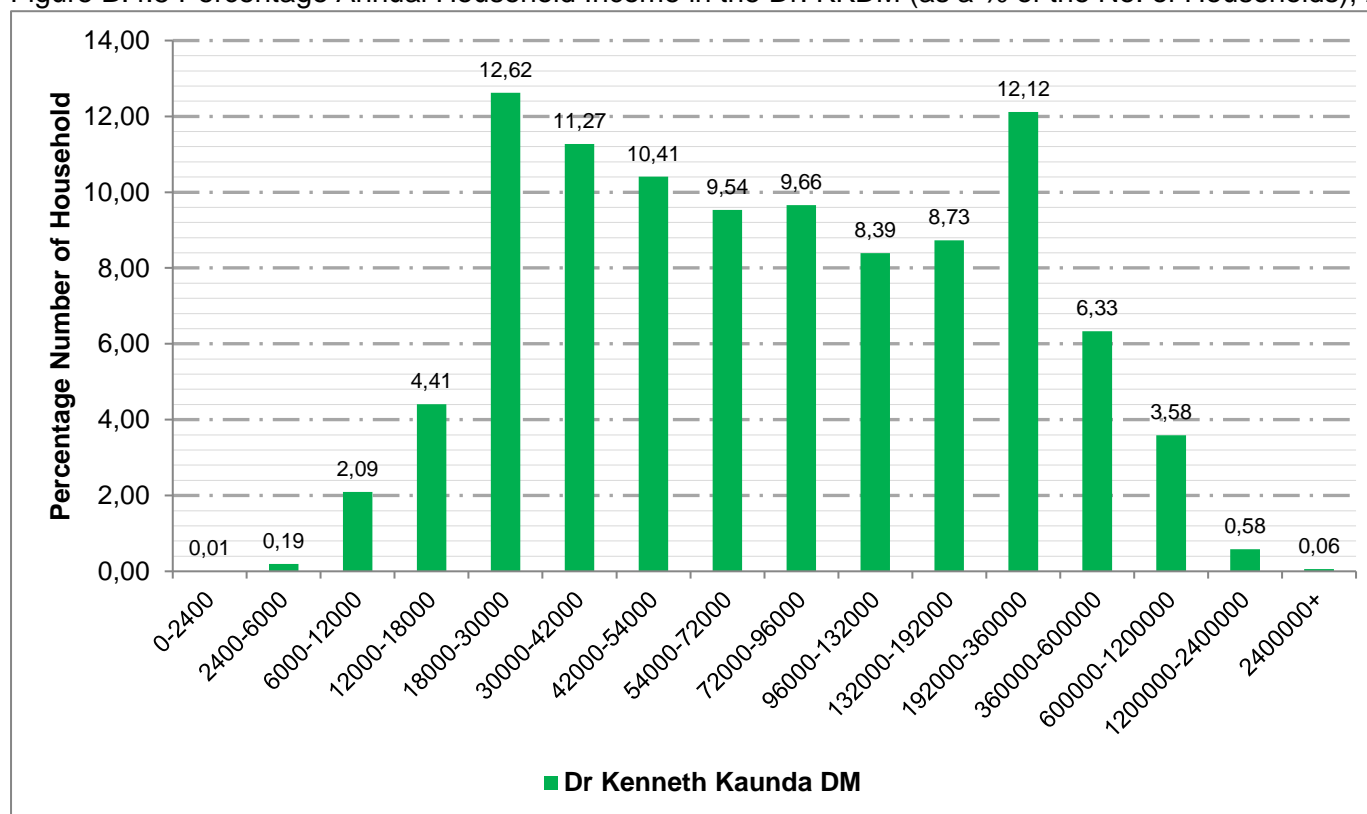
Total	Dr. Kenneth Kaunda	City of Matlosana	Maquassi Hills	JB Marks
2016				
0-2400	18	10	2	6
2400-6000	428	250	51	126
6000-12000	4627	2839	548	1240
12000-18000	9759	5920	1110	2729
18000-30000	27947	16892	3226	7828
30000-42000	24957	14160	3035	7762
42000-54000	23041	12944	2834	7263
54000-72000	21111	11246	2481	7384
72000-96000	21388	11760	2219	7409
96000-132000	18585	10149	1591	6844
132000-192000	19336	11223	1482	6631
192000-360000	26831	15682	1839	9310
360000-600000	14016	8052	851	5114
600000-1200000	7937	4157	422	3357
1200000-2400000	1293	524	52	717
2400000+	126	40	4	82
Total Households	221400	125847	21750	73802

According to the table and graph, the highest number of households in the DM (12.62%) earn between R 18 000 - R 30 000 per annum, followed by those between R 132 000 - R 360 000 at 12.12%. The data also show that above 68.59% of households earned a monthly income of between R 96

000 and R 132 000 per annum (R8 000 – R11 000 p.m) or less. Approximately 89.44% of the entire households across the district earn between R16 000 and R30 000 monthly or lower, indicating that only about 10.6% of the households earn above this income bracket.

The figures also indicate a proportionally higher income profile in JB Marks LM compared to the other two local municipalities. More than 56% of the highest income earners, above R1 200 000 per annum come from this particular municipality. The Matlosana City Council, due to its high population size, accounts for about 56.8% of the income of the households in the district.

Figure B.4.5 Percentage Annual Household Income in the Dr. KKDM (as a % of the No. of Households), 2016

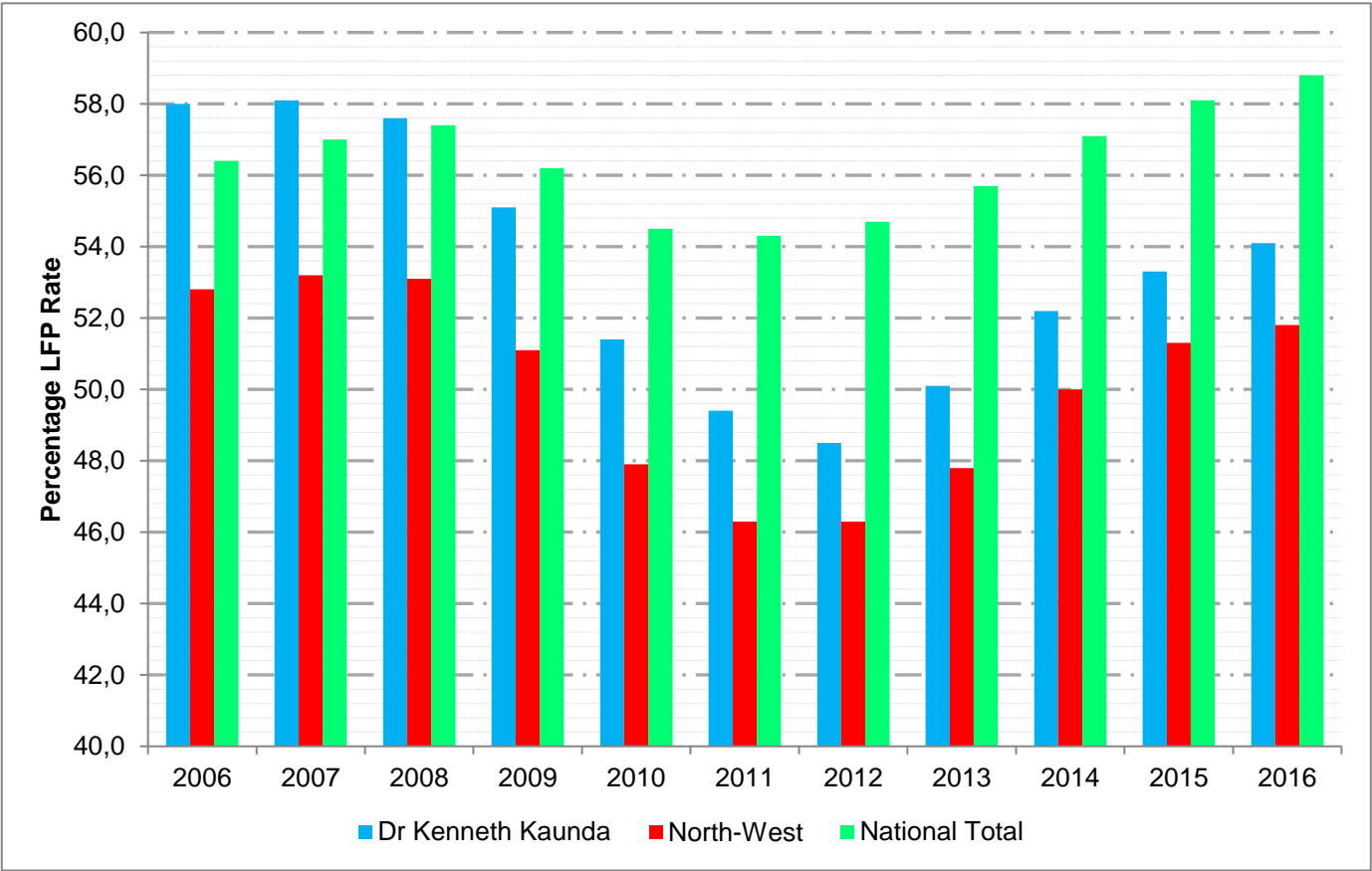


Source: IHS Market Regional Explorer Version 1160

Employment and Labour Profiles: Labour Force Participation Rate

The labour force participation rate (LFPR) is the Economically Active Population (EAP) expressed as a percentage of other total working-age population. Figure B.4.6.1 depicts the labour participation rate of Dr. Kenneth Kaunda DM, North West Province, and the National Total as a whole. The LFPR of Dr. Kenneth Kaunda DM has declined from 58% in 2006 to 54% in 2010.

Figure B.4.6.1: Percentage Labour Force participation Rate-Dr KKDM, NW Province, RSA, 2006-2016



Source: IHS Market Regional eXplorer Version 1160

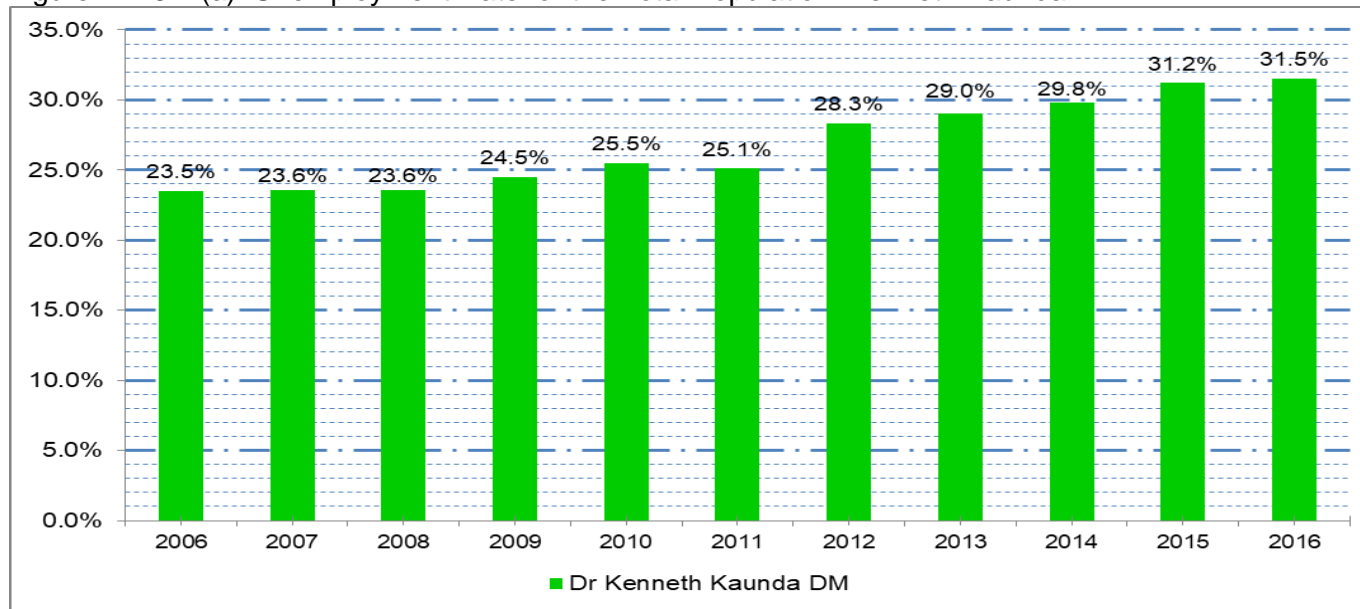
Unemployment Rate

In 2016, the unemployment rate in Dr. Kenneth Kaunda District Municipality (based on the official definition of unemployment) was 31.5%, which is an increase of 8.01 percentage points from 2006. The unemployment rate in Dr. Kenneth Kaunda District Municipality is higher than that of North-West and the national governments. The unemployment rate for South Africa was 26.43% in 2016, which is an increase of -0.668 percentage points from 25.8% in 2006.

As outlined in Figure B.3.6.3 (a) the largest in the sectoral contribution to total employment in 2016 was in the Community Services (28.7%) and Trade (23.2%) sectors. The largest proportional gains in employment were achieved in the Community Services (5.3%), Finance (3.1%) and Construction (2.6%), during the period 2011 to 2016 (Figure B.3.6.3 (b)).

The biggest and only decline in total employment was experienced in mining between 2011 and 2016, with a decline of 15.9% (i.e. from 30 528 to 9174 employees), while the Electricity Services employee percentage stayed stagnant (and still contributing the lowest in 2016 at 0.5%).

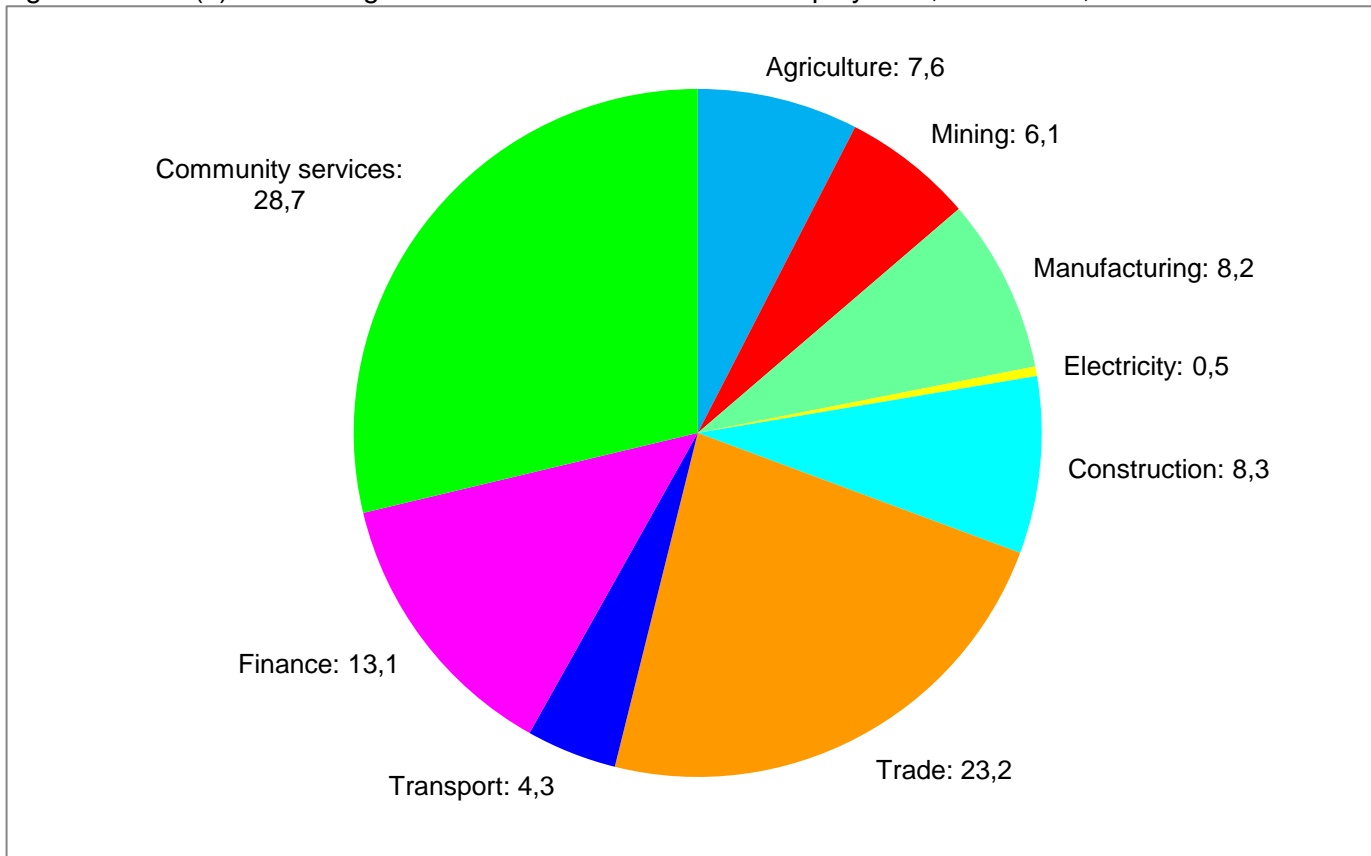
Figure B.4.6.2 (a): Unemployment Rate for the Total Population: Kenneth Kaunda DM



Source: IHS Market Regional explorer

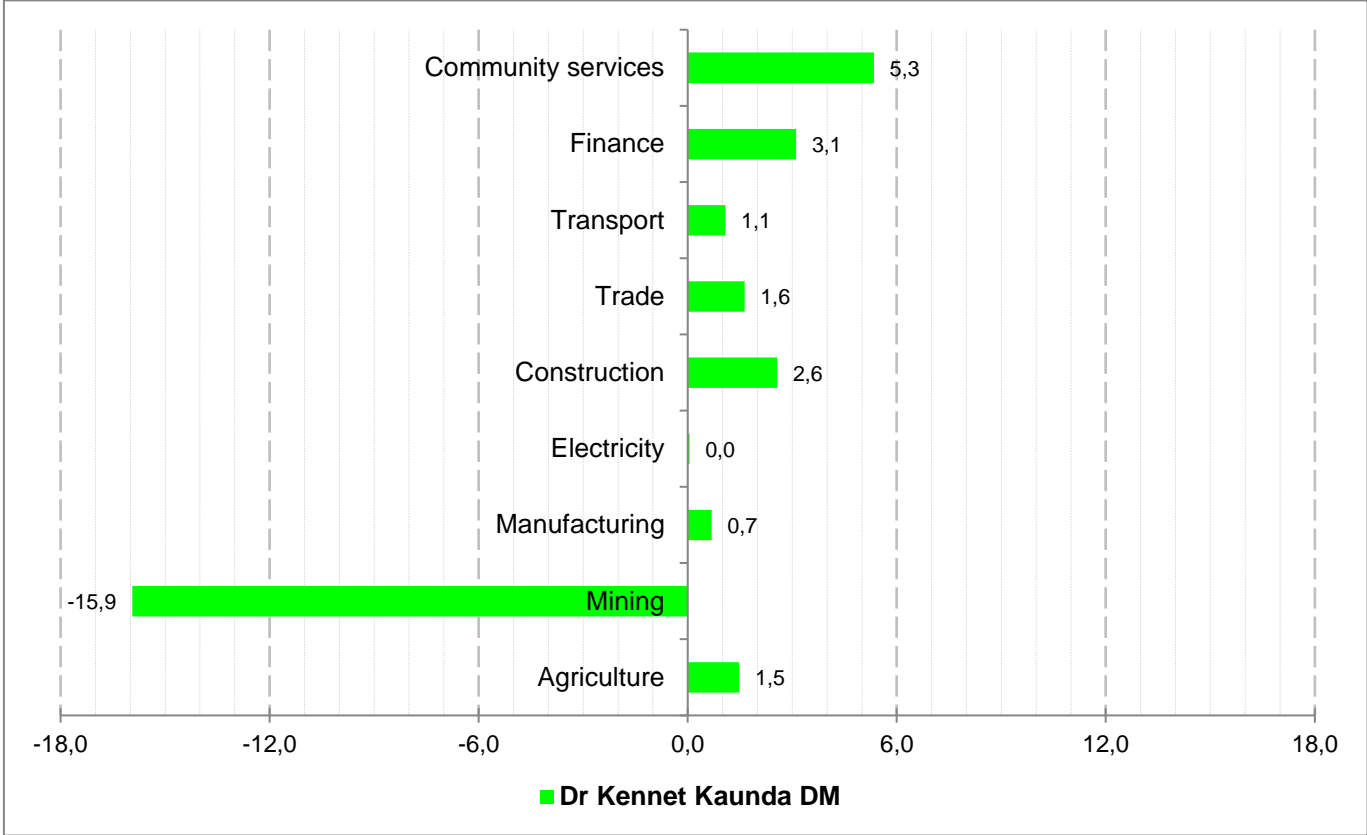
Sectoral Contribution to Employment

Figure B.3.6.3 (a): Percentage Sectoral Contribution to the Employment, DR KKDM, 2016



Source: IHS Market Regional eXplorer

Figure B.3.6.3 (b): Percentage Change in Sectoral Contribution to Employment, DR KKDM: 2011 to 2016



Source: IHS Market Regional eXplorer

CHAPTER 2: GOVERNANCE

2.1. CORPORATE GOVERNANCE STATEMENT

Corporate governance is the system of rules, practices, and processes by which an organization is directed and controlled. **Corporate governance** essentially involves balancing the interests of a **company's** many stakeholders, such as shareholders, management, government, and the community. The Agency's Board of Directors is charged with ensuring and promoting the highest standard of good corporate governance guided by all prescripts governing local government, companies act, King's reports on corporate governance, and policies adopted to govern the entity.

The board and management understand that in the interest of building a credible Agency they need to abide by the highest standards of good governance and ensure the highest ethical standards.

2.2. BOARD OF DIRECTORS

Unlike in the previous years, we started the 2019/20 financial year without a fully constituted board for the agency. This made decision making very difficult for the management team. The full board was appointed on the 18th of December 2019. The board's mandate is to establish a strategy, adopt policies for corporate management and oversight, making decisions on major company issues. Once policy and strategy have been adopted, the Executive Management ensures that implementation is carried out in line with the allocated resources.

The fully constituted new board was officially introduced on the 22nd of January 2020. The Shareholder tasked the board to develop a turnaround strategy that would also assist to turn things around in the agency. This follows the resolution which the council took to disestablish the agency by 30th June 2020.

The Board then held an annual general meeting on the 3rd of February 2020. The Shareholder was very clear also that the board needed to present to the Shareholder a turnaround strategy. A turnaround strategic planning session was held on the 21st and 22nd of February 2020. The session

extensively looked at the agency's previous work, the internal and external environment under which it operates, and developed a turnaround strategy that was presented to the shareholder in May 2020.

For the board to be able to function effectively, functional board committees with clear committee charters have to be in place. The Agency's committees have not been able to seat before board meetings as recommended by corporate governance. In the current year, the committee of the board which has been meeting regularly is the Audit Committee which is also shared with the Shareholder and the audit committee has been reporting in the board meetings.

The following are Board Members of the Agency: -

- Prof Thabo Thekiso: Chairperson of Board
- Mrs. Phindile Spies: Board Member
- Mrs. Precilla Bhoola: Board Member
- Mr. Mzwandile Feliti: Board Member
- Mr. Thapelo Molefe: Board Member

8

Directors	July to December 2019	22/01/2020	03/02/2020	14/02/2020	21-22/02/2020	23/03/2020	15/05/2020	27/05/2020	26/06/2020	29/06/2020
	No Meetings	Special Board meeting	AGM	Board Meeting	Strategic Planning Session	Special Board Meeting	Special Board Meeting	Board Meeting	Special Board Meeting	Special Board Meeting
T.A Thekiso		P	P	P	P	P	P	P	P	P
P.N Spies		P	P	P	P	A	P	P	P	P
M.A Feliti		A	P	P	P	P	P	P	P	P
T.G Molefe		A	A	A	A	A	A	A	A	A
P.N Bhoola		P	P	P	P	P	P	P	P	P
B. Bouwman		P	RESIGNED							

2.2.1. AUDIT COMMITTEE

The Audit Committee ensures the integrity of integrated reporting and internal financial controls, identify and manage financial risks; to carry out their mandate to the full extent, Audit Committee oversees integrated reporting and co-ordinating of activities of the various assurance providers.

The Entity has entered into a Service Level Agreement with its Parent Municipality for a Shared Services provided by the Audit Committee.

2.2.2. BOARD PROCEEDINGS

The Board meets quarterly, further meetings are arranged as ad-hoc and as devoted to resolving specific issues. In the current year, the agency had five board members. Since there was no board in the first half of the year, there were no full board meetings for the agency. The board meetings were all held in the second half of the 2019/2020 financial year. This includes the turnaround strategic meetings and strategy presentation to the Shareholder and various committees. The table above indicates the meetings held and attended by Directors.

2.2.3. MUNICIPAL REPRESENTATIVES

The role of the municipal representatives is to oversee the activities of the Agency and to ensure that the interests of the parent municipality are well catered for and the strategy of the municipal entity is well aligned with the District growth and development strategy. According to the MSA No.32 of 2000, 93D: the council of a parent municipality must designate a counselor or an official of the parent municipality, or both, as representatives of the parent municipality---- (a) to represent the parent municipality as a non-participating observer at meetings of the board of directors of the municipal entity concerned. The following are the shareholder's representatives on the board:

1. Acting/Director DED (Parent Municipality)
2. MMC Economic Development and Tourism

CHAPTER 3: SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART1)

3.1. PERFORMANCE MANAGEMENT, DELIVERABLES FOR 2019/2020 FINANCIAL YEAR

The 2019/2020 financial year has been a very short and abnormal year in local government following the Corona virus spread throughout the world. The greater part of the second quarter was affected by the lockdown and this ultimately affected the performance of most planned outcomes.

Like any other local government organisation, we adopted our Service Delivery Budget Implementation Plan (SDBIP) which we used as our performance guiding tool for the year. We reported to the audit committee and board quarterly in line with our set quarterly targets. The performance management unit of the Dr. Kenneth Kaunda District Municipality and the internal audit reviewed the authenticity of the performance information submitted.

The agency budgeted R5 million in the 2019/2020 financial year. This budgeted amount covers both the operational costs and project costs that the agency had to execute.

The greater portion (80%) of the budget was spent only on operational costs and very less was spent on projects. The other money which was budgeted for projects such as agriculture and agro processing facilitation and manufacturing, enterprise and service sector development program could not be spent due to unforeseen delays in facilitation processes for each program and also due to Covid-19.

The programs identified for the agency as per the strategic plan and the SDBIP are identified to realise the agency's mandate, vision, and mission and thus the projects are identified to fulfil the following priorities:

- 1) The attraction of investment into the district
- 2) Business and enterprise development
- 3) Multi-sector development and growth

Setting Targets from Objectives

Going into every financial year, the Agency set performance targets for each of the key performance indicators set by it. In setting its performance targets, the agency tried to ensure that the targets are:

- Practical and realistic;
- Measure the efficiency, effectiveness, quality, and impact of the performance of the agency;
- Identify administrative components, structures, bodies, or persons for whom a target has been set;
- Commensurate with available resources and the agency's capacity; and
- Consistent with the agency's development priorities and objectives set out in its strategy.

3.2. PERFORMANCE REPORT

The Agency had identified 11 performance targets in the 2019/2020 financial year. There were also some reviews by mid-year following the performance assessments. The performance targets included compliance targets and project targets for various projects. Following is the performance report based on the key performance plan outlined in the 2019/20 Service Delivery and Budget Implementation Plan.

The below projects were identified to address the diversification needs of the district economy. The economy of Dr. Kenneth Kaunda District was historically dominated by mining, resulting in a dependence on the mining sector and the vulnerability of the local economy to any economic shocks affecting the mining industry. There is, therefore, an urgent need for diversification of the economic base and expanding into other service sectors to avoid ghost mining towns after the mining life.

The following are projects identified for facilitation in each local municipality in the 2019/20 financial year:

3.2.1. AGRICULTURE AND AGRO-PROCESSING DEVELOPMENT FACILITATION, SUPPORT AND INVESTMENT ATTRACTION

Agriculture is one of the district's main economic sectors although it is skewed towards commercial farming with very high barriers to entry. This program aims to radically change the structure of the economy in the district, to maximize the use of available agricultural land, to increase the production of agricultural products, and to increase the processing of raw agricultural materials that are coming from the district as well as outside the district. With this program, we as the agency aim to make the Dr. KK District the agro-processing hub of the province.

During the 2019/2020 financial year, we had amongst other things planned to develop an agricultural and agro-processing strategy. The strategy would scope and analyse the current agriculture and agro-processing situation in the district, map, and develop a strategy that will identify possible new projects that will help unlock the potential and sustainability of the current projects in the district.

Kgokagano Trading Pty Ltd was appointed to conduct the study and develop a strategy. The strategy included thorough consultation with other role players in the district.

3.2.2. MANUFACTURING, ENTREPRISE AND SERVICE SECTOR DEVELOPMENT, FACILITATION, SUPPORT AND INVESTMENT ATTRACTION

The Dr. Kenneth Kaunda District Municipality has always been a region popular for its robust mining activities. This dates many decades ago with the Vaal Reefs mining activities in the Orkney town, Stilfontein and Klerksdorp town. Manufacturing has been taking place at a medium scale and with the closure of most mining operations, some manufacturing activities were also heavily affected.

The manufacturing sector provides a locus for stimulating the growth of other activities, such as services, and achieving specific outcomes, such as employment creation and economic empowerment.

Business (entrepreneurship) and professional services provide specialized expertise to increase enterprise competitiveness. As an economy develops, certain service industries or sub-sectors become more critical and drive development.

3.2.3. MAQUASSI AUTO SERVICE CENTRE

Within the Manufacturing, enterprise, and service sector development program, we in the 2019/2020 managed to finalize activities that were outstanding to operationalize the Maquassi Auto Service Centre. Currently, the Maquassi Auto Service Centre is open to the general public

and continuous support and monitoring is being done by the agency to ensure that the project is sustainable. We also have already started with the engagements for the establishment of the Ventersdorp Auto Service Centre which will be based in JB Marks local municipality.



Executive Mayor officially opening the Maquassi Auto Service Centre



Maquassi Auto Service beneficiaries with DRKKDMEA CEO

3.2.4.	SERVICES	SETA	ACCREDITATION
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Within the Manufacturing, enterprise, and service sector development program, we in the 2019/2020 managed to finalize the accreditation of the Agency as a Skill Development Provider in line with SAQA for the learning programme/skills programme of National Certificate: New Venture Creation level 2. The accreditation was done to enable the agency to generate own revenue through grants from Services SETA while transferring skill in the district. The Agency now qualifies to apply for grants and to conduct training, assessment and moderation on the approved learning intervention for the residents of the district.



Date: 03 April 2020

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 2570

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Dear : Masego Itumeleng

Services SETA Accreditation No: 13938

RE - Accreditation of Provider – Dr Kenneth Kaunda District Municipality Economic Agency(Pty)Ltd -2007/000978/07

As per the delegation from the Quality Council for Trades and Occupations in terms of the NQF Act (Act No.67 of 2008) and Skill Development Act, 1998 (Act No. 97 of 1998, as amended), this letter serves to confirm that **Dr Kenneth Kaunda District Municipality Economic Agency(Pty)Ltd** has been Recommended for Provisional Accreditation as a skills development provider in line with the SAQA qualification's last date for Enrolment for the following:

Name of Learning programme/Skills programme	NQF level	Number of Credits	Expiry Date	Unit Standards / Qualification aligned to Learning programme		Qualification to which the learning program and unit standards are linked / contextualized
				Qualification/ US ID	US/Qualification Title	
National Certificate: New Venture Creation	2	138	2023-06-30	49648	National Certificate: New Venture Creation	Qualification ID: 49648 Qualification Title: National Certificate: New Venture Creation Credits: 138 Level: 02 Registration start date: 2018-07-01 Registration end date: 2023-06-30 Last date of enrolment: 2024-06-30

3.3. PERFORMANCE INFORMATION

DISTRICT ECONOMIC DEVELOPMENT

NATIONAL LG PRIORITIES		LABOUR MATTERS, FINANCIAL AND ADMINISTRATIVE CAPACITY, SERVICE DELIVERY, FINANCIAL VIABILITY, GOOD GOVERNANCE, INSTITUTIONAL TRANSFORMATION AND DEVELOPMENT, ECONOMIC DEVELOPMENT												
KPA		MUNICIPAL TRANSFORMATIONS AND ORGANISATIONAL DEVELOPMENT												
OUTCOME 9	OUTPUT 1	IMPLEMENT A DIFFERENTIATED APPROACH TO MUNICIPAL FINANCING, PLANNING, AND SUPPORT												
	OUTPUT 6	ADMINISTRATIVE AND FINANCIAL CAPABILITY												
FUNCTIONAL AREA	STRATEGIC OBJECTIVE	MUNICIPAL POWERS & FUNCTION	BASELINE 2017/18			REVISED KEY PERFORMANCE INDICATOR	KPI TYPE	ANNUAL TARGET	REVISED BUDGET	ACTUAL EXPENDITURE	ACTUAL PERFORMANCE	REASON DEVIATION	CORRECTIVE MEASURE	PORTFOLIO OF EVIDENCE
			Current status (Progress to date)	Demand (MFMA Circular 63)	Backlog (MFMA Circular 63)									
DRKKDMEA	To ensure Agency excellence	Agency Planning	5 post currently filled	100% of posts filled as per the approved funded structure	04	KPI 1 Revised Job Descriptions for all employees in the agency	Output	100% (4 job descriptions except the CEO post revised by end June 2020	OPEX	-	Achieved 100% (4) of job descriptions revised by end June 2020	None	None	Revised Job Descriptions

1. KPA 3: DISTRICT ECONOMIC DEVELOPMENT

NATIONAL LG PRIORITIES		LABOUR MATTERS, FINANCIAL AND ADMINISTRATIVE CAPACITY, SERVICE DELIVERY, FINANCIAL VIABILITY, GOOD GOVERNANCE, INSTITUTIONAL TRANSFORMATION AND DEVELOPMENT, ECONOMIC DEVELOPMENT												
KPA		MUNICIPAL TRANSFORMATIONS AND ORGANISATIONAL DEVELOPMENT												
OUTCOME 9		OUTPUT 1	IMPLEMENT A DIFFERENTIATED APPROACH TO MUNICIPAL FINANCING, PLANNING, AND SUPPORT											
		OUTPUT 6	ADMINISTRATIVE AND FINANCIAL CAPABILITY											
FUNCTIONAL AREA	STRATEGIC OBJECTIVE	MUNICIPAL POWERS & FUNCTION	BASELINE 2018/19			REVISED KEY PERFORMANCE INDICATOR	KPI TYPE	ANNUAL TARGET	BUDGET	MSCOA DESCRIPTION	ACTUAL PERFORMANCE	REASON FOR DEVIATION	CORRECTIVE MEASURE	PORTFOLIO OF EVIDENCE
			Current status (Progress to date)	Demand (MFMA Circular 63)	Backlog (MFMA Circular 63)									
DRKDMA	To promote socio-economic development	Local Economic Development	None	Agriculture and Agro-processing development facilitation, support and investment attraction	Nil	KPI 2 Number of facilitation initiatives taken towards agricultural and agro-processing development and investment attraction	Activity	2 facilitation initiatives taken towards agricultural and agro-processing development and investment attraction by end June 2020	R200 000		Not Achieved 2 initiatives towards agricultural and agro-processing development and investment attraction by end June 2020	Covid19 Challenges		Agriculture and agro-processing strategy developed.

NATIONAL LG PRIORITIES		LABOUR MATTERS, FINANCIAL AND ADMINISTRATIVE CAPACITY, SERVICE DELIVERY, FINANCIAL VIABILITY, GOOD GOVERNANCE, INSTITUTIONAL TRANSFORMATION AND DEVELOPMENT, ECONOMIC DEVELOPMENT												
KPA		MUNICIPAL TRANSFORMATIONS AND ORGANISATIONAL DEVELOPMENT												
OUTCOME 9	OUTPUT 1	IMPLEMENT A DIFFERENTIATED APPROACH TO MUNICIPAL FINANCING, PLANNING, AND SUPPORT												
	OUTPUT 6	ADMINISTRATIVE AND FINANCIAL CAPABILITY												
FUNCTIONAL AREA	STRATEGIC OBJECTIVE	MUNICIPAL POWERS & FUNCTION	BASELINE 2018/19			REVISED KEY PERFORMANCE INDICATOR	KPI TYPE	ANNUAL TARGET	BUDGET	MSCOA DESCRIPTION	ACTUAL PERFORMANCE	REASON FOR DEVIATION	CORRECTIVE MEASURE	PORTFOLIO OF EVIDENCE
			Current status (Progress to date)	Demand (MFMA Circular 63)	Backlog (MFMA Circular 63)									
DRKDMEA	To promote socio-economic development	Local Economic Development	None	Manufacturing, enterprise and service sector development facilitation, support and investment attraction	Nil	KPI 3 Number of facilitations taken towards manufacturing, enterprise and service sector development in the district.	Activity	2 facilitations taken towards manufacturing, enterprise and accreditation for service sector development in the district by end Dec 2019	R 310 000		Achieved	None	None	Operationalization of the Maquassi auto service Centre. Engagement with JB Marks for the establishment of JB Marks auto service centre in Ventersdorp. Continuous support on Maquassi Auto Service Centre Accreditation report from Services Seta

KPA 4: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

NATIONAL LG PRIORITIES	ENSURE SUSTAINABLE RESOURCE MANAGEMENT AND USE.														
KPA	MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT														
OUTCOME 9	OUTPUT 1		A POLICY FRAMEWORK THAT PROVIDES FOR A DIFFERENTIATED APPROACH TO MUNICIPAL FINANCING, PLANNING AND SUPPORT IS IMPLEMENTED												
	OUTPUT 6		ADMINISTRATIVE AND FINANCIAL CAPABILITIES OF MUNICIPALITIES ARE ENHANCED												
FUNCTIONAL AREA	STRATEGIC OBJECTIVE	MUNICIPAL POWERS & FUNCTIONS	BASELINE 2017/18			REVISED KEY PERFORMANCE INDICATOR	KPI TYPE	ANNUAL TARGET	REVISED BUDGET	MSCOA DESCRIPTION		ACTUAL PERFORMANCE	REASON FOR DEVIATION	CORRECTIVE MEASURE	PORTFOLIO OF EVIDENCE
			Current status (Progress to date)	Demand (MFMA Circular 63)	Backlog (MFMA Circular 63)										
DRKKDMEA	To ensure internal municipal excellence	Municipal Planning	12 MFMA section 87 reports submitted	12 MFMA section 87 reports	Nil	KPI 4 Number of MFMA section 87(11) reports submitted	Output	12 MFMA section 87(11) reports submitted by June 2020	OPEX	-		Achieved 12 MFMA section 87(11) reports submitted by June 2020	None	None	Reports

NATIONAL LG PRIORITIES	ENSURE SUSTAINABLE RESOURCE MANAGEMENT AND USE.														
KPA	MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT														
OUTCOME 9	OUTPUT 1		A POLICY FRAMEWORK THAT PROVIDES FOR A DIFFERENTIATED APPROACH TO MUNICIPAL FINANCING, PLANNING AND SUPPORT IS IMPLEMENTED												
	OUTPUT 6		ADMINISTRATIVE AND FINANCIAL CAPABILITIES OF MUNICIPALITIES ARE ENHANCED												
FUNCTIONAL AREA	STRATEGIC OBJECTIVE	MUNICIPAL POWERS & FUNCTIONS	BASELINE 2017/18			REVISED KEY PERFORMANCE INDICATOR	KPI TYPE	ANNUAL TARGET	REVISED BUDGET	MSCOA DESCRIPTION		ACTUAL PERFORMANCE	REASON FOR DEVIATION	CORRECTIVE MEASURE	PORTFOLIO OF EVIDENCE
	To ensure internal municipal excellence	Municipal Planning	4 MFMA section 52 reports submitted	4 MFMA section 52 reports	Nil	KPI 5 Number of quarterly reports submitted	Output	4 quarterly reports submitted by June 2020	OPEX			Achieved 4 quarterly submitted by June 2020	None	None	Quarterly Reports
DRKKDMEA	To ensure internal municipal	Municipal Planning	2019/20 adjustment budget tabled by February	2019/20 adjustment budget developed	Nil	KPI 6 2019/20 adjustment budget developed approved	Output	2018/19 adjustment budget developed approved by February 2020		-		Achieved	None	None	Adjusted budget
DRKKDMEA	To ensure internal municipal excellence	Municipal Planning	2020/21 budget compiled approved (MFMA, Sec 25)	2020/21 budget compiled approved	Nil	KPI 7 2020/21 budget compiled approved	Output	2020/21 budget compiled approved by May 2020	OPEX	-		Achieved Compiled 2020/21 budget compiled approved by end of May	None	None	Turnaround 2020/21 Budget



NATIONAL LG PRIORITIES	ENSURE SUSTAINABLE RESOURCE MANAGEMENT AND USE.														
KPA	MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT														
OUTCOME 9	OUTPUT 1		A POLICY FRAMEWORK THAT PROVIDES FOR A DIFFERENTIATED APPROACH TO MUNICIPAL FINANCING, PLANNING AND SUPPORT IS IMPLEMENTED												
	OUTPUT 6		ADMINISTRATIVE AND FINANCIAL CAPABILITIES OF MUNICIPALITIES ARE ENHANCED												
FUNCTIONAL AREA	STRATEGIC OBJECTIVE	MUNICIPAL POWERS & FUNCTIONS	BASELINE 2017/18			REVISED KEY PERFORMANCE INDICATOR	KPI TYPE	ANNUAL TARGET	REVISED BUDGET	MSCOA DESCRIPTION		ACTUAL PERFORMANCE	REASON FOR DEVIATION	CORRECTIVE MEASURE	PORTFOLIO OF EVIDENCE
			Current status (Progress to date)	Demand (MFMA Circular 63)	Backlog (MFMA Circular 63)							2020 by council			
DRKKDMEA	To ensure internal municipal excellence	Municipal Planning	2019/20 Annual Financial Statements submitted to AGSA by August 2020	2019/20 Annual Financial Statements submitted to AGSA by August 2020	Nil	KPI 8 2018/19 Annual Financial Statements approved by council submitted to AGSA	Output	Approved 2018/19 Annual Financial Statements by council submitted to AGSA by August 2019	OPEX	-		Achieved	None	None	2018/19 Annual Financial Statements

NATIONAL LG PRIORITIES	ENSURE SUSTAINABLE RESOURCE MANAGEMENT AND USE.														
KPA	MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT														
OUTCOME 9	OUTPUT 1		A POLICY FRAMEWORK THAT PROVIDES FOR A DIFFERENTIATED APPROACH TO MUNICIPAL FINANCING, PLANNING AND SUPPORT IS IMPLEMENTED												
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FUNCTIONAL AREA	STRATEGIC OBJECTIVE	MUNICIPAL POWERS & FUNCTIONS	BASELINE 2017/18			REVISED KEY PERFORMANCE INDICATOR	KPI TYPE	ANNUAL TARGET	REVISED BUDGET	MSCOA DESCRIPTION		ACTUAL PERFORMANCE	REASON FOR DEVIATION	CORRECTIVE MEASURE	PORTFOLIO OF EVIDENCE
			Current status (Progress to date)	Demand (MFMA Circular 63)	Backlog (MFMA Circular 63)										
DRKIDMEA	To ensure internal municipal excellence	Municipal planning	2019/20 Mid-Year Term Performance Reports compiled	2020/21 Mid-Year Performance Assessment Report	Nil	KPI 9 Number of Mid-Year Performance Assessment Report compiled approved by January 2020	Output	1) 2019/20 Mid-Year Performance Assessment Report compiled approved by January 2020	OPEX	-		Achieved	None	None	Mid Year performance report
DRKIDMEA	To ensure internal municipal excellence	Municipal Planning	Approved 2018/19 municipal annual performance report(sec 46) and Annual Report	2018/19annual performance report compiled	Nil	KPI 10 Number of 2018/19 annual performance reports compiled submitted	Output	(1) 2018/19 annual performance report compiled submitted by August 2019	OPEX			Achieved	None	None	Annual Performance Report



NATIONAL LG PRIORITIES	ENSURE SUSTAINABLE RESOURCE MANAGEMENT AND USE.														
KPA	MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT														
OUTCOME 9	OUTPUT 1		A POLICY FRAMEWORK THAT PROVIDES FOR A DIFFERENTIATED APPROACH TO MUNICIPAL FINANCING, PLANNING AND SUPPORT IS IMPLEMENTED												
	OUTPUT 6		ADMINISTRATIVE AND FINANCIAL CAPABILITIES OF MUNICIPALITIES ARE ENHANCED												
FUNCTIONAL AREA	STRATEGIC OBJECTIVE	MUNICIPAL POWERS & FUNCTIONS	BASELINE 2017/18			REVISED KEY PERFORMANCE INDICATOR	KPI TYPE	ANNUAL TARGET	REVISED BUDGET	MSCOA DESCRIPTION		ACTUAL PERFORMANCE	REASON FOR DEVIATION	CORRECTIVE MEASURE	PORTFOLIO OF EVIDENCE
			Current status (Progress to date)	Demand (MFMA Circular 63)	Backlog (MFMA Circular 63)										
DRKDMEA	To ensure internal agency excellence	Agency Planning	Board meetings coordinate	6 Board meetings	Nil	KPI 11 Number of Board meetings held.	Output	6 Board meetings coordinated by June 2020	OPEX	-		Achieved	None	None	Board meeting minutes

TOTAL TARGETS	PLANNED	ACHIEVED	NOT ACHIEVED	UNPLANNED
11	11	10	01	0

Comparison between the prior financial year (2018/19) and financial year under review (2019/20) performance
2018/2019 Organizational performance

Number of Targets Achieved 2018/19	Number of Targets Not Achieved 2018/19
	
1 out of 3	2 out of 3

2019/20 Organizational performance

Number of Targets Achieved 2019/20	Number of Targets Not Achieved 2019/20
	
10 out of 11	1 out of 11

SERVICE PROVIDER ASSESSMENT FOR THE 2019/20 FINANCIAL YEAR

**ANNUAL PERFORMANCE ASSESMENT OF SERVICE PROVIDERS
2019/20 FINANCIAL YEAR**

Project name	Name of Service provider	Source of funding	start date	Completion date	Progress to date	Challenges and interventions	Assessment of service provider (Scale 1-5) 1 - Poor 2 - Fair 3 -Average 4 - Good 5 - Excellent					Assessment comments
							2019/20	Quarter 1	Quarter 2	Quarter 3	Quarter 4	
Printing & Support	Panasonic Business Systems	BUDGETED	Jul 19	June 20	IN PROGRESS	None	Good	Good	Good	Good	Good	Great timely service throughout the year
Telephone & Fax	Telkom	BUDGETED	Jul 19	June 20	IN PROGRESS	None	Good	Good	Good	Good	Good	Good service
Insurance	Santam	BUDGETED	Jul 19	June 20	IN PROGRESS	None	Good	Good	Good	Good	Good	Good service
Internet	Vox Telecom	BUDGETED	Jul 19	June 20	IN PROGRESS	None	Good	Good	Good	Good	Good	Good service
Pastel Software	Sage South Africa	BUDGETED	July 19	July 19	COMPLETED	None	Good	Good	N/A	N/A	N/A	Good service
Implementation of Automobile Project	Mzilesto Trading	BUDGETED	July 19	July 19	COMPLETED	None	Good	Good	N/A	N/A	N/A	Good service
Accountants and Auditors	Munchu Holdings	BUDGETED	Aug 19	Jan 20	COMPLETED	Poorly compiled AFS	Poor	Poor	Poor	N/A	N/A	The service was very poor
Website Development and Maintenance	Vox Telecoms	BUDGETED	Sep 19	June 20	IN PROGRESS	None	Good	Good	Good	Good	Good	Good service
Service Seta Accreditation	Dithoriso Phepo Hlweko Services (Pty) Ltd	BUDGETED	Oct 19	June 20	COMPLETED	None	Good	N/A	Good	N/A	Good	Good service

**ANNUAL PERFORMANCE ASSESMENT OF SERVICE PROVIDERS
2019/20 FINANCIAL YEAR**

Project name	Name of Service provider	Source of funding	start date	Completion date	Progress to date	Challenges and interventions	Assessment of service provider (Scale 1-5) 1 - Poor 2 - Fair 3 -Average 4 - Good 5 - Excellent					Assessment comments
							2019/20	Quarter 1	Quarter 2	Quarter 3	Quarter 4	
VAT Recons	NKT Premier Consulting	BUDGETED	Oct 19	Dec 19	COMPLETED	Limited time	Good	N/A	Poor	N/A	N/A	Poor VAT recons calculations
Asset Valuation	1 Pangaea Expertise and Solutions	BUDGETED	Oct 19	Jan 20	COMPLETED	Limited time	Good	N/A	Good	Good	N/A	Good service
Subsistence and Travel	Harvey World Klerksdorp	BUDGETED	Nov 19	March 20	COMPLETED	None	Good	N/A	Good	Good	N/A	Good service
Payroll Software renewal	Sage South Africa	BUDGETED	Mar 20	May 20	COMPLETED	None	Good	N/A	N/A	Good	Good	Great service
Tender Advert	Mooivaal Media	BUDGETED	May 20	May 20	COMPLETED	None	Good	N/A	N/A	N/A	Good	Good service
Tender Advert	Klerksdorp Record	BUDGETED	May 20	May 20	COMPLETED	None	Good	N/A	N/A	N/A	Good	Good service
Agriculture and Agro Processing Strategy	Kgokagano Trading	BUDGETED	Jun 20	Jun 20	COMPLETED	Delays in finalizing the plan	Good	N/A	N/A	N/A	Good	Good report

3.4. CHALLENGES

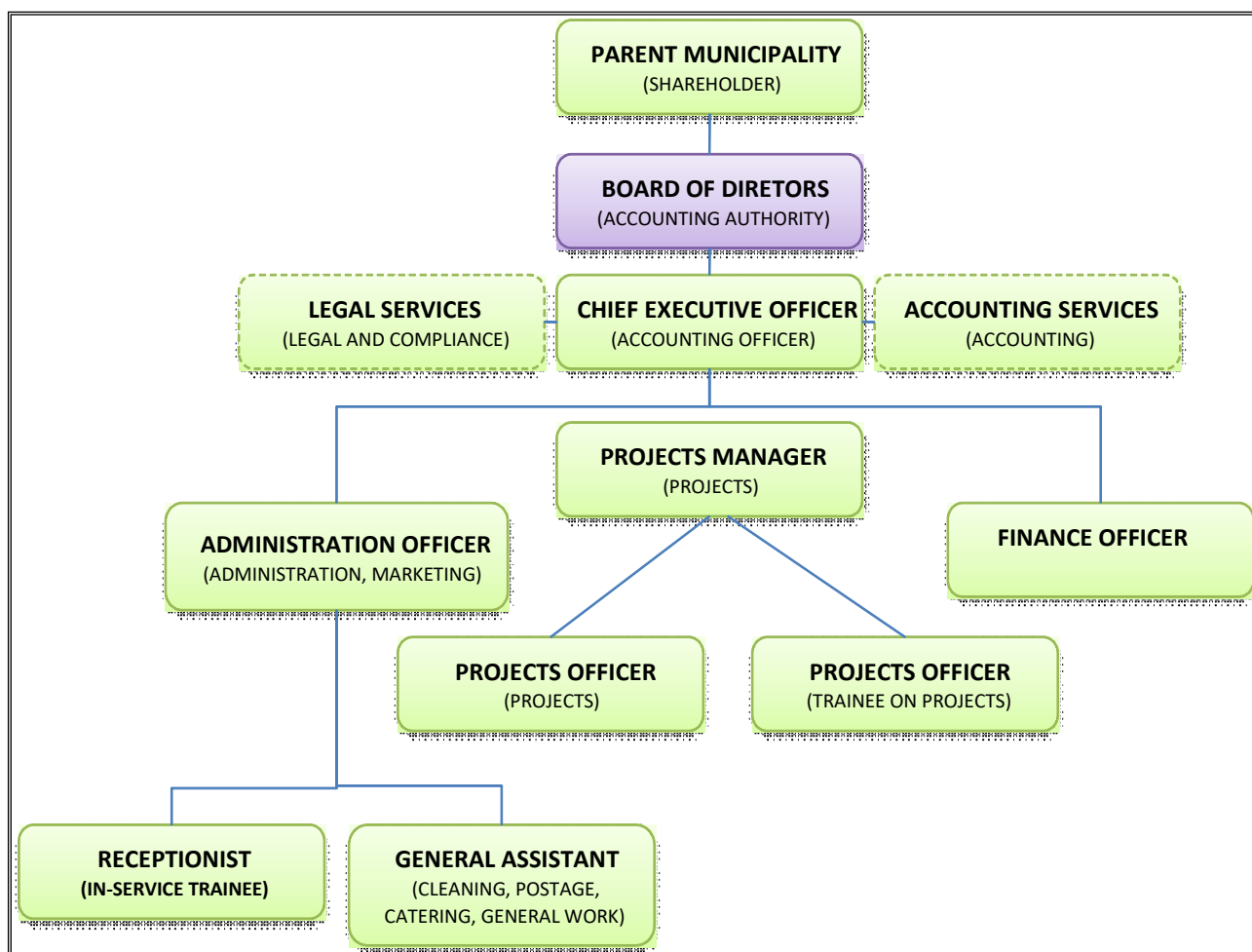
3.4.1. FUNDING

The Agency was established 11 years ago. When we look at its funding it's so outlined that we are not even able to cover basic operational needs such as being able to attract competent staff that will take the agency to the next level. Year in year out different audit and risk reports emphasised the issue of the agency's limited funding which impedes the agency's growth potential. We cannot do economic development without money. We cannot grow the agency without money. We can only plan and wish to implement the project but when there is no money it will end with the plans just like the ten business plans which were developed in 2012 even today none of them was implemented.

CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE REPORT PART II)

4.1. ORGANIZATIONAL STRUCTURE

Since establishment, the Agency has been operating on a linear structure that developed to cater to the limited financial resources that the Agency is operating with. Not all positions are filled nor budgeted for in the organisational structure. The only positions that have been filled to date are 1. Finance Officer, 2. Administration Officer 3. Projects Officer, 4. General Assistant (General Cleaner) and 5.CEO which was only filled from the 5th December 2017.



Attached is a table of the staff complement, their qualification and years of experience.

NAME	POSITION	QUALIFICATIONS	EXPERIENCE	GENDER
Sephaka Motswiane	CEO	MBA Maastricht School of management, Btech Management TUT, ND Business Administration TUT, CPMD Wits Business School, Certificate in Urbanization in Africa Erasmus University, Certificate Municipal Financial management LGSETA, Certificate Project Management	16 Years	Male
Thandi Chofu	Finance Officer	Certificate Pastel, Certificate Bookkeeping, CPMD Wits Business School	13 Years	Female
Masego Itumeleng	Project Officer	National Diploma Management Assistant Vuselela TVET, Project Management (NQFL6) northwest University Certificate in Economic Development (NQFL5) UWC Advanced Certificate in Agriculture (NOSA)	11	Female
Tselane Tsunke	Receptionist	National Diploma Management Assistant Vuselela TVET Certificate in Office Management (NQFL6): UNISA	12	Female
Grace Shongwe	General Assistant	Grade 10	13	Female

4.2. EQUITY PROFILE

		MALE	%	FEMALE	%
1	Blacks	1	0%	4	100%
2	Coloured	0	0%	0	0%
3	Asian	0	0%	0	0%
4	Whites	0	0%	0	0%
5	Disabled	0	0%	0	0%
	Total	1		4	100%

Equity profile of the economic agency

CHAPTER 5: AUDITOR GENERAL'S REPORT

5.1 AUDITOR GENERAL'S REPORT

Auditing to build public confidence



Report of the auditor-general to the North West provincial legislature and the council on the Dr Kenneth Kaunda District Municipality Economic Agency SOC Limited

Report on the audit of the financial statements

Disclaimer of opinion

1. I was engaged to audit the financial statements of the Dr. Kenneth Kaunda District Municipality Economic Agency SOC Limited set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2020, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. I do not express an opinion on the financial statements of the municipal entity. Because of the significance of the matters described in the basis for disclaimer of opinion section of this auditor's report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

Non-current assets held for sale

3. I was unable to obtain sufficient appropriate audit evidence for non-current assets held for sale due to the status of the accounting records and non submission of information. I was unable to confirm these assets by alternative means. Consequently, I was unable to determine whether any adjustment relating to non-current assets held for sale of R348 583 (2019: R323 849) as disclosed in note 18 or the depreciation and amortisation expense of R67 327 (2019: R80 299) as disclosed in note 9 to the financial statements were necessary.

Payables from exchange transactions

4. I was unable to obtain sufficient appropriate audit evidence for payables from exchange transactions due to the poor status of the accounting records. I could not confirm these payables by alternative means. In addition, the municipal entity did not have adequate systems to ensure that all trade payables were correctly accounted for in 2019, resulting in payables from exchange transactions and operational fees being understated by R125 999 in previous year. Consequently, I was unable to determine whether any further adjustment to payables from exchange transactions of R695 546 (2019: R692 336) as presented in the statement of financial position was necessary.

VAT payables

5. I was unable to obtain sufficient appropriate audit evidence for the VAT payables due to the poor status of the accounting records. I could not confirm the VAT payables by alternative means. In addition, the municipal entity did not have adequate systems to ensure that VAT



payments made to SARS were correctly accounted for in 2019, resulting in the VAT payables being overstated and payables from exchange transactions being understated by R322 817. Consequently, I was unable to determine whether any further adjustment relating to the VAT payables of R3 041 888 (2019: R2 715 444) as disclosed in note 19 to the financial statements was necessary.

Accumulated surplus

6. I was unable to obtain sufficient appropriate audit evidence for the accumulated surplus and the adjustments made to the accumulated surplus as presented in the statement of changes in net assets due to the status of accounting records and the municipal entity not having adequate systems of internal control to substantiate adjustments made to the accumulated surplus. I could not confirm the accumulated surplus by alternative means. Consequently, I was unable to determine whether any adjustment to the accumulated surplus of -R956 691 (2019: R994) as presented in the statement of financial position and the statement of changes in net assets was necessary.

Government grants and subsidies

7. During 2019, the municipal entity did not correctly account for the government grant received in accordance with GRAP 23, *Revenue from non-exchange transactions*, as the amount was not recognised in accordance with the approved allocation. The adjustment to correct the prior year misstatement was incorrectly processed in the current year. Consequently, revenue from government grants and subsidies in the prior year, as presented in the statement of financial performance and note 7 was understated by R391 304. Additionally, there was an impact on the deficit for the period and on the accumulated surplus.

Employee related costs

8. In 2019, 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 the incorrect calculation of accrued leave pay. As a result, employee related costs was overstated by R95 497, payables from exchange transactions was overstated by R60 228, receivables from exchange transactions was understated by R35 269. In addition, I was unable to obtain sufficient appropriate audit evidence for employee related costs as the entity did not have adequate systems to maintain records to support financial information. I was unable to determine whether any further adjustment relating to employee related costs of R1 987 416 as disclosed in note 10 to the financial statements was necessary. My audit opinion on the financial statements for the period ended 30 June 2019 was modified accordingly. I was still unable to confirm this employee related costs by alternate means. Consequently, my opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

Irregular expenditure

9. Section 125(2)(d)(i) of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) requires the disclosure of irregular expenditure incurred. The entity made payments of R427 992 and payments of R1 061 164 in previous years in contravention with the supply chain management requirements which were not included in irregular expenditure disclosed. In addition, the entity incorrectly included VAT in the amount of irregular expenditure disclosed, resulting in the irregular expenditure being overstated by R710 895 (2019: R710 895) Consequently, irregular expenditure as disclosed in note 16 to the financial statements was understated by R85 833 (2019: R342 159).

Statement of comparison of budget and actual amounts

10. GRAP 24, *Presentation of budget information in the financial statements* requires the disclosure of the explanation of material differences between the budget and actual amounts



and present an explanation of whether changes between the approved and final budget are a consequence of reallocations within the budget, or of other factors. The adjustments between the original approved budget and the final budget were misstated. There was a resultant impact on the final budget amounts and the difference between final budget and actual amounts.

Item as per the AFS	Adjustments as per the financial statements	Adjustments as per the approved adjustment budget	Difference
Audit fees	R-	R80 000	R80 000
Operational fees	R-	R635 000	R635 000

Item as per the AFS	Final budget as per the AFS	Amounts as per final budget	Difference
Income received - Investments	R-	R2 150 000	R2 150 000
Board allowance	R340 000	R 240 000	R100 000
Audit fees	R400 000	R450 000	R50 000
Operational fees	R568 000	R1 218 000	R650 000

11. In addition, no explanation of whether changes between the approved and final budget were a consequence of reallocations within the budget, or of other factors were disclosed in the financial statements and no explanation was included in the financial statements for the material differences between the budget and actual amounts for government grants and subsidies. I was unable to quantify the full extent of the omitted disclosure as it was impracticable to do so. The reasons for variance for board allowances, depreciation and amortisation and operational fees did not agree to the underlying records.

Cash flow statement

12. The municipal entity did not correctly calculate the net cash flows from operating activities as required by GRAP 2, *Cash flow statement* due to not accounting for all cash flow movements correctly. Consequently, payment to suppliers was understated by R269 814 (2019: R493 348), employee costs in the prior year was overstated by R552 745, the changes in working capital for the cash used in the operations for receivables from exchange transaction were understated by R552 745 and cash used in the operations for the payables from exchange transactions were understated by R151 471, as presented in the cash flow statement and disclosed in note 6 to the financial statements.

Prior period errors

13. The entity did not correctly disclose all adjustments made to the financial statements as a result of prior period errors in the financial statements as required by GRAP 3, *Accounting policies, estimates and errors*. The nature and the amount of the correction for each financial statement line item affected, and the amount of the correction at the beginning of the earliest previous period were not disclosed. I was unable to quantify the impact of the omitted disclosure in note 24 to the financial as it was impracticable to do so.

Related parties

14. GRAP 20, *Related party disclosures*, requires the disclosure of related party relationships where control exists, irrespective of whether there have been transactions between the related parties. Contrary to this requirement the entity did not explicitly disclose the related party relationships with the board of directors, the chief executive officer of the municipal entity and the accounting officer of the shareholder. I was unable to quantify the impact of the omitted disclosure in note 12 to the financial as it was impracticable to do so.



Emphasis of matters

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

Liquidation basis of accounting

16. As disclosed in note 14 to the financial statements, the council of Dr. Kenneth Kaunda District Municipality resolved in terms of council resolution no. A.26/07/2020 to implement section 109 of the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act) process to de-establish the entity. Although the resolution was passed subsequent to year-end, it has material and/or fundamental adjusting effect on the ability of the entity to continue operations. In light of the resolution, the presentation of annual financial statements has, therefore changed from going concern to liquidation basis. The decision of the parent entity to de-establish the entity means that the entity is not in a position to continue as a going concern.

Fruitless and wasteful expenditure

17. As disclosed in note 15 to the financial statements, fruitless and wasteful expenditure of R372 785 from prior years have not yet been dealt with in accordance with section 32 of the MFMA.

Other matter

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

Unaudited disclosure notes

19. In terms of section 125(2)(e) of the MFMA, the municipal entity is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.

Responsibilities of the accounting officer for the financial statements

20. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the MFMA and Companies Act and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
21. In preparing the financial statements, the accounting officer is responsible for assessing the Dr. Kenneth Kaunda District Municipality Economic Agency SOC Limited's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipal entity or to cease operations, or there is no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

22. My responsibility is to conduct an audit of the financial statements in accordance with International Standards on Auditing (ISAs) and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of this auditor's, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.
23. I am independent of the municipal entity in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code), as well as the other ethical requirements that relevant to my audit of the in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.



Report on the audit of the annual performance report

Introduction and scope

24. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected key performance areas presented in the annual performance report. I was engaged to perform procedures to raise findings but not to gather evidence to express assurance.
25. I was engaged to evaluate the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected key performance areas presented in the annual performance report of the entity for the year ended 30 June 2020:

Key performance areas	Page in the annual performance report
KPA 3 – District economic development	2

26. The material findings in respect of the usefulness and reliability of the selected key performance areas are as follows:

KPA 3 - District economic development

Various indicators

27. The planned targets for these indicators were not specific in clearly identifying the nature and required level of performance. In addition, the reported targets did not agree with the planned targets as per the approved service delivery agreement. I was unable to confirm that the reported achievements of these indicators were reliable by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements.

Reported indicator	Planned target per SDBIP	Reported Target	Reported achievement
KPI 2: Number of facilitations initiatives taken towards agricultural and agro-processing development and investment attraction	Current situation appraisal report 6 Facilitations initiatives taken towards agricultural and agro-processing development and investment attraction by end June 2020.	2 facilitation initiatives taken towards agricultural and agro-processing development and investment attraction by end June 2020.	Not achieved 2 initiatives towards agricultural and agro-processing development and investment attraction by end June 2020.
KPI 3: Number of facilitations taken towards manufacturing, enterprise and services sector development in the district.	Accreditation of the agency with service SETA. Identified business opportunities for local entrepreneur. 2 facilitation taken towards manufacturing enterprise and service sector development in the district by end Dec 2019.	2 facilitations taken towards manufacturing, enterprise and service sector development in the district by end Dec 2019.	Achieved



Other matter

28. I draw attention to the matter below.

Achievement of planned targets

29. Refer to the annual performance report on pages xx to xx for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 27 of this report.

Report on audit of compliance with legislation

Introduction and scope

30. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the municipal entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

31. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements

32. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a disclaimer audit opinion.

Expenditure management

33. Reasonable steps were not taken to prevent irregular expenditure, as required by section 95(d) of the MFMA. The expenditure disclosed 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 not obtaining declaration of interests from suppliers and calculating preference points.

Consequences management

34. Irregular, fruitless and wasteful expenditure incurred by the municipal entity was 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 identified in the prior year.

Strategic planning and performance

35. The annual performance objectives and indicators were not established by agreement with the parent municipality, as required by section 93B(a) of the MSA.

Procurement and contract management

36. 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(1)(a) and (c). Similar non-compliance was also reported in the prior year.

37. The preference point system was not applied in some of the procurement of goods and services above R30 000 as required by section 2(1)(a) of the Preferential Procurement Policy Framework Act. Similar non-compliance was also reported in the prior year.



Internal control deficiencies

38. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for disclaimer of opinion, the findings on the performance report and the findings on compliance with legislation included in this report.

- The entity did not establish monitoring controls to ensure the proper implementation of the overall process of planning, budgeting, implementation and reporting. Systems and processes have not been established to ensure regular and accurate financial and performance reports are produced together with the monitoring of compliance with laws and regulations during the year.
- The inadequate staffing of the entity has created an environment where most of the responsibilities of the entity have been entrusted to one person which has contributed to the misstatements identified in financial statements and annual performance report. This was mainly due to staff not fully understanding the requirements of the financial reporting framework and performance management framework which renders the entity heavily reliant on consultants.

Auditor-General

Rustenburg

08 March 2021



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence



5.2. SUMMARY OF DETAILED FINDINGS AND STATUS OF IMPLEMENTATION OF PREVIOUS YEAR'S RECOMMENDATIONS

FINDING	ROOT CAUSE	CORRECTIVE ACTION	REVISED DUE DATE	PROGRESS	RESPONSIBLE PERSON	TIMELINE
Material uncertainty relating to going concern	Non-disclosure of the council disclosure on implementation of section 109 and also instance where the agency's liabilities exceeds its assets.	Engagement between the agency and the shareholder on the funding model. Clearing of the liabilities especially SARS tax exemption. Appointment of a specialist who can help the agency clear the VAT liability.	<ul style="list-style-type: none"> 30 May 2020 the agency should have appointed a service provider who can assist clear the VAT liability. When the new board gets appointed, the board should engage the shareholder on the funding model. 	There has been SCM delays until lockdown. We however enquired with National Treasury on how best to go about procurement processes with all the lockdown challenges. We generally got delayed in appointment of service provider.	Board Chairperson and CEO	31 August 2020
Property, plant and equipment.	Poor records management, poor planning and general lack of human capacity.	The appointment of a service provider who can help the agency clean the asset register, do valuation and recommend on assets that needs to be taken off the register.	<ul style="list-style-type: none"> 30 May 2020 the service provider should have been appointed. By 30 April 2020 the service provider should have been done with cleaning the asset register in line with the AG recommendations. 	There has been SCM delays until lockdown. We however enquired with National Treasury on how best to go about procurement processes with all the lockdown challenges. We generally got delayed in	CEO	31 August 2020

				appointment of service provider until appointment was done in July 2020.		
Irregular expenditure. Non Compliance with the SCM Policy.	Lack of human capacity to implement the policy. Poor records management. Lack of internal control.	To identify all the irregular expenditure identified by the AG and the internal process and disclose them accordingly on our UIF&W register and present to Board and MPAC. To have a service provider helping with AFS preparation appointed on time.	<ul style="list-style-type: none"> The agency's UIF&W register be finalized by 30 January 2020. 	<p>The agency has no internal capacity to investigate the UIF&W.</p> <p>The UIF&W register to be written off when the agency is disestablished.</p>	CEO and Finance Officer	31 August 2020
Payables from exchange transactions	Lack of human capacity Inadequate systems Poor records management Lack of effective oversight controls in place	The agency should just appoint an accounting service provider at least 4 months before the end of the financial year to assist in correction prior year errors, engage with AG, preparation and compilation of annual financial statements.	<ul style="list-style-type: none"> By the 28 February 2020 the agency should have appointed an accounting service provider. 	<p>There has been SCM delays until lockdown. We however enquired with National Treasury on how best to go about procurement processes with all the lockdown challenges.</p> <p>We generally got delayed in appointment of service provider.</p>	CEO	31 August 2020

Employee related costs	<p>Lack of human capacity Inadequate systems Poor records management</p> <p>Lack of effective oversight controls.</p>	<p>Appoint an accounting service provider who will be able to do the calculations for employee related costs including previous over payment and repayment done on all employees.</p>	<ul style="list-style-type: none"> By the 28 February 2020 the agency should have appointed an accounting service provider to clear all the prior year employee related cost error. 	<p>There has been SCM delays until lockdown. We however enquired with National Treasury on how best to go about procurement processes with all the lockdown challenges. We generally got delayed in appointment of service provider until appointment was done in July 2020.</p>	CEO and Finance Officer	31 August 2020
VAT payable	<p>Lack of human capacity Inadequate systems</p> <p>Lack of effective oversight controls.</p>	<p>Appoint an accounting service provider who will be able to do the VAT calculations on time working with SARS.</p>	<ul style="list-style-type: none"> By the 28 February 2020 the agency should have appointed an accounting service provider to clear all the VAT errors. 	<p>There has been SCM delays until lockdown. We however enquired with National Treasury on how best to go about procurement processes with all the lockdown challenges. We generally got delayed in appointment of service provider</p>	CEO and Finance Officer	31 August 2020

				until appointment was done in July 2020.		
Irregular expenditure	Lack of human capacity Inadequate systems Lack of effective oversight controls.	The agency to review its SCM policies. SCM compliance checklist to be reviewed by administration. The CEO to verify compliance on all the expenditure to be approved.	<ul style="list-style-type: none"> SCM checklist is reviewed by 30 January 2020 For any payment to be made, a request for payment with full voucher and checklist has to be approved by the CEO. 	<p>The SCM checklist is being reviewed.</p> <p>The payment request with full vouchers is made. However due to the size of the agency, SCM is always non-compliant.</p>	CEO and Finance Officer	31 August 2020
Contingencies	Lack of human capacity Inadequate systems Lack of effective oversight controls.	Appoint an accounting service provider who will be able to assist the agency in identifying all the contingencies that the agency has to disclose.	By the 28 February 2020 the agency should have appointed an accounting service provider to identify all the contingent liabilities for the agency.	There has been SCM delays until lockdown. We however enquired with National Treasury on how best to go about procurement processes with all the lockdown challenges. We generally got delayed in appointment of service provider until appointment was done in July 2020.	CEO and Finance Officer	31 August 2020

Cash flow statement	<p>Lack of human capacity Inadequate systems</p> <p>Lack of effective oversight controls.</p>	Appoint an accounting service provider who will be able to assist the agency to correctly calculate the cash flow statement.	<ul style="list-style-type: none"> By the 28 February 2020 the agency should have appointed an accounting service provider to correct the cash flow statement. 	There has been SCM delays until lockdown. We however enquired with National Treasury on how best to go about procurement processes with all the lockdown challenges. We generally got delayed in appointment of service provider until appointment was done in July 2020.	CEO	31 August 2020
Payables from exchange transactions	<p>Lack of human capacity Inadequate systems</p> <p>Lack of effective oversight controls</p>	Appoint an accounting service provider who will be able to assist the agency to correctly calculate the cash flow statement.	<ul style="list-style-type: none"> By the 28 February 2020 the agency should have appointed an accounting service provider to correct the cash flow statement. 	There has been SCM delays until lockdown. We however enquired with National Treasury on how best to go about procurement processes with all the lockdown challenges. We generally got delayed in appointment of service provider	CEO and Finance Officer	31 August 2020

				until appointment was done in July 2020.		
Expenditure Management	Lack of human capacity Inadequate systems Lack of effective oversight controls	Put system in place to ensure that all payments are made within 30 days to avoid interest being charged on the agency.	<ul style="list-style-type: none"> Expenditure or payments register be finalized by 28 February 2020. 	Payables register developed.	CEO and Finance Officer	Ongoing
Declaration of interest not submitted by the two service providers. Non Compliance with SCM Policy.	Lack of human capacity Inadequate systems Lack of effective oversight controls	SCM policy to be followed. Consequence management to be implemented where there is negligence of SCM policy. Full vouchers to be submitted before payment is made are approved.	<ul style="list-style-type: none"> SCM Policy is been reviewed. Checklist is been developed and vouchers approved before payment is made to ensure full compliance. MBD4 is being signed, CSD verification also in place 	SCM policy reviewed and adopted by the board.	CEO	30 June 2020
Measurability of indicators not well defined	Lack of target setting understanding Lack of human capacity Inadequate systems Lack of effective oversight controls	Work with Performance Manager and her unit to ensure that our indicators and target are SMART compliant. Ensure that all reports get checked by the PMS manager for quality assurance.	<ul style="list-style-type: none"> We trying to work our targets so that they are smart by 31 January 2020. 	Together with the PMS manager we reviewed our targets. PMS manager continuously assist the agency with the reports.	CEO	30 June 2020

Lack of segregation of duties	<p>Lack of human capacity Inadequate systems</p> <p>Lack of effective oversight controls</p>	Segregation of duties procedure to be developed and responsibilities shared among the agency employees.	<ul style="list-style-type: none"> • Segregation of duties procedure developed. • CEO ensures that not a single person does everything during procurement. 	CEO developed segregation of duties procedure, the challenge is still the limited staff which makes it difficult to have a complete segregation of duties. Due to sketchy staff compliment of the agency, segregation of duties is limited.	CEO	30 June 2020
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5.3 2019/20 AUDIT COMMITTEE REPORT

Dr KK District Economic Development Agency – AUDIT COMMITTEE ANNUAL REPORT FOR THE 2019/2020 FINANCIAL YEAR

1. LEGISLATIVE REQUIREMENTS

The Audit Committee is pleased to present its annual report for the year ended 30 June 2020. The purpose of this report is to communicate the Audit Committee's progress to date in carrying out its oversight and advisory responsibilities in terms of Section 166 of the Local Government Municipal Finance Management Act, Act 56 of 2003 read with Regulation 14 of the Planning and Performance Management regulations, 2001.

The District Municipality appointed an Audit Committee comprising of five members for the Development Agency as a shared service and such a committee continued to be functional for the year under review.

The Committee considered fraud, risk management and internal controls as an objective of internal control activities with fraud perceived to be a potential internal control failure. The Audit Committee fulfilled its mandate and provided advisory services to the Board, the Accounting Officer and Management on matters relating to the Internal Audit function, effectiveness of the systems of Internal Controls, ICT Governance, Risk Management processes and Performance Management Systems.

The functioning of the Audit Committee is governed by the Audit Committee's Charter approved by the Municipal Council at the beginning of the Financial year.

2. AUDIT COMMITTEE MEMBERS AND ATTENDANCE

During the year under review the Committee held meetings and the attendance by each member is as follows:

Name of Member	Designation	Number of Meetings Attended.
A M Langa	Chairperson	6
Ms S Makhathini	Member	4
Ms M Ramataboe	Member	6
Adv. I Motala	Member	2
B Mathibela	Member	5

A total of six (6) meetings were held and the meetings duly formed a quorum with the majority of members in attendance. The Audit Committee was able to meet as required by legislation and further none of its scheduled meetings was rescheduled due to

unavailability of members. The commitment of the Audit Committee members is highly appreciated. The Audit Committee through its Chairperson managed to submit on a quarterly basis its reports to the Board. All its reports were adopted by the Board and the implementation of the resolutions is monitored regularly through a resolution tracker.

The Audit Committee has as its standing items in its meetings a progress report on the implementation of the Post Audit Action Plan for addressing the 2018/2019 financial year audit findings. The Committee noted that although management put effort to implement the action plan not all agreed actions were undertaken due to a number of reasons. The Committee noted with appreciation the efforts made by Management to update the Unauthorised, Irregular, Fruitless and Wasteful expenditure register, and further that the Council has referred some of the matters contained therein to the Municipal Financial Misconduct Disciplinary Board for processing.

3. EVALUATION OF FINANCIAL AND PERFORMANCE REPORTS

Statutory quarterly reporting requirements per MFMA provisions to oversight committees, Council, Board and treasury were performed by management. Quarterly reviews and Audit Committee reports, presentations to the Board were conducted with recommendations on remedial actions to be taken on reported internal control deficiencies identified through internal and external audit findings.

The Audit Committee continually identified and advised Management and the Board on financial management and performance reports, non-compliance issues with SCM policies, budget performance trends, progress reports on risk management and fraud, ICT Governance reports and MSCOA implementation.

The Municipality successfully implemented MSCOA and is currently transacting on the new system although a few modules are yet to be implemented. The Committee noted with concern that the Development Agency, an entity of the District Municipality, was not fully processing financial transactions on the MSCOA system due to a number of reasons including but not limited to lack of capacity and resources.

4. RISK MANAGEMENT

Effective Risk management forms an integral part of the institution's objectives of implementing and maintaining effective risk management system which involves the identification, assessment and monitoring of risks that threaten the achievement of the Agency's objectives including any emerging risks. The Agency's strategic risk register was updated based on risk assessments performed by Management with the assistance of the Internal Audit.

Due to the size of the Agency and the lack of capacity the Agency did not have Risk Management Committee hence the risk management function was non-existent.

5. EFFECTIVENESS OF INTERNAL CONTROLS

The Committee provided oversight on the financial reporting processes and existing internal control systems within the Agency and concluded that the Agency does not maintain a satisfactory system of internal controls designed to provide reasonable assurance that transactions are processed and concluded with management's authority; assets are safeguarded against unauthorised use or disposal with proper recording and authorisation of transactions.

During the year under review, reviews were conducted by oversight bodies identified instances where the effectiveness of internal controls were compromised were identified and discussed with Management. Amongst these were recurring and new audit findings on internal control deficiencies. The Audit Committee takes cognisance of the fact that there are inherent limitations in the effectiveness of any system of internal controls attributed to human errors and circumvention of internal controls.

The lack of capacity by the Development Agency resulted in remedial actions not being taken to address control deficiencies identified in the quarterly reports of internal audit and external audit findings. The Committee continued to engage Management on such and shared its frustrations with the Board.

6. REVIEW OF THE FINANCE FUNCTION

The Agency has only appointed a Finance Officer who had been suspended for a larger part of the Financial Year under review. This meant that the Accounting Officer had to perform some of the finance activities. The Committee continued to raise concerns in this regard as the Agency's finance function does not exist or does not have the necessary skills and expertise to perform/undertake its responsibilities.

The Development Agency regularly has to depend on the use of consultants to assist in performing some of the finance responsibilities.

7. INTERNAL AUDIT UNIT

The District Municipality has an internal audit unit headed by the Manager Internal Audit who performed to a certain extent functions of a Chief Audit Executive and reports functionality to the Audit Committee and administratively directly to the Accounting Officer. The unit operates based on a risk based internal audit plan approved by the Audit Committee. The Committee further approved the internal audit charter for the year under review. Further the Committee approved the three - year rolling internal audit plan for the District Municipality.

The projects undertaken by the internal audit unit for the year under review can be summarised as follows:

- Investigation of Abandoned/Failed Projects;
- Financial Management Audit;
- Q1 & Q2 PMS Audit;

- Governance Audit and AGSA Follow-up Audit; and
- Risk Management

The Committee noted the need for continued development of the internal audit staff and further to employ more staff to execute all the projects for the municipality effectively. The Committee developed a tracking tool for the implementation of internal audit recommendations by management and noted the slow implementation of such recommendations.

The Committee evaluated independence of the unit, effectiveness and performance of the internal audit function, considered internal audit reports on the municipality's systems of internal control including financial controls, business risk management and maintenance of effective internal control systems and assessed the adequacy of the performance of internal audit function and find them satisfactory and improving.

8. REVIEW OF ANNUAL FINANCIAL STATEMENTS AND ANNUAL PERFORMANCE REPORT

The Committee reviewed the 2019/2020 annual financial statements and the annual performance report as required by the MFMA. The Committee identified challenges which included but not limited to arithmetical errors and omissions which were pointed out to management for rectification. Due to time constraints the corrected reports could not be considered by the committee. The Committee noted that despite challenges posed by the COVID-19 pandemic the District Municipality was able to compile the Annual Financial Statements internally, however, the Committee urged Management to ensure that in future the statements are to be submitted timeously to both Internal Audit and the Committee for proper review as required by the MFMA. The reviews confirmed that no new accounting policies were introduced and further that the annual financial statements were prepared on the going concern basis.

9. EXTERNAL AUDIT

The Audit Committee considered the audit strategy by the Office of the Auditor General and made comments and further noted that for the year under review the amended public audit act would not be implemented. The Committee accepts and concur with the external auditor's conclusions on the annual financial statements and the annual performance report for the 2019/2020 financial year.

Except for the matters identified by the external auditors in the auditor's report, the Audit Committee has satisfied itself that the annual financial statements have been prepared in terms of GRAP and the MFMA.

Report Compiled on behalf of the Audit Committee by:

Mr A M Langa

Audit Committee Chairperson

19/04/2021

5.4 2019/20 INTERNAL AUDIT REPORT

INTRODUCTION

This report highlights the outcomes of Internal Audit activities in the year (FY) 2019-2020 (July 2019 – June 2020) which demonstrate our efforts to assist management to identify and address significant risks and drive efficiencies while providing ongoing assurance to Dr Kenneth Kaunda District Municipality, its entity and Maquassi Hills Local Municipality.

FY 2019 -20 Statistical Highlights

Delivery of Dr Kenneth Kaunda District Municipality's 2019/2020 Annual Internal Audit Plan:

- Planned projects including Ad-hoc assignments were ten (10);
- Achieved projects (07)
- Formal Ad-hoc assignments achieved (01) – Maarifa Waste Recycling Project ;
- The following 4 projects were moved to 2020/21 financial year due to Covid-19 restrictions;
 - HR Audit to overlap to 2020/2021 financial year.
 - EPWP Audit
 - Follow-up on Internal Audit findings
 - 4th quarter PMS Audit will be replaced by APR in the 2020/2021 Internal Audit Plan.
 - Records Management Audit
 - Review the revised 2019/2020 SDBIP

Delivery of Maquassi Hills Local Municipality's 2019/2020 Annual Internal Audit Plan:

- Planned projects were eight (08);
- Total achieved including Ad-hoc assignment and consulting services were (03);
- Project not reported at yet reported at year end (01)
- The following 5 projects were moved to 2020/21 financial year due to Covid-19 restrictions;
 - Follow-up on implementation of IA recommendations contained in the Risk Management Audit Report;
 - DORA compliance audit;
 - Follow-up audit on SCM and Revenue management audit;
 - Follow-up on AGSA findings;
 - Review of the APR and follow-up on falls in 2020/2021 Internal Audit Plan, and therefore, it will be removed from the 2019/2020 Internal Audit Plan and be included in the 2020/2021 Internal Audit Plan

The non-completion of the Internal Audit Plan at Maquassi Hills Local Municipality was mainly due to organisational instability at Maquassi Hills Local Municipality (safety of officials was a major priority in this regard); inadequate staff complement for the shared service and slow response to Internal Audit requests.

Delivery of Dr Kenneth Kaunda District Economic Development's 2019/2020 Annual Internal Audit Plan:

- Planned projects were eight (08);
- Total achieved including Ad-hoc assignment and consulting services were four (04);
- The following 4 projects were moved to 2020/21 financial year due to Covid-19 restrictions;
 - Records Management Audit;
 - Investigation of abandoned projects;
 - Governance Audit;
 - Follow-up on AGSA audit findings.

Limitations on the Internal Audit Activity

- **Organisational Instability at Maquassi Hills Local Municipality**

The organisational instability at Maquassi Hills Local Municipality made it difficult for Internal Audit to carry out audits at the Municipality resulting to Internal Audit finalising only one audit.

- **Management Cooperation**

Internal Audit Activity finds it difficult to audit in the first six months of the financial year because that is the time where management is focusing on external audit, deferring the Internal Audit requests and this had a significant impact on the Internal Audit Plans of Maquassi Hills Local Municipality and Dr Kenneth Kaunda District Municipality. It is only at the District Agency where Internal Audit received a full cooperation from management.

- **Resource Limitation:**

The Internal Audit Activity operated for the year without a Chief Audit Executive. The Manager Internal Audit managed the activity without the duties of the CAE being conferred to her which limited the Manager to carry out some duties.

The organisational structure of the Internal Audit Activity was not adequate to ensure proper quality assurance in all audit projects e.g. The Activity operated with three Senior Internal Auditors and one auditor.

- **Limitation at projects level:**

Internal Audit could not audit the IT department of Dr Kenneth Kaunda District Municipality due to lack of cooperation and lack of documentation.

THE PURPOSE OF THE INTERNAL AUDIT ACTIVITY

The purpose of Dr Kenneth Kaunda District Municipality's Internal Audit Activity was to provide independent, objective assurance and consulting services designed to add value and improve Dr Kenneth Kaunda District Municipality, District Economic Agency and Maquassi Hills Local Municipality's operations. The mission of internal audit was to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.

Internal Audit Shared Service (IASS) was set up under sections 165(1) of the Municipal Finance Management Act (MFMA) N0. 56 of 2003 and mandated by Council Resolution under Item A.111/07/2007, and A.190/11/2009 as a shared function for the Dr Kenneth Kaunda District Municipality (DRKKDM), which include DRKKDM, Maquassi Hills Local Municipalities, and Dr Kenneth Kaunda District Economic Agency.

AUTHORITY OF THE INTERNAL AUDIT ACTIVITY

The standard for the Professional Practice of Internal Auditing requires the Chief Audit Executive to report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan and on its conformance with the Code of Ethics and the standard. The reporting must also include significant risk and control issues, including fraud risks, governance issues, and other matters that require the attention of Senior Management and/or the board.

MFMA Section 62 requires amongst others, that the accounting officer of a municipality must take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of internal audit operating in accordance with any prescribed norms and standards.

MFMA section 165 requires (1) Each municipality and each municipal entity to have an internal audit unit, subject to subsection (3).

(2) The internal audit unit of a municipality or municipal entity must—

(a) prepare a risk-based audit plan and an internal audit program for each financial year;

(b) advise the accounting officer and report to the audit committee on the implementation of the internal audit plan and matters relating to—

(i) internal audit; (ii) internal controls; (iii) accounting procedures and practices; (iv) risk and risk management; (v) performance management; (vi) loss control; and (vii) compliance with this Act, the annual Division of Revenue Act and any other applicable legislation.

THE INTERNAL AUDIT CHARTER

The Shared Audit Committee approved three (3) Internal Audit Charters for the 2019/2020 financial year (Maquassi Hills Local Municipality, Dr Kenneth Kaunda District Municipality and the District Economic Agency).

INDEPENDENCE OF THE INTERNAL AUDIT ACTIVITY

The Internal Audit Activity was reporting functionally to the Audit Committee and administratively to the Accounting Officer.

THE ANNUAL INTERNAL AUDIT PLANS AND THE PROGRESS AGAINST THE PLANS

The three (3) Annual Internal Audit Plans (Dr Kenneth Kaunda District Municipality, Maquassi Hills Local Municipality and the District Agency) were approved by the Shared Audit Committee and progress made was constantly reported to the Audit Committee on a quarterly basis.

CONFORMANCE WITH THE CODE OF ETHICS AND THE STANDARDS

All members of the Internal Audit Activity had signed code of ethics established by the Institute of Internal Auditors and declare their financial interest to the municipality.

The Internal Audit Activity had not carried out projects for which they do not have the expertise.

Internal Audit requested assistance from Dr Ruth Segomotsi Mompati District Municipality to conduct a peer review on the Internal Audit Activity so that Internal Audit can prepare for quality assurance by the external party but we have not received a response but this does not stop Internal Audit from continuing with the external quality assurance review.

The purpose of the external quality assurance review is to assist Internal Audit to identify areas that needs improvement.

RESULTS OF AUDIT ACTIVITIES MAQUASSI HILLS LOCAL MUNICIPALITY

Governance Audit

Even though engagement meeting was held with management to discuss the objective, scope and timeline of the audit, Internal Audit could not achieve its objective of auditing Governance at Maquassi Hills Local Municipality due to organisational instability at that time.

Financial Management Audit

Financial Management Audit was conducted for the purpose of reviewing the adequacy and effectiveness of internal controls and to identify potential risks to the municipality. Corrective actions were not provided and therefore, the final report on this area was issued without corrective action from management. The findings and recommendations are contained in the Final Report.

Consulting Service – Post Audit Action Plan

Internal Audit assisted management with the development of the Post Audit Action Plan from the external audit results of the 2017/2018 financial year after Provincial Treasury had identified that management did not develop the audit action plan and it was already towards the end of the 2019/2020 financial year and this had resulted to that audit action plan not being implemented.

The instability at senior management level also resulted to no one driving the Post Audit Action Plan from senior management level. There was no accountability in this regard.

Recommendation from Internal Audit is that management should continue implementing the 2019/2020 financial year Post Audit Action Plan. This could assist the municipality in improving the audit opinion.

DR KENNETH KAUNDA DISTRICT ECONOMIC AGENCY

Governance Audit

Governance Audit at the District Economic Agency was successfully conducted, and the Final Report was issued to management with correction action received from management.

The main area of concern was lack of policies and the low maturity of risk management and this is mainly due to lack of resources or capacities.

Budget: Ad-hoc Assignment

The ad-hoc assignment was requested by the Audit Committee. The purpose was to establish compliance with applicable laws and regulations. The results of the ad-hoc assignment were communicated to the Audit Committee and management. Major non-compliance with MFMA was identified but this was addressed in the 2019/2020 financial year. The non-compliance was a result of lack of capacity in the Finance section of the District Agency.

Performance Management Audit

Performance management audit was undertaken at the District Agency and the alignment of the strategic documents was a major concern and we recommend that the documents should be taken to Internal Audit for high level review before approval.

Risk Assessment - Consulting

Internal Audit assisted the District Development Agency with the development of risk register. The major concern from Internal Audit is that risk register is only done for compliance's sake. Risk management is not at a desirable level and this is due to maturity level of risk management and capacity constraint within the District Development Agency.

We recommend for the District Municipality to support the District Agency with Risk Management once the Chief Risk Officer is appointed.

Financial Management Audit

The audit was successfully conducted without limitations. Final report inclusive of corrective actions from the CEO was issued. The major finding in this risk area was however in relation to the Financial System that was not fully utilized. The cause could be attributed to the lack of capacity and resources to support the process.

Recommendation:

To address the risks at the District Economic Agency, it will require a broader and significant change in the funding structure of the Agency, until then, the District Agency will forever experience issues on non-compliance and not achieving its objectives.

DR KENNETH KAUNDA DISTRICT MUNICIPALITY

Information Technology Audit

The purpose of this audit was to review the adequacy of general controls but due to scope limitation, Internal Audit had to issue a report on limitation. Many instances of required documentation were not submitted.

Review of the 2019/2020 Annual Performance Report

Extensive review was done on the Annual Performance Report. Recommendations on the identified deficiencies were implemented. Even though due professional care was applied, it does not mean that all significant deficiencies will be identified due to inherent limitations.

Assets – Adhoc Assignment

The Adhoc was done as result of request from the Accounting Officer. It was discovered that most of the assets at that time that management recommended for write offs were found to be existing but during the process, the Asset Officer discovered that some assets that were not initially recommended for write off were missing.

This was mainly because management of movable assets was not adequate in the previous years and the municipality was utilizing the service of a consultant in verifying the assets. For the 2019/2020 financial year, the municipality was using its staff to carry out the verification of assets.

DED &T and Special Projects Audit

The purpose of the audit was to evaluate the adequacy of internal controls and the effectiveness thereof. Major Internal Control deficiencies were identified in this area of which the details are contained in the Final Report.

The deficiencies needed immediate attention of management and Internal Audit is of the view that the Accounting Officer and Council needs to recognize the significance of the matters in the report and considerable risk the municipality is exposing itself to.

A follow-up will be conducted in the 2019/2020 financial year to establish whether management is adequately addressing the identified deficiencies.

2019/2020 1st Quarter Performance Management Audit

The audit was conducted with instances of scope limitations identified. POE's were not always submitted or were not submitted timely having negative effect on the timeline of the audit but this is mainly due to other members of management not having a regard for the Internal Audit process.

It must be noted that the detailed audit findings and recommendations of the above-mentioned audits are contained in the Final Reports of the above audits.

INTERNAL AUDIT STAFF COMPLIMENTS

The three (3) Internal Audit Plans were delivered by Staff compliments of eight members (Manager Internal Audit, three (3) Senior Internal Auditors, one (1) Internal Auditor, two (2) interns and one (1) contracted on a three months renewable contract.

100% completion of the Internal Audit Plans was not attainable considering the staff compliments of the Internal Audit Shared Service.

CONTINUING PROFESSIONAL DEVELOPMENT

Members of the Internal Audit Activity continuously enhance their knowledge, skills and other competencies through continuing professional development.

On behalf of the Internal Audit Team

Manager Internal Audit

R.M. Seremo (IAT: SA; PIA: SA)



Dr. Kenneth Kaunda District Municipality Economic Agency SOC Limited
Annual Financial Statements
for the year ended 30 June 2020
Auditor General of South Africa

Dr. Kenneth Kaunda District Municipality Economic Agency SOC Limited

(Registration number 2007/000978/07)

Annual Financial Statements for the year ended 30 June 2020

General Information

Nature of business and principal activities	Promote and aid in local economic development
Board Members	BS Motswiane (Chief Executive Officer) Prof T Thekiso (Chairperson) TG Molefe P Spies M Feliti PN Bhoola
Business address	2 Chris Hani Road Irene Park Klerksdorp 2570
Postal address	PO Box 568 Klerksdorp 2570
Controlling entity	Dr Kenneth Kaunda District Municipality incorporated in South Africa
Bankers	Standard Bank
Auditors	Auditor General of South Africa
Level of assurance	These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.
Preparer	The annual financial statements were independently compiled by: CorpMD Chartered Accountants
Published	31 October 2020

Dr. Kenneth Kaunda District Municipality Economic Agency SOC Limited

(Registration number 2007/000978/07)

Annual Financial Statements for the year ended 30 June 2020

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

	Page
Directors' Responsibilities and Approval	3
Director's Report	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Statement of Comparison of Budget and Actual Amounts	9
Accounting Policies	10 - 20
Notes to the Annual Financial Statements	21 - 28

COD	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Dr. Kenneth Kaunda District Municipality Economic Agency SOC Limited

(Registration number 2007/000978/07)

Annual Financial Statements for the year ended 30 June 2020

Directors' Responsibilities and Approval

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

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

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

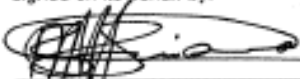
The Board of Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors sets standards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

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

The entity is wholly dependent on the Dr Kenneth Kaunda District Municipality for continued funding of operations. The Council of Dr Kenneth Kaunda District Municipality resolved in terms of Council Resolution no. A.26/07/2020 to implement section 109 of the Companies Act process to de-establish the entity. Although the resolution was passed subsequent year-end, it has material and/or fundamental adjusting effect on the ability of the entity to continue operations. In light of the resolution, the presentation of annual financial statements has, therefore, changed from going concern to liquidation basis.

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

The annual financial statements set out on page 4 to 30 were approved by the directors on 31 October 2020 and were signed on its behalf by:



BS Motswane (Chief Executive Officer)



Prof T Thekiso (Chairperson)

Dr. Kenneth Kaunda District Municipality Economic Agency SOC Limited

(Registration number 2007/000978/07)

Annual Financial Statements for the year ended 30 June 2020

Director's Report

The accounting officers submit their report for the year ended 30 June 2020.

1. Review of activities

Main business and operations

Net deficit of the entity was 1 022 290 (2019: deficit (1 419 571).

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to liquidation basis. This is in line with the decision of the District Municipality's resolution to de-establish the entity and has subsequently appointed a committee to wind-up the operations of the entity. The resolution was taken on 16 July 2020 as per resolution A26/07/2020. This will affect the ability of the entity to continue operations. The financial statements are therefore prepared on a liquidation basis.

3. Subsequent events

The resolution of the District Municipality to de-establish the entity has a material effect on the continuity of operations of the entity. As a consequence of the resolution, the entity has adjusted its basis of presentation from going concern to liquidation basis.

4. Accounting policies

The accounting policies are consistent with the previous period.

5. Share capital / contributed capital

There were no changes in the authorised or issued share capital of the entity during the year under review.

The shareholder is Dr Kenneth Kaunda District Municipality, and it is the registered proprietor of 120 ordinary shares.

6. Directors

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

Name	Nationality
BS Motswiane (Chief Executive Officer)	South African
Prof T Thekiso (Chairperson)	South African
TG Molefe	South African
P Spies	South African
PN Bhoola	South African
M Feliti	South African

7. Auditors

Auditor General of South Africa will continue in office for the next financial period.

Dr. Kenneth Kaunda District Municipality Economic Agency SOC Limited

(Registration number 2007/000978/07)

Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Position as at 30 June 2020

Figures in Rand	Note(s)	2020	2019
Assets			
Current Assets			
Cash and cash equivalents	3	1 886 830	2 530 405
Non Current Assets Held for Sale	18	348 583	323 849
Receivables from exchange transactions	4	545 330	554 640
		2 780 743	3 408 894
Non-Current Assets		-	-
Current Assets		2 780 743	3 408 894
Total Assets		2 780 743	3 408 894
Liabilities			
Current Liabilities			
Payables from exchange transactions		695 548	692 336
VAT payables	19	3 041 888	2 715 444
		3 737 434	3 407 780
Non-Current Liabilities		-	-
Current Liabilities		3 737 434	3 407 780
Total Liabilities		3 737 434	3 407 780
Assets		2 780 743	3 408 894
Liabilities		(3 737 434)	(3 407 780)
Net Assets		(956 691)	1 114
Share capital / contributed capital	5	120	120
Accumulated surplus		(956 811)	994
Total Net Assets		(956 691)	1 114

The accounting policies on pages 10 to 20 and the notes on pages 21 to 28 form an integral part of the annual financial statements.

Dr. Kenneth Kaunda District Municipality Economic Agency SOC Limited

(Registration number 2007/000978/07)

Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019
Revenue			
Revenue from exchange transactions			
Income received from sale of tender documents		10 000	20 200
Other income		39 397	-
Interest received - investment		162 633	78 881
Total revenue from exchange transactions		212 030	99 081
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	7	2 608 696	2 608 696
		212 030	99 081
		2 608 696	2 608 696
Total revenue	8	2 820 726	2 707 777
Expenditure			
Depreciation and amortisation	9	(67 327)	(80 299)
Employee related costs	10	(2 076 700)	(1 987 416)
Auditors remunerations	22	(456 713)	(652 299)
Operational fees	11	(777 223)	(717 275)
Service fees		(275 437)	(329 923)
Board allowances	21	(189 616)	(360 136)
Total expenditure		(3 843 016)	(4 127 348)
		-	-
Total revenue		2 820 726	2 707 777
Total expenditure		(3 843 016)	(4 127 348)
Operating deficit		(1 022 290)	(1 419 571)
Operating surplus/deficit		-	-
Deficit before taxation		(1 022 290)	(1 419 571)
Taxation		-	-
Deficit for the year		(1 022 290)	(1 419 571)

The accounting policies on pages 10 to 20 and the notes on pages 21 to 28 form an integral part of the annual financial statements.

Dr. Kenneth Kaunda District Municipality Economic Agency SOC Limited

(Registration number 2007/000978/07)

Annual Financial Statements for the year ended 30 June 2020

Statement of Changes in Net Assets

Figures in Rand	Share capital / contributed capital	Accumulated surplus	Total net assets
Opening balance as previously reported	120	1 392 988	1 393 108
Adjustments			
Correction of errors	-	27 577	27 577
Balance at 01 July 2018 as restated*	120	1 420 565	1 420 685
Changes in net assets			
Deficit for the year	-	(1 419 571)	(1 419 571)
Total changes	-	(1 419 571)	(1 419 571)
Opening balance as previously reported	120	888 675	888 795
Adjustments			
Correction of errors	-	(823 196)	(823 196)
Balance at 01 July 2019 as restated*	120	65 479	65 599
Changes in net assets			
Deficit for the year	-	(1 022 290)	(1 022 290)
Total changes	-	(1 022 290)	(1 022 290)
Balance at 30 June 2020	120	(956 811)	(956 691)

Note(s)

5

The accounting policies on pages 10 to 20 and the notes on pages 21 to 28 form an integral part of the annual financial statements.

Dr. Kenneth Kaunda District Municipality Economic Agency SOC Limited

(Registration number 2007/000978/07)

Annual Financial Statements for the year ended 30 June 2020

Cash Flow Statement

Figures in Rand	Note(s)	2020	2019
Cash flows from operating activities			
Receipts			
Sale of goods and services		10 000	20 200
Grants		2 608 696	2 608 696
Interest income		-	78 881
Income from investments		162 633	-
Other cash item		39 397	-
		2 820 726	2 707 777
Payments			
Employee costs		(2 067 390)	(2 540 161)
Suppliers		(750 582)	(553 850)
Auditors remuneration		(456 713)	(652 299)
Board Allowance		(189 616)	(360 136)
		(3 464 301)	(4 106 446)
Total receipts		2 820 726	2 707 777
Total payments		(3 464 301)	(4 106 446)
Net cash flows from operating activities	6	(643 575)	(1 398 669)
Net increase/(decrease) in cash and cash equivalents			
		(643 575)	(1 181 987)
Cash and cash equivalents at the beginning of the year		2 530 405	3 712 392
Cash and cash equivalents at the end of the year	3	1 886 830	2 530 405

The accounting policies on pages 10 to 20 and the notes on pages 21 to 28 form an integral part of the annual financial statements.

Dr. Kenneth Kaunda District Municipality Economic Agency SOC Limited

(Registration number 2007/000978/07)

Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Income received - sale of tender documents	-	-	-	10 000	10 000	
Other income	-	-	-	39 397	39 397	
Income received - investments	-	-	-	162 633	162 633	
Total revenue from exchange transactions	-	-	-	212 030	212 030	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	3 000 000	-	3 000 000	2 608 696	(391 304)	24
Total revenue from exchange transactions'	-	-	-	212 030	212 030	
Total revenue from non-exchange transactions'	3 000 000	-	3 000 000	2 608 696	(391 304)	
Total revenue	3 000 000	-	3 000 000	2 820 726	(179 274)	
Expenditure						
Employee related costs	(2 362 000)	-	(2 362 000)	(2 076 700)	285 300	24
Board Allowances	(340 000)	-	(340 000)	(189 616)	150 384	
Depreciation and amortisation	(50 000)	-	(50 000)	(67 327)	(17 327)	24
Audit fees	(400 000)	-	(400 000)	(456 713)	(56 713)	24
Operational fees	(568 000)	-	(568 000)	(1 052 660)	(484 660)	24
Total expenditure	(3 720 000)	-	(3 720 000)	(3 843 016)	(123 016)	
	(720 000)	-	(720 000)	(1 022 290)	(302 290)	
	-	-	-	-	-	
Deficit before taxation	(720 000)	-	(720 000)	(1 022 290)	(302 290)	
Surplus before taxation	(720 000)	-	(720 000)	(1 022 290)	(302 290)	
Taxation	-	-	-	-	-	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(720 000)	-	(720 000)	(1 022 290)	(302 290)	

The accounting policies on pages 10 to 20 and the notes on pages 21 to 28 form an integral part of the annual financial statements.

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

These annual financial statements were not prepared based on the expectation that the municipality will not be able to continue to operate as a going concern for at least the next 12 months. Accordingly assets are measured at their liquidation values (representing the impaired values thereof) and liabilities are measured at their exit values. The going concern difficulties faced by the municipality are further explained in note 14.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors together with economic factors such as inflation interest.

Provisions

Provisions were raised and management determined an estimate based on the information available.

1.3 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

Dr. Kenneth Kaunda District Municipality Economic Agency SOC Limited

(Registration number 2007/000978/07)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.3 Property, plant and equipment (continued)

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

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

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Computer Equipment	Straight line	5 years
Furniture and fixtures	Straight line	5-7 years
Machinery and equipment	Straight line	5 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The municipality assesses at each reporting date whether there is any indication that the municipality's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.4 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Dr. Kenneth Kaunda District Municipality Economic Agency SOC Limited

(Registration number 2007/000978/07)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.4 Financial Instruments (continued)

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of utilised capital;

Dr. Kenneth Kaunda District Municipality Economic Agency SOC Limited

(Registration number 2007/000978/07)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.4 Financial Instruments (continued)

- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Dr. Kenneth Kaunda District Municipality Economic Agency SOC Limited

(Registration number 2007/000978/07)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.4 Financial Instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial Instruments at fair value.
- Financial Instruments at amortised cost.
- Financial Instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

1.6 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Dr. Kenneth Kaunda District Municipality Economic Agency SOC Limited

(Registration number 2007/000978/07)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.6 Impairment of cash-generating assets (continued)

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

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

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

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

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

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

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

Useful life is either:

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

1.8 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Non-cash-generating assets are assets other than cash-generating assets.

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

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

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

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

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

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

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

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

1.7 Share capital / contributed capital

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

Dr. Kenneth Kaunda District Municipality Economic Agency SOC Limited

(Registration number 2007/000978/07)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.7 Share capital / contributed capital (continued)

Ordinary shares are classified as equity.

1.8 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

1.8 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

Dr. Kenneth Kaunda District Municipality Economic Agency SOC Limited

(Registration number 2007/000978/07)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.8 Provisions and contingencies (continued)

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

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

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

Provisions are not recognised for future operating deficits.

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

1.10 Revenue from exchange transactions

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

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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

Measurement

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

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

1.11 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Dr. Kenneth Kaunda District Municipality Economic Agency SOC Limited

(Registration number 2007/000978/07)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.11 Revenue from non-exchange transactions (continued)

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

1.12 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

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

1.13 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Dr. Kenneth Kaunda District Municipality Economic Agency SOC Limited

(Registration number 2007/000978/07)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.13 Fruitless and wasteful expenditure (continued)

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.14 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the MFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1996) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.15 Budget Information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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

The approved budget covers the fiscal period from 2019/07/01 to 2020/06/30.

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

Dr. Kenneth Kaunda District Municipality Economic Agency SOC Limited

(Registration number 2007/000978/07)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.16 Budget information (continued)

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.18 Related parties

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

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

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

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

1.17 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Dr. Kenneth Kaunda District Municipality Economic Agency SOC Limited

(Registration number 2007/000978/07)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
2. New standards and Interpretations		
2.1 Standards and Interpretations Issued, but not yet effective		
The municipality has not applied the following standards and Interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2020 or later periods:		
2.2 Standards and Interpretations not yet effective or relevant		
The following standards and Interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2020 or later periods but are not relevant to its operations:		
3. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	1 886 830	2 530 405
The carrying amount approximates the fair value.		
The municipality had the following bank accounts		
4. Receivables from exchange transactions		
Consumer debtors - Other 1	545 330	554 640
During the prior year 2017/18 an overpayment of salaries was identified. The employees who overpaid themselves have made an arrangement to return the monies overpaid. This amount has been disclosed as staff advances.		
The carrying amount approximates the fair value.		
6. Share capital / contributed capital		
Authorized		
1000 ordinary shares @ R1.00 each	1 000	1 000
Issued		
120 Ordinary share @ R1 each	120	120
8. Cash used in operations		
Deficit	(1 022 290)	(1 419 571)
Adjustments for:		
Depreciation and amortisation	67 327	80 299
Increase/decrease in receivable from exchange transactions	(24 734)	(552 745)
Movements in provisions	3 210	198 052
Changes in working capital:		
Receivables from exchange transactions	9 310	-
Payables from exchange transactions	(2 842)	-
Taxes and transfers payable (non exchange)	326 444	295 296
	(643 676)	(1 388 688)

Dr. Kenneth Kaunda District Municipality Economic Agency SOC Limited

(Registration number 2007/000978/07)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
7. Government grants and subsidies		
Operating grants		
Government grants and subsidies	2 608 696	2 608 696
	2 608 696	2 608 696
	-	-
8. Revenue		
Income received - Sale of tender documents	10 000	20 200
Interest received - Investment	162 633	78 881
Government grants & subsidies	2 608 696	2 608 696
Other income	39 397	-
	2 820 726	2 707 777
The amount included in revenue arising from exchanges of goods or services are as follows:		
Income received - sale of tender documents	10 000	20 200
Other income	39 397	-
Income received - Investment	162 633	78 881
	212 030	99 081
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Transfer revenue		
Government grants & subsidies	2 608 696	2 608 696
9. Depreciation and amortisation		
Property, plant and equipment	67 327	80 299
10. Employee related costs		
Salaries and wages	2 076 700	1 987 416
Remuneration of chief executive officer		
Annual Remuneration	845 900	813 365
Car Allowance	28 338	33 809
Contributions to UIF, Medical and Pension Funds	1 785	1 785
	876 023	848 959
11. Operational fees		
Service fees	275 437	493 923
Operational fees	760 917	553 275
Refreshments	16 306	-
	1 052 660	1 047 198

Dr. Kenneth Kaunda District Municipality Economic Agency SOC Limited

(Registration number 2007/000978/07)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
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12. Related parties

Relationships

Controlling entity	Dr Kenneth Kaunda District Municipality
Shareholder with significant influence	Dr Kenneth Kaunda District Municipality
Shareholder with joint control	Dr Kenneth Kaunda District Municipality
Close family member of key management	None
Joint venture of key management	None
Associate of close family member of key management	None
Post employment benefit plan for employees of entity and/or other related parties	None

Related party transactions

Dr Kenneth Kaunda District Municipality		
Government grants and subsidies	3 000 000	3 450 000

The entity did not pay any rent during the course of this year as the entity's offices are located at the Disaster Management Centre which form part of the parent municipality's property. The rental of similar property would have been approximately R14,213.54 (2019: R13,409) per month.

Remuneration of management

Non-executive directors - Board Members

2020

Name	Board Sitting Fees	Travel	Total
PN Bhoola	32 906	-	32 906
T Tshekiso - Chairperson	101 753	4 781	106 514
M Feliti	23 935	1 702	25 637
P Spies	17 814	6 745	24 559
	176 408	13 208	189 616

Dr. Kenneth Kaunda District Municipality Economic Agency SOC Limited

(Registration number 2007/000978/07)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand 2020 2019

12. Related parties (continued)

2019

Name	Board Sitting Fees	Audit and Risk Committee Sittings	Travel	Total
PN Bhoola	25 200	-	196	25 396
DN Daniel	11 225	-	-	11 225
J Douw	19 743	7 500	-	27 243
NJ Kali	16 538	-	2 132	18 670
TG Molefe (Chairperson)	34 991	-	15 567	50 558
	107 697	7 500	17 895	133 092

13. Risk management

Financial risk management

The entity's activities expose it to a variety of financial risks: market risk, cash flow interest rate risk and price risk), credit risk and liquidity risk, but the exposure is limited and manageable.

Due to largely, "non-trading nature" of activities and the way in which they are financed, agencies are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which GRAP mainly apply. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipal entity in undertaking its activities.

Financial services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis, and by external auditors annually. The agency does not enter into or trade financial instruments for speculative purposes.

Liquidity risk

Liquidity risk is the risk that the agency has difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The agency is managing the liquidity risk to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Municipal entity's reputation.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

Dr. Kenneth Kaunda District Municipality Economic Agency SOC Limited

(Registration number 2007/000978/07)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
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13. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents.

The agency limits its counterparty exposures from its short-term investments (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions short term credit rating of BBB and long term credit rating of AA- and higher at an international accredited credit rating agency. The agency's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions, in accordance with its investment policy. Consequently, the agency is not exposed to any significant credit risk.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The agency's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipal entity has no significant concentration of credit risk, and is not concentrated in any particular sector or geographical area.

The agency establishes an allowance for impairment that represents its estimate of anticipated losses in respect of receivables from exchange and non-exchange transactions.

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

Financial Instrument	2020	2019
Cash and cash equivalents	1 886 830	2 530 406
Staff Overpayments	9 897	104 640
Transfer Grant from Dr Kenneth Kaunda District Municipality	450 000	450 000

14. Going concern

The entity is wholly dependent on the Dr Kenneth Kaunda District Municipality for continued funding of operations. The Council of Dr Kenneth Kaunda District Municipality resolved in terms of Council Resolution no. A.26/07/2020 to implement section 109 of the Companies Act process to de-establish the entity. Although the resolution was passed subsequent year-end, it has material and/or fundamental adjusting effect on the ability of the entity to continue operations. In light of the resolution, the presentation of annual financial statements has, therefore, changed from going concern to liquidation basis.

The decision of the parent entity to de-establish the entity means that the entity is not in a position to continue as a going concern.

15. Fruitless and wasteful expenditure

Opening balance	372 785	320 855
Interest charges - SARS	-	42 814
Interest charges - Auditor General	-	8 919
Interest charges - Telkom	-	197
	372 785	372 785

No criminal or disciplinary steps taken as a consequence of above expenditure.

16. Irregular expenditure

Opening balance	5 450 197	5 308 620
Add: Irregular Expenditure - current year	-	141 577
Less: Amounts condoned	-	-
Less: Amounts recoverable (not condoned)	-	-
Less: Amounts not recoverable (not condoned)	-	-
	5 450 197	5 450 197

Dr. Kenneth Kaunda District Municipality Economic Agency SOC Limited

(Registration number 2007/000978/07)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
16. Irregular expenditure (continued)		
Details of irregular expenditure – current year		-
Details of irregular expenditure - prior year		-
17. Budget differences		
Material differences between budget and actual amounts		
Employee related cost		
The entity over budgeted on this line item		
Board allowance		
Some board members term ended before the end of financial year and as a result we could not spend as planned since some meetings were not held.		
Operational Fee		
This amount includes service fees which was budgeted for separately		
Auditors Remuneration		
The actual costs of the audit process exceeded the budgeted amount due to the extended number of hours spent on the audit by Auditor General South Africa		
<u>Depreciation</u>		
The agency do not budgeted for this function hence the difference.		
<u>Interest received</u>		
The agency did not budget for interest income from investments.		
Changes from the approved budget to the final budget		
The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters. For details on these changes please refer to applicable pages in the annual report.		
18. Non Current Assets Held for Sale		
Current assets	348 583	323 849
All non current assets of the entity were classified as Held for Sale due to the intention of the shareholder to discontinue the operations of the entity. The assets have been disclosed at carrying value.		
19. Taxes and transfers payable (non-exchange)		
VAT Payable	3 041 888	2 715 444

Dr. Kenneth Kaunda District Municipality Economic Agency SOC Limited

(Registration number 2007/000978/07)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
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20. Other revenue

Other income	39 397	-
Interest received - investments	162 633	78 881
	202 030	78 881

21. Board Allowances

Board members	189 616	360 136
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22. Auditors remuneration

Audit fees	456 713	652 299
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23. Contingencies

Dr Kenneth Kaunda District Economic Development Agency has charged its finance officer, Ms TF Chofu with financial misconduct. The employee is currently on suspension while the disciplinary process is ongoing. While uncertainty remains about the outcome of the disciplinary process due to that complexity and nature of the case, the entity is unlikely to incur any liability because the employee in question is suspended with full pay and benefits.

24. Prior period errors

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year. In the current year information was discovered that led to changes in the opening balances. All corrections were done in accordance with Grap 17 and Directive 7.

The following adjustments were required:

Error 1: Carrying amount of assets were identified in the prior year for which no addition date or cost could be found. These assets were brought into the register following using market values to add on there were 2 additional assets that were also removed from the register as their existence could not be proven.

Error 2: Payables were overstated as a result of an incorrect calculation for leave and bonus. This resulted in decrease in payables and increase in income.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Payables from exchange transactions	48 453	27 576
VAT Payable	58 696	107 168
Accumulated surplus	342 842	-
Receivables from exchange transactions	45 000	-
	-	-
	-	-
	-	-
Statement of financial performance		
Depreciation expense	-	(27 576)
Other 1	-	(107 168)

25. Events after the reporting date

The entity was informed of the District Municipality's resolution to de-establish the entity in terms of Council resolution A26/07/2020. A committee to oversee the winding down process has been established by the parent entity, the district.

The resolution by the district municipality impact on the entity's ability to continue as a going concern.

Dr. Kenneth Kaunda District Municipality Economic Agency SOC Limited

(Registration number 2007/000978/07)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
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26. Public Private Partnership

The Dr Kenneth Kaunda Regional Meat Processing Public Private Partnership Project was registered in September 2017 and was allocated the reference number of TAS M149.

No formal agreement was entered into with regards to the Public Private Partnership.