

ANNUAL REPORT



enterprise ilembe
ECONOMIC DEVELOPMENT AGENCY

2020/21





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Part II

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TABLE OF ACRONYMS

ACEO	Acting Chief Executive Officer
ADA	Agri-Business Development Agency
AFS	Annual Financial Statements
AG	Auditor General
APP	Annual Performance Plan
BAC	Bid Adjudication Committee
BEC	Bid Evaluation Committee
BSC	Bid Specification Committee
BBBEE	Broad Based Black Empowerment
BEE	Black Economic Empowerment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COGTA	Cooperative Governance & Traditional Affairs
COO	Chief Operations Officer
COVID-19	Corona Virus Pandemic
DOE	Department of Education
DOA	Department of Agriculture
DTP	Dube Trade Port
EDTEA	Economic Development, Tourism & Environmental Affairs
EI	Enterprise iLembe
GDP	Gross Domestic Product
GRAP	Generally Recognised Accounting Practices
GVA	Gross Value Added
HR	Human Resources
IAS	International Accounting Standards
IBCI	iLembe Business Confidence Index
ICT	Information Communications Technology
King (IV)	Report of Corporate Governance
KPA	Key Performance Area
KPI	Key Performance Indicator
KSIA	King Shaka International Airport
KZN	Province of KwaZulu Natal
IDM	iLembe District Municipality
RASET	Radical Agrarian Socio-Economic Transformation



Part 1

Chapter 1

INTRODUCTION OVERVIEW



1.1 Report Profile

Enterprise iLembe's Annual Report complies with statutory disclosure requirements of the Municipal Finance Management Act (Act 56 of 2003) and the Companies Act 71 of 2008, as well as relevant regulations, practice notes and circulars as would be issued by National and Provincial Treasury from time to time and is aligned to the shareholder's requirements. In addition, this Annual Report seeks to provide a wholistic account of the Entity's performance against set targets as agreed-to with the sole shareholder, the iLembe District Municipality.

Enterprise iLembe is, in terms of the law, expected to prepare Annual Reports every year and publish such to its stakeholders as an indication of accountability. This report covers the twelve (12) month period from 1 July 2020 to 30 June 2021. The performance content of this Annual Report shows Enterprise iLembe's progress with meeting predetermined objectives and performance indicators against the approved budget planning processes and Shareholder Compact and it contains an audited performance scorecard for 2020/2021. The financial content of the Annual Report further contains the audited financial statements for 2021/2021.

The assurance of the annual report for both financial and performance information is provided by various phases and reporting systems which are tested by Internal Audit and reported on to the Independent Audit Committee. In addition, as a municipal entity, Enterprise iLembe is audited by the Auditor-General of South Africa for financial, compliance and performance information. Further information on the scope covered by Internal and External Auditors is provided in the Corporate Governance chapter of this report as well as in the Audit Committee and External Auditor's reports. The Annual Report content is structured to provide sufficient information to all stakeholders, from political authorities, regulatory bodies, investors, partners, employees and civil society, regarding Enterprise iLembe's annual performance and on-going progress towards achieving its core mandate.

Additional information concerning all aspects of the report and its contents can be obtained from Enterprise iLembe offices on:

Sangweni Tourism Center

Cnr. Leonora & Ballito Drive

Ballito

4420

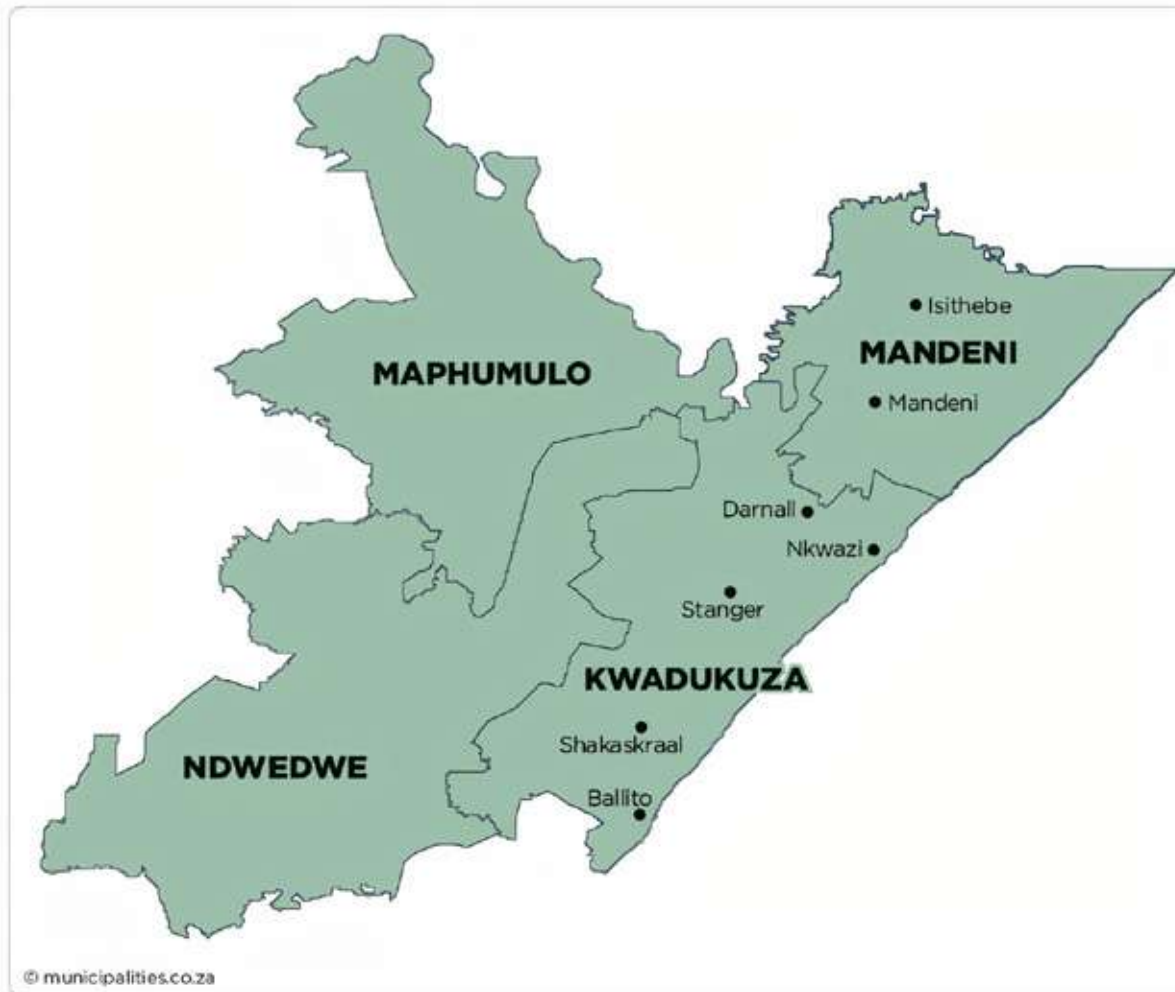
Tel: +27 (0) 32 946-1256

e-mail: receptionei@enterpriseilembe.co.za / info@enterpriseilembe.co.za



1.2 Overview of iLembe District Municipality

The iLembe District is located just north of the KZN economic powerhouse, the eThekweni Metropolitan Municipality and is the 4th largest District economy in KZN, contributing at least 4.9% to the province's economy, but is rapidly growing in its economic contribution. The district is constituted of four local municipalities of Mandeni, Kwa-Dukuza, Ndwedwe and Maphumulo.



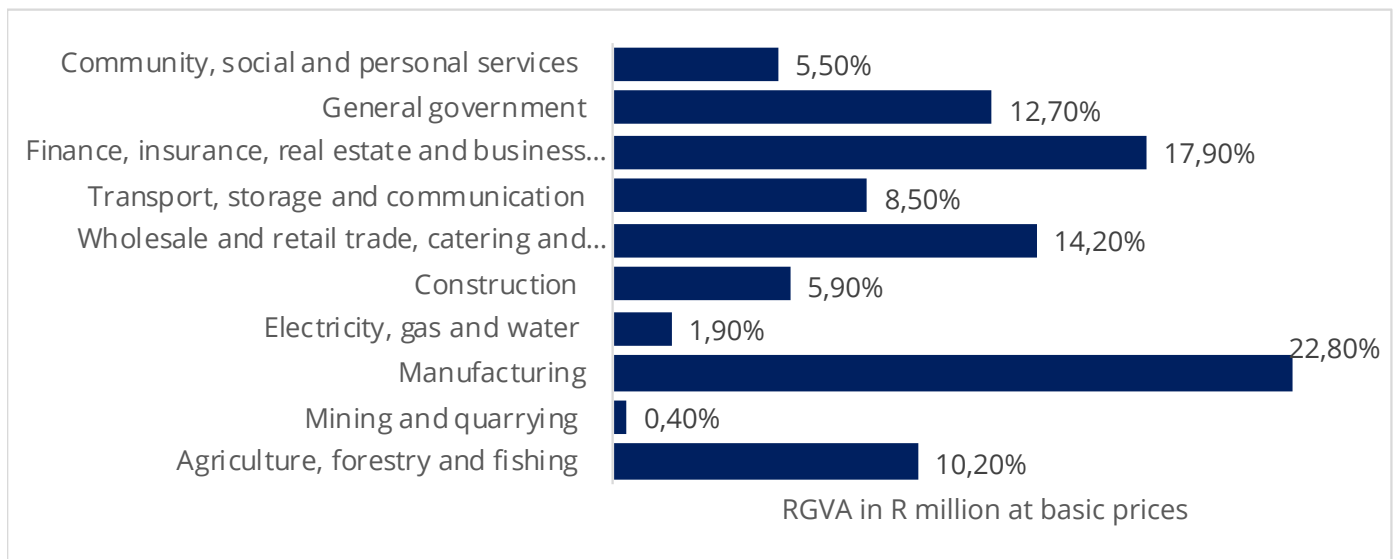
Strategically located between two of the country's major ports, Durban and Richards Bay, the District is also dissected by the N2 national highway connecting the two major ports, and the province to eSwatini and Mozambique to the north. The District is situated within 10km of King Shaka International Airport (KSIA) and the Dube TradePort (DTP). It is fast developing as the premier lifestyle destination for residents of KZN and inland provinces such as Gauteng, a trend which is transforming the economic structure of the District.

Key Economic Drivers

The economy of iLembe is mainly based on four economic sectors: agriculture, tourism, manufacturing, and construction and property development. This by no means underplays the importance of the other economic sectors (transport and logistics, trade and retail and the services sectors) as a local economy can only be successful when all the sectors operate optimally.

The figure below shows that manufacturing and finance (insurance, real estate and business services) are the major sectors that contribute to the GDP of the District Municipality with 22.8% and 17.9% respectively. However, wholesale trade, the general government services and agriculture (forestry and fishing contribute also significantly to the District GVA with 14.2%, 12.7% and 10.2% respectively. It should however be noted that this data is pre-Covid-19 and the real extent of the pandemic's impact on the District economy is yet to be accurately extrapolated.

Source: Quantec: Regional Standardised, 2019

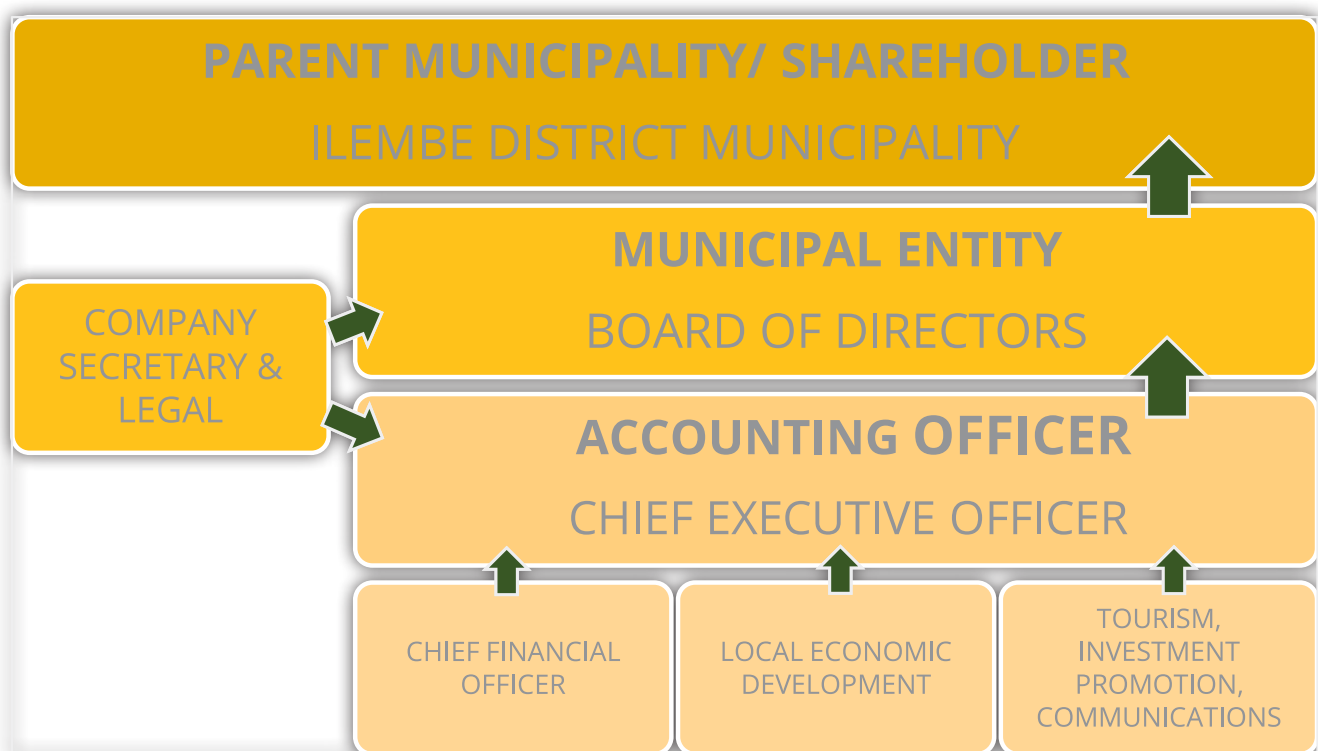


1.3 Organisational Profile

iLembe Management Development Enterprise (Pty) Ltd, trading as “Enterprise iLembe”, is a Municipal Entity wholly owned by the iLembe District Municipality (IDM). It was incorporated on 27 October 2008 and replaced the iLembe Development Foundation which was incorporated on 8 November 2002 and commenced business operations on 1 July 2006. Enterprise iLembe has been formed as a local economic development agency of the iLembe District Municipality with a primary mandate to promote economic growth within the iLembe District and constituted in terms of the Municipal Systems Act No. 32 of 2000 and the Municipal Finance Management Act No. 56 of 2003 (MFMA) and is obligated to comply with the prescripts of the Companies Act 71 of 2008.

The Chief Executive Officer of Enterprise iLembe is, in terms of section 93 of the Municipal Finance Management Act, read together with section 93 of the Municipal Systems Act 32 of 2000, the Accounting Officer. The Chief Executive Officer, working with the management collective making up the Executive Committee, guides the day-to-day activities of the Entity and accountable to the Board of Directors. The Chief Executive Officer's powers and functions are properly defined in the Municipal Finance Management Act (section 94) and specifically delegated to him/her by the Board of Directors through a delegations of authority framework of the Board. The non-executive Board is vest with the responsibility to provide strategic oversight on the management's execution of their powers and functions and is collectively accountable to the shareholder. The appointment process of Board of Directors is appropriately defined in the constitution documents of the Entity and/or in the shareholder's protocol for the appointment of directors of the Entity. As at 30 June 2021, Enterprise iLembe's approved structure comprised of a head count of 26 employees.

Revenue for the year was at R55 755 133 and expenditure of R54 485 255 with R1 269 878 net surplus generated; and Balance-sheet asset value of R44 416 833 with reserves totaling R29 431 777; with an overall organisational performance of 94%. The Entity cash balance as at 30 June 2021 was R13 474 495 which translates to 67 days cash on hand (norm is 30 days) and a cost coverage of 2.25:1.





Mr. Xolani Gumede

Foreword by the Chairman

It gives me great pleasure to present this, my maiden, annual report foreword on behalf of the Board of Directors amidst the difficulties experienced by all during the reporting year.

The year under review was a particularly difficult period; the devastation of the Covid-19 pandemic was, and continues to be, brutal and persistent. The tragic loss of lives and livelihoods for the world at large and our region, in particular, is difficult to exaggerate. It is also amidst this juncture that the shareholder of Enterprise iLembe appointed a new Board of Directors in January 2021, one which I am privileged and humbled to lead as its Chairperson.

We are grateful to the diligence of the previous Board and thank them for their well-articulated strategic direction that preceded our tenure. In charting our course as a new Board, we held our strategic planning session in March 2021, which provided us with an opportunity to re-assess the imperatives and impact of the organization's 5 Year Plan.

As mentioned, these have undoubtedly been extra-ordinary times but it has been comforting to see the positivity and resilience of South Africans come to the fore once again. The resilience of our local economy is best exemplified by the improved Activity Index in the first half of the reporting period which immediately benefitted from less severe restrictions. I am confident we can count on this pragmatic characteristic again when a similar opportunity arises. The tourism impact survey showed that the sector managed to recover somewhat from the first half of 2020 where an 86% decrease in the number of tourists to the region was recorded. In the second half of the reporting period, occupancy levels for the easter period (2021) was recorded at an average of 80% in comparison to the 0% in 2020 occasioned by the lockdown restrictions in the prior year.

The performance of the organisation continues to give hope that notwithstanding the resource limitations in our operating environment, the organisation continues to strive to improve on its primary mandate to promote economic growth within the iLembe District.

In its endeavours to improve organisational capacity and capability, the Board has made some key observations and decisions which are aimed at enhancing governance and improving performance, e.g. reviewed its governance charter, identified areas of improvement in its key terms of references, approved the organisational structure and mandated management ensure that the organisation is supported by a functional structure that responds to the expectations of our stakeholders and improve on accountability. I have no doubt that the next annual report will show the positive impact that these enhancements will make for the organisation in the medium to long term.

Appreciation

Notwithstanding that these are early stages of our journey, my sincere gratitude goes to my fellow board members for the professional manner in which they discharge their fiduciary and other duties to the organisation. They each bring individual experience and expertise in their respective fields. A special gratitude goes to the Members of the Audit Committee whose robust engagements and quality advice is appreciated.

I would also like to also share my appreciation to the management of Enterprise iLembe which was well-led by the Acting CEO Ms. Cheryl Peters (until the end of the reporting period) and the entire staff particularly for the manner in which they have exemplarily stepped-up-to-the-plate following the sudden exit of the former CEO in November 2020. I also welcome the new members of the executive team and look forward to their positive contribution, their contribution to the success of this organisation cannot be understated.

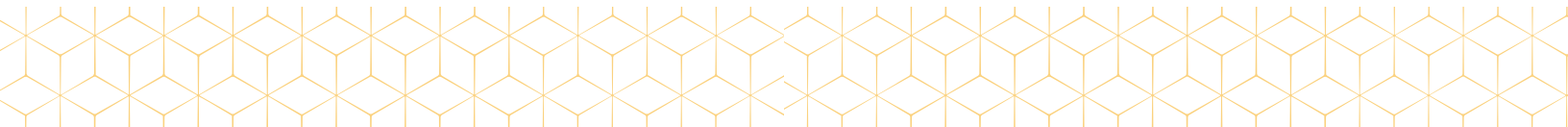
On behalf of the Board of Directors of Enterprise iLembe we would like to thank our shareholder, iLembe District Municipality from the Mayor, Councillor S Gumede and his fellow Councillors to the Municipal Manager, Mr G Kumalo and his officials for their ongoing support, leadership and guidance and to all our partners and stakeholders without whom we will not be able to implement the mandate of driving effective and sustainable change within our communities. With our collective commitment and palpable action to creating a brighter future for this and future generations, we shall, we will, we MUST succeed.

Nkosi Sikel' iAfrika



Xolani Gumede

Chairperson of the Board of Directors





Mr. Linda Mncube

Report by the Chief Executive Officer

South Africa's economy took a huge hit from the COVID-19 pandemic and subsequent national lockdown levels. Needless to say the iLembe District has not been immune to the devastation of this global pandemic as it continues to unearth the stark socio and economic differences that currently exist in the region.

During the course of the 2020/2021 financial year, the Entity together with the family of local municipalities implemented the Covid-19 Economic Recovery Strategy which was approved by the District Command Council. The implementation of the iLembe Economic Recovery Strategy was aimed at mitigating some of this impact by providing support, access to market, procurement opportunities to local businesses. The Entity continued to focus on the promotion of tourism and investment using digital platforms as the new norm of doing business emerged over the past year.

The focus was on Business Recovery & Support which incorporated;

- The coordination of the Covid-19 National Economic Stimulus Support
- Support to local businesses through the iLembe Business Incubator for assistance with applications to various Relief Schemes
- SMME support programs (access to stimulus support, markets, etc.)
- Local business relief support packages

The following reflects the number of businesses that received funding support with assistance from the Entity from the various National Funding Schemes

- SMME Debt Relief Scheme - 43
- Tourism Relief Fund - 32
- Small Scale Farmer Assistance Fund - 55
- Spaza Shop Assistance - 3

During the latter part of the financial year, an assessment was conducted by Enterprise iLembe and the Vuthela LED Programme Managers on the impact and current relevance of the Economic Recovery Plan with the aim to consider a longer term strategic approach to address the challenges brought on by the COVID-19 pandemic.

Investment & Business Confidence

The business sentiment in the iLembe District at the end of the financial year, as measured through the iBCI Survey Index, plummeted to its lowest level since the inception of the Business Confidence Index – it is the 2nd successive survey period recording record lows, confirming the downward spiral of economic sentiment. The Covid-19 crisis, combined with the civil unrest in the iLembe District, ravaged business sentiment and created significant uncertainty within the regional economy.

The Construction, Property Development, Property Sales sector was the most confident economic sector and the Tourism, Catering, Accommodation, Property Management was the most pessimistic sector which is understandable given the impact of the lockdown restrictions on this sector. The diminishing confidence in the Manufacturing and Assembly sector was largely driven by a variety of factors including load shedding/load curtailment, power failures as well as industrial and community unrest.

The Entity continued its efforts to engage with various investors to maintain and improve business and investor confidence in the region. The four key growth sectors that are promoted by the Entity continues to contribute meaningfully to the economic growth of the district and present considerable opportunities for investment. The Entity finalised the 2021/2022 iLembe Investor Prospectus which seeks to showcase the sectoral investment opportunities which will not only support investment returns, but also continue to grow the economy and create continuous improvements in the socio-economic realities of the people and businesses who are proud to call iLembe home.

Local Economic Development

Over two hundred and fifty (250) SMMEs have been supported over the past year with access to market, finance, procurement opportunities, training, mentorship and professional workspace infrastructure through the iLembe Business Incubator Programme. The SMMEs are from the sectors of agriculture, construction manufacturing, engineering, services and tourism. Eighteen (18) SMMEs in the incubator were also assisted with access to grant funding through the AVON Peaking Power Supplier Development Programme.

Other opportunities included access to enterprise and supplier development opportunities with SAB, Kick Start Programme, Transnet ESD, Avon Peaking Power, Phumelela ESD and the Spar Group. In addition, more than one hundred (100) SMMEs were also assisted to access the COVID-19 Relief funding schemes.

The Entity's contract for the implementation of the National Schools Nutrition Programme was not renewed by the Department of Education in June 2020. This was a major setback for the Entity but more so for the many farmers and transporters who directly benefitted from the programme, and even more devastating was the fact that this happened in the middle of the pandemic.

The agricultural team through the Open Fields Project, with support from RASET and the Department of Agriculture worked tirelessly to source alternative markets for the local farmers. During this past financial year a total of 412 835kg of fresh produce was sourced from sixty-five (65) local farmers and supplied to markets such as Food Lover's Market, Durban Fresh Produce Market, Boxer stores to name a few.

As part of the Change Management Plan adopted by the Entity in March 2020 and implementation of the Ownership Model; the iLembe Vineyards project in Mandeni Local Municipality was re-purposed into open fields sites for vegetable production.



The UIF Learner Activation Programme (LAP) was concluded in November 2020 and learners received all stipends owing to them by 24 December 2021. At the end of the financial year however, the learners did not receive their certificates due to delays with the various SETAs who are responsible for the verification and handover of certificates, the entity is following up on this matter.

The Youth Enterprise Park (YEP) in Mandeni Municipality, a project funded by the Department of Cooperative Governance and Traditional Affairs, experienced delays with the completion of the construction phase because of lockdown restrictions amongst other challenges. The project is aimed to be completed within the next financial year.

Tourism

This sector experienced a major decline, resulting in many business closures and job losses. The Entity worked closely with provincial partners and the private sector to implement the Tourism Recovery Campaign. The focus was to ensure that the destination remained 'top of mind' during the hard lockdown by using digital social media platforms and hashtag campaigns such as #seeyousoon and #supportlocal. Virtual exhibitions and tours replaced the traditional physical platforms. Various webinars were also held with local SMMEs to assist them with access to information and guidance in terms of adhering to the COVID-19 protocols for operations.

The construction of the Seventeen87 Wine Cellar and Tasting Room was completed in August 2020 and the cellar was launched in October 2020. Despite the impact of the lockdown regulations on operations, the cellar has progressed well and was announced as the winner of the KZN Top Business Awards in the Small Business Start-Up Category in June 2021.

Strategy Planning

The Board Strategy Session was held in March 2021 where the Entity's Five Year Strategy and Change Management Framework which was developed in 2019 was reviewed and approved by the new Board. As part of the review, it was agreed that there was a need to refine the identified interventions contained in the Five Year Strategic Plan. This includes further defining the Entity's role within the priority sectors of Manufacturing, Agriculture, Tourism, and Property and Construction, aligning the strategy to the Entity's mandate and fostering greater partnerships with Local Municipality's LED units and other stakeholders.



A seven-point action plan which is informed by the priority sectors is listed as follows:

1. Isithebe industrial estate revitalization
2. Destination marketing
3. Best practice digital internet marketing
4. Small business support
5. Fresh produce market/s
6. Market study for food and beverage products
7. Active business attraction

The Entity is also being assisted by the Vuthela iLembe LED programme to implement the following projects in the next financial year;

- 1) Human resource development and performance management,
- 2) Financial management system, and
- 3) Project management system.

Conclusion

In consideration of the ever changing micro and macro-economic conditions that we find ourselves in. The position of the Entity is that the Strategy be viewed as a dynamic plan that can be modified accordingly but not losing focus on the emphasis of the core mandate and business of Entity being; information sharing, promotion, service delivery, advocacy, and development.

The road ahead is one of uncharted territories, as an Economic Development Agency, agility and partnerships are key to ensuring that economies not only recover but comes out stronger and more resilient on the other side of the negative impact of the COVID-19 pandemic.

On behalf of the management team, I would like to convey my sincere thanks and appreciation to the previous Board led by the Chairperson Mr Khanyisani Shandu and the new Board led by the Chairperson Mr Xolani Gumede for all their support, direction and guidance during the reporting period.

It goes without saying that the continued support received from our shareholder, iLembe District Municipality, led by His Worship Cllr SS Gumede, the family of local municipalities as well as from our stakeholders and partners is much appreciated.

The hard work of Ms Cheryl Peters during her tenure as the Acting Chief Executive Officer, and the collective leadership of management, has also not gone unnoticed and I am extremely grateful to each and every staff member for the dedication and willingness to go the extra mile to serve the communities we work in.



Linda Mncube

Chief Executive Officer



A background image showing a business meeting. Two people in light blue shirts are leaning over a dark wooden table, looking at and pointing to documents. The documents contain various charts, graphs, and tables. A yellow sticky note is visible on the table. The overall scene is professional and collaborative.

Chapter 2

CORPORATE GOVERNANCE

2.1 Corporate Governance

Clearly constituted governance frameworks and structures enable Enterprise iLembe to operate within defined parameters. The Chairperson of the Board and all other Non-Executive Directors / Board Members (with the exclusion of the Chief Executive Officer), are classified as Non-Executive Directors. There is a clear distinction of powers, functions and roles of the non-executive members (which include the Chairperson) and those conferred on the Chief Executive Officer by law and through delegation. All Directors are enjoined to execute their legal duties in a professional manner, with integrity and utmost good faith. The Board of Directors is collectively accountable for the leadership and oversight control of management actions in Enterprise iLembe. Its responsibilities include the development, review and monitoring of strategic objectives, the approval of budget expenditure, risk management and monitoring of operational and financial performance.

The iLembe District Municipality is the sole Shareholder of Enterprise iLembe. The Board of Directors contracts with the Shareholder, through an annually approved Shareholder Compact. The Chief Executive Officer, as the Accounting Officer, is accountable to the Board for the successful implementation of this compact and the overall performance of the Entity and is also required by law to account to various other stakeholders on behalf of the Entity.

One of the first key areas of interest for the new Board of Directors was to ensure that the entity's Board Charter clearly defines the role of Directors in alignment with the law and best practice principles. This exercise was completed after the end of the reporting period, but gives a firm foundation for a clear definition of roles at the helm of governance structures of the organisation. The charter provides a framework for fiduciary duties, responsibilities and overall functioning of the Board.

The Board is required to meet at least 4 times per annum. Board Members and their meetings attendances for the period 01 July 2020 to 31 December 2020 is reflected as follows:

NAME	BOARD MEETING	LED AND INVESTMENT SUB-COMMITTEE	HR AND FINANCE SUB-COMMITTEE
Mr Khanyisani Shandu	5	1	N/A
Mr Cobus Oelofse	4	2	2
Prof Thandi Nzama	4	2	N/A
Ms Dumisile Nene	5	N/A	2
Ms Noluthando Mngadi	4	N/A	2
Mr Zakhele Gumede	5	2	N/A
Mr Patrick Mgnadi	5	N/A	2

The term of office of this Board came to an end in December 2020 and a new Board was appointed for the period effective from January 2021. The new Board Members comprised of the following members and their meetings attendances for the period January 2021 to June 2021 is reflected as follows:



Name	Board	LED and Investment Sub-Committee	HR, Finance & Remuneration (HRFR) Sub-Committee
Mr Xolani Gumede (Chair)	6	N/A	1
Ms Ntokozo Mlaba (Dep Chair & Chair HRFR Sub-Com)	6	N/A	1
Ms Noluthando Dlamini	6	1	1
Dr Thami Mbonambi	6	1	1
Mr Ian Deetlefs (Chair LED & Investment Sub-Com)	6	1	N/A
Mr Ridwaan Raheem*	4	1	N/A

* Mr Ridwaan Raheem resigned from the Board effective May 2021

At the Inaugural Board meeting held on 15 January 2021, the Shareholder Compact Agreement was signed between the Chairperson and Mayor of iLembe District Municipality. Management was charged with the responsibility to implement the Entity's response to the expectations of this compact.

The Board of Directors has constituted two sub-committees i.e. the Local Economic Development and Investment Committee; and the HR, Finance and Remuneration Committee. The schedule above further indicates the committee meetings held during the 2020/2021 financial year and attendance of both the previous Board and the current Board.

The Members of the Board have skills that were put to good use in providing leadership, guidance and directing strategy during the period. Overall, the Board functioned at a strategic level and delivered outputs in line with its mandate. Non-Executive Board of Directors receive remunerative benefits and fees in line with their terms of appointment. Therefore, no Board Member is involved in determining his/her own remuneration. Board Members' remuneration is fully disclosed in the financial statements component of this report.





Mr Xolani Gumede
Chairperson of the Board

Property Administration & Management (Technikon Natal)

Dip. Industrial Relations & Labour Law (IRR)

AMP International Business & Management (CDG, Germany)

Adv Project Management (UNISA)

Post-Grad in Project Management (USQ, Australia)

Masters in Project Management (USQ, Australia)

He is a Member of the South African Council for the Project and Construction Management Professions (SACPCMP).

A businessman and former Director at Turner & Townsend (2020-2021), President of iLembe Chamber of Commerce Industry & Tourism (2017-2019), Board-member of iLembe Chamber of Commerce Industry & Tourism (2016-2017).



Ntokozo Mlaba
Deputy Chairperson
Chair: HR Finance & Remuneration Committee

B. Comm Hons (Accounting) UKZN; Master's in business leadership UNISA

She is an auditor by profession and has served in various audit roles in both the private and public sectors.

She is a member of the Institute of Directors and a Member of the Institute of Internal Auditors SA.



Major General (Rtd) Ian Deetlefs SSAS PG SM JCD

Chairperson: LED & Investment

Bachelor of Economics (UKZN)

He is a businessman and a director in private entities. He is a retired Chief of Defence Reserves, SANDF. Previously served as a Director of Enterprise iLembe and Chairman of Denel..



Dr Thami Mbonambi

Member: HR Finance & Remuneration

Member: LED & Investment

Degree in Business Administration (UZ);

Postgrad Diploma in Finance & Marketing, MCom, LLM, PhD in Business Administration (UKZN)

He is a financial, business and legal expert; and an experienced businessman with interests in property development, venture capital transactions across various sectors including start-ups..



Noluthando Dlamini

Member: HR Finance & Remuneration

Member: LED & Investment

Diploma in Business Management, Bcom Economics, Masters Business Administration

She is a businesswoman and is the CEO of Ngcebo Yethu Holdings.

Her previous assignments include being the Marketing and Stakeholder Relations Manager for National Construction Incubator, Area Manager SEDA Construction Incubator – Gauteng.



Zodwa Msimang

Member: LED & Investment

BA Communications, Higher Diploma in Education (UZ)

Certificate in Public Relations, Certificate in Human Resources (Damelin College)

Certificate Social Entrepreneurship Program (Gordon Institute of Business Science)

She is a member of the South African Association for the Conferencing Industry and Durban Chamber of Commerce and Industries.

She is a businesswoman, founder and current Group Chairman and Managing Director of Ikhono Thrive Global. She is currently a board member of Omame Investments.

She has previously served on the boards of Tourism KZN and the Durban International Convention Centre, the South African Association for the Conferencing Industry and Hlahlindlela Investments.



Mr Linda Mncube
Accounting Officer

Degree in Town and Regional Planning (DUT)

PG dip in Urban Management (Erasmus University Rotterdam, Netherlands)

He is a registered Professional Planner with the South African Council for Planners (SACPLAN)

He was previously responsible for Strategy, Planning, and Risk Management within Enterprise iLembe. He has held various roles in Local Government including Land Use Management, Spatial Planning, and Strategic Planning.



Audit and Risk Committee

The Audit and Risk Committee comprises of Independent Members who are directly appointed by the shareholder. As at the beginning of the reporting period, this Committee comprised four (4) Members who were appointed in line with section 166 of the MFMA. Their meeting engagements are as reflected below:

Name	Number of Meetings Attended
S. Hlophe - Chairperson	4
S. Gertze	4
B. Zulu	3
S.L Ndlovu	3

Mr S.L Ndlovu's term of office / appointment ended on 31 January 2021.

Company Secretariat

During the year under review the entity did not have a permanent in-house company secretary in its organizational structure, however this anomaly was resolved before the end of the reporting period with the Board of Directors resolving to incorporate this role within the Entity's organizational structure going forward. Notwithstanding this, the Board of Directors is satisfied with the way the Entity put measures in place to ensure overall compliance with laws and regulatory requirements and in the manner in which support was provided to the Board of Directors in the discharge of their fiduciary duties over the period. The next annual report will further include a report of the Company Secretary on Corporate Governance and the Entity's compliance with its regulatory requirements as per the provisions of the Companies Act.



2.2 Strategic Objectives & Functions

2.2.1 Entity Mandate

From a strategy assessment and implementation point of view, the Entity's mandate can be broken down into the following pillars:

- Develop, review and strengthen the local economic development strategy on behalf of the district and family of municipalities;
- Champion a wide range of activities which emerge as important from the family of IDPs and LED Strategies;
- Co-ordinate LED activities to ensure alignment and integration;
- District marketing and promotion of tourism and investment promotion;
- Facilitate the identification, packaging and implementation of catalytic projects in the four key sectors and new sectors;
- Provide professional and multi-skilled support and networking services to major investors who wish to invest in the region;
- Work with local government to facilitate a business enabling environment;
- Implement business, retention and expansion (BR&E) programmes in partnership with local business;
- Build twinning relationships with developed regions nationally and internationally;
- Social Risk Management.

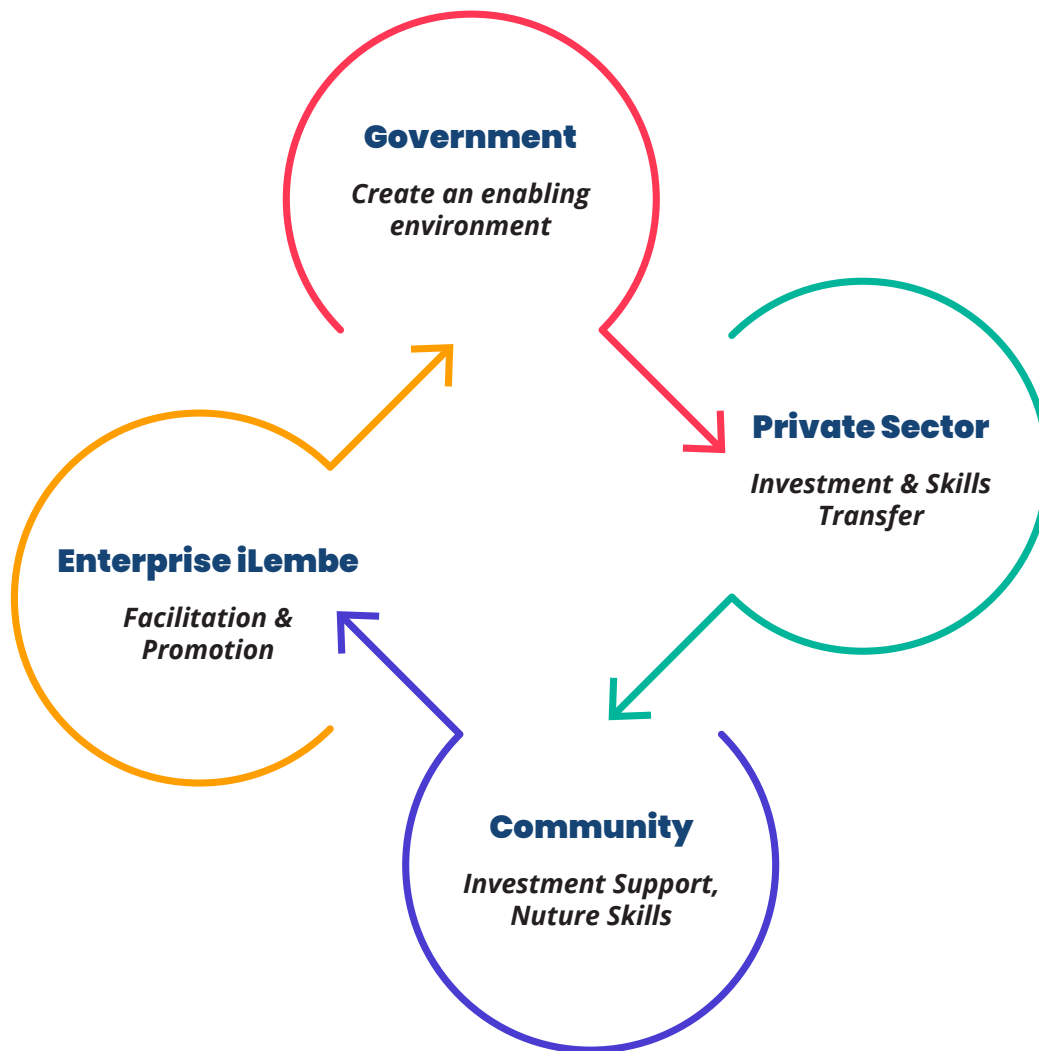


2.2.2 Key Strategic Goals & Objectives

The key strategic goals and objectives can be summarized as follows:



2.2.3 Roles Responsibilities



It is the role of Enterprise iLembe to facilitate and promote socio economic development in the region. The role of Enterprise iLembe can be further defined as follows;

- Nurture new ideas which have commercial potential and have high impact potential in regards to poverty alleviation, jobs and empowerment.
- Build partnerships between public sector, support institutions, private sector and the community.
- Build partnerships within each locality and support one another in service delivery.
- Collectively bridge the gap between 1st & 2nd economies through catalytic & high-impact projects.

2.3 Service Level Agreement

Enterprise iLembe has a Service Level Agreement (SLA) with iLembe District Municipality. The SLA guides the mandate of the Entity and sets out the function and services to be delivered as follows:

- a. **Project Management Unit:** Using the Project Management Unit for developing and implementing detailed service delivery plans within the framework of the municipality's IDP;
- b. **Promotion of Social and Economic Development:** To promote integrated and equitable social and economic development within the district as a whole by taking appropriate steps to enhance such development;
- c. **Tourism:** Promotion of local tourism for the area of the district municipality;
- d. **Markets:** The establishment, conduct and control of fresh produce markets serving the area of a major portion of the municipalities in the district;
- e. **Abattoirs:** The establishment, conduct and control of abattoirs serving the area of a major portion of the municipalities in the district;
- f. **Airports:** Municipal airports serving the area of the district municipality as a whole
- g. **Incidental Powers:** The right to exercise any power concerning a matter reasonably necessary or incidental to the effective performance of the functions, the exercise of the power and the provision of the services in the paragraph 1 to 7 above.

Reporting protocols

The Chief Executive Officer as the Accounting Officer has been mandated by the Board of Directors, and is enjoined by legislation, to report to the shareholder, iLembe District Municipality, and any other relevant structures on behalf of the Entity and is accountable to the Board of Directors in relation to such reporting mechanisms. In addition to the various Intergovernmental (IGR) structures, regular meetings are held between the Board of Enterprise iLembe and principals of the District. The Chief Executive Officer and various other functionaries of management of the Entity also participate and report into the following structures;

- Quarterly Executive Committee Meetings
- Economic Development Portfolio Committee
- Finance Portfolio Committee
- District Development Model Hub
- Local Municipality IGR
- Provincial Forums

2.4 Performance Reporting

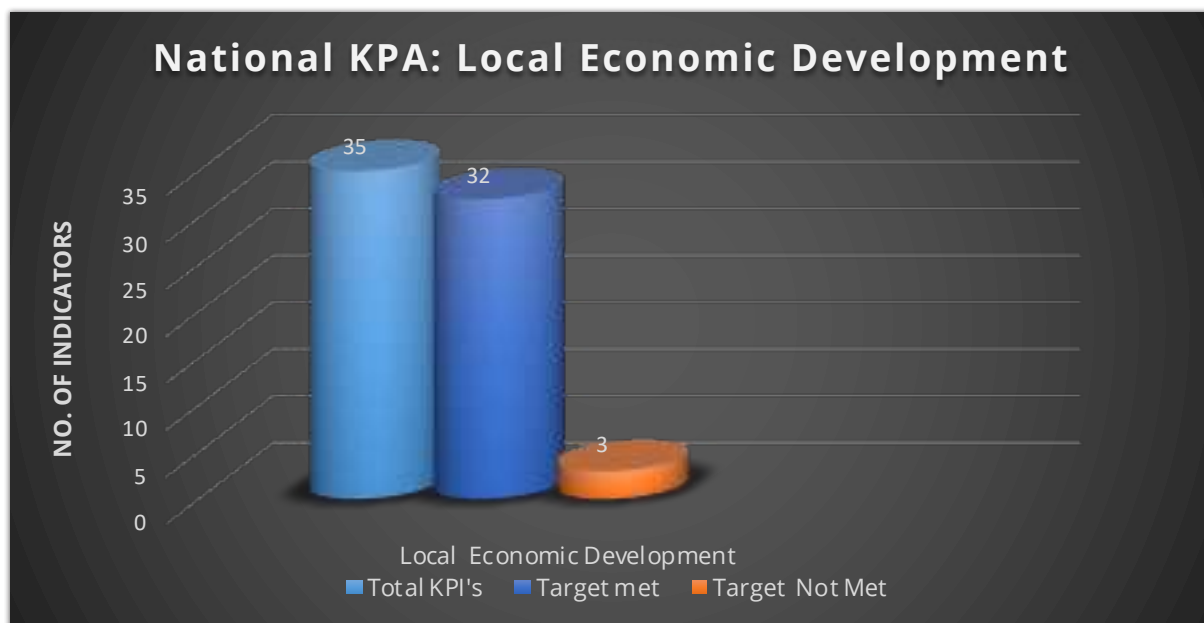
In terms of section 93B of the Municipal Systems Act, the parent municipality must ensure that the performance objectives and indicators for the municipal Entity are established by agreement with the Entity and included in the municipal Entity's multi-year business plan in accordance with section 87 (5) (d) of the MFMA. It is for this reason that the report for the Enterprise iLembe has been included in the Annual Performance Report.

2.4.1 Organisational Scorecard – Service Delivery Budget Implementation Plan (SDBIP) 2020/2021

Attached hereto from page 40 to page 49

NATIONAL KPA's	TOTAL KPI'S EXCLUDING N/A	TARGET MET	TOTAL TARGET MET %
LOCAL ECONOMIC DEVELOPMENT	35	32	91%

2.4.2 Highlights on Actual Performance by iLembe District PMU



Enterprise iLembe continues to improve co-ordination of Local Economic Development in the District; Implements and ensures sustainability of projects to upscale agriculture development in the District; Capitalises on tourism potential to increase visitor numbers in the District. Increases manufacturing output in the District to attract interest in investment, and ensures job creation by identifying and packaging new projects in existing sectors.

Quarterly LED forum meetings were held, Enterprise District LED Forum is reported as District Economic Cluster meeting as these are duplicated meetings since it requires the attendance of the same members, similar reports, and the cluster meetings are seen to be more effective and have more fruitful outcomes due to the attendance of Mayors and MMs in these meetings which ensures that decisions are taken. In terms of open fields 20 new and existing farmers are being supported by the Entity. A total of 16 new markets were secured for capacitated farmers. The hydroponic tunnels are currently not operational. The Mandeni vineyards site has been repurposed into open fields.

A progress report has been prepared on the wine tasting room. Tourism marketing and development, 3 virtual exhibitions were attended, 10 adverts/advertorials were in relevant publications, 1 official tourism travel guide for 2021/2022 was developed and 2 tourism industry research performance reports were prepared. The entity supported 1 event to increase visitors to the District. Two tourism training sessions were held for SMMEs. The iLembe District Tourism Forum has been established. A total of 4 trade engagements session were held virtually, 2 business confidence indexes were developed, and 7 engagements with potential investors for investment attraction & facilitation was done. Investor prospectus developed, in terms of the investment promotion strategy bi-annual reports were prepared, 5 stakeholder engagements were hosted/attended, in terms of participation in the iLembe Entrepreneur Competition, a progress report was prepared.

Co-operative development is on track to date, 8 new co-operatives were assisted with registration, 106 co-operatives/SMMEs have been trained on basic business management skills and 61 co-ops and SMME's assisted with bankable business plans. In terms of capacity building and mentorship support for small enterprises, 3 programmes have been implemented. To encourage local businesses to take advantage of government programmes, 22 engagements sessions with local businesses were held. Quarterly reports were prepared on the functionality/sustainability of the business incubator.

CHALLENGES	MEASURES TO IMPROVE PERFORMANCE/ CORRECTIVE MEASURES
Ref TL 49/EI 08 – Number of projects handed over to co-operatives - target is 1, actual - One [1] project is in the process of being handed over; which is the Mandeni vineyards project. The Mandeni vineyard workers are in the process of being registered as a Co-operative as they have accepted the ownership of the vineyard assets for the conversion of the vineyard site into an open field. Minutes and registers of ownership model discussion meeting with the Mandeni Vineyard workers are kept for record purposes.	Official handover will be completed in the coming financial year due to the fact the entity is awaiting approval on the disposal of assets.
Ref TL 65/EI 29 - Broadband project Technical assessments and off take agreements completed – target not met	No reason for variance and corrective measure provided.

Conclusion

In order for the Entity to continue to fulfil its mandate, both the Board of Directors and Management are committed to address the pressing weaknesses and threats that the Entity has faced during the past financial year and remain focused to ensure stability, reputation management and economic growth will set the tone of how the Entity plans and leads local economic development in the district from the start of the 2021/2022 year.



Chapter 3

SERVICE DELIVERY & PERFORMANCE HIGHLIGHTS



3.1 Key Successes & Challenges

- Business sentiment in the iLembe District, plummeted to its lowest level since the inception of the iLembe Business Confidence Index confirming the downward spiral of economic sentiment. The Covid-19 crisis has played a major role in creating this business sentiment the significant uncertainty within the regional economy.
- The non-renewal of the National Schools Nutrition Programme had a negative impact on the funding revenue for the Entity and for local farmers and transporters who lost a steady income stream
- New and alternative markets were sourced for local famers
- The Seventeen87 Wine Cellar was announced as the winner of the KZN Top Business Awards in the Small Business Start-up category
- The assistance provided through the iLembe Business Incubator to local businesses to apply for the various COVID-19 funding relief schemes resulted in over one hundred local SMMEs receiving funding approvals
- The implementation of the Change Management Plan saw the closure and re-purposing of the iLembe Vineyards sites in Maphumulo and Mandeni. The site in Mandeni has been re-purposed into Open Fields for vegetable production
- Over 250 SMMEs were assisted during the year with training, capacity building, mentorship, access to market and procurement opportunities through the iLembe Business Incubator.



3.2 Projects Undertaken

3.2.1 Multi-Year Funded Project/s

PROJECT NAME	PROJECT DESCRIPTION & STATUS QUO
Agri-Hubs Phase 1 & 2	<p>Budget Allocation 2012/2013 – R800 000</p> <p>Expenditure as at 30/06/2013 – R478 000</p> <p>Project Funder/s: DCOGTA</p> <p>The project involves the establishment 8 hydroponic tunnels each located within the 4 Local Municipalities of iLembe. The ultimate objective is to supply high quality vegetables to national and international markets through the Dube Tradeport.</p> <p>To date all 8 of 2600m² tunnels have been constructed and comply with the GAAP standards. Six (6) tunnels are operational and have been planted with a high value crop ranging from a variety of tomatoes, peppers, gem squash, patty pans etc. Enterprise iLembe has enjoyed successful harvesting seasons and all of the produce has been sold to reputable retail stores.</p> <p>Consistent supply to the market has been achieved through the assistance of an experienced Technical Partner who has explored ways in adding value to the crop grown in the tunnels and by identifying sustainable markets. To date a total of 57 permanent jobs have been created, the majority of these being women.</p>
Mandeni Youth Enterprise Park	<p>CoGTA Grant Funded Project Budget 20/21: R 6 000 000</p> <ul style="list-style-type: none"> - The project entails the construction of a park that will accommodate Youth Enterprises in a structured marketplace, with an objective to stimulate entrepreneurship opportunities for Youth within Mandeni Local Municipality. The Project Management Team and Project Steering Committee structures are in place and they play a technical and an oversight role in the implementation of the project. - Phase one of the project which included the operational plan and detailed designs was completed and the construction of the project commenced in 2020, however a request for extension of the project was submitted to KZN CoGTA from the initial deadline 31st of March 2021 to 30 of June 2021; due to delays experienced because of theft of containers. - An additional extension was granted until September 2021 due to construction delays caused by additional scope of works.

3.2.2 LED Projects

Other projects that were completed/finalised but which still required oversight and monitoring and evaluation included the following:

NO	NAME	LOCATION	STATUS
1	Biomass Conversion Combination Plant	Isithebe Industrial Estate	Managed and operated by Phambili Energy
2	Public Wifi	Mandeni & Maphumulo LM	Operational
3	RASET	District Wide	Local Farmer Cooperative Support - Ongoing
4	iLembe Open Fields	District Wide	Local Farmer Cooperative Support - Ongoing
5	iLembe Business Incubator	KwaDukuza LM – District Wide	SMME and Entrepreneurship Support
6	KwaShuShu & Ntunjambili Tourism Sites	Maphumulo LM	Feasibility, Business Plan & Concept Designs completed. Investment Prospectus completed

3.3 Capital Used

REVENUE	Actual	Budget	Variance
	2021	2021	2021
	R	R	%
Opening accumulated surplus	28 557 931	33 106 250	-15%
Operating income for the year	55 755 131	65 096 612	-15%
Total	83 937 911	98 202 862	
EXPENDITURE			
Operating expenditure for the year	54 485 251	57 659 235	-6%
Closing accumulated surplus	28 160 420	40 543 627	-31%
Total	82 645 671	98 202 862	

Project details are set out in the table below

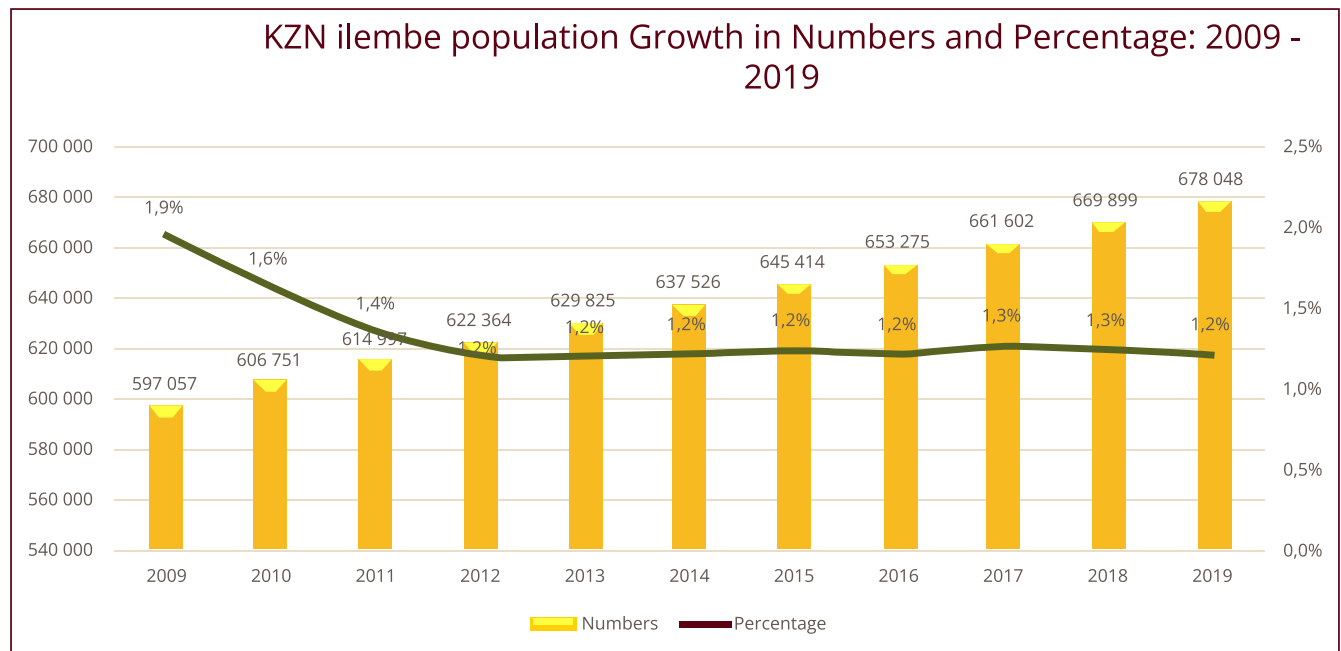
Project Name	Unspent grants 30 June 2021
UIF Grant	1 706 765
COGTA RASET Grant/LED Project	1 810 568
COGTA BIOMASS Grant	14 605
COGTA YEP Grant	1274 749
Tourism - IDM	652 093
COGTA Public Wi Fi Grant	33 298
COGTA Mini Factories Grant	2 173 913
MICT SETA Grant	1 689 413
District Growth Summit	131 369
Development of SMMEs - IDM	255 573
LED Project - IDM	447 782
Totals	10 190 127



3.4 Job Creation & Skills Development

3.4.1 Demographics & Unemployment Rate

Between 2007 and 2016, the District had the fastest population growth in KZN. According to the 2019 community survey the population of iLembe has grown to 669 748 people. According to global insights, from 2009 to 2019, the population experienced compound annual growth of 1.5%, 0.7% higher than the South African average growth over the same period. The 2018 KZN Citizens Satisfaction Survey indicates that the accelerated growth in population contributed at least 15.7% to the province's population changes.



3.4.2 Employment and Skill levels

Despite its strategic location to significant economic activities, iLembe is not immune to the challenges facing the country. The District has a Gini Coefficient Index of 0.6, which is considered a significant income disparity. However, with the South African and KZN coefficient sitting at 0.7, iLembe's society is comparatively more equal.

The labour force within iLembe District is mainly semi-skilled to low skilled: an estimated 48.8% of the labour force is semi-skilled, 32.3% considered low skilled, and 18.9% considered skilled.

The agriculture, forestry and fisheries sector are dominated by a low skilled labour force. The graph below shows that an estimated 60.6% of the labour force is low skilled, about 35.4% is semi-skilled, and only 4% is skilled labour. The agriculture, forestry and fisheries sector labour force skill levels are illustrated in the graph below.

The manufacturing sector is dominated by a semi-skilled labour force accounting for at least 67.6%, low skilled labour accounting for 20.8%, and skilled labour accounts for 11.6%.

The services sector, the dominant sector in terms of Gross Value Added (GVA) contribution within the District, has a comparatively high skilled labour force, with 25.7% of those employed in the sector considered skilled, 43.9% considered semi-skilled, and 30.4% considered low skilled.

3.4.3 Jobs Created

PROJECT NAME	2019/2020	2020/2021
Tunnels	69	11
iLembe Vineyards	46 [Before Lockdown July-March 2020] 27 [After Lockdown April-June 2020]	43 Site closed 30 June 2021
iLembe Open Fields	1240	2870 within co-ops
TOTAL	Before Lockdown: 1 370 After Lockdown: 1 351	2924

3.4.4 Number of new co-operatives registered by Enterprise iLembe

NO.	NAME OF CO-OPERATIVE	MUNICIPALITY	REGISTRATION NUMBER
1.	Ezifresh Primary Cooperative Limited	KwaDukuza	2020/003573/24
2.	The Art Agricultural Cooperative	KwaDukuza	2020/004166/24
3.	Gidasibhekane Primary Cooperative	KwaDukuza	2020/004180/24
4.	Emkhathini Primary Cooperative	Maphumulo	2020/004855/24
5.	Isivuno Primary Cooperative	Maphumulo	2021/300707/24
6.	Amabhedu Primary Cooperative	Maphumulo	2021/300859/24
7.	Emvuzo Farming Cooperative	KwaDukuza	2021/300875/24
8.	Sicela Usizo Primary Cooperative	Ndwedwe	2021/301269/24

3.5 Performance Management

The Entity utilises the Service Delivery Budget Implementation Plan (SDBIP) as a performance management tool for the Entity as an organisation. Reporting using this performance plan is conducted on a monthly and quarterly basis to the shareholder, iLembe District Municipality and includes portfolio of evidence. The performance management unit of iLembe District Municipality and the internal auditors (appointed by Enterprise iLembe) conduct a review and audit of the reports, this is then followed with coaching sessions held with the Chief Executive Officer of the Entity and the Municipal Manager of the District.

In respect of individual staff members, the Job Descriptions of employees have been reviewed to be in line with the actual tasks and duties being performed by each person. Review sessions are held between staff members and managers. Individual performance plans are aligned to the Entity's SDBIP.

2020/2021 Budget Performance

The total annual budget for 2020/2021 financial year for Enterprise iLembe amounted to R65, 1 million of which R34, 8 million was allocated for projects and R30, 3 million was allocated for operational costs. Since the supply of fruits and vegetables (NSNP project) is no longer implemented by the Entity, there is now heavy reliance on the district for funding. The Entity also gets allocations from other spheres of government for projects that have been identified for implementation within the district.

The Entity spent their allocation from the district with just minimal amounts unspent for LED, Tourism and the business incubator due to some projects that couldn't be implemented in full because of restrictions.



3.6 Service Delivery Budget Implementation Plan





ilembe District Municipality
Enterprise iLembe- Draft 2021-2022 Annual Performance Report

Ref	Internal Ref / Indicator Code	Responsible Department	IDP Ref	Responsible Owner	New Indicator?	KPI Name	Description of Unit of Measurement	Strategic Objective	Top Layer KPI	National KPA	Municipal KPA	Departmental Objective	Budget	Adjusted Budget
D1205	EI01	Enterprise iLembe - Agriculture	LED02	Assistant Manager: Agriculture	No	Number of new and existing small scale farmers identified and supported by the Entity by deadline	Number	To upscale Agriculture development in the district	Number of new and existing small scale farmers identified and supported by the Entity by deadline (EI01-TL043)	Local Economic Development	Open Fields	Co-ordination of LED in the District	R 450,000	R 500,000
D1206	EI02	Enterprise iLembe - Agriculture	LED02	Assistant Manager: Agriculture	No	Number of new markets secured for capacitated farmers by deadline	Number	To upscale Agriculture development in the district	Number of new markets secured for capacitated farmers by deadline (EI02-TL044)	Local Economic Development	New markets for farmers	Co-ordination of LED in the District		
D1207	EI03	Enterprise iLembe - Agriculture	LED02	Assistant Manager: Agriculture	No	Number of vineyards sites converted into fresh produce open fields by deadline	Number	To upscale Agriculture development in the district		Local Economic Development	Vineyards	Co-ordination of LED in the District		
D1208	EI04	Enterprise iLembe - Agriculture	LED02	Assistant Manager: Agriculture	No	Number projects handed over to co-operatives by deadline	Number	To upscale Agriculture development in the district	Number of projects handed over to co-operatives by deadline (EI04-TL045)	Local Economic Development	Ownership model for existing projects (winery, tunnels, etc)	Co-ordination of LED in the District		
D1209	EI05	Enterprise iLembe - Tourism, Marketing & Communications	LED02	Manager: Tourism, Marketing & Communications	No	Percentage increase in wine sales by deadline	Percent	To upscale Agriculture development in the district		Local Economic Development	1787 Wine cellar and tasting room - (under toursim)	Co-ordination of LED in the District		
D1210	EI06	Enterprise iLembe - Tourism, Marketing & Communications	LED03	Manager: Tourism, Marketing & Communications	Yes	Number of exhibitions attended (virtual) by deadline	Number	To capitalise on tourism potential of the district	Number of exhibitions attended by deadline (EI06-TL047)	Local Economic Development	Tourism Marketing & Development	To increase visitor numbers to the iLembe District	R 20,045,234 (Budget allocated to EI06 to EI18	R 20,045,234 (Budget allocated to EI06 to EI18
D1211	EI07	Enterprise iLembe - Tourism, Marketing & Communications	LED03	Manager: Tourism, Marketing & Communications	No	Number of tourism adverts/ advertorials (print and electronic) in relevant platforms by deadline	Number	To capitalise on tourism potential of the district	Number of tourism adverts/advertorials by deadline (print and electronic) in relevant platforms (EI07-TL048)	Local Economic Development	Tourism Marketing & Development	To increase visitor numbers to the iLembe District		
D1212	EI08	Enterprise iLembe - Tourism, Marketing & Communications	LED03	Manager: Tourism, Marketing & Communications	No	Number of Official Tourism Travel Guide for 2022/2023 developed by deadline	Number	To capitalise on tourism potential of the district	Number of Official Tourism Travel Guide for 2022/2023 developed by deadline (EI08-TL049)	Local Economic Development	Tourism Marketing & Development	To increase visitor numbers to the iLembe District		
D1213	EI09	Enterprise iLembe - Tourism, Marketing & Communications	LED03	Manager: Tourism, Marketing & Communications	No	Percentage of annual increase of tourists to iLembe by deadline	Percent	To capitalise on tourism potential of the district	Percentage of annual increase of tourists to iLembe by deadline (EI09-TL046)	Local Economic Development	Tourism Marketing & Development	To increase visitor numbers to the iLembe District		

Second Adjusted Budget	Baseline	2020-2021 Annual Target	2020-2021 Annual Actual						Jun-22		Overall Performance for July 2021 to June 2022			
				Original Target	Revised Target	Target Description	Actual	R	Performance Comment	Corrective Measures	Original Target	Revised Target	Actual	R
	20	20	20	20	20		20	G	Target is met	Target is met	20	20	20	G
	16	10	16	2	2	New Market sourced	2	G	- The KIP POE is provided as source of evidence which is email and covering report. - An MOU with Spar has been provided as evidence - emails exchange with OBC was provided as well which meets the criteria given the KPI. - MOU with OBC is not yet finalized.		2	2	2	G
	1	1	1	1	1	11 - Vineyards site converted into produce open field	1	G			1	1	1	G
	0	1	0	4	4		0	R	-The Ownership Model Implementation has started and its ongoing. - Ei has advertised for repairs for both Mandeni and Maphumulo in May 2022 however there were no responsive bids. - Ei has advertised again in July 2022 for both sites. - Potential technical partners were interviewed however they all indicated that they don't have the capital to repair. - There was no budget for tunnels as there was an indication from the Board that they should be transferred as they are. Engagements with potential technical partners made it clear they do not have capital to repair. Ei had to get funds to repair hence the processes that have started to repair the tunnels.	- Ei is anticipating to appoint a service provider to repair the tunnels in August 2022. -The repairs will take a period of three months. - this will be done concurrently with the implementation of the ownership model process. - Mlamula tunnel is fully operational and the workshop for Ownership Model will commence in August.	4	4	0	R
	63,70%	0	0	10,00%	68,70%		71,00%	G2		Increased visitors to the wine cellar after COVID-19 lockdown restrictions and lifting of alcohol bans. Also increased marketing and promotions of the wine cellar.	10,00%	68,70%	71,00%	G2
	3	3	3	3	3		5	B		Tourism KwaZulu sponsored the cost of the exhibition space of 2 shows which enabled Enterprise ILembe to participate in an additional 2 exhibitions and exceed the target.	3	3	5	B
	10	8	10	8	8		8	G			8	8	8	G
	1	1	1	1	1		1	G			1	1	1	G
	0,00%	0,00%	0,00%	3,00%	0,00%		60,00%	B		Implementation of the tourism economic recovery plan as well as the easing of COVID-19 lockdown restrictions and lifting of travel bans saw an increase in the number of tourists to the region.	3,00%	2,00%	60,00%	B

Ref	Internal Ref / Indicator Code	Responsible Department	IDP Ref	Responsible Owner	New Indicator?	KPI Name	Description of Unit of Measurement	Strategic Objective	Top Layer KPI	National KPA	Municipal KPA	Departmental Objective	Budget	Adjusted Budget
D1214	EI10	Enterprise iLembe - Tourism, Marketing & Communications	LED03	Manager: Tourism, Marketing & Communications	Yes	Number of Tourism Training for SMME's by deadline	Number	To capitalise on tourism potential of the district		Local Economic Development	Tourism Marketing & Development	To increase visitor numbers to the iLembe District		
D1215	EI11	Enterprise iLembe - Tourism, Marketing & Communications	LED03	Manager: Tourism, Marketing & Communications	No	Number of District Tourism Forum meetings held by deadline	Number	To capitalise on tourism potential of the district		Local Economic Development	Tourism Marketing & Development	To increase visitor numbers to the iLembe District		
D1216	EI12	Enterprise iLembe - Tourism, Marketing & Communications	LED04	Manager: Tourism, Marketing & Communications	No	Number of Business Confidence Index developed by deadline	Number	To increase investment within the District	Number of Business Confidence Index developed by deadline (EI12-TL052)	Local Economic Development	Provide Market Intelligence (international, national, provincial and local)	To attract interest in investment in the iLembe District		
D1217	EI13	Enterprise iLembe - Enterprise	LED04	Chief Executive Officer	No	Rand value of investment by deadline	South African Rands	To increase investment within the District	Rand value of investment by deadline (EI13-TL056)	Local Economic Development	Investment attraction & facilitation	To attract interest in investment in the iLembe District		
D1218	EI14	Enterprise iLembe - Tourism, Marketing & Communications	LED04	Manager: Tourism, Marketing & Communications	Yes	Number of marketing platforms for investment promotion deadline	Number	To increase investment within the District		Local Economic Development	Investment attraction & facilitation	To profile the iLembe District for trade and investment		
D1219	EI15	Enterprise iLembe - Strategy, Planning & Risk	LED04	Chief Executive Officer	Yes	Number of District Wide Incentive Scheme developed and adopted by deadline	Number	To increase investment within the District	Number of District Wide Incentive Scheme developed and adopted by deadline (EI16-TL051)	Local Economic Development	District Wide Incentive Scheme	To attract interest in investment in the iLembe District		
D1220	EI16	Enterprise iLembe - Tourism, Marketing & Communications	LED04	Manager: Tourism, Marketing & Communications	No	Number of progress reports on the implementation of investment promotion strategy by deadline	Number	To increase investment within the District	Number of progress reports on the investment promotion strategy by deadline (EI15-TL050)	Local Economic Development	Investment promotion strategy	To attract interest in investment in the iLembe District		
D1221	EI17	Enterprise iLembe - Tourism, Marketing & Communications	LED04	Manager: Tourism, Marketing & Communications	No	Number of stakeholder Engagements Hosted/ Attended by deadline	Number	To increase investment within the District		Local Economic Development	To build partnerships with external stakeholders	To attract interest in investment in the iLembe District		
D1222	EI18	Enterprise iLembe - Enterprise Development	LED04	Manager: Enterprise Development	No	Number of impact assessment reports on iLembe incubator by deadline	Number	To increase investment within the District		Local Economic Development	SMME development	To attract interest in investment in the iLembe District	R 3,171,174	R 3,171,174
D1223	EI19	Enterprise iLembe - Enterprise Development	LED04	Manager: Enterprise Development	Yes	Number of progress reports prepared on the Enterprise iLembe incubator SMME's participating in iLembe Entrepreneur Competition by deadline	Number	To increase investment within the District		Local Economic Development	To promote Entrepreneurship	To attract interest in investment in the iLembe District		
D1224	EI20	Enterprise iLembe - Enterprise Development	LED05	Manager: Enterprise Development	No	Number of co-operatives/ SMMEs trained on basic business management skills by deadline	Number	To ensure job creation	Number of co-operatives/ SMMEs trained on basic business management skills by deadline (EI22-TL053)	Local Economic Development	Co-operative Development	To identify and package new projects in existing sectors	R 150,000	R 150,000

Second Adjusted Budget	Baseline	Jun-22		Overall Performance for July 2021 to June 2022										
		2020- 2021 Annual Target	2020- 2021 Annual Actual	Original Target	Revised Target	Target Description	Actual	R	Performance Comment	Corrective Measures	Original Target	Revised Target	Actual	R
	2	2	2	0	0		3	B			2	2	3	B
	1	1	1	4	4		4	G			4	4	4	G
	2	2	2	0	0		2	B			2	2	2	G
	R0,00	0	0	R100,000,000,00	R100,000,000,00		R1,800,000,000,00	B			R100 000 000,00	R100 000 000,00	R1 800 000 000,00	B
	0	0	0	4	4		5	G2			4	4	5	G2
	1	1	2	1	1		0	R	The request for proposals was issued in February however there were no responsive bids received. The re-advertisement was issued on July 2022.	The incentive scheme will be developed in the 2022/23 financial year, subject to the finalization of the procurement process	1	1	0	R
	2	2	2	2	2		2	G			2	2	2	G
	5	5	5	3	3		8	B		Due to the lifting of COVID-19 restrictions on events/gatherings we were able to participate in more stakeholder engagements than originally planned for.	3	3	8	B
	0	0	0	2	2		2	G	Target met		2	2	2	G
	0	1	1	3	63	Progress report on prepared on impact of competition on finalist and winners	6	G	Reports attached		3	6	6	G
	8	2	3	60	100		117	G2	Target met		60	100	117	G2

Ref	Internal Ref / Indicator Code	Responsible Department	IDP Ref	Responsible Owner	New Indicator?	KPI Name	Description of Unit of Measurement	Strategic Objective	Top Layer KPI	National KPA	Municipal KPA	Departmental Objective	Budget	Adjusted Budget
D1225	EI21	Enterprise iLembe - Enterprise Development	LED05	Manager: Enterprise Development	No	Number of programmes implemented by deadline	Number	To ensure job creation	Number of programmes implemented by deadline (EI23-TL054)	Local Economic Development	Capacity Building and Mentorship support for small enterprises	To identify and package new projects in existing sectors		
D1226	EI22	Enterprise iLembe - Enterprise Development	LED05	Manager: Enterprise Development	No	Number of engagement sessions with local businesses identify and package new projects in existing sectors by deadline	Number	To ensure job creation	Number of engagement sessions with local businesses identify and package new projects in existing sectors by deadline (EI24-TL055)	Local Economic Development	To encourage local businesses to take advantage of government programmes (Black Industrialist, Employment Tax incentives, etc)	To identify and package new projects in existing sectors		
D1227	EI23	Enterprise iLembe - Enterprise	MTI01	Chief Executive Officer	No	Percentage of training budget spent by deadline	Percent	To establish an efficient and productive administration		Municipal Institutional Development and Transformation	Employee Training	To improve the capacity of staff to deliver services	R 166,592	R 166,592
D1228	EI24	Enterprise iLembe - Finance	FV02	Chief Financial Officer	No	Number of monthly financial information reports MFMA Section 87(11) submitted to the District by deadline	Number	To ensure sound budgeting and compliance principles		Municipal Financial Viability and Management	Quality, reliable financial statements and management information	Budget & compliance monitoring		
D1229	EI25	Enterprise iLembe - Finance	FV03	Chief Financial Officer	No	Cost Coverage ratio by end June 2022 (All available cash + investments/monthly fixed operating expenditure)	Ratio	To ensure sound expenditure management		Municipal Financial Viability and Management	Cost Coverage	Cash flow management		
D1230	EI26	Enterprise iLembe - Finance	FV03	Chief Financial Officer	No	Cashflow Management (Ability of EI to meet its financial obligations)	Number	To ensure sound expenditure management		Municipal Financial Viability and Management	Management of cashflow	Cash flow management		
D1231	EI27	Enterprise iLembe - Finance	FV03	Chief Financial Officer	No	Percentage of operational expenditure by deadline (Actual operating expenditure/ Budgeted operating expenditure x 100)	Percent	To ensure sound expenditure management		Municipal Financial Viability and Management	Operational expenditure monitoring	Expenditure management	R 38,593,814	R 45,540,439
D1232	EI28	Enterprise iLembe - Finance	FV05	Chief Financial Officer	No	Number of Clean audit opinion report received from AG for 2020/2021 by deadline	Number	To maintain a clean audit opinion		Municipal Financial Viability and Management	Maintain Clean Audit	To ensure adequate financial and administration management		
D1233	EI29	Enterprise iLembe - Finance	FV05	Chief Financial Officer	No	Number of Annual Financial Statements submitted to AG by deadline	Number	To maintain a clean audit opinion		Municipal Financial Viability and Management	Maintain Clean Audit	To ensure adequate financial and administration management		
D1234	EI30	Enterprise iLembe - Finance	FV05	Chief Financial Officer	No	Number of repeat findings by deadline (except in cases where it is beyond EI control)	Number	To maintain a clean audit opinion		Municipal Financial Viability and Management	Maintain Clean Audit	To ensure adequate financial and administration management		

Second Adjusted Budget	Baseline	2020-2021 Annual Target	2020-2021 Annual Actual							Jun-22	Overall Performance for July 2021 to June 2022			
				Original Target	Revised Target	Target Description	Actual	R	Performance Comment	Corrective Measures	Original Target	Revised Target	Actual	R
	3	3	3	2	6		6	G	Target met - A number of programmes implemented within the current financial year; 1. The IDC Business Recovery 2. The iLembe ITC Project 3. Digital Centre Programme 4. The Fodobev Programme 5. The iLembe Chamber Entrepreneurship Competition 6. The Spar Group Agri SMME Food Safety Programme	Reports have been submitted on previous submissions	2	6	6	G
	22	12	22	4	11		14	G2	Target met - This is due to the recent Provincial incidents of the unrest and the floods, where there has been more focus on engaging SMMes on these crises to assist businesses to access opportunities.		4	11	14	G2
	95,00%	100%	95%	100,00%	100,00%		67,00%	R	All trainings were conducted as planned	Additional training programmes will be undertaken in the 2022/23 financial year as part of the organizational review	100,00%	100,00%	67,00%	R
	12	12	12	12	12		12	G			12	12	12	G
	2.25:1	1:01	2.25:1	1:01	1:01		3.70:1	B	There were delays in procurement and spending due to the suspension of regulations.	Some projects have been moved to the next financial year.	1:01	1:01	3.70:1	B
	67	30	67	30	30		93	B	There were delays in procurement and spending due to the suspension of regulations.	Some projects have been moved to the next financial year	30	30	93	B
	88,00%	100%	88%	100,00%	100,00%		84,00%	R	There were delays in procurement and spending due to the suspension of regulations.	Some projects have been moved to the next financial year.	100,00%	100,00%	84,00%	R
	0	1	0	0	0		0	N/A			1	1	0	R
	0	0	2	0	0		0	N/A			1	1	1	G
	2	0	2	0	0		0	N/A			0	0	2	R

Ref	Internal Ref / Indicator Code	Responsible Department	IDP Ref	Responsible Owner	New Indicator?	KPI Name	Description of Unit of Measurement	Strategic Objective	Top Layer KPI	National KPA	Municipal KPA	Departmental Objective	Budget	Adjusted Budget
D1235	EI31	Enterprise iLembe - Finance	FV05	Chief Financial Officer	No	Percentage progress on audit queries resolving plan by deadline	Percent	To maintain a clean audit opinion		Municipal Financial Viability and Management	Maintain Clean Audit	To ensure adequate financial and administration management		
D1236	EI32	Enterprise iLembe - Enterprise	GP010	Chief Executive Officer	No	Number of coaching sessions of employees' performance conducted timeously by deadline	Number	To ensure effective Performance Management		Good Governance and Public Participation	Coaching session	Budget & monitoring against predetermined objectives		
D1237	EI33	Enterprise iLembe - Enterprise	GP06	Chief Executive Officer	No	Number of strategic plan for EI with clear measurable targets reviewed by the board by deadline	Number	Compliance and good Governance		Good Governance and Public Participation	Multi year strategic plan	To ensure good governance and provide Mandate aligned strategic direction		
D1238	EI34	Enterprise iLembe - Enterprise	GP06	Chief Executive Officer	No	Number of board meetings & board sub-committee meetings held to ensure effectiveness of Board of Directors by deadline	Number	Compliance and good Governance		Good Governance and Public Participation	Good Governance	To ensure good governance and provide Mandate aligned strategic direction	R 962,500	R 862,500
D1239	EI35	Enterprise iLembe - Enterprise	GP06	Chief Executive Officer	No	Number of Audit Committee meetings held by deadline	Number	Compliance and good Governance		Good Governance and Public Participation	Audit Committee	To ensure effectiveness and guidance of the committee in all areas of the entity	R 116,000	R 108,264
D1240	EI36	Enterprise iLembe - Enterprise	GP06	Chief Executive Officer	No	Number of Audit Committee reports submitted to the Board by deadline	Number	Compliance and good Governance		Good Governance and Public Participation	Audit Committee	To ensure effectiveness and guidance of the committee in all areas of the entity		
D1315	EI37	Enterprise iLembe - Enterprise	GP06	Chief Executive Officer	No	Number of reports on the status of Enterprise iLembe to the Municipal Manager by the 10th day after every quarter has ended	Number	Compliance and good Governance	Number of reports on the status of Enterprise iLembe to the Municipal Manager by the 10th day after every quarter has ended (EI-TL081)	Good Governance and Public Participation	Monitoring of the Entity	Unspecified		
D1340	EI11	Enterprise iLembe - Tourism, Marketing & Communications	LED03	Manager: Tourism, Marketing & Communications	Yes	Number of activities conducted for implementation of KwaShuShu Hotspring Project by deadline	Number	To capitalise on tourism potential of the district		Local Economic Development	Tourism Marketing & Development	To increase visitor numbers to the iLembe District	Refer to EI06 for budget	Refer to EI06 for adjusted budget
D1341	TS21	Enterprise iLembe - Enterprise	LED05	Manager: Enterprise Development	Yes	Number of SMMEs assisted to participate in the iLembe Entrepreneur competition (2021/2022)	Number	To ensure job creation		Local Economic Development	To promote Entrepreneurship	Unspecified	R 150, 000	R 150, 000
D1342	EI24	Enterprise iLembe - Enterprise Development	LED05	Manager: Enterprise Development	Yes	Percentage of Industrial Development Corporation Business Relief Funding disbursed by deadline	Percentage	To ensure job creation		Local Economic Development	Business Support	Co-ordination of LED in the District		R 5000, 000

Overall Summary of Results

N/A	KPI Not Yet Applicable	KPIs with no targets or actuals in the selected period.	0
R	KPI Not Met	0% <= Actual/Target <= 98.999%	9
O	KPI Almost Met	99.000% <= Actual/Target <= 99.999%	0
G	KPI Met	Actual meets Target (Actual/Target = 100%)	19
G2	KPI Well Met	100.001% <= Actual/Target <= 149.999%	5
B	KPI Extremely Well Met	150.000% <= Actual/Target	7
Total KPIs:			40

Second Adjusted Budget	Baseline	2020- 2021 Annual Target	2020- 2021 Annual Actual							Jun-22	Overall Performance for July 2021 to June 2022			
				Original Target	Revised Target	Target Description	Actual	R	Performance Comment	Corrective Measures	Original Target	Revised Target	Actual	R
	80,00%	100%	80%	100,00%	100,00%		92,00%	R	Some of the actions are beyond the control of the Entity, eg. SARS and DOE. Still awaiting responses from them.	This will still be updated before AG commences with audit should there be any movement	100,00%	100,00%	92,00%	R
	4	4	4	4	4		4	G			4	4	4	G
	1	13	15	1	1		1	G			1	1	1	G
	15	2	3	12	15		16	G2			12	15	16	G2
	4	4	4	4	4		4	G			4	4	4	G
	3	2	3	2	2		2	G			2	2	2	G
	3	0	0	4	4		4	G			4	4	4	G
	0	0	0	0	2	Activity 2 - Appointment of service provider	1	R	SP not appointed due to delays in advertising the tender (treasury regulations)	SCM processes underway, SP will be appointed within the 1st quarter of the next financial year.	0	2	1	R
	0	1	1	0	10		10	G	Target is met		0	10	10	G
	0,00%	0,00%	0,00%	0,00%	50,00%		41,00%	R	Out of R5 000 000, we have to date only received R2 500 000. Progress Report indicating how we got to 41% where, to date there has been a total spend of R1 020 959 over a total funding of R2 500 000 [R1 020959/R2 500 000]=41%	The balance of the other R2 500 000 to make the total funding of R5 000 000 we will receive it on the next financial year.	0,00%	50,00%	41,00%	R

Chapter 4

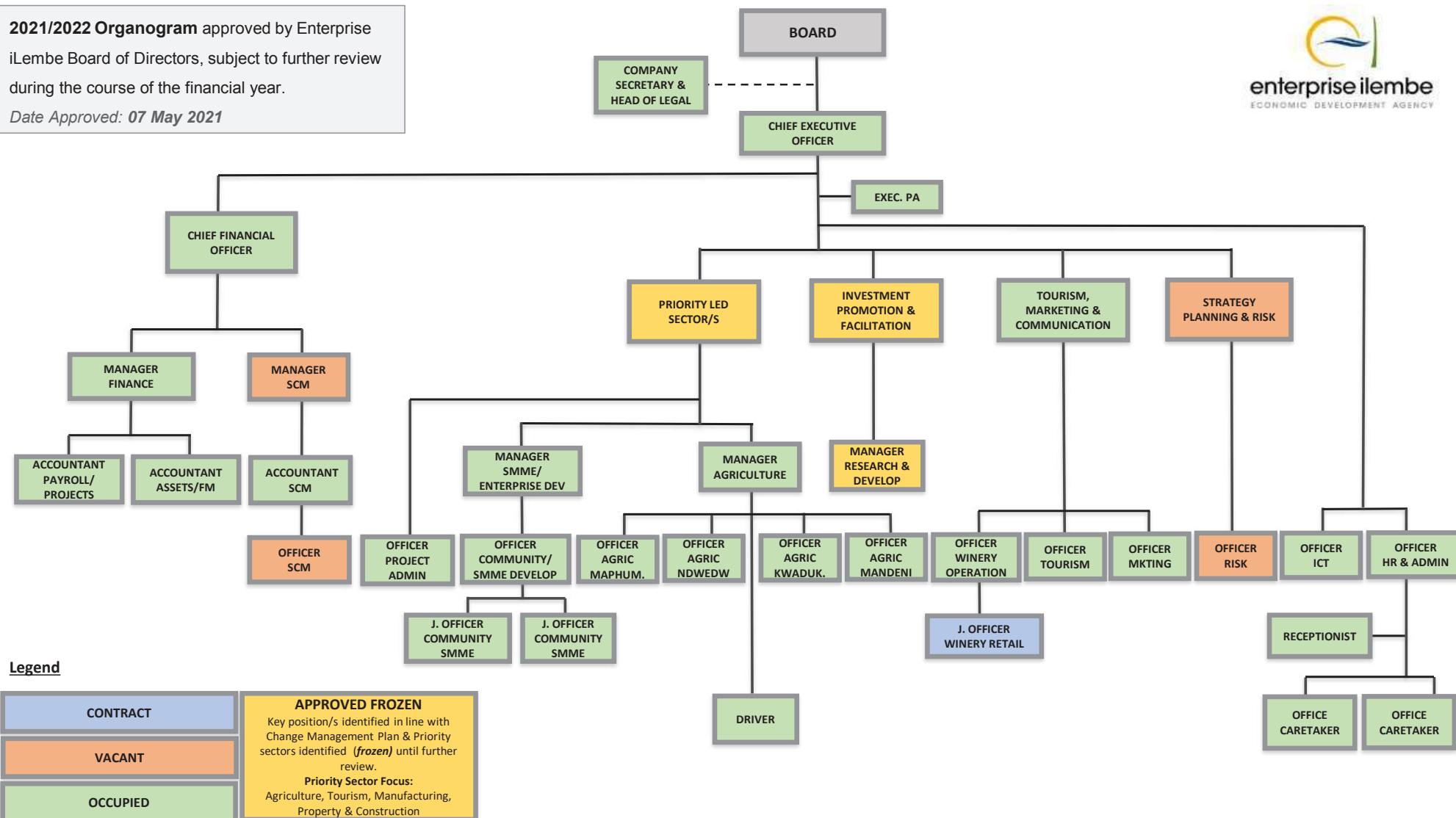
HUMAN RESOURCES & ORGANISATIONAL MANAGEMENT



4.1 Organisational Structure 2020/2021

2021/2022 Organogram approved by Enterprise iLembe Board of Directors, subject to further review during the course of the financial year.

Date Approved: 07 May 2021



Appointments in the 2020/2021 financial year

NO	JOB DESIGNATION	TYPE	START DATE
1	UIF LAP Administrator	Contract	01/07/2020
2	Chief Executive Officer	Acting	06/11/2020
3	Project Accountant	Contract	01/12/2020
5	Risk Officer	Contract	01/03/2021
6	SCM Officer	Contract	01/03/2021

Resignations/Contract End during 2020/2021 financial year

NO	JOB DESIGNATION	REASON	END DATE
1	Chief Executive Officer	Dismissed	06/11/2020
2	Chief Operations Officer	Resigned	17/11/2020
3	UIF LAP Administrator	Contract End	31/12/2020
4	Manager: SCM	Contract End	31/12/2020
5	Stakeholder Engagement Officer	Contract End	31/12/2020
6	Project Accountant	Contract End	30/04/2021
7	Risk Officer	Contract End	30/06/2021

4.2 Institutional Transformation & Employment Equity as at 30 June 2021

In compliance with the Employment Equity Act, 55 of 1998, the Enterprise iLembe's Employment Equity Plan has been crafted with the aim to remedy any form of discrimination in the workplace by removing all barriers in the employment policies, practices. Affirmative Action has been defined as the tool to implement immediate positive remedial action. Programs and procedures to address both historic and existing inequalities and imbalances of the past are being implemented.

The Entity acknowledges the value of retaining staff especially employees with scarce skills and those who possess experience that is required for the Entity to fulfill its objectives. The Entity recognises that in order for it to be able to retain staff, it is very important to create an environment that encourages staff not only to succeed in their jobs but also to grow and achieve their personal development goals and aspirations.

DESIGNATION	NUMBER	MALE	FEMALE	BLACK	WHITE	INDIAN
Board	5	3	2	4	1	-
Acting CEO	1	-	1	-	-	1
CFO	1	-	1	1	-	-
Managers	2	1	1	1	-	1
Contracts	2	2	-	2	-	-
Total Staff	26	9	17	14	2	1



Chapter 5

FINANCIAL PERFORMANCE & RELATED INFORMATION





Snegugu Mthembu

5.1 Chief Financial Officer's Report

5.1.1 Introduction

iLembe Management Development Enterprise (Pty) Ltd, trading as Enterprise iLembe, as an Entity of iLembe District Municipality (IDM), relies heavily on the operational grant that it receives from the district in order to run its daily operations. With the limited resources the Entity has, some of the objectives as set for the year ended 30 June 2021 have been met, but of course not without challenges. The Entity has managed, to a certain extent, to fulfil its objective and mandate as given, which is the provision of the Local Economic Development within the iLembe District, which includes the promotion of tourism and investment, this through several sectors where impact has been made. Whilst the above is the case, the impact of COVID-19 has interfered with the execution of projects, especially where tourism projects are concerned, with

the district rich in tourism activities and establishment. There have been initiatives undertaken to assist in this regard, however, for as long as COVID-19 exists and the observation of safety protocols, business as we know it will continue to be affected and businesses will not be able to function at optimal levels.

The funding sources currently available for the Entity includes allocations from IDM, government grants for various projects and interest earned from investments. These grants (COGTA, UIF and MICT SETA) were in relation to previous financial year rollovers, which were completed in the 2020/2021 financial year.

During the 2020/21 financial year, the Entity continued with the implementation of the UIF LAP and MICT SETA projects, where learners were recruited in the previous financial year. The close out reports are currently being drafted in this regard with a 10% retention amount being withheld until the certificates are issued to all learners.

The COVID-19 pandemic, as with most institutions, also affected programs as well as the cash flows of the Entity. Whilst the Entity no longer manages the National Schools Nutrition Programme (NSNP) on behalf of the Department of Education, the Entity continues to support local farmers by looking for alternative markets for the farmers in order to assist them during this difficult time.

The Entity continues to monitor the situation and strives to offer our services to the communities that we serve, the best way it can under the circumstances.

5.1.2 Operating Results

REVENUE	Actual	Budget	Variance
	2021	2021	2021
	R	R	%
Opening accumulated surplus	28 557 931	33 106 250	-15%
Operating income for the year	55 755 131	65 096 612	-15%
Total	83 937 911	98 202 862	
EXPENDITURE			
Operating expenditure for the year	54 485 251	57 659 235	-6%
Closing accumulated surplus	28 160 420	40 543 627	-31%
Total	82 645 671	98 202 862	

Details of the operating results are included in the annual financial statements, which are part of this Annual Report. A summary of the results is as follows

The variances for the 2020/2021 financial year in relation to the revenue anticipated and expenditure that was planned for are because of grant expenditure that was budgeted for but could not be expended on as approvals were not received from the funder (COGTA). The application for roll over process will be submitted in this regard.

An amount of R 24 995 722 was spent on projects during the 2020/21 financial year as follows:

Project Name	Expenditure 2020/21
UIF Grant	13 818 474
COGTA RASET Grant/LED Project	131 677
COGTA YEP Grant	3 012 823
Tourism Ex IDM	1 017 865
LED IDM Grant	1 022 218
MICT SETA Grant	2 087 651
Development of SMMEs	3481 507
EDTEA KwaShushu Project	10 365
SASA Grant	22 224
Maphumulo KwaShushu Project	391 304
Totals	24 995 722

One of the challenges that Enterprise iLembe faced during the 2020/2021 financial year, which has been recurring over the last three financial years, is the budget cut by IDM. This triggers the Entity to reduce on some operational expenses, which does hamper with meeting all the objectives as set out at budgeting period as most programmes would have been started by the time the adjustments budget is finalized. For as long as IDM has challenges with their revenue collection and increasing debtors' book, the Entity will remain affected by this. An amount of R1, 4 million was not paid by the district as at year end.

During the reporting period (financial year, 2020/2021), the Department of Education (DOE) did not renew the contract for the implementation of the NSNP project. This has negatively impacted on the revenue and operations of the Entity, especially as some of the operations covered through this programme included fixed costs. An amount of R0, 6 million remains outstanding and this pertains to previously financial years.

5.1.3 Unspent conditional grants

The following amounts with regards to conditional grants were unspent as at 30 June 2021:

Project Name	Unspent grants 30 June 2021
UIF Grant	1 706 765
COGTA RASET Grant/LED Project	1 810 568
COGTA BIOMASS Grant	14 605
COGTA YEP Grant	1274 749
Tourism - IDM	652 093
COGTA Public Wi Fi Grant	33 298
COGTA Mini Factories Grant	2 173 913
MICT SETA Grant	1 689 413
District Growth Summit	131 369
Development of SMMEs - IDM	255 573
LED Project - IDM	447 782
Totals	10 190 127

The application for the roll-over will be submitted to the respective departments and figures will be confirmed as soon as unspent amounts are audited by Auditor General.

5.1.4 Accumulated surplus

The accumulated surplus as at 30 June 2021 was R 28 160 420 (30 June 2020 was 27 880 898).

5.1.5 Cash and cash equivalents

As at 30 June 2021 the cash and cash equivalents balance was as follows:

Details	R
Cash at bank	2 452 928
Current Investments	11 021 568.
TOTAL	13 474 496

5.1.6 Expression of appreciation

A successful year is never a one man's victory, but a collective effort from all other stakeholders involved in the running of the Entity, working together towards a common goal.

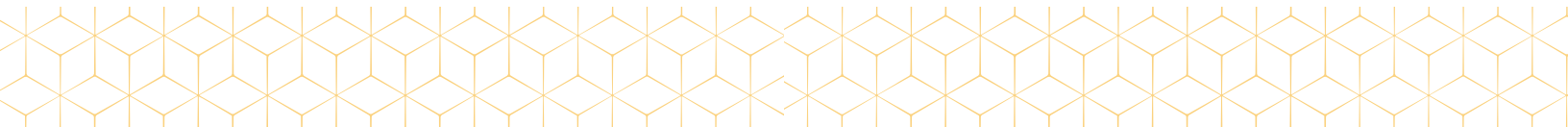
It is in this spirit that I would like to extend heart-felt appreciation to the Chairman of the Board, the Board Members, the Audit Committee, Internal Audit, the Acting Chief Executive Officer, the Heads of Departments within the Entity, the finance staff and the rest of staff within the Entity for their support and assistance. Special appreciation is also given to the Office of the Auditor-General for their support and assistance in resolving issues that arise during our interactions.

I would also like to extend my appreciation to our shareholder, iLembe District Municipality, for their continued support and working together with us to fulfil our mandate as Enterprise iLembe.



S.N. Mthembu

Chief Financial Officer



5.2 Report of the Audit Committee

The mandate of the Audit Committee is legislated in terms of section 166 of the Municipal Finance Management Act, 2003 (MFMA) which requires the Audit Committee to advise the Accounting Officer and the Board of Directors on matters relating to:

- Internal financial control and internal audits
- Risk management
- Adequacy
- Reliability and accuracy of financial reporting and information
- Accounting policies; performance management and evaluation; effective governance
- Compliance with the MFMA and any other applicable legislation and / or policies and any other issues referred to it by the Entity.

The Audit Committee is also required to fulfil the functions of a Performance Management Committee constituted in terms of Regulation 14(2) of the Local Government: Municipal Planning and Performance Management Regulations, 2001. The MFMA also requires the Audit Committee to review the annual financial statements, respond to the Board on matters raised by the Auditor-General and carry out investigations into the financial affairs of the Entity.

Audit Committee Composition and Attendance

The Entity has constituted an Audit and Risk Committee that is appointed in line with section 166 of the MFMA. The Committee comprised of four independent members, including the chairperson of the Committee. The members have diverse skills and experience which enables the diversity of views and opinions as well as ensures that there are sufficient checks and balances in the Committee's deliberations.

Both the Internal and External Auditors have unrestricted access to the Committee.

The term of office for one of the members of the Committee came to an end mid-way through the reporting period.

The table below sets forth the membership and attendance at meetings of the committee for the period under review. There were three meetings held for the period under review.



Names	Role	No of Meetings Attended	09 Sep 2020	19 Oct 2020	27 Jan 2021	22 Apr 2021
Mr S L Ndlovu	Member	3	Yes	Yes	Yes	N/A
Ms C Gertze	Member	4	Yes	Yes	Yes	Yes
Ms B Zulu	Member	3	Yes	Yes	No	Yes
Mr S Hlophe	Chairperson	4	Yes	Yes	Yes	Yes

Mr S.L Ndlovu's term of office / appointment ended on 31 January 2021.

The following are standing invitees to the Committee Meetings and they are always welcome to join scheduled meetings to enrich deliberations of the Committee:

- Representative from Auditor-General (AG)
- Representatives from Provincial Treasury and COGTA
- Internal Audit
- The Risk Management Committee Chairperson

Audit And Risk Committee's Responsibility

The Committee operates under written terms of reference, the audit committee charter which is approved by the Board annually. These terms of reference are in line with the requirements of section 166 of the MFMA and Treasury Regulation 27.1.

In this report, under relevant headings, we have summarized the activities and progress the Committee has have undertaken in executing its mandate:

Internal Audit and Internal Control

In line with the requirements of the MFMA, the Internal Audit provides the Committee and Management with assurance as to whether the internal controls are appropriate and effective. This is achieved by means of the risk based internal audit plan which is approved by the Committee annually.

The internal audit function of the Entity is currently outsourced to ASI Incorporated who took over from Nexia SAB & T during the reporting period.

The Committee did approve the Internal Audit Plan for 2020/21 financial year. Internal Audit reports were presented to the Committee during this period and it was noted that the audit plan was executed in full. There were various issues and concerns raised by the audit committee with regards to certain sections of audit which predates the reporting period and these are being monitored continuously to ensure that such concerns are considered and addressed by management. During the reporting period, the Committee further noted the sudden departure of the Chief Executive Officer and followed by the Chief Operations Officer, both whilst there were still investigations underway to deal with alleged irregularities. The Committee notes that these investigations have been completed within the reporting period and the recommendations of the investigations have been referred to law enforcement agencies for further action.



On the audit of the 2020/2021 annual financial statements (AFS), the Audit Committee noted the report presented by external audit which indicated that the Entity produced AFS that are free from material misstatements, where there were areas of clarity or correction to be made, those were attended to and corrected accordingly. The Committee further noted the findings raised by the external audit team. Management was urged ensure that the action plan to resolve all the findings is put in place and monitored for clearing within reasonable timelines. and.

Risk Management

The Committee is responsible for oversight of the internal and external auditors as well as financial reporting. Because the assessment of internal controls over financial reporting is risk-based, the Committee is responsible for overseeing management's risk policies and discussing the key risk exposures with management.

The Entity conducted a risk assessment during the start of the financial year and the top key risks were identified, measured and prioritised and the updated risk register as reviewed and approved by the Audit Committee was adopted on 30 October 2019 by the Board. Risk management reports are presented to the Committee during its meetings.

In the previous report, the Committee noted the challenge regarding the functionality of the Risk Management Committee due to the absence of the Risk Management Committee Chairperson, as the former chairperson had resigned, the Committee is pleased to note that a new Independent Risk Management Committee Chairperson has been appointed and will be a permanent invitee to all the meetings of the Committee to report on the activities of the Risk Management Committee as well as to give her input on risk management interventions of the Entity.

Strategic risk assessment sessions were held with Management on 06 July and 13 July 2020 and the 2020/2021 Risk register was done based on the outcome of the strategy sessions. It was noted that 27 risks were identified along with 60 action items to be implemented by the Entity. It was also noted that pro-bono support was granted by SAICA and the appointed service provider (ISIBANI) has assisted with addressing Risk Management issues and provided inputs/comments to the Risk Register. Minor refinements linking risks identified with the Strategy, IDP of the shareholder (IDM) and risk ratings were also done.

The Committee continues to observe the advise on the Entity's responses to Covid-19 impact and is comfortable that due care is observed in that operations are not adversely impacted, notwithstanding the challenges that have been brought by Covid-19.

The Committee is comfortable with the level at which risk is managed by the Entity but observed that the absence of the Risk Management Chairperson hindered performance to a certain extent. The appointment of a new Risk Management Committee Chairperson gives hope that all the challenges and areas of concern will be addressed during the 2021/2022 financial year.



ICT Governance and ICT Operations

ICT is the integral part of the organization. There has been improvements within the ICT function with the Entity resolving to have this function in-house and the appointment of an ICT Officer who is currently assessing the infrastructure and other ICT related resources that the Entity will need going forward. Management is enjoined to ensure that ICT governance and operations are prioritised to ensure business continuity and to ensure efficient operations. The Committee will be monitoring these closely in during the 2021/2022 financial year and going forward.

Evaluation of Financial Reports and Annual Financial Statements

For the reporting period under review, the Committee was able to evaluate the following:

- The quarterly Annual Financial Statements (AFS) were presented by management, which is commendable as it assists in eliminating issues being raises at the financial year end and addressed at the earliest convenience.
- With regards to external audit action plan, management confirmed that the issues raised by external auditors are being attended to and will be cleared within reasonable timelines. We evaluated this through an Action Plan progress report submitted to the Committee. We are satisfied that these matters are addressed adequately.
- We are comfortable that MSCOA compliance has progressed adequately and through engagement with the District Municipality we are satisfied with the support provided to the Enterprise. During the review of AFS we noted that the AFS were in accordance with MSCOA and that the Enterprise is able to transact and process entries using the MSCOA system. The Entity currently has a signed agreement (SLA) with Munsoft – the financial system service provider which is assisting in queries being promptly attended to.
- Compliance issues were also noted and reviewed through the SCM report presented by the CFO quarterly to the committee. This includes, deviations, irregular, fruitless and wasteful expenditure. There were no issues of irregular expenditure picked up and report during the current financial year. There were deviations noted, which were presented and approved as they were in terms of legislation. The fruitless and wasteful expenditure incurred as a result of interest and penalties imposed were recorded. The same was reported to the Board together with the outcome of investigations by the Chief Executive Officer on some instances. Management is urged to put proper control measures in place to ensure that these are not repeated and are avoided in the future.

Performance information

The Committee also serves as the Performance Committee for the Entity. The legal responsibilities of the Committee in this regard are set out in terms of the Local Government: Municipal Planning and Performance Management Regulations 2001.



With regards to APR this was reviewed through scrutiny and engagement with management. We are satisfied of the progress made at an organizational level, currently sitting at 83% of targets met. Progress in some instances was hindered by the lockdown.

Recommendations

- The Board and management at all levels should continue with commitment to optimally use scarce resources, cash-flow and sustainability plans and regular monitoring and evaluation to ensure that the Enterprise iLembe continues as a going concern.
- The Board and management need to continuously monitor and review internal controls. The Chief Executive Officer must ensure that there are consequences for non-adherence with internal controls.
- The Chief Executive Officer and management should ensure that credible, reliable and accurate financial and performance information is submitted quarterly for review by the Board and the Committee.
- The Chief Executive Officer should ensure that recommendations of internal and external audits are implemented as per the action plans and report progress on a quarterly basis. This should assist to prevent irregular, fruitless and wasteful expenditure as well as non-compliance with laws and regulations.

Conclusion

The implementation and maintenance of proper systems of internal controls, risk management, the prevention of fraud and errors, safeguarding of the assets of the enterprise and compliance with relevant laws and regulations, are the responsibility of the Board. The role of the Audit and Risk Committee is to monitor the efficiency of the procedures and mechanism which the Board has put in place in order to ensure that its policies and procedures are adhered to.

The Audit and Risk Committee remains committed in assisting and supporting the Board in the execution of its mandate and towards managing the financial affairs in accordance with the law.

On behalf of the Audit Committee, I hereby submit this report for inclusion on the 2020/2021 Annual Report.



Silas Hlophe

Chairperson of the Audit Committee

02 December 2021



5.3 Report of the Auditor-General

Report of the Auditor-General to Kwa-Zulu Natal Provincial Legislature and the council on iLembe Management Development Enterprise (Pty) Ltd

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the iLembe Management Development Enterprise (Pty) Ltd set out on pages 72 to 115, which comprise the statement of financial position as at 30 June 2021, the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget information with actual information for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the iLembe Management Development Enterprise (Pty) Ltd as at 30 June 2021, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa 56 of 2003 (MFMA) and the Divisions of Revenue Act of South Africa 16 of 2019 (DORA)
3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. 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 other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my unqualified opinion.

Emphasis of matter

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

Irregular expenditure

7. As disclosed in note 23.2 to the financial statements, the entity incurred irregular expenditure of R2,6 million (2019-20 : R7,0 million), as it did not follow a proper tender process.



Other matter

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

Unaudited disclosure notes (MFMA125)

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

Responsibilities of the accounting authority for the financial statements

10. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and Dora, 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.
11. In preparing the financial statements, the accounting authority is responsible for assessing the municipal entity'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 entity or to cease operations, or has no realistic alternative but to do so.

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

12. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
13. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

14. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.



15. My procedures address the usefulness and reliability of the reported performance information, which must be based on the entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the entity's enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
16. I evaluated 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 Local economic development objective presented in the entity's annual performance report on pages 30 to 32 for the year ended 30 June 2021.
17. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
18. The material findings on the usefulness and reliability of the performance information of the selected objective are as follows:

KPA 1 – Local Economic Development

Key performance indicator: Broadband project technical assessments and off take agreements completed

19. Target 'Broadband project technical assessments and off take agreements' for this indicator is not specific in clearly identifying the nature and required level of performance.

Other matter

20. I draw attention to the matter below.

Achievement of planned targets

21. The annual performance report on pages x to x for information on the achievement of planned targets for the year and management's explanations provided for the under achievement of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraph 19 of this report.

Adjustment of material misstatements

22. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of local economic development. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.



Report on the audit of compliance with legislation

Introduction and scope

23. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the municipal entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
24. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements

25. 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 of current assets and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified opinion.

Other information

26. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.
27. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
28. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objective presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
29. When I do receive and read the other outstanding information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

30. 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 on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.



31. Management did not prepare accurate and complete financial statements and annual performance report, that were supported by reliable information as material misstatements were identified in the annual financial statements and annual performance report.
32. I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
33. An independent consultant investigated an allegation of possible fraud and financial misconduct into the UIF and MICT SETA Programme, which covered the period November 2020. The investigation was concluded on December 2020 and resulted in criminal proceedings against two former employees, further investigations of other projects and lifestyle audits of employees. These proceedings were in progress at the date of this auditor's report.

Auditor - General

Pietermaritzburg

30 November 2021



Annexure – Auditor-general’s responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional skepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected objectives and on the entity’s compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor’s report, I also:
 - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority
 - conclude on the appropriateness of the accounting authority’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the iLembe Management Development Enterprise (Pty) Ltd to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause a entity to cease operating as a going concern
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.



5.4 Audit Action Plan

The audit action plan for the 2020/2021 audited financial year has been updated and is as follows.



ENTERPRISE ILEMBE
2021 YEAR-END AUDIT ACTION PLAN AS AT 12 DECEMBER 2022

AG FINDINGS								
No.	Audit Finding	Unit	Internal Control	Actions	Assigned	Date of	Action to Date	%
			Deficiency		To	Action		Complete
1	Management did not prevent Irregular, Fruitless & Wasteful expenditure	Finance	Management did not adequately review and monitor compliance with the applicable MFMA requirements to ensure that Irregular, Fruitless & Wasteful Expenditure is prevented by the Entity	<p>Fruitless and Wasteful Expenditure</p> <p>1. Draft a letter to SARS to request remission on the interest and penalties incurred in prior periods, which was a correction of what was previously submitted due to system issues at the time of submission. - 40%</p> <p>2. Send letter to SARS - 20%</p> <p>3. Approval by SARS/Board to write-off - 40%</p> <p>Irregular Expenditure - The Irregular Expenditure amounting to R11 053 649.00 (2020) and R2 609 070.35 (2020) was noted by the Board. The Board agreed that the final report on the forensic investigation will guide the treatment of the irregular expenditure. The report was concluded and tabled to the board in July 2021. A resolution by the Board as to the treatment of the irregular expenditure is pending the outcome of a criminal case that has been opened with SAPS. No further action.</p>	CFO	30-Jun-22	The entity has gathered supporting documents & submitted a request for reversal to SARS.	60%
2	Receivables from DOE has not been recovered and included in the provision for doubtful debts	Finance	Management did not properly prepare and review the provision raised for debt impairment. No adequate use of the GRAP Framework to ensure reasonability of the provision	<p>1. Draft a letter to DOE requesting payment of outstanding amount.</p> <p>2. Receipt of amount from DOE/Approval of write-off of debt by Board.</p>	CFO	30-Jun-22	The Entity and DOE had a meeting with relevant parties and DOE requested for all documents previously submitted to be re-submitted. This was subsequently done and we await the outcome from DOE.	50%
3	The VAT receivable balance as per the AFS does not agree with SARS records	Finance	Management did not properly prepare and review the monthly VAT calculations and ensure that the VAT calculations are complete. The financial statements were not adequately reviewed in a timely manner to ensure that they were prepared accurately and completely to ensure that they are fairly presented.	<p>1. Engage with a Tax Practitioner to perform a review of VAT for prior periods - 50%</p> <p>2. Reconcile the SARS balance to the Entity Balance - 50%</p>	CFO	30-Jun-22	<p>The appointment was done for one of the panel members for the VAT review to commence with the review of VAT has commenced.</p> <p>The reconciliation of the the Entity balance to SARS VAT Balance has been finalised and submitted to SARS.</p>	100%

4	Recommendations made by the Enterprise's legal representatives not followed up and implemented	Office of the CEO	Management did not implement the recommendations by their legal representative.	Finalize legal review of Phambili energy transaction	CEO	30-Jun-22	The legal review report has been received from the legal representative and submitted to Board for approval. The recommendations will be implemented as per Board decision.	100%
5	SCM Department -Manager position vacant for major part of the year	Finance	The SCM Accountant will be the only employee reviewing tender documents. There is currently a lack of division/ segregation of duties. The procurement process can be omitted as the SCM department is under pressure to meet deadlines	To capacitate the SCM department by filling the two vacant positions.	CFO	30-Jun-22	The position of the SCM Officer has been filled with effect from 01 July 2022. (The appointment letter was sent on 28 June 2022) Further, the entity appointed finance interns to build capacity, pending the finalization of the Vuthela/ Lead HR Project. Two interns were appointed with effect from 03 May 2022.	100%
6	Related parties' amount in the AFS does not agree to the amount disclosed in IDM's AFS.	Finance	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available for audit purposes.	The amount disclosed by IDM is the total amount transferred to the Entity for the year, whereas the Entity only discloses what has been spent for the year on the Related Parties note and the unspent balance under the Unspent Grants note. AG requested that the balance be also disclosed under the Related Parties note which was done.	CFO	30-Jun-22	The difference was disclosed under the Related Parties note on the AFS for the year ended 30 June 2021 and will be treated the same for the coming audits.	100%
7	Segment information not presented as required by GRAP 18 "Segment Reporting".	Finance	Management did not take all reasonable steps to ensure that the prepared AFS are accurate, complete and that relevant information per GRAP 18 is disclosed.	This was not included based on how the GRAP standard was interpreted by the Entity (as the understanding was that it applies to services, of which the Entity does not directly provide services and is administrative and functional in nature) - also in consultation with other Entities who had not disclosed this and it was not raised as a finding. Even Treasury was consulted but did not come back with a clear answer. However, because AG insisted that the entire income statement must be translated to Segment Reporting, this was subsequently done.	CFO	30-Jun-22	Segment Reporting was included on the AFS for the year ended 30 June 2021 and will be part of the AFS going forward.	100%
8	Inaccurate disclosures of amounts on the cash flow statement and the accompanying notes.	Finance	The AFS were not adequately reviewed in a timely manner to ensure that information is fairly and accurately disclosed.	The cash generated from operations balance on the cashflow was correct - it was the reconciling note that had discrepancies due to casting errors. This was subsequently corrected.	CFO	30-Jun-22	The figures were corrected on the final set of AFS submitted to AG.	100%

9	Other material adjustment to the AFS: *Contingent Asset - Claim against supplier with probable settlement not disclosed in AFS *Capital Commitments not disclosed in AFS	Finance	The AFS were not adequately reviewed in a timely manner to ensure that information is fairly and accurately disclosed.	Contingent Asset - When the legal opinion was sought on the matter, it was to review the agreement between the Entity and Phambili energy due to a dispute currently in place. Subsequent to the appointment of the legal team, Phambili Energy then proposed a settlement option which was not yet accepted by the Entity when audit was finalized. However, on insistence by AG, this was subsequently included on the AFS. Capital Commitments - This was initially not included in the AFS as all our contracts contain a cancellation clause, however as the YEP project is grant funded, this was subsequently include on the AFS.	CFO	30-Jun-22	The contingent asset and capital commitments notes were updated on the final AFS submitted to AG.	100%
10	AOPO- the target for the performance indicator is not specific, and the said target is the same as the performance indicator	PMS	Management did not prepare an accurate annual performance report which contains targets that clearly identify the required level of performance. No appropriate review of the annual performance report was performed by management	Management to review the adjusted SDBIP to ensure that all targets meet the SMART principle.	LED	31-Mar-22	Management has reviewed the adjusted SDBIP.	100%
11	AOPO- the reported target is not consistent compared to the planned target	PMS	Management did not prepare an accurate annual performance report whereby reported targets are consistent with planned targets	1.Management to review the adjusted SDBIP to ensure that all targets meet the SMART principle.	LED	30-Jun-22	Management has reviewed the adjusted SDBIP.	100%
12	AOPO- the annual target is not consistent with the unit of measure	PMS	Management did not prepare an accurate annual performance report where the unit of measure for all key performance indicators are consistent with the unit of measure reported on annual targets	1.Management to review the adjusted SDBIP to ensure that all targets meet the SMART principle.	PMS	30-Jun-22	Management has reviewed the adjusted SDBIP.	100%
13	Payments due to creditors not settled within 30 days	Finance	Management did not ensure that all payments to suppliers are settled within 30 days of receipt of invoice. Supplier statements were not monitored to ensure payments are made within 30 days	The suppliers are not paid if there are outstanding matters on their side, i.e. work not completed satisfactorily or tax matters not in order. This was communicated to AG and CSD reports as well as letters from suppliers provided.	CFO	30-Jun-22	No further action	100%
(Calculation based on the SUM of J8 to J20 divided by 13)						Progress to date:		93%



Part 2

Chapter 6

ANNUAL FINANCIAL STATEMENTS REPORTING



6.1 Financial Statements & Related Information

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD

REGISTRATION NUMBER: 2006/032665/07

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

General Information

Country of Incorporation	South Africa
Legal form of entity	(Pty) Ltd
Nature of business	Local Economic Development, Tourism & Investment
Acting Chief Executive Officer	Mr Linda Mncube
Chief Financial Officer	Ms Sinegugu Mthembu
Company Secretary	Ms Sinegugu Mthembu (Secondment)
Directors	Mr Xolani Gumede - Chairperson of the Board Ms Ntokozo Mlaba - Deputy Chair of the Board Dr Thamsanqa Mbonambi Mr Ian Deetlefs Ms Noluthando Dlamini

Controlling Entity

Auditors	iLembe District Municipality
Attorneys	Auditor-General of South Africa
Bankers	Panel of Services Providers
Postal Address	First National Bank P O Box 593 Ballito 4420

Physical Address

Sangweni Tourism Centre
Cnr. Ballito Drive and Link Road
Ballito
4420

Contact No.

032-9461256

Web Address

www.enterpriseilembe.co.za

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

	Note	2021	2020
		R	Restated R
ASSETS			
Current Assets		17 840 562	30 551 714
Vat Receivable	4	392 346	3 323 809
Inventory	5	269 673	211 309
Trade and Other Receivables from Exchange Transactions	11	2 022 038	10 588 975
Trade and Other Receivables from Non-Exchange Transactions	11	1 682 010	335 728
Cash and Cash Equivalents	12	13 474 495	16 091 893
Non-current Assets		26 498 646	27 309 832
Property, Plant and Equipment	8	26 446 458	26 757 595
Biological Assets	9	-	530 000
Operating Leases	32	52 188	22 238
Total Assets		44 339 207	57 861 547
LIABILITIES			
Current Liabilities		14 985 056	29 020 088
Trade and Other Payables from Exchange Transactions	1	2 002 408	10 953 097
Employee Benefits	2	2 403 055	2 628 985
Trade and Other Payables from Non-Exchange Transactions	3	10 190 126	14 292 080
Finance Lease Liability	6	386 739	1 145 926
Operating Lease Liability	32	2 728	-
Non-current Liabilities			
Finance Lease Liability	6	-	302 983
Total Liabilities		14 985 056	29 323 071
NET ASSETS		29 354 151	28 538 477
NET ASSETS			
Accumulated Surplus		29 354 051	28 538 377
Issued Share Capital	10	100	100
Total Net Assets		29 354 151	28 538 477

STATEMENT OF FINANCIAL PERFORMANCE AS AT 30 JUNE 2021

	Note	2021	2020
REVENUE		R	Restated R
Revenue from exchange transactions			
Gain on actuarial valuation	2	7 000	-
Rental Income	13	703 211	279 195
Interest Received	14	437 760	552 006
Other Income	16	806 915	1 225 402
National Schools Nutrition Income	17	-	11 269 539
Total Revenue from exchange transactions		1 954 886	13 326 142
Revenue from non-exchange transactions			
Government grants and subsidies	15	53 689 851	72 840 048
Insurance refunds	16	110 396	53 604
Total Revenue from non-exchange transactions		53 800 247	72 893 652
Total Revenue		55 755 133	86 219 793
EXPENDITURE			
Depreciation, Amortisation & Impairment	7	3 441 176	2 719 692
Employee Related Costs	18	18 771 361	20 944 107
Board Fees	19	755 186	765 519
Contracted Services	21	6 842 687	20 192 592
General Expenses	22	21 962 398	45 203 421
Loss on fair value adjustment	26	-	60 000
Loss on debt impairment	26	2 137 226	-
Loss on asset disposal	26	652 847	50 764
Total Expenditure		54 562 881	89 936 095
Surplus / (Deficit) for the year		1 192 252	(3 716 302)

STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2021

	Note	Shares	Accumulated Surplus/ (Deficit)	Total Net Assets
Opening Balance 1 July 2019		100	32 653 238	32 653 338
Deficit for the year		-	(4 450 623)	(4 450 623)
Adjustments		-	(398 559)	(398 559)
Balance at 30 June 2020		100	27 804 055	27 804 155
Prior period error	29	-	734 321	734 321
Restated Balance at 30 June 2020		100	28 538 377	28 538 477
Opening Balance 1 July 2020		100	28 538 377	28 538 477
Surplus for the year		-	1 192 252	1 192 252
Adjustments		-	(376 577)	(376 577)
Balance at 30 June 2021		100	29 354 051	29 354 151

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
CASH FLOW STATEMENT AS AT 30 JUNE 2021
AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

	Note	2021	2020
		R	Restated R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts government and other		75 019 947	130 468 727
Cash paid to suppliers and employees		(73 191 877)	(133 044 099)
Cash generated/(utilised) from operations	24	1 828 070	(2 575 371)
Interest received		437 760	552 006
NET CASH FLOWS FROM OPERATING ACTIVITIES		2 265 830	(2 023 365)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(3 726 162)	(876 167)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(3 726 162)	(876 167)
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease installments		(1 157 066)	(1 237 948)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(1 157 066)	(1 237 948)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(2 617 398)	(4 137 480)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		16 091 893	20 229 373
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	25	13 474 495	16 091 893

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS

Description						2020/2021	Comments
	Original Budget R	Adjustment Budget Budget R	Actual outcome June 2021 R	YTD Budget June 2021 R	Variance R	% Variance	Explanation of material variances over 10%
Financial Position							
Current assets:							
Receivables from exchange transactions	6 299 265	6 299 265	2 022 038	6 299 265	(4 277 227)	-68%	Immaterial
Receivables from non-exchange transactions	-	-	1 682 010	-	1 682 010	100%	Previously disclosed as part of receivables prior to split from non-exchange transactions
VAT	507 974	507 974	392 346	507 974	(115 628)	-23%	Linked to expenditure and revenue receipts
Cash and Cash Equivalents	5 110 218	5 110 218	13 474 495	5 110 218	8 364 277	164%	Unspent grants where approvals/responses were not received in time from funder (COGTA)
Inventory	283 018	211 309	269 673	211 309	58 364	28%	Additional wine was purchased in the current year - for cultivars that were sold out.
Non-current assets							
Property, plant and equipment	24 079 153	24 079 153	26 446 458	24 079 153	2 367 305	10%	Increase is due to asset additions - WIP for the YEP project
Biological assets	391 400	391 400	-	391 400	(391 400)		Biological assets written-off as vineyards will be repurposed to open fields due to the non-viability of the project.
Operating Leases	-	-	52 188	-	52 188	100%	Newly accounted for item
Total Assets	36 671 029	36 599 320	44 339 207	36 599 320	7 739 888		

Description						2020/2021	Comments
	Original Budget R	Adjustment Budget Budget R	Actual outcome June 2021 R	YTD Budget June 2021 R	Variance R	% Variance	Explanation of material variances over 10%
Current liabilities							
Payables from exchange transactions	2 733 731	2 733 731	2 002 408	2 733 731	(731 323)	-27%	Less creditors than anticipated
Employee Benefits	-	-	2 403 055	-	2 403 055	100%	Includes leave and long service provisions
Unspent conditional grants and receipts	831 369	831 369	10 190 126	831 369	9 358 757	1126%	More unspent grants due to approvals not received from funder
Finance Lease Liability	-	-	386 739	917 964	(531 225)	-58%	Term of the lease near expiry
Operating Lease Liability	-	-	2 728	-	2 728	100%	Newly accounted for item
Total Liabilities	3 565 099	3 565 099	14 985 056	4 483 064	10 501 993		
Net Assets	33 105 929	33 034 220	29 354 151	32 116 256		-	
Accumulated surplus	33 105 829	33 105 829	29 354 051	33 105 829	(3 751 778)	-11%	Immaterial
Share capital held by Municipality	100	100	100	100	-	0%	
Total Net Assets	33 105 929	33 105 929	29 354 151	33 105 929	(3 751 778)		
Financial Performance							
Interest on investments	400 000	400 000	437 760	400 000	37 760	9%	Immaterial
Government grants and subsidies	39 829 711	63 534 044	53 689 851	63 534 044	(9 844 193)	-15%	There were still engagements in progress with COGTA when the financial year was closed. About R5m of grants remained unspent.
Other income	18 636 147	1 162 269	1 510 126	1 162 269	347 857	30%	An agreement between Enterprise iLembe and Decavu was signed for the leasing of tunnels, however, this was only known after the adjustments budget was finalized, hence the over-billing.
Insurance refunds	-	-	110 396	-	110 396	100%	Based on what insurance claims were submitted
Gain of actuarial valuation	-	-	7 000	-	7 000	100%	Based on evaluations

Total Revenue	58 865 858	65 096 312	55 755 133	65 096 312	(9 341 180)		
Description	Original Budget R	Adjustment Budget Budget R	Actual outcome June 2021 R	YTD Budget June 2021 R	Variance R	2020/2021 % Variance	Comments
							Explanation of material variances over 10%
Employee Related Costs	20 456 264	20 270 467	18 771 361	20 270 467	(1 499 106)	-7%	Immaterial
Directors' fees	836 754	828 530	755 186	828 530	(73 344)	-9%	Immaterial
Depreciation, Amortization & Impairment	2 825 680	2 706 744	3 441 176	2 706 744	734 432	27%	
Repairs and maintenance	234 137	300 000	-	300 000	(300 000)		Expenditure previously budgeted under capital expenditure had to be moved to repairs as the building does not belong to the entity neither is there a lease agreement in place.
General expenses	26 929 024	23 432 715	21 962 398	23 432 715	(1 470 317)	-6%	Linked to some grants that could not be expended on due to approvals not being received. Also, there are savings in some instances.
Contracted services	7 537 405	10 120 779	6 842 687	10 120 779	(3 278 092)	-32%	Linked to some grants that could not be expended on due to approvals not being received. Also, there are savings in some instances.
Loss on disposal of assets			652 847	-	652 847	100%	Only known at the end of the financial year.
Total Expenditure	58 819 264	57 659 235	52 425 655	57 659 235	(5 233 580)		
Surplus/(Deficit) for the year	46 594	7 437 077	3 329 478	7 437 077	(4 107 599)		
Statement of changes in net assets							
Balance as at 1 July 2020	33 106 250	33 106 250	28 538 477	33 106 250	(4 567 773)	-14%	Depends on yearly transactions

Description	2020/2021						Comments
	Original Budget R	Adjustment Budget Budget R	Actual outcome June 2021 R	YTD Budget June 2021 R	Variance R	% Variance	Explanation of material variances over 10%
Surplus/(Deficit) for the year	1 708 579	1 708 579	1 192 252	1 708 579	(516 327)	-30%	Only known at the end of the financial year.
Balance as at 30 June 2021	34 814 829	34 814 829	29 354 151	34 814 829	(5 460 678)		
Cash Flows							
Receipts	45 633 714	45 633 714	75 019 947	45 633 714	29 386 233	64%	Cash receipts were under estimated
Payments	35 839 354	35 839 354	73 191 877	35 839 354	37 352 523	104%	Payments were under estimated
Net cash flows from operating activities	9 794 360	9 794 360	2 265 830	9 794 360	(7 5285 31)	-77%	Based on the cash and payments estimates
Net cash flows from investing activities	(5 204 216)	(5 204 216)	(3 726 162)	(5 204 216)	1 478 054	-28%	Estimate was based on capital purchases
Net cash flows from financing activities	-	-	(1 157 066)	-	(1 157 066)	100%	ommitted on the balance sheet budget
Cash/cash equivalents at the beginning of the year	520 348	520 348	16 091 893	520 348	15 571 546	2993%	When budgeting, the aim to spend on the entire budget
Cash/cash equivalents as at 30 June 2021	5 110 492	5 110 492	13 474 495	5 110 492	9 521 069		

The budget is approved on an accrual basis by nature classification. The approved budgets cover the period 1 July 2020 to 30 June 2021.

The budget and accounting bases are the same as both are on the accrual basis. The financial statements are prepared using a classification on the nature of expenses in the statement of financial performance.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021	2020
	R	Restated R
		(4 766 575)
1 PAYABLES FROM EXCHANGE TRANSACTIONS		
1.1 Payables	1 045 078	
Trade Payables	799 136	3 403 751
Retentions	372 420	140 366
Creditor Accruals	245 943	6 319 785
Other Creditors	584 909	633 058
IDM Creditor	-	456 137
Total Creditors	2 002 408	10 953 097
Retentions in the current year relate to the amounts withheld in relation to training service providers for the UIF project until the learner certificates are issued.		
2 EMPLOYEE BENEFITS		
2.1 Provision for Leave		
Opening balance	2 069 985	1 641 270
Movement	(425 929)	428 715
Closing Balance	1 644 055	2 069 985
2.2 Long Service Awards		
Opening balance	559 000	-
Current service cost	131 000	559 000
Interest cost	76 000	-
Benefits paid	-	-
Actuarial gain	(7 000)	-
Closing Balance	759 000	559 000
Total Employee Benefits	2 403 055	2 628 985

The leave provision is calculated based on the number of leave days for each employee at the end of the reporting period. This is based on the salary cost per day based on the number of working days and monthly salary. 75% of the leave provision is cash backed as per the approved reserves policy.

Long service awards are disclosed as per the Actuarial valuation report produced by valuers at the end of the reporting period. These are tested against the Entity data of employees at the end of the reporting period.

3 PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Unspent Grants and Receipts		
UIF Grant	1 706 765	4 979 164
SASA Grant	-	22 224
COGTA RASET Grant	1 810 568	1 942 245
COGTA BIOMASS Grant	14 605	14 605
COGTA YEP Grant	1 274 749	4 287 572
COGTA Public Wi Fi Grant	33 298	33 298
COGTA Mini Factories Grant	2 173 913	2 173 913
Maphumulo KwaShushu Grant	-	391 304
District Growth and Development Summit	131 369	131 369
Tourism IDM Grant	652 092	203 957
LED Grant	447 782	-
Development of SMMEs	255 573	-
EDTEA Kwashushu Grant	-	10 365
MICT SETA Grant	1 689 413	102 064
Total Grants and Receipts	10 190 126	14 292 080

The decrease in unspent grants from the last financial year is as a result of less grant funding allocated to the Entity during the 2020/2021 financial year. Note 15 provides further details.

4 VALUE ADDED TAXATION

Vat Receivable/Payable	392 346	3 323 809	155 807
			77 904

5 INVENTORY

Opening Balance	211 309	243 680
Add: Current Year Harvest/Acquisitions	90 726	-
Less: Sales	(32 362)	(32 370)
Less: Marketing & Promotion Material	-	-
Balance as at year end	269 673	211 309

Inventory is classified into one class. It comprise own produce - bottled and unbottled wine as well as wine purchased for resale.

6 FINANCE LEASE LIABILITY

Minimum lease payments due			
- within one year	391 913	1 240 822	
- in second to fifth year inclusive	-	308 157	
	391 913	1 548 979	15 947
less: future finance charges	5 174	100 070	
Present value of minimum lease payments	386 739	1 448 909	130 589
			138 090
Present value of minimum lease payments due			
- within one year	386 739	1 145 926	
- in second to fifth year inclusive	-	302 983	
	386 739	1 448 909	
Non-current liabilities	-	302 983	
Current liabilities	386 739	1 145 926	
	386 739	1 448 909	

The Entity leases its motor vehicles with Avis and due to the substance of these agreements, they are recognized and disclosed as finance leases. The lease term is 36 months. 10,25% prime lending rate was used to discount lease payments / monthly rentals as per First National Bank of Southern Africa.

7 DEPRECIATION & IMPAIRMENT

Depreciation	2 760 281	2 719 693
Impairment	680 896	-
	3 441 176	2 719 692

8 PROPERTY, PLANT & EQUIPMENT

Reconciliation of Carrying Value 2020/2021

	Motor Vehicles - Leases	Municipal Buildings	OTHER ASSETS Manufacturing Plant	Furniture and Equipment/ Machinery	Computer Equipment	Total
		R	R	R	R	R
Carrying Values at 1 July 2020	1 365 787	1 195 154	15 500 676	2 615 053	6 080 924	26 757 595
Cost	3 079 231	1 394 976	18 452 827	2 803 687	1 245 311	26 976 032
WIP	-	-	5 777 329	929 820	5 221 181	11 928 330
Accumulated depreciation	(1 713 443)	(199 822)	(8 729 480)	(1 118 454)	(385 567)	(12 146 766)
Depreciation	(1 025 474)	(46 927)	(1 133 062)	(277 433)	(277 384)	(2 760 281)
WIP Acquisitions				3 012 823		3 012 823
Acquisitions		3 500		104 525	132 039	240 064
Additions to leases						-
Donated Assets						-
Impairment			(680 896)			(680 896)
	-					
Carrying Value of disposals	-	-	(10 407)	(11 917)	(100 522)	(122 846)
Cost	-	-	(80 825)	(86 788)	(292 994)	(460 607)
Accumulated depreciation	-	-	70 418	74 871	192 471	337 761
Carrying Values at 30 June 2021	340 314	1 151 727	13 676 311	5 443 050	5 835 057	26 446 458
Cost	3 079 231	1 398 476	18 372 002	2 821 424	1 084 356	26 755 488
WIP	-	-	5 777 329	3 942 642	5 221 181	14 941 152
Accumulated depreciation and impairment	(2 738 917)	(246 749)	(10 473 020)	(1 321 016)	(470 480)	(15 250 182)

8 PROPERTY, PLANT & EQUIPMENT

Reconciliation of Carrying Value 2020/2021

OTHER ASSETS

Motor Vehicles - Leases	Municipal Buildings	Manufacturing Plant	Furniture and Equipment/ Machinery	Computer Equipment	Total
	R	R	R	R	R

Included in the carrying value are assets under construction as follows:

Biodiesel Equipment (Manufacturing Plant) - The equipment was bought between the 2010/2011 and the 2011/2012 financial years as part of the biodiesel project funded by the department of COGTA, where the idea was to produce diesel using the moringa plant. The plant dried out during the drought season that affected the district at that time and was subsequently written off during the 2015/2016 financial year. The Entity made a submission to COGTA requesting the project to be written off and the equipment channeled to a new project under Biomass - which was granted. The commissioning of the biomass project was done during the 2020/2021 financial year. The Entity has engaged the Technical Partner to assist with the evaluation of the equipment so as to get correct values for the transfer. The assets will be transferred as part of the implementation of the ownership model.	5 777 329
Broadband (Computer Equipment) - The broadband project is also a project that happened between the 2010/11 and 2011/12 financial years, whereby the ICT infrastructure was installed. (incl. fibre optic cables). The total cost of rolling out this project was estimated to be about R400m, funding which has not materialized as yet. During the 2021/22 financial year, the Entity may have to expense this cost if the funding doesn't materialize.	5 221 181
Youth Enterprise Park - COGTA approved an amount of R6m for the establishment of the Youth Enterprise Park (YEP) - R1m for feasibility and R5m for construction. This project is currently underway and will be completed during the first quarter of the 2021/2022 financial year.	3 942 642
	14 941 152

Reconciliation of Carrying Value 2019/2020	Motor Vehicles - Leases	Municipal Buildings	Manufacturing Plant	Furniture and Equipment/ Machinery	Computer Equipment	Total
	R	R	R	R	R	R
Carrying Values at 1 July 2019	2 073 302	1 241 922	16 528 806	1 773 722	5 876 489	27 494 241
Cost	2 761 044	1 394 976	18 347 377	2 630 076	905 553	26 039 026
WIP	-	-	5 777 329		5 221 181	10 998 510
Accumulated depreciation	(687 742)	(153 054)	(7 595 900)	(856 353)	(250 244)	(9 543 294)
Depreciation	(1 028 277)	(46 768)	(1 133 580)	(269 793)	(241 275)	(2 719 693)
WIP Acquisitions				804 288	-	804 288
Acquisitions	-	-	105 450	186 467	488 963	780 879
Additions to leases	328 529					328 529
Donanted Assets					2 348	2 348
Prior period error 2018/2019 - cost	(10 342)	-	-	-	-	(10 342)
Prior period error 2018/2019 - depreciation	2 576					2 576
Prior period error 2018/2019 - WIP				125 531		125 531
Carrying Value of disposals		-	-	(5 163)	(45 601)	(50 764)
Cost	-	-	-	(12 855)	(151 553)	(164 408)
Accumulated depreciation	-	-	-	7 692	105 952	113 644
Restated Carrying Values at 30 June 2020	1 365 787	1 195 154	15 500 676	2 615 053	6 080 924	26 757 595
Cost	3 079 231	1 394 976	18 452 827	2 803 687	1 245 311	26 976 032
WIP	-	-	5 777 329	929 820	5 221 181	11 928 330
Accumulated depreciation	(1 713 443)	(199 822)	(8 729 480)	(1 118 454)	(385 567)	(12 146 766)

9 BIOLOGICAL ASSETS

Reconciliation of Carrying Value 2020/2021

	Vineyards	Total
	R	R
Carrying Values at 1 July 2020	530 000	530 000
Cost	1 710 000	1 710 000
Accumulated amortisation	(1 180 000)	(1 180 000)
Disposal	(530 000)	(530 000)
Carrying Values at 30 June 2021	-	-
Cost	1 710 000	1 710 000
Accumulated amortisation	(1 710 000)	(1 710 000)

Due to the project (planting and producing wine) proving not to be viable, the Entity wrote to COGTA (funder) requesting that the vineyards be repurposed to open fields as a more viable option. As a result, the biological assets (vines) were approved for write-off by Board during the 2020/2021 financial year.

Reconciliation of Carrying Value 2019/2020

	Vineyards	Total
	R	R
Carrying Values at 1 July 2019	590 000	590 000
Cost	1 710 000	1 710 000
Accumulated amortisation	(1 120 000)	(1 120 000)
Acquisitions	-	-
Loss on Fair value	(60 000)	(60 000)
Carrying Values at 30 June 2020	530 000	530 000
Cost	1 710 000	1 710 000
Accumulated amortisation	(1 180 000)	(1 180 000)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021	2020
	R	Restated R
10 ISSUED SHARE CAPITAL		
Name of company		
Ilembe District Municipality		
Carrying amount	100	100
% Holding	100%	100%
Ordinary par value shares: 100 @ R1 each		
11 RECEIVABLES		
11.1 Receivables from Exchange Transactions		
Provincial Department of Education	560 566	4 189 076
Department of Labour	690 075	3 840 000
MICT SETA	-	787 500
Phambili Energy	1 624 089	1 060 357
Other Debtors	1 284 533	712 042
Provision for debt impairment	(2 137 225)	-
Total Receivables from Exchange Transactions	2 022 038	10 588 975
11.2 Receivables from Non-Exchange Transactions		
Ilembe District Municipality	1 418 061	-
SARS	-	102 113
Interest recoveries	22 957	-
Prepayments	64 012	56 635
Deposits	176 980	176 980
Total Receivables from non-exchange transactions	1 682 010	335 728
Total Receivables	3 704 048	10 924 703
Ageing of consumer debtors:		
Current	196 270	1 873 874
31-60 days	818 371	8 053 034
>60 days	4 562 684	662 067
Net Consumer Debtors	5 577 325	10 588 975

Included in other debtors are amounts owing in respect of tunnel rentals from Farley Farms and Decaju as well as wine sales.

Included in deposits are holding amounts for rentals as well as electricity and water

Prepayments include costs that are due and payable in advance for rental of premises and internet connection.

Interest recoveries relates to amounts recovered from employees or credit notes issued by suppliers where interest on late payment of invoices was charged.

Impairment testing was done on debtors and a provision for doubtful debts has been included.

12 CASH AND CASH EQUIVALENTS

12.1 Bank Accounts

12.1.1 Rocabex - Trust Bank Account - Kloof Branch

First National Bank Account

Account Number 62347813471: Current Account

Cash book balance at the beginning of the year	-	204 873
Cash book balance at the end of the year	-	-
Bank statement balance at the beginning of the year	-	204 873
Bank statement balance at the end of the year	-	-

12.1.2 First National Bank Account - Main Bank Account - Stanger Branch

Account Number 62450574077: Cheque Account

Cash book balance at the beginning of the year	1 480 006	2 809 995
Cash book balance at the end of the month	1 057 678	1 480 006
Bank statement balance at the beginning of the year	1 480 006	2 809 995
Bank statement balance at the end of the month	1 057 678	1 480 006

12.1.3 First National Bank Account - UIF Account - Stanger Branch

Account Number 62804908286: Corporate Cheque Account

Cash book balance at the beginning of the year	4 491 853	5 809 093
Cash book balance at the end of the month	1 384 681	4 491 853
Bank statement balance at the beginning of the year	4 491 853	5 809 093
Bank statement balance at the end of the month	1 384 681	4 491 853

Total Bank Accounts	2 442 359	5 971 858
Petty Cash	6 399	2 885
Ewallet	4 170	-
	2 452 927	5 974 743

12.2 Current Investments

12.2.1 First National Bank Account - Business Investment Desk Branch

Account Number 62602914138 - Call Account

Cash book balance at the beginning of the year	13 920	-
Cash book balance at the end of the year	3 347 991	13 920

Bank statement balance at the beginning of the year	13 920	-
Bank statement balance at the end of the year	3 347 991	13 920

12.2.2 First National Bank Account - Business Investment Desk Branch

Account Number 62828152752 - Call Account

Cash book balance at the beginning of the year	913 616	-
Cash book balance at the end of the year	1 549 190	913 616

Bank statement balance at the beginning of the year	913 616	-
Bank statement balance at the end of the year	1 549 190	913 616

12.2.3 First National Bank Account - Business Investment Desk Branch

Account Number 62854605569 - Call Account

Cash book balance at the beginning of the year	2 529 941	-
Cash book balance at the end of the year	-	2 529 941

Bank statement balance at the beginning of the year	2 529 941	-
Bank statement balance at the end of the year	-	2 529 941

12.2.4 Investec - Grayston Drive Branch

Account Number 1100546992530 Business Top5

Cash book balance at the beginning of the year	-	5 051 264
Cash book balance at the end of the year	-	-

Bank statement balance at the beginning of the year	-	5 051 264
Bank statement balance at the end of the year	-	-

12.2.5 Investec - Grayston Drive Branch

Account Number 1100546992500 Business Top5

Cash book balance at the beginning of the year	5 065 890	-
Cash book balance at the end of the year	-	5 065 890

Bank statement balance at the beginning of the year	5 065 890	-
Bank statement balance at the end of the year	-	5 065 890

12.2.6 First National Bank Account - Business Investment Desk Branch

Account Number 74895277835

Cash book balance at the beginning of the year	-	-
Cash book balance at the end of the year	2 563 713	-
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	2 563 713	-

12.2.7 First National Bank Account - Business Investment Desk Branch

Account Number 62793930142

Cash book balance at the beginning of the year	1 593 783	1 028 608
Cash book balance at the end of the year	3 560 675	1 593 783
Bank statement balance at the beginning of the year	1 593 783	1 028 608
Bank statement balance at the end of the year	3 560 675	1 593 783
Total Current Investments	11 021 568	10 117 150

CASH & CASH EQUIVALENTS	13 474 495	16 091 893
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13 RENTAL INCOME OF FACILITIES

Tunnels	703 211	279 195
	703 211	279 195

The agreement between the Agency and Farley Farms (for the Mathonsi Tunnel) terminated on 31 October 2020. The Entity further entered into another agreement for five tunnels with Decavu for a period of three years commencing 1 December 2019.

14 INTEREST RECEIVED

Bank	22 460	95 776
Investments	415 300	456 229
	437 760	552 006

Interest from investments was derived from amounts invested with FNB and Investec Banks.

15 GOVERNMENT GRANTS AND SUBSIDIES

UNCONDITIONAL GRANTS

Operational Grant - IDM	28 694 129	25 668 420
Ilembe District Municipality - LED Projects & Programmes	1 022 218	1 096 200
Ilembe District Municipality - Tourism Programmes	1 017 865	994 043
Ilembe District Municipality - Development of SMME's	3 481 507	3 851 280

CONDITIONAL GRANTS

COGTA Public Wi Fi Grant	-	1 284 369
COGTA YEP Grant	3 012 823	804 288
COGTA BIOMASS Grant	-	1 675 721
COGTA RASET Grant	131 677	1 817 462
SASA Grant	21 837	-
UIF Grant	13 818 474	34 103 629
Maphumulo KwaShushu Project	391 304	-
MICT SETA	2 087 651	685 436
EDTEA KwaShushu Project	10 365	859 200
Total Government Grant and Subsidies	53 689 851	72 840 048

15.1 COGTA - Public Wi Fi Grant

Balance unspent at beginning of year	33 298	1 317 667
Conditions met - transferred to revenue	-	(1 284 369)
Conditions still to be met-transferred to liabilities	33 298	33 298

15.2 COGTA - Mini Factories

Balance unspent at beginning of year	2 173 913	2 173 913
Current year receipts	-	-
Conditions still to be met-transferred to liabilities	2 173 913	2 173 913

15.3 IDM - LED

Current year receipts	1 470 000	1 096 200
Conditions met - transferred to revenue	(1 022 218)	(1 096 200)
Conditions still to be met-transferred to liabilities	447 782	-

15.4 IDM - Tourism

Balance unspent at beginning of year	203 957	-
Current year receipts	1 466 000	1 198 000
Transferred to revenue	(1 017 865)	(994 043)
Conditions still to be met-transferred to liabilities	652 092	203 957

15.5 COGTA -YEP

Balance unspent at beginning of year	4 287 572	744 034
Current year receipts	-	4 347 826
Conditions met - transferred to revenue	(3 012 823)	(804 288)
Conditions still to be met-transferred to liabilities	1 274 749	4 287 572

15.6 COGTA - Biomass

Balance unspent at beginning of year	14 605	1 681 326
Current year receipts	-	-
Conditions met - transferred to revenue	-	(1 675 721)
Adjustments and Transfers		9 000
Conditions still to be met-transferred to liabilities	14 605	14 605

15.7 COGTA - RASET

Balance unspent at beginning of year	1 942 245	3 759 707
Current year receipts	-	-
Conditions met - transferred to revenue	(131 677)	(1 817 462)
Adjustments and Transfers	-	-
Conditions still to be met-transferred to liabilities	1 810 568	1 942 245

15.8 SASA

Balance unspent at beginning of year	22 224	22 224
Current year receipts	-	-
Conditions met - transferred to revenue	(22 224)	-
Conditions still to be met-transferred to liabilities	-	22 224

15.9 District Growth and Development Summit 2018 - COGTA

Balance unspent at beginning of year	131 369	131 369
Conditions met - transferred to revenue	-	-
Conditions still to be met-transferred to liabilities	131 369	131 369

15.10 UIF

Balance unspent at beginning of year	4 979 164	3 671 505
Current year receipts	10 546 075	35 411 288
Conditions met - transferred to revenue	(13 818 474)	(34 103 629)
Conditions still to be met-transferred to liabilities	1 706 765	4 979 164

15.11 Development of SMMEs - IDM

Current year receipts	3 737 080	3 851 280
Conditions met - transferred to revenue	(3 481 507)	(3 851 280)
Conditions still to be met-transferred to liabilities	255 573	-

15.12 EDTEA - Kwashushu Project

Opening Balance	10 365	869 565
Conditions met - transferred to revenue	(10 365)	(859 200)
Conditions still to be met-transferred to liabilities	-	10 365

15.13 Maphumulo Municipality - Kwashushu Project

Opening Balance	391 304	391 304
Conditions met - transferred to revenue	(391 304)	-
Conditions still to be met-transferred to liabilities	-	391 304

15.14 MICT SETA

Opening Balance	102 064	
Current year receipts	3 675 000	787 500
Conditions met - transferred to revenue	(2 087 651)	(685 436)
Conditions still to be met-transferred to liabilities	1 689 413	102 064

16 OTHER INCOME

KwaDukuza Municipality	-	45 598
Wine sales	150 734	56 940
Maphumulo W-Fi	131 174	153 850
Phambili Energy - Rent Recoveries	524 618	961 993
Other income	389	7 022
	806 915	1 225 402
Insurance refunds	110 396	53 604

17 National Schools Nutrition Programme

Supply of vegetables	-	11 269 539
	-	11 269 539

The contract with the Department of Education expired on 30 June 2020

18 EMPLOYEE RELATED COSTS

Employee related costs - salaries and wages	14 890 268	15 677 844
Vineyard Wages	694 157	995 840
Tunnel workers	34 020	349 752
Pension contributions	1 342 591	1 306 890
Medical aid	894 952	811 054
UIF	61 691	220 649
Leave pay	127 509	544 092
Long-Service Awards	207 000	559 000
Car and other allowances	519 172	478 986
	18 771 361	20 944 107

Included in the employee related costs are the following:

Remuneration of the Chief Executive Officer

CEO	537 388	1 571 714
UIF	744	1 785
Total	538 131	1 573 499

Remuneration of the Chief Operating Officer

Annual Remuneration	393 990	913 987
Car and other allowances	211 363	249 769
Medical Aid	-	13 797
Pension Fund	-	52 339
UIF	744	1 785
Total	606 097	1 231 677

The COO also resigned and the position was removed from the structure.

Remuneration of the Chief Financial Officer

Annual Remuneration	1 126 490	1 060 225
Acting Allowance	29 294	-
Car and Other Allowances	145 293	136 746
Medical Aid	49 720	46 930
Pension Fund	211 311	198 881
UIF	1 785	1 785
Total	1 563 893	1 444 566

The CFO acted during the month of September 2020 when the CEO was on annual leave.

18 EMPLOYEE RELATED COSTS

Remuneration of the Manager: Tourism, Communication,
Marketing and Investment Promotion

Annual Remuneration	870 375	839 460
Acting Allowance	340 500	
Car and other allowances	209 395	197 078
Medical Aid	49 697	46 930
Pension Fund	97 179	91 463
UIF	1 785	1 785
Total	1 568 931	1 176 715

The CEO was dismissed in November 2020 and Manager TCMI was appointed in the acting position for the rest of the financial year.

19 REMUNERATION OF BOARD MEMBERS

Remuneration includes a retainer and attendance fees at meetings:

KS Shandu - Chairperson (Term ended 31 December 2020)	69 732	130 463
AT Nzama - Deputy Chairperson (Term ended 31 December 2020)	55 719	111 437
D Nene - Finance & HR Chairperson (Term ended 31 December 2020)	58 719	102 939
JC Oelofse (Term ended 31 December 2020)	56 710	110 420
ZS Gumede (Term ended 31 December 2020)	50 710	92 420
N Mngadi (Term ended 31 December 2020)	44 710	98 420
B Mngadi (Term ended 31 December 2020)	71 710	119 420
Mr X Gumede - Board Chairperson (Appointed January 2021)	69 732	-
Ms N Mlaba - Boar Deputy Chairperson (Appointed January 2021)	60 384	-
Ms N Dlamini (Appointed January 2021)	56 710	-
Mr R Ridwaan (Resigned May 2021)	43 258	-
Dr T Mbonambi (Appointed January 2021)	56 710	-
Mr I Deetlefs (Appointed January 2021)	60 384	-
	755 186	765 519
Total Board Members' Remuneration		

20 REPAIRS AND MAINTENANCE

General Repairs	304 209	129 676
Repairs and Maintenance tunnels and hubs	44 913	1 739
	349 122	131 415

This amount is included under general expenses

21 CONTRACTED SERVICES

Other Contracted Services	6 842 687	8 660 959
Security	1 025 670	1 085 617
Cleaning services	159 060	88 867
Internal Audit	290 672	472 260
Consulting/Professional Fees	2 025 395	5 610 742
Legal Fees	2 045 262	380 774
Mechanization	254 956	484 152
MICT SETA Refreshments	201 652	
Tourism Events/Exhibitions	704 118	413 191
Leases- Office Equipment	135 901	125 356
National Schools Nutrition Programme	-	11 531 633
NSNP: Vegetables - Market	-	2 475 670
NSNP: Farmers	-	4 529 705
NSNP: Hub Workers	-	257 550
NSNP: Amasi	-	-
NSNP: Transportation of Vegetables	-	4 268 709
	6 842 687	20 192 592

The contract for running the National Schools Nutrition Programme terminated on 30 June 2020

22 GENERAL EXPENSES

Included in general expenses is the following: -

Admin Costs/Consumables	94 392	15 221
Advertising	186 067	118 995
Repairs and maintenance	349 122	131 415
Audit Committee	81 000	109 500
Refreshments	45 205	53 793
Fuel and Oil	347 905	329 794
Rental of premises	1 169 624	1 074 826
Bank Charges	95 054	88 977
Conference and workshop	76 701	71 246
COVID19 Expenditure	89 618	130 206
Development of SMMEs	421 063	590 568
External Audit Fees	771 390	731 936
Fleet cards	22 885	53 487
ICT Services	479 587	424 953
Finance Costs - Interest on finance lease	94 897	204 950
Interest and Penalties	79 834	621
Marketing, Communication & investments	659 220	1 039 841
Postage, Courier & Delivery Services	2 110	6 872
Printing and stationery	89 068	120 163
Projects Expenditure	2 039 514	10 073 482
Subscriptions/Licences/Insurance	147 658	164 455
Subsistence, Travel & Accommodation	148 161	503 859
Telephone and Fax	466 400	482 967

22 GENERAL EXPENSES

SDL	136 567	143 007
Training	4 016 337	12 885 131
UIF Stipends	9 518 043	15 095 398
Uniforms	-	524
Excess of insurance	-	6 590
Water and Electricity	322 626	337 015
Winery Operations	12 351	213 628
	21 962 398	45 203 421

23 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

23.1 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance	4 025	2 025
Fruitless and wasteful expenditure current year	37 972	2 500
Interest & Penalties relating to Prior Financial Years	78 947	-
Penalties reversed by SARS	(1 000)	-
Fruitless and wasteful expenditure written off	(1 025)	(500)
Amount recovered from responsible parties	(38 952)	-
Fruitless and wasteful expenditure not yet recovered/written off	79 967	4 025

Incident

1. Interest and penalties amounting to R2,025 charged on the late submission and payment of excise duties return.

2. A penalty of R2,000 imposed by SARS due to late submission of excise duties return.

3. A penalty of R36,952 imposed by SARS due to late payment of PAYE.

4. Penalties and interest of R78,947.31 were imposed by SARS due to the re-submission of returns relating to previous financial years

4.Reconnection fees of R1,020 were levied by Eskom.

23.2 Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance	11 053 649	2 244
Competitive bidding process not followed.	2 609 070	7 039 359
Irregular Expenditure relating to prior years		4 014 290
Amount written off by Board		(2 244)
Irregular expenditure not yet written off	13 662 719	11 053 649

23.2 Irregular expenditure

The irregular expenditure relates to the procurement of services in relation to the UIF and MICT SETA projects (learnership grants) where the project manager was appointed without following the competitive bidding process. A Memorandum of Agreement was signed by the then CEO on the basis that when the initial applications were submitted, Sphola Consulting was cited as the company that will offer project management services.

23.3 Deviations

Deviations were approved in terms of Section 34 of the Supply Chain Management Policy:

Total Value	254 947	5 103 658
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Total Number of Cases	1	2
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The recorded deviation relates to the provision of legal services which were urgently required in dealing with the investigation into misconduct by the former CEO. And as the panel of legal service providers within the Entity was appointed by the CEO, the Board did not want to engage them on the matter in case there was no impartiality.

24 CASH GENERATED/(UTILISED) BY OPERATIONS

Surplus for the year	1 192 252	(3 716 302)
Adjustment for: -		
Adjustments/Previous years operating transactions	(1 216 395)	(1 455 114)
Depreciation, impairment & amortization	3 441 176	2 719 692
Loss/(gain) on disposal of property, plant and equipment	2 790 073	110 764
Investment income	(437 760)	(552 006)
Operating surplus/(deficit) before working capital changes:	5 769 346	(2 892 966)
(Increase)/Decrease in Inventories	(58 364)	32 370
Decrease/(Increase) in Receivables From Exchange Transactions	8 566 937	(1 261 082)
Increase in Receivables From Non-Exchange Transactions	(1 346 282)	(217 578)
(Decrease)/Increase in Unspent conditional grants	(4 101 954)	790 335
(Decrease) in Payables	(8 950 689)	(195 558)
Increase/(decrease) in finance lease liability current	(759 187)	227 962
Increase/(Decrease) in Employee benefits	(225 930)	987 715
Decrease/(Increase) in VAT Receivables	2 931 463	(303 329)
Increase in operating lease liability	2 728	-
Cash generated/(utilised) by operations	1 828 069	(2 832 130)

25 CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR

Current Investments	11 021 568	10 117 150
Bank balances and cash	2 452 927	5 974 743
Total cash and cash equivalents at the end of the year	13 474 495	16 091 893

26 GAINS AND LOSSES

26.1 Disposal of Assets		
Loss on disposal	652 846	50 764
Gain on disposal	-	-
	652 847	50 764
26.2 Loss on fair valuing of Biological assets	-	60 000
	-	60 000
26.3 Loss on Debt Impairment	2 137 225	-
	2 137 226	-

27 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

27.1 Audit fees

Current year audit fee	771 390	731 936
Amount paid - current year	(771 390)	(731 936)
Balance unpaid (included in creditors)	-	-

27.2 PAYE, Skills and UIF

Opening balance	316 888	311 535
Current year payroll deductions	4 064 058	4 179 095
Amount paid - current year	(4 112 370)	(4 173 742)
Balance unpaid (included in creditors)	268 576	316 888

27.3 Medical Aid Contributions

Opening balance	131 933	61 562
Current year payroll deductions	1 574 843	1 460 542
Amount paid - current year	(1 572 755)	(1 390 171)
Balance unpaid (included in creditors)	134 021	131 933

27.4 Pension Contributions

Opening balance	173 127	(18)
Current year payroll deductions	2 100 535	2 060 278
Amount paid - current year	(2 104 377)	(1 887 133)
Balance unpaid (included in creditors)	169 285	173 127

27.5 SAMWU

Opening balance	1 690	-
Current year payroll deductions	19 955	1 690
Amount paid - current year	(20 020)	
Balance unpaid (included in creditors)	1 625	1 690

27.6 NATAL JOINT FUNERAL FUND

Opening balance	-	-
Current year payroll deductions	3 168	-
Amount paid - current year	(2 904)	
Balance unpaid (included in creditors)	264	-

27.7 NET SALARIES

Opening balance	-	-
Current year payroll deductions	11 204 042	-
Amount paid - current year	(11 192 942)	-
Balance unpaid (included in creditors)	11 100	-

28 INCOME TAX

No provision has been made for income tax in the current financial year, the enterprise is in a tax loss position. Prior to considering current year tax implications; the enterprise had a brought forward assessed loss of R18 163 782.

29 CORRECTION OF PRIOR PERIOD ERROR

Effects on Statement of Financial Performance

General Expenditure (895 723)

These include expenses that were not raised in the previous financial years, expenses against which credit notes were issued in the current year and expenses where calculations were not correct due to the straightlining not correctly done.

Revenue (145 017)

Revenue corrections include invoices not previously raised as contracts were only known of during the current financial year, income that should have been realized due to straightlining of operating leases and income that was raised for eleven months instead of twelve.

Contracted Services 27 848

Includes expenses where expenses accounted for should have been for the previous financial year

Employee Related costs 306 259

This includes the shared service invoices in relation to the IDM SLA which were not raised on the system due to invoices being received late

Depreciation (27 689)

These are depreciation reversals due to incorrect amortisation calculations during the previous financial years

(734 321)

29 CORRECTION OF PRIOR PERIOD ERROR

Effects on Statement of Financial Position

Property, Plant and Equipment

Relate to expenses relating to the YEP project that was previously expensed and have now being transferred to WIP

Trade and Other Receivables (282 721)

Relates to prior period service debtors that were incorrectly accounted for and those not accounted for, which should have been raised.

Cash & Cash Equivalents 1 405

Relates to petty cash amounts recovered that were not banked

Trade and Other Payables (57 288)

Relates to prior period creditors that were incorrectly accounted for

VAT (403 079)

Relates to prior period transactions where vat was incorrectly accounted for as well as invoices only now raised pertaining to previous financial years

Non-Current Assets 22 238

Relates to the effects of straightlining where the operating lease asset had to be recognized

Salary Controls/Payroll Creditors 9 029

Relates to staff costs that were incorrectly included or not included in the previous financial year

Finance Lease Asset (19 956)

Leased assets incorrectly accounted for in the previous financial years, which have now been corrected using the correctly calculated amortisation schedule

(730 374)

Effects on Statement of Net Assets (734 321)

30 EVENTS AFTER THE REPORTING DATE

No events after the reporting date that could affect the presentation of the annual financial statements have been identified.

31 RELATED PARTIES

Parent Municipality: Ilembe District Municipality.

Ilembe District Municipality is the sole shareholder of the entity.

Related party balances

Amounts owing by/(to) iLembe District Municipality :

Opening Balance	(456 137)	(871 751)
Movements during the year	1 874 198	415 614
Closing Balance	1 418 061	(456 137)

This amount is included under receivables

Grant income received by Enterprise Ilembe:

Administration Grant	28 694 129	25 668 420
LED Grant	1 022 218	1 096 200
Tourism Grant	1 017 865	994 043
EDTEA Grant	-	1 000 000
YEP Grant	-	5 000 000
Development of SMMEs	3 481 507	3 851 280
	34 215 719	37 609 943

Amount disclosed under payables (unspent grants)	1 151 492	203 957
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There were no other transactions in the current year, other than the ones listed above.

32 OPERATING LEASES

The future minimum lease payments payable under operating leases for the actual liability are as follows:

No later than 1 year	1 816 015	869 913
Later than 1 year and no later than 5 years	302 500	1 782 380
	2 118 515	2 652 293

The entity entered into a lease agreement for machinery (contract for 5 printing machines) which is for the period 01 April 2019 to 31 March 2022. The Entity also leases tunnels to Farley Farmes (1 November 2017 - 31 October 2020) and Decaju (1 December 2019 - 30 November 2022)

The effect of straightlining on the operational leases has resulted in the liabilities as follows

Non-current assets	52 188	22 238
	52 188	22 238
Non-current liabilities		-
Current liabilities	2 728	-
	2 728	-

33 GOING CONCERN

The unaudited annual financial statements for the period ended 30 June 2021 have been prepared on a going concern basis. COVID-19 is not expected to have a significant impact on the Entity. Management has determined that there is no material uncertainty that casts doubt on the Entity's ability to continue as a going concern. It is expected that COVID-19 might have some impact, though not significant, for example, in relation to expected future performance, or the effects on some future asset valuations. The agency does not foresee anything that will hinder it operating in the future.

34 RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES

34.1 Interest Rate Analysis

The risk that the entity will not receive the maximum interest benefits from investments.

Financial Assets:

External Investments:

Current Investments	11 021 568	10 117 150
Bank balances and cash	2 452 927	5 974 743
	13 474 495	16 091 893

Interest earned bank external investments	437 760	552 006
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Interest rate	3,2%	3,4%
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Outstanding Debtors:

Other debtors	3 444 112	10 588 975
	3 444 112	10 588 975

Interest earned on outstanding debtors

Interest rate	0,0%	0,0%
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34.2 Credit Risk

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

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

Receivables	3 444 112	10 588 975
Cash and cash equivalents	13 474 495	16 091 893
Ageing of consumer debtors:		
Current	196 270	1 873 874
31-60 days	818 371	8 053 034
>60 days	4 562 684	662 067
Net Consumer Debtors	5 577 325	10 588 975

34.3 Liquidity Risk

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

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Less than One Year

Finance lease liability	386 739	1 145 926
Trade Payables	799 136	3 403 751
	1 185 875	4 549 677

Between Two to Five Years

Finance lease liability	-	302 983
Trade Payables	-	-
	-	302 983

35 SUBSEQUENT EVENTS

There have been no subsequent events from 1 July 2020 to the date of issuing of these financial statements, other than those disclosed herein.

36 RESTATEMENT OF COMPARATIVE INFORMATION

Statement of Financial Performance:

Restated
ComparativePrior Year
Disclosure

The items listed below have been reclassified from General Expenses to Contracted Services and vice versa in line with the updated Standard Charts of Accounts (SCOA) on the Asset Module in Munsoft.

Contracted Services

Consulting/Professional Fees

2 025 395

Legal Fees

2 045 262

Mechanization

254 956

Tourism Events/Exhibitions

704 118

Rental of premises

1 074 826

Fuel and Oil

329 794

General Expenses

Consulting/Professional Fees

5 577 500

Legal Fees

380 774

Mechanization

484 152

Tourism Events/Exhibitions

422 071

Rental of premises

1 169 915

Fuel and Oil

347 905

Statement of Financial Position:

Restated
ComparativePrior Year
Disclosure

The items listed below have been correctly reclassified from Receivables from Exchange Transactions to Receivables from Non-Exchange Transactions

Receivables from Non-Exchange Transactions

SARS Debtor

-

Ilembe District Municipality

1 418 061

Receivables from Exchange Transactions

SARS Debtor

102 113

Ilembe District Municipality

-

37 REPORTABLE SEGMENTS

For management purposes, the entity is organised and operates in four functional segments (or business units). To this end, management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these business units are allocated at a transactional level. Costs relating to the governance and administration of the entity are not allocated to these business units.

The four business units comprise of:

- Local economic development which includes agriculture and farmer support as well as development of SMMEs;
- Tourism and Investment Promotion services which includes marketing, communication, events, research and exhibitions as well as facilitating investment opportunities;
- HR and Administration which also incorporates ICT and legal related activities;
- Financial management related activities;

The grouping of these segments is consistent with the functional classification of government activities which considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered (if any).

Management does monitor service provider performance by means of quarterly performance assessment rated by project managers within business units. Performance management is also monitored through the service delivery and budget implementation plan detailing targets and progress against those.

	Unallocated	Total
Segment Revenue	29 131 888	55 755 131
External revenue from non-exchange transactions	28 694 129	53 800 246
External revenue from exchange transactions	-	1 517 126
Interest revenue	437 759	437 759
Segment Expenses	27 118 157	54 483 929
Total Segment expenses	23 676 980	51 042 752
Depreciation and amortisation	3 441 177	3 441 177
Surplus/deficit for the year	2 013 731	1 271 200

	Unallocated	Total
Segment Revenue	26 274 029	86 219 793
External revenue from non-exchange transactions	25 722 024	72 893 652
External revenue from exchange transactions	-	12 774 136
Interest revenue	552 005	552 005
Segment Expenses	28 999 594	89 936 095
Total Segment expenses	26 279 902	87 216 403
Depreciation and amortisation	2 719 692	2 719 692
Surplus/deficit for the year	(2 725 565)	(3 716 302)

38 CAPITAL COMMITMENTS

Operational Expenditure		
Approved and contracted	371 333	9 064 101
Approved but not yet contracted	-	-
The entity entered into a 36 month contract for Business Development Services		
Total operational commitments	371 333	9 064 101
Capital Expenditure		
Approved and contracted: Property, Plant and Equipment	1 269 223	979 243
Approved but not yet contracted	-	-
The entity entered into a contract for the construction of the Mandeni Youth Enterprise Park which was delayed due to COVID-19 lockdown restrictions. This project is currently underway and will be completed during the first quarter of the 2021/2022 financial year.		
Total capital commitments	1 269 223	979 243
Total commitments	1 640 556	10 043 344
The expenditure will be financed from:		
Government Grants	1 640 556	9 933 335
Own Resources	-	110 009
	1 640 556	10 043 344

39 CONTINGENT ASSET

Phambili Energy	5 000 000	-
During the 2020/2021 financial year, the Entity engaged legal services to review the agreement currently in place between the Entity and Phambili Energy, who is the Technical Partner in the roll-out of the Biomass Project - a project funded by COGTA. This was prompted by a dispute that is happening between the parties. Phambili Energy proposed a settlement wherein Phambili Energy would pay back the Entity R5 million as its capital contribution to the project initiation, plus other costs, and in turn the Entity would exit from the project. The Entity has not accepted this offer as it is not based on any financial benefit assessment, in turn requested that Phambili Energy provides its audited financial statements so that the proposal made could be assessed on the factual basis and that the Entity does not end up losing.		
This is anticipated to be resolved during the 2021/2022 financial year.		

40 SERVICES IN KIND

Right of use of Raset Fleet Agreement		
The Entity currently has a support agreement in place that was signed between the Entity and iThala for the RASET Programme. This contract was to allcate to the Entity the use of 3 truck and 2 bakkies which was also going to asstt with the implementation of the National Schools Nutrition Programme (NSNP) - of which the contract terminated on 30 June 2020. These trucks were not used during the 2020/2021 financial year.		
The contract terminates on 31 March 2022.		

UNAUDITED SUPPLEMENTARY APPENDIX A : SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

	Cost / Valuation					Accumulated Depreciation				
	Opening Balance	Additions	Write Offs / Valuations	Transfers/ WIP	Closing Balance	Opening Balance	Additions	Impairment loss/ Reversal of impairment loss/ Transfers	Closing Balance	Carrying Value
	R	R	R	R	R	R	R	R	R	R
Manufacturing Plant	24 230 156	-	(80 825)	-	24 149 331	8 729 480	1 133 062	610 478	10 473 020	13 676 311
Municipal Buildings	1 394 976	3 500	-	-	1 398 476	199 822	46 927	-	246 749	1 151 727
Biological Assets	530 000	-	(530 000)	-	-	-	-	-	-	-
Furniture and Equipment	3 733 507	104 525	(86 788)	3 012 823	6 764 066	1 118 454	277 433	(74 871)	1 321 016	5 443 050
Motor Vehicle - Leases	3 079 231	-	-	-	3 079 231	1 713 443	1 025 474	-	2 738 917	340 314
Computer Equipment	6 466 491	132 039	(292 994)	-	6 305 537	385 567	277 384	(192 471)	470 480	5 835 057
	39 434 361	240 064	(990 607)	3 012 823	41 696 640	12 146 766	2 760 281	343 136	15 250 182	26 446 459

2020 Actual Revenue R	2020 Actual Expenditure R	2020 Surplus/ (Deficit) R		2021 Actual Revenue R	2021 Actual Expenditure R	2021 Surplus/ (Deficit) R
86 219 793	89 936 095	(3 716 302)	Administration	55 755 133	54 562 881	1 192 252
86 219 793	89 936 095	(3 716 302)	(Surplus) for the year	55 755 133	54 562 881	1 192 252

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD

UNAUDITED SUPPLEMENTARY APPENDIX C(1): ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)

Description

	2020/21 Original Budget R	2020/21 Adjusted Budget	Prorata Budget R	Actual Outcome R	Variance R	Variance %	Explanation of significant Variance greater than 10% versus Final Budget
Financial Performance							
Interest on investment	400 000	400 000	400 000	437 760	37 760	9%	Immaterial
Government grants and subsidies	39 829 711	63 534 044	63 534 044	53 689 851	(9 844 193)	-15%	There were still engagements in progress with COGTA when the financial year was closed. About R5m of grants remained unspent.
Other Income	18 636 147	1 162 269	1 162 269	1 510 126	347 857	30%	An agreement between Enterprise iLembe and Decavu was signed for the leasing of tunnels, however, this was only known after the adjustments budget was finalized, hence the over-billing.
Total Revenue (excluding capital transfers & contributions)	58 865 858	65 096 312	65 096 312	55 637 737	(9 458 575)	-10%	
Employee related costs	20 456 264	20 270 467	20 270 467	18 771 361	(1 499 106)	-7%	Immaterial
Directors Fees	836 754	828 530	828 530	755 186	(73 344)	-9%	Based on the number of meetings held by the Board - a new Board was appointed in January 2021
Depreciation	2 825 680	2 706 744	2 706 744	3 441 176	734 432	27%	Immaterial

	2020/21 Original Budget R	2020/21 Adjusted Budget R	Prorata Budget R	Actual Outcome R	Variance R	Variance %	Explanation of significant Variance greater than 10% versus Final Budget
Repairs and Maintenance	234 137	300 000	300 000	-	(300 000)		Immaterial
Contracted Services	7 537 405	10 120 779	10 120 779	6 842 687	(3 278 092)	-32%	Immaterial
General Expenses	26 929 024	23 432 715	23 432 715	21 962 398	(1 470 317)	-6%	Immaterial
Loss on disposal of assets	-		-	652 847	652 847	100%	Only know at the end of the financial year.
Total Expenditure	58 819 264	57 659 235	57 659 235	52 425 655	(5 233 580)	-6%	
Surplus/(Deficit) before tax	46 594	7 437 077	7 437 077	3 212 082	(4 224 995)		
Surplus/(Deficit)	46 594	7 437 077	7 437 077	3 212 082	(4 224 995)	0%	
Capital expenditure & funds sources							
Transfers recognised - capital	-	6 460 572	6 460 572	3 012 823	(3 447 749)	-27%	Project will be completed by year end.
Internally generated funds	150 000	660 000	660 000	240 064	(419 936)	-57%	Adjustments made during adjustments budget - on SCM process stage with some already awarded
Total sources of capital funds	150 000	7 120 572	7 120 572	3 252 886	(3 867 686)	0%	

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD

UNAUDITED SUPPLEMENTARY APPENDIX C(2): ACTUAL VERSUS BUDGET BY DEPARTMENT (REVENUE AND EXPENDITURE)

	Actual 2021	Budget 2021	Variance 2021	% Variance 2021	Comments
	R	R	R	%	
REVENUE					
Rental Income	703 211	158 261	544 950	344%	Lease arrangement only known after adjustments budget process was finalized.
Interest on investment	437 760	400 000	37 760	9%	Immaterial
Government grants and subsidies	53 689 851	63 534 044	(9 844 193)	-15%	Some grants were not spent as approval was not received from the Funder
Other income	917 311	1 004 008	(86 697)	-9%	Immaterial
Gain on actuarial valuation	7 000	-	7 000	100%	Only known at year end (Actuarial Valuation)
Total Revenue	55 755 133	65 096 312	(9 341 180)		
EXPENDITURE					
Organisational development	54 562 881	57 659 235	(3 096 354)	-5%	Immaterial
Total Expenditure	54 562 881	57 659 235	(3 096 354)		
Surplus / (Deficit) for the year	1 192 252	7 437 077	(6 244 825)		

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD

UNAUDITED SUPPLEMENTARY APPENDIX C(3): ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)

	2021 Actual R	2021 Budget R	2021 Variance R	2021 Variance %	
Administration	240 064	660 000	(419 936)	-64%	Improvements for the kitchenette had to be expensed as the building belongs to the parent municipality and there is no lease agreement in place.
Projects Under Construction	3 012 823	6 460 572	(3 447 749)	-53%	Additional funding was not approved for use by the funder. Also, challenges in sourcing containers caused delays in finalizing the project. Will be completed during the first quarter of 2022.
	3 252 886	7 120 572	(3 867 686)	-54%	

UNAUDITED SUPPLEMENTARY APPENDIX D : GRANTS AND SUBSIDIES RECEIVED - 2020/2021
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MUNICIPAL FINANCE MANAGEMENT ACT, 56 OF 2003

Name of Grants	Unspent Balance 2019/2020	July 20 to Sept 20	Oct 20 to Dec 20	Quarterly Receipts		Total Receipts
				Jan 21 to Mar 21	April 21 to June 21	
				3	4	
Ilembe District Municipality - LED	-	752 133	210 597	421 194	86 075	1 470 000
Ilembe District Municipality - Tourism	203 957	843 221	236 102	708 306	(321 629)	1 466 000
Development of SMMEs	-	1 837 009	-	1 543 087	356 986	3 737 082
SASA Grant	22 224	-	-	-	-	-
District Growth & Development Summit (COGTA)	131 369	-	-			-
Maphumulo Kwashushu	391 304	-	-	-	-	-
Raset Grant	1 942 245	-	-	-	-	-
Biomass Project	5 605	-	-	-	-	-
Public-Wifi	33 298	-	-	-	-	-
Mini Factories	2 173 913	-	-	-	-	-
UIF Training	4 979 164	1 920 000	8 626 075		-	10 546 075
EDTEA Kwashushu	10 365				-	-
MICT SETA	102 064	2 362 500	1 312 500		-	3 675 000
YEP Grant	4 287 571	-	-	-	-	-
	14 283 080	7 714 863	10 385 274	2 672 588	121 432	20 894 157
	14 283 080					

July 20 to Sept 20	Quarterly Expenditure			Adjustments and Transfers	Total Expenditure	Unspent Balance 2020/2021		
	Oct 20 to Dec 20	Jan 21 to Mar 21	April 21 to June 21					
1	2	3	4					
-	47 851	627 328	347 040		1 022 218	447 782		1 469 534,32
-	285 421	91 626	640 818		1 017 865	652 092		
749 285	392 200	1 170 777	1 169 244		3 481 507	255 575		962 820,00
-	-	-	22 224	-	22 224	-	3 595 705	
-					-	131 369	369 773	3851280
-	-	-	391 304	-	391 304	0		369 773
-	-	-	131 677	-	131 677	1 810 568		
-				(9 000)	(9 000)	14 605		
-	-	-	-	-	-	33 298		
-	-	-	-	-	-	2 173 913		
3 351 489	4 574 846	5 559 763	332 377	-	13 818 474	1 706 765	34 103 628,89	
		-	10 365		10 365	0	743 585	
1 743 086	1 444 783	34 130	-	(1 134 348)	2 087 651	1 689 413		
-	1 311 062	1 540 390	161 370	-	3 012 823	1 274 749		
5 843 860	8 056 163	9 024 015	3 206 418		24 987 108	10 190 129		
		Unspent grants as at 30 June 2021				10 190 129		





Corner Ballito Drive & Link Road
Ballito, KwaZulu-Natal North Coast,
4420



+27(0)32 946 1256



info@enterpriseilembe.co.za