Sekhukhune Development Agency
Annual Financial Statements
for the year ended 30 June 2017
Auditor General South Affrica (Limpopo)
Registered Auditors

General Information

Legal form of entity	Municipal public entity
Nature of business and principal activities	Municipal vehicle to implement high impact economic projects
Board Chairperson	Oupa Nkoane (Chairperson of board)
Other Board Members	Seipati Tlaka (Deputy Chairperson) Victor Mampuru (Board Member) Stephen Masemola (Board Member) Mercia Blake (Board Member) Tito Nkadimeng (Contract ended) Peter Mokgotho (Resigned - Sep 2016) Bethrum Dzonzi (Resigned - Sep 2016) Yvonne Mathabatha (Resigned - Sep 2016)
Accounting Officer	Ms Mahlatse Shaibu
Registered office	Bareki Mall Groblersdal 0470
Controlling entity	Sekhukhune District Municipality
Bankers	ABSA
Auditors	Auditor General South Affrica (Limpopo) Registered Auditors
Secretary	Adv Tshikovhi US
Rounding	All figures has been rounded off to R1

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

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

Director's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the entity’s cash flow forecast for the year to 30 June 2017 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on page 6.

The annual financial statements set out on pages 6 to 23, which have been prepared on the going concern basis, were approved by the on 31 August 2017 and were signed on its behalf by:

Accounting Officer
Mr Kgopelo Phasha

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2017.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet x times per annum as per its approved terms of reference. During the current year x number of meetings were held.

Name of member	Number of meetings attended
Mr L Lankalibalela (Chaiperson)	5
Mr M Mokwele (Appointed 01 April 2017)	2
Ms G Molepo (Appointment 01 April 2017)	2
Ms T Mathabathe (Appointed 01 April 2017)	2
Ms M Ndlovu (Appointed 01 April 2017)	1
)Mr Ramukumba (Former Chairperson - Term ended 31 March 2017	2
Mr R Mnisi (Term ended - 31 March 2017)	3
Ms S Makinta (Term ended 31 March 2017)	3
Ms S Mabilane (Term ended 31 March 2017)	2

Audit committee responsibility

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the entity over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the of the entity during the year under review.

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the ;
- reviewed the Auditor-General of South Africa's management report and management’s response thereto;
- reviewed changes in accounting policies and practices (delete if not applicable);
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the entity and its audits.

Audit Committee Report

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Mr L Lankalebalela

Date: ______________________

Director's Report

The accounting officer submits her report for the year ended 30 June 2017.

1. Review of activities

Main business and operations

The entity is engaged in municipal vehicle to implement high impact economic projects and operates principally in South Africa.

2. Going concern

We draw attention to the fact that at 30 June 2017, the entity had accumulated deficits of R (155 312) and that the entity's total assets exceed its liabilities by R (154 312).

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to procure funding for the ongoing operations for the entity

3. Subsequent events

The directors are not aware of any matter or circumstance arising since the end of the financial year.

4. Share capital / contributed capital

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

Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016
Assets			
Current Assets			
Cash and cash equivalents	5	477 890	1 888 098
Non-Current Assets			
Property Plant and Equipment	3	1 447 717	1 541 741
Total Assets		**1 925 607**	**3 429 839**
Liabilities			
Current Liabilities			
Current tax payable		-	-
Payables from exchange transactions	8	343 797	315 131
Unspent conditional grants and receipts	7	1 736 122	2 307 303
		2 079 919	**2 622 434**
Total Liabilities		**2 079 919**	**2 622 434**
Net Assets		**(154 312)**	**807 405**
Share capital / contributed capital	6	1 000	1 000
Accumulated surplus		(155 312)	806 405
Total Net Assets		**(154 312)**	**807 405**

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016
Revenue			
Revenue from exchange transactions			
Other income		-	150
Interest received - investment		731	1 025
Total revenue from exchange transactions		**731**	**1 175**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	11	4 478 740	3 833 596
Total revenue	9	**4 479 471**	**3 834 771**
Expenditure			
Employee related costs	12	(2 995 419)	(1 904 586)
Board Fees	13	(304 760)	(20 381)
Depreciation and amortisation	14	(94 024)	(117 911)
Finance costs	15	-	(75)
Lease rentals on operating lease		-	(101 642)
Repairs and maintenance		(11 241)	-
General Expenses	16	(1 194 806)	(2 523 416)
Total expenditure		**(4 600 250)**	**(4 668 011)**
Operating deficit		**(120 779)**	**(833 240)**
Loss on disposal of assets and liabilities		-	(59 389)
Deficit for the year		**(120 779)**	**(892 629)**

Statement of Changes in Net Assets

Figures in Rand	Share capital / contributed capital	Accumulated surplus	Total net assets
Opening balance as previously reported	1 000	1 348 555	1 349 555
Adjustments			
Prior year adjustments	-	350 479	350 479
Balance at 01 July 2015 as restated*	**1 000**	**1 699 034**	**1 700 034**
Changes in net assets			
Surplus for the year	-	(892 629)	(892 629)
Total changes	-	(892 629)	(892 629)
Balance at 01 July 2016	**1 000**	**(34 533)**	**(33 533)**
Changes in net assets			
Surplus for the year	-	(120 779)	(120 779)
Total changes	-	(120 779)	(120 779)
Balance at 30 June 2017	**1 000**	**(155 312)**	**(154 312)**
Note(s)	6		

Cash Flow Statement

Figures in Rand	Note(s)	2017	2016
Cash flows from operating activities			
Receipts			
Grants		3 068 195	5 808 094
Interest income		731	1 025
		3 068 926	5 809 119
Payments			
Employee costs		(2 997 308)	(1 904 586)
Suppliers		(1 481 826)	(2 473 222)
Finance costs		-	(75)
		(4 479 134)	(4 377 883)
Net cash flows from operating activities	19	**(1 410 208)**	**1 431 236**
Cash flows from investing activities			
Proceeds from sale of financial assets		-	341 920
Net increase/(decrease) in cash and cash equivalents		**(1 410 208)**	**1 773 156**
Cash and cash equivalents at the beginning of the year		1 888 098	114 942
Cash and cash equivalents at the end of the year	5	**477 890**	**1 888 098**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Interest received - investment	-	-	**-**	731	**731**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	3 000 000	-	**3 000 000**	4 478 740	**1 478 740**	
Total revenue	**3 000 000**	**-**	**3 000 000**	**4 479 471**	**1 479 471**	
Expenditure						
Personnel	(3 098 436)	-	**(3 098 436)**	(2 995 419)	**103 017**	
Administration	(380 000)	-	**(380 000)**	(304 760)	**75 240**	
Depreciation and amortisation	-	-	**-**	(94 024)	**(94 024)**	
Repairs and maintenance	(18 000)	-	**(18 000)**	(11 241)	**6 759**	
General Expenses	(1 391 554)	-	**(1 391 554)**	(1 194 806)	**196 748**	
Total expenditure	**(4 887 990)**	**-**	**(4 887 990)**	**(4 600 250)**	**287 740**	
Deficit before taxation	**(1 887 990)**	**-**	**(1 887 990)**	**(120 779)**	**1 767 211**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(1 887 990)**	**-**	**(1 887 990)**	**(120 779)**	**1 767 211**	
Reconciliation						

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the entity.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note - Provisions.

1.4 Property Plant and Equipment

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

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

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

Property Plant and Equipment is initially measured at cost.

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

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

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

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

Accounting Policies

1.4 Property Plant and Equipment (continued)

Property Plant and Equipment is carried at cost less accumulated depreciation and any impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

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

Item	Depreciation method	Average useful life
Land	Straight line	infinite
Buildings	Straight line	30 years
Furniture and fixtures	Straight line	10 years
Office equipment	Straight line	5 years
IT equipment	Straight line	5 years
Communication equipment	Straight line	15 years

The residual value, the useful life and depreciation methods of each asset are reviewed at the end of each reporting date. If expectations differ from previous estimates the change is accounted for as a change in the accounting estimates.

1.5 Financial instruments

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

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at cost.

Impairment and uncollectibility of financial assets

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

Financial assets measured at cost:

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

1.6 Leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Accounting Policies

1.6 Leases (continued)

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.7 Employee benefits

Short-term employee benefits

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

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

1.8 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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

Measurement

Revenue is measured at the fair value of the consideration received or receivable..

Government grants

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The entity assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Accounting Policies

1.8 Revenue from non-exchange transactions (continued)

Other grants and donations

Other grants and donations are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.9 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.10 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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

1.11 Fruitless and wasteful expenditure

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

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

1.12 Irregular expenditure

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

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

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.13 Budget information

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

Accounting Policies

1.13 Budget information (continued)

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 108: Statutory Receivables	01 April 2016	The impact of the is not material.
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2016	The impact of the is not material.
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	The impact of the is not material.

2.2 Standards and interpretations issued, but not yet effective

The entity as not applied the following standards and interpretations, which have been published and are mandatory for the entity’s accounting periods beginning on or after 01 July 2017 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 34: Separate Financial Statements	01 April 2099	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	01 April 2099	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2099	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	01 April 2099	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2099	Unlikely there will be a material impact
• GRAP 110: Living and Non-living Resources	01 April 2099	Unlikely there will be a material impact
• GRAP 12 (as amended 2016): Inventories	01 April 2018	Unlikely there will be a material impact
• GRAP 27 (as amended 2016): Agriculture	01 April 2018	Unlikely there will be a material impact
• GRAP 31 (as amended 2016): Intangible Assets	01 April 2018	Unlikely there will be a material impact
• GRAP 103 (as amended 2016): Heritage Assets	01 April 2018	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2018	Unlikely there will be a material impact
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecogntion of Land	01 April 2019	Unlikely there will be a material impact
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	Unlikely there will be a material impact
• GRAP 20: Related parties	01 April 2017	Unlikely there will be a material impact
• GRAP 26 (as amended 2016): Impairment of cash-generating assets	01 April 2018	Unlikely there will be a material impact
• GRAP 109: Accounting by Principals and Agents	01 April 2017	Unlikely there will be a material impact
• GRAP 21 (as amended 2016): Impairment of non-cash-generating assets	01 April 2018	Unlikely there will be a material impact

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

• GRAP 18 (as amended 2016): Segment Reporting	01 April 2018	Unlikely there will be a material impact
• GRAP 17 (as amended 2016): Property, Plant and Equipment	01 April 2018	Unlikely there will be a material impact
• GRAP 16 (as amended 2016): Investment Property	01 April 2018	Unlikely there will be a material impact
• GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	01 April 2018	Unlikely there will be a material impact

3. Property Plant and Equipment

	2017			2016		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	900 000	-	900 000	900 000	-	900 000
Buildings	300 000	(33 333)	266 667	300 000	(23 333)	276 667
Furniture and fixtures	76 241	(44 731)	31 510	76 241	(37 103)	39 138
Office equipment	104 275	(77 362)	26 913	104 275	(63 846)	40 429
IT equipment	118 369	(54 515)	63 854	118 369	(37 605)	80 764
Computer software	185 122	(123 192)	61 930	185 122	(87 982)	97 140
Communication equipment	161 404	(64 561)	96 843	161 404	(53 801)	107 603
Total	**1 845 411**	**(397 694)**	**1 447 717**	**1 845 411**	**(303 670)**	**1 541 741**

Reconciliation of property plant and equipment - 2017

	Opening balance	**Depreciation**	**Total**
Land	900 000	-	900 000
Buildings	276 667	(10 000)	266 667
Furniture and fixtures	39 138	(7 628)	31 510
Office equipment	40 429	(13 516)	26 913
IT equipment	80 764	(16 910)	63 854
Computer software	97 140	(35 210)	61 930
Communication equipment	107 603	(10 760)	96 843
	1 541 741	**(94 024)**	**1 447 717**

Reconciliation of property plant and equipment - 2016

	Opening balance	**Depreciation**	**Total**
Land	900 000	-	900 000
Buildings	286 667	(10 000)	276 667
Furniture and fixtures	47 172	(8 034)	39 138
Office equipment	55 320	(14 891)	40 429
IT equipment	97 674	(16 910)	80 764
Computer software	134 266	(37 126)	97 140
Communication equipment	118 363	(10 760)	107 603
	1 639 462	**(97 721)**	**1 541 741**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the entity. The are restrictions on title. No Items for property, plant and equipment hs been pledged as secutiry for liabilities

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

4. Receivables from non-exchange transactions

5. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	477 890	1 888 098

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
ABSA	477 890	1 888 098	114 942	477 890	1 888 098	114 942

6. Share capital / contributed capital

Authorised		
1000 ordinary shares issued at R1 each	1 000	1 000
Issued		
Ordinary	1 000	1 000

7. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Industrial Development Corporation (IDC)	1 736 122	2 307 303

The entity receives grants to fund specific programmes of the entity. The grants are recognised as adn when the entity implements the programme as per funding agreements. The amount of unspent grants are recognised as a liability at year-end.

8. Payables from exchange transactions

Trade payables	41 560	101 747
Leave Accrual	214 500	123 758
Other sundry creditors	87 737	89 626
	343 797	**315 131**

9. Revenue

Other income	-	150
Interest received - investment	731	1 025
Government grants & subsidies	4 478 740	3 833 596
	4 479 471	**3 834 771**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Other income	-	150
Interest received - investment	731	1 025
	731	**1 175**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

9. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Transfer revenue		
Government grants & subsidies	4 478 740	3 833 596

10. Other revenue

Other income 1	-	150

11. Government grants and subsidies

Operating grants		
SDM Grant	3 068 197	2 907 641
IDC Grant	1 410 543	775 955
Tswenyane Grant	-	150 000
	4 478 740	**3 833 596**

Conditional and Unconditional

Conditional grants are only utilised to fund programmes approved by the funders. Operation grant from SDM is used to fund day to day operations of the agency:

Conditional grants received	1 410 543	925 955
Unconditional grants received	3 068 197	2 907 641
	4 478 740	**3 833 596**

Industrial Development Corporation

Balance unspent at beginning of year	2 307 303	974 608
Current-year receipts	-	2 949 586
Conditions met - transferred to revenue	(571 181)	(1 616 891)
	1 736 122	**2 307 303**

Conditions still to be met - remain liabilities (see note 7).

12. Employee related costs

Basic	2 995 419	1 904 586

13. Board Fees

Board Members	304 760	20 381

14. Depreciation and amortisation

Property Plant and Equipment	94 024	117 911

15. Finance costs

Bank	-	75

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

16. General expenses

Accounting fees	166 667	115 789
Advertising	60 870	290 778
Auditors remuneration	291 308	410 833
Bank charges	2 775	4 586
Cleaning	-	82 863
Computer expenses	83 427	5 200
Consulting and professional fees	70 000	545 979
Insurance	16 212	13 175
Conferences and seminars	-	47 465
Postage and courier	-	1 316
Printing and stationery	-	58 274
Security (Guarding of municipal property)	1 175	5 061
Subscriptions and membership fees	-	23 215
Telephone and fax	10 695	53 061
Training	97 000	-
Travel - local	389 494	159 079
Electricity	1 966	7 848
Project expenses	-	231 517
Other expenses	3 217	467 377
	1 194 806	**2 523 416**

17. Auditors' remuneration

Fees	291 308	410 833

18. Taxation

19. Cash (used in) generated from operations

Deficit	(120 779)	(892 629)
Adjustments for:		
Depreciation and amortisation	94 024	117 911
Gain on sale of assets and liabilities	-	59 389
Other receivables	(840 938)	-
Changes in working capital:		
Other receivables from non-exchange transactions	-	(429 841)
Payables from exchange transactions	28 666	85 026
Unspent conditional grants and receipts	(571 181)	2 491 380
	(1 410 208)	**1 431 236**

20. Contingencies

Contingent assets

Civil proceedings have commenced against the entity previous employees to recover an amount of R 341 981 - as a result of material losses incurred in previous years. According to the entity's legal advisors, it is probable that the proceedings will result in the recovery of the full amount but this recovery is virtually certain.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

21. Related parties

Relationships

Accounting Officer	Refer to accounting officer's report note
Controlling entity	Sekhukhune District Municipality

Related party balances

Grants - Owing (to) by related parties	2017	2016
Sekhukhune District Municipality	842 510	840 936

Key management information

Class	Description	Number
Non-executive board members	Non-Executive	5
Executive board members	Acting CEO	1

22. Prior period errors

Property, plant and equipment were depreciated at incorrect rates due to the fact that the entity did not review useful lives of assets at the ed of the financial year. The error resulted in accumulated depreciation being overstated by R41 357

The trade payables were overstated by an amount of R7000 as invalid accrued expenses were accounted for. Board fees to the amount of R3500 and general expenses to the amount of R3500 were also overstated.]

Rent accrued was overstated by anount of R 24 529

The entitiy has inorrectly account for axation in the previous years even though it is not liable for taxes. The correction resulted in the adjustment to tax payable (R286 038) taxation (R152 662), and deferred tax asset of R 129 577

The previously classified purchased computer as intangible assets (R97 140) and disclosed it separately on the statement of financial positin and has during the year correctly accounted for as PPE in terms of GRAP

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

	2017	2016
Financial Position		
Property Plant and Equipment	-	138 498
Trade payables	-	38 968
Deferred tax	-	(127 887)
Tax payable	-	286 038
Intagible assets	-	(97 140)
Financial performance		
Rentals	-	(24 529)
Board fees	-	(3 500)
Taxation	-	152 662
General expenses	-	(3 500)

23. Risk management

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 and credit facilities.

Credit risk

Market risk

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

23. Risk management (continued)

Interest rate risk

As the entity has no significant interest-bearing assets, the entity’s income and operating cash flows are substantially independent of changes in market interest rates.

24. Going concern

We draw attention to the fact that at 30 June 2017, the agency had accumulated deficits of R (155 312) and that the agency's total liabilities exceed its assets by R (154 312). The funding from IDC was not received in the current financial year and there is no confirmation received for funding at the end of the financial year. Failure to secure funding might have a negative impact on the going concern principle

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the entity.

25. Fruitless and wasteful expenditure

	2017	2016
Opening balance	757 508	304 054
Fruitless and wasteful expenditure	-	453 454
	757 508	**757 508**

26. Irregular expenditure

	2017	2016
Opening balance	1 880 864	1 199 388
Add: Irregular Expenditure - current year	-	681 476
	1 880 864	**1 880 864**

Details of irregular expenditure – current year

-

27. Additional disclosure in terms of Municipal Finance Management Act

Material losses through criminal conduct

	2017	2016
Amount paid - previous years	-	453 454