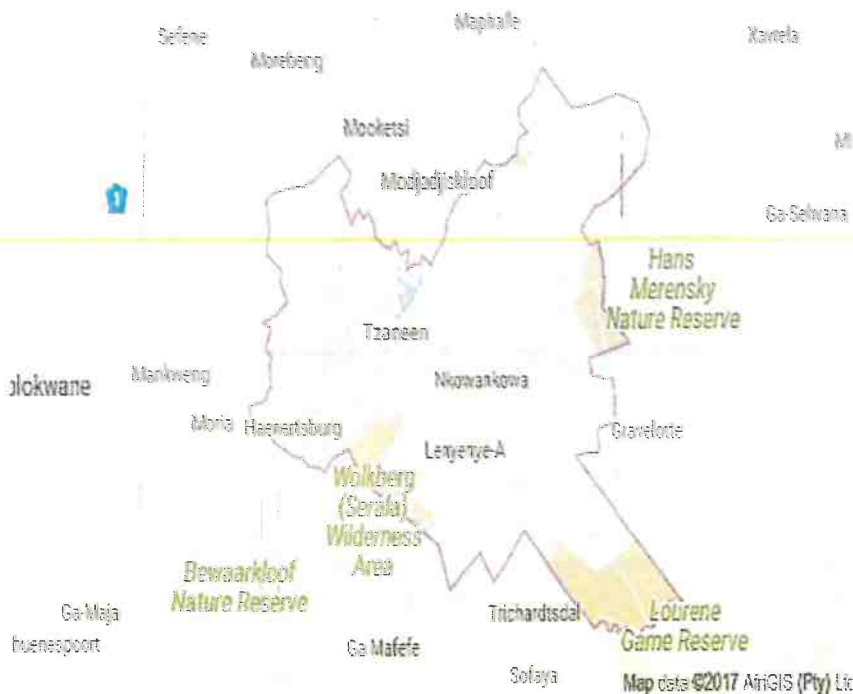


2020/21 ANNUAL REPORT



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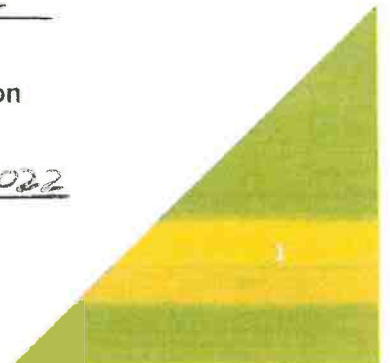
WEBSITE: www.gteda.co.za

Mr. MW Mulaudzi
Chief Executive Officer (Acting)

Date: 10/01/2022

Mr. MZ Mawasha
Board Chairperson

Date: 10/11/2022



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ABBREVIATION/ ACRONYMS

AFS	Annual Financial Statements
AGSA	Auditor-General of South Africa
CEO	Chief Executive Officer
COGHSTA	Department of Cooperative Governance, Housing, Settlements and Traditional Affairs
FRC	Finance and Risk Committee
GRAP	Generally Recognised Accounting Principles
GTEDA	Greater Tzaneen Economic Development Agency
GTFSC	Greater Tzaneen Financial Services Cooperatives
GTM	Greater Tzaneen Municipality
HR & REMCO	Human Resource and Remuneration Committee
IDP	Integrated Development Plan
KPI	Key Performance Indicator
LDA	Limpopo Department of Agriculture
LED	Local Economic Development
MFMA	Municipal Finance Management Act
MSCOA	Municipal Standard Chart of Accounts
MSA	Municipal Systems Act
PA	Personal Assistant
PIC	Project and Investment Committee
PMU	Project Management Unit
SETA	Sectoral Education Training Authority
SDBIP	Service Delivery and Budget Implementation Plan
SMME	Small Medium Micro Enterprise
SALGA	South African Local Government Association
SALGBC	South African Local Government Bargaining Council
SEC	Social and Ethics Committee
SCM	Supply Chain Management

INTRODUCTION

It is an honour to submit the Annual Report of the Greater Tzaneen Economic Development Agency (GTEDA) for the period 01st July 2020 to 30th June 2021, in **accordance** with Chapter 12 (Section 121) of the Municipal Finance Management Act (MFMA), 2003 (Act No. 56 of 2003).

GTEDA as a Municipal entity is required to prepare an Annual Report in accordance with the Provisions of Section 121 of its founding legislation, the Local Government: Municipal Finance Management Act (MFMA), 2003 (Act 56 of 2003) read with Municipal System Act, 2000 (Act No 32 of 2000).

In terms of Section 121, the purpose of this Annual Report is:

- a) To provide a record of the activities of GTEDA during the Financial Year 2020/21.
- b) To provide a report on performance against the budget of GTEDA for the same period;
and
- c) To promote accountability to the local communities of Greater Tzaneen Municipalities for the decisions made throughout the year by GTEDA.

It is through the Annual Report that GTEDA is able to foster transparency and accountability by submitting the following for the Year Ending 30th June 2021:

- i. Audited Annual Financial Statements.
- ii. Auditors Report; and
- iii. Annual Performance Report.

LEGISLATIVE/ REGULATORY FRAMEWORK

GTEDA as a Municipal Entity wholly owned by GTM, established to implement economic development within the GTM area, derives its legislative mandate first and foremost from Chapter 10 of the *Municipal Finance Management Act*, 2003 (Act No. 53 of 2003) and its Regulations read with Chapter 8A of the *Municipal Systems Act*, 2000 (Act No 32 of 2000) and its Regulations. GTEDA also ensures compliance, to the extent applicable to other legislation governing local government including, but not limited to the following:

- The Constitution of the Republic of South Africa, 1996 (Act. 108 of 1996).
- Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998).
- Local Government: Municipal Property Rates Act, 2004 (Act No. 6 of 2004).
- Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998).
- Basic Conditions of Employment Act, 1997 (Act no. 75 of 1997).
- Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003).
- Disaster Management Act, 2002 (Act No. 57 of 2002) and its Regulations.
- Division of Revenue Act, 6 (Act No. 6 of 2012).
- Employment Equity Act, 1998 (Act No. 55 of 1998).
- Intergovernmental Fiscal Relations Act, 1997 (Act No. 97 of 2005).
- Intergovernmental Relations Framework Act, 2005 (Act No. 13 of 2005).
- Companies Act & Regulations 71 of 2008.
- Labour Relations Act, 1995 (Act No. 66 of 1995).
- Municipal Fiscal Powers and Functions Act, 2007 (Act No 12 of 2007).
- National Archives Act of South Africa Act, 1996 (Act No. 43 of 1996).
- Occupational Health and Safety Act, 1993 (Act No. 85 of 1993).
- Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) and its Regulations.
- Prevention and Combating of Corrupt Activities Act, 2004 (Act No. 12 of 2004).
- Promotion of Access to Information Act, 2000 (Act No. 2 of 2000).
- Promotion of Administration to Justice Act, 2000 (Act No. 3 of 2000).
- Promotion of Equality and Prevention of Unfair Discrimination Act, 2000 (Act No. 4 of 2000).
- Skills Development Act, 1998 (Act No. 97 of 1998).
- Skills Development Levy Act, 1999 Act No. 9 of 1999.
- Traditional Leadership and Governance Framework Act, 2003 (Act No. 41 of 2003).

CHAPTER 1: STRATEGIC OVERVIEW



To be a self-financing Agency that leads in developing an inclusive, thriving, and sustainable economy for the people of the Greater Tzaneen Municipal area.

We strive to attract investments into the Greater Tzaneen Municipal area, facilitate in innovative and efficient ways, development of an economy that is inclusive, sustainable, and resilient. We believe in the potential of our people to drive their own development.

Integrity
Empowerment
Transparency
Accountability
Innovation
Excellence
Partnering

6. Financially viable and sustainable institution
7. Effective and efficient administration
8. Organisational excellence and growth
9. Improved and inclusive local economy
10. Sustained good corporate governance
11. Improved capacity to access and analyse economic data
12. Improved human capital

STRATEGIC OBJECTIVES

1. Improved socio-economic status of the community
2. Enhanced capacity of entrepreneurs to access required support and information
3. Improved stakeholder relations
4. Enhanced capacity of entrepreneurs to access funding opportunities
5. Increased inward investment

CHAIRPERSON'S FOREWORD

This is the last foreword to an annual report of GTEDA that we write as our term has come to an end. Looking back over the years to achieve the objectives for which any development agency is created, there must be a deep appreciation by that principal organisation of the role that it has to play. Such an understanding of the reason for the existence of the agency will inevitably translate to a corresponding commitment of resources of all kinds – finances, time, land etc. The entity has over the years had to deal with varied commitment to its course as and when elections took place and new administration were ushered in as well as when there were changes in the administrative leadership of the parent municipality. This undoubtedly has a profound impact on its ability to vigorously pursue its mandate.

It has also been very clear that the work of any board of directors starts with a clearly articulated strategy. This board has by and large pursued a consistent strategy that was anchored on an appreciation of the specific location of the Greater Tzaneen Municipality in the context of the government's priorities espoused in the National Development Plan (NDP), the province's Limpopo Development Plan, the Mopani District priorities as well as those of the Greater Tzaneen Municipality itself. In the context of the severe resource constraints that even led to the Auditor-General of South Africa raising issue with our going concern status, the entity has laid the seeds for the realisation of the objectives of employment creation that is tied to promoting food security and economic growth in the municipal area. The Board has recently reviewed its strategy and in that process still found the vision of the entity relevant and commendable to the next board.

South Africa needs an inclusive growth of the economy – a task that requires a transformative mindset where GTEDA is understood to be a catalyst for change in the participatory landscape of the economy of the area. This is the reason the agency moved towards development of its training and development portfolio that feeds into its incubation activities such that there is a seamless support trajectory of a business from cradle to prosperity. There are SMMEs and cooperatives through which GTEDA proudly claims success in its efforts to support enterprise development.

The COVID-19 pandemic presented a particular challenge in that it had a negative impact of all businesses and particularly small ones. GTEDA has the quadrupled challenge of supporting businesses to navigate the fatal effects of lockdowns and the generally subdued economy that South Africa is. It has demonstrated capacity to live up to this although much can still be done.

The Board is grateful to the support it received from the management and staff of GTEDA – a small team of dedicated individuals who keep growing the demonstrated immense integrity and commitment to the core business of the organisation. It is also grateful to the support received from the parent municipality that continued to improve over time. The Risk and Compliance; and Audit Committees shared with the Municipality have consistently provided the invaluable advice that GTEDA so much needed.

It is a singular challenge for the organisation to transcend beyond the consistent unqualified audit opinion to the illusive clean audit status. It behoves the municipality to closely work with the entity to address the VAT liability matter as well as improve the going concern status.

GTEDA remains a huge opportunity for the municipality of Greater Tzaneen and perhaps the district as a whole. It is critical that a deep conversation is had with the new leadership of the municipality with a view to a much more meaningful role for the entity in social and economic development.



Mr. MZ Mawasha
Board Chairperson

CHIEF EXECUTIVE OFFICER'S OVERVIEW

The 2020-21 financial has come and gone. From the Greater Tzaneen Economic Development Agency's (GTEDA) point of view, the year was a successful one amidst the challenges imposed by the Covid-19 pandemic. On the contrary, the pandemic has taught us to work smarter and embrace technology to conduct our business.

The agency has played an important role in the work needed to achieve economic goals, as set out in the LED strategy and in the priorities, as defined by the Greater Tzaneen Municipality's Integrated Development Plan (IDP) 2019-2023. The achievements and challenges are summarized in the consolidated GTEDA Annual Performance report. We are very proud to announce that for 8 years running, GTEDA has once more demonstrated financial prudence and has acquired an unqualified audit opinion. This gives the public confidence knowing that public funds allocated to GTEDA are used in a responsible and fruitful manner.

Progress on the implementation of the LED projects is satisfactory. GTEDA has entered into partnerships with credible institutions to apply for funding to implement the projects, empower and upskill project beneficiaries (unemployed youth, SMMEs and co-operatives).

We cannot neglect the challenges posed by recurrent business continuity risk. We certainly hope that with the assistance of Board and the shareholder, this would be resolved as it affects GTEDA's Balance Sheet and leverage needed to attract investors and management of huge capital and operational projects. The revised organisational structure has key positions that are vacant. This must be addressed as it poses another risk of lack of full accountability, and it weakens internal controls as staff members placed in acting positions beyond the prescribed period.

As we enter the 2021/22 financial year, we remain resolute in carrying out our mandate of economic growth and investment attraction to ensure the people of Greater Tzaneen Municipality benefit from the work done by GTEDA. We remain focused on ensuring that the entity remains a sustainable, relevant, and efficient entity of the Greater Tzaneen Municipality.

In conclusion, I thank the Board which has been an integral part of this journey from 2015 for the continued support, guidance, mentoring and playing the oversight role. Without a capable Board, GTEDA wouldn't be where it is today. As management and staff, we executed the mandate to the best of our abilities, with integrity and a sense of duty. The work we have achieved together in a short space of time is sure to set this Agency on a greater path to success. I also wish to thank the Council/shareholder, Risk and Compliance committee and the Audit Committee for being attentive to the needs of GTEDA and providing leadership and oversight.

Thank you, re a leboga, ha khensa.



Mr. MW Mulaudzi
Acting Chief Executive Officer



The Board is committed to ensuring that the Agency is governed appropriately. The Board recognises the responsibility of the Agency to conduct its affairs with

prudence, transparency, accountability, fairness and in a socially and environmentally responsible manner.

The Agency complies with the provisions as set out in the code of conduct for directors, referred to in section 93L of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) Code of Corporate Governance Principles and Practices as recommended in Companies Act, the King IV Report on Governance for South Africa 2016.

BOARD STRUCTURE

The general powers of the board of directors are conferred in the Memorandum of Incorporation and the Service Level Agreement entered between the Agency and the Parent Municipality. Terms of reference for the Board are set out in the Board Charter which is reviewed annually.

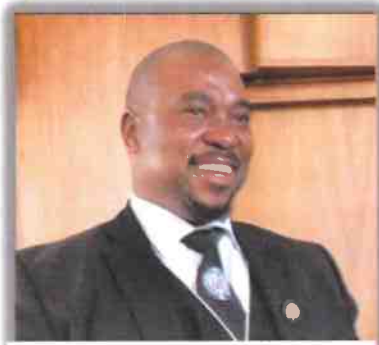
To ensure conflicts of interest are avoided Board members annually provide a general disclosure of their personal financial interests in terms of section 75 of the Companies Act 2008 and are required to declare any material personal financial interests that they may have in contracts entered or in any matters to be discussed at meetings, as well as any changes to their interests as previously declared.

The Board has adopted a unitary structure and no individual member of the Board has unfettered powers of decision making. The responsibility for running the Board and executive responsibility for the conduct of the business are differentiated in the Board Charter. Accordingly, the roles of the Chairperson of the Board and of the Chief Executive Officer are separated.

The Charter covers the powers and authority of the Board and provides a clear and concise overview of the responsibilities and accountability of Board members, collectively and individually. It includes the policy and procedures for Nomination and Appointment of Committee.

BOARD OF DIRECTORS

For the year under review the Board comprised of four (4) non-executive Directors (3 females and 1 male), who are independent as defined by King IV Report on Governance for South Africa 2016. The Parent Municipality's consideration is given to gender and racial diversity, as well as diversity in business, geographic and academic backgrounds, in the process of Directors' appointment. The particulars of the Directors are set out in the Board of directors' section of this Integrated Annual Report.



Mr. MZ Mawasha
Board Chairperson



Ms MI Moakamela
Board Member



Ms BL Mathebula
Board Member



Mrs. MF Mushwana
Board Member

MINIMISE CONFLICT OF INTEREST

The Board operates within the powers conferred on it in the Board Charter; bases deliberations, decisions and actions on strategic objectives and ethical and moral values; considers the legitimate interests of all stakeholders; and aligns its conduct to drive the Agency's mandate accordingly.

The Agency has a Code of Conduct and ethics which is communicated internally and externally, and the importance of ethical behaviour is emphasized in all of the Agency's engagements.

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

The Board is responsible for economic, social and environmental performance and reporting, and the Agency has credible and well-coordinated programmes in respect of social and environmental issues and stakeholder engagement.



For the period under review the Board met on seven (7) occasions to conduct the normal business of the Agency. Attendance at these meetings is summarized in the table below.

Board Meetings Attendance:			
Initials and Surname	Position Held	Ordinary Meetings	Special Meetings
Mr. MZ Mawasha	Board Chairperson	3 of 3	2 of 4
Ms MI Moakamela	Board Member	3 of 3	4 of 4
Mrs. MF Mushwana	Board Member	3 of 3	4 of 4
Ms BL Mathebula	Board Member	3 of 3	4 of 4

BOARD COMMITTEES

The Board is assisted to discharge its duties and responsibilities by the following Committees:

- Projects and Investments Committee.
- Finance and Risk Committee.
- Human Resource and Remuneration Committee

The **ultimate responsibility** for Board duties and responsibilities, however, resides in the Board and it does not abdicate its responsibilities to the Committees.

The Committees operate within formalized terms of reference which have been approved by the Board and which reflect the Agency's application of the principles embodied in the King Report, the statutory requirements of the Company's Act and relevant legislation.

The terms of reference set out each Committee's purpose, membership requirements, duties, and responsibility. Relevant legislative requirements, such as those as prescribed in the Companies Act, are incorporated in the Committee Charters.

When appropriate, ad hoc committees are formed to facilitate the achievement of specific short-term objectives. There is full disclosure, transparency and reporting from these Committees to the Board at each Board meeting.



PROJECTS AND INVESTMENTS COMMITTEE (PIC)

For the period under review the Projects and Investments Committee comprised of the following Members

1. Mr. MZ Mawasha: Chairperson
2. Ms MI Moakamela: Member
3. Ms BL Mathebula: Member
4. Mrs. MF Mushwana: Member

The Projects and Investments Committee is responsible for, but not limited to the following:

- ❖ Performing such other investment and/or fund-raising related functions as may be determined by the Board from time to time;
 - ❖ Developing and reviewing the Annual Strategy/Plan with quarterly milestone.
 - ❖ Assisting the interface with research programmes.
 - ❖ Identifying key information dissemination activities for project results.
 - ❖ Ensuring that all economic development opportunities are identified and assessed and assist in balancing conflicting priorities and resources.
 - ❖ Ensuring that viable and sustainable economic development opportunities are brought to the attention of potential investors and funders.
 - ❖ Ensuring that interested investors are provided with all necessary support to ensure implementation of viable new projects implementation of viable new projects.
- ❖ Developing and reviewing feasibility studies and business plans that may have been commissioned by or presented to GTEDA and packaging these opportunities in various attractive ways that will appeal to potential investors.
 - ❖ Reporting on project progress to stakeholders such as the Greater Tzaneen Municipal Council, Oversight Committee/Municipal Public Accounts Committee (MPAC), Auditors, Banks, funders etc.
 - ❖ Assisting with investment promotional events or direct sales calls on target investors; and
 - ❖ Ensuring that all necessary support is provided to potential investors in terms of local information, introductions and other actions that will ensure speedy implementation of new projects.



FINANCE AND RISK COMMITTEE (FRC)

For the period under review the Finance and Risk Committee comprised of the following Members:

1. Mrs. MF Mushwana: Chairperson
2. Ms MI Moakamela: Member
3. Ms BL Mathebula: Member

The Finance and Risk Committee is responsible for the consideration of key financial and operating control risks and in particular assists the Board in the following matters:

- ❖ Monitoring the financial reporting process.
- ❖ Recommending the appointment of an internal auditor, determining the terms of engagement and approving fees for audit and non-audit work undertaken.
- ❖ Monitoring the operation and effectiveness of internal control systems, including information technology controls.
- ❖ Overseeing the internal audit function, monitoring its effectiveness, and reviewing corrective action in relation to findings.
- ❖ Overseeing the implementation and effective operation of a structured risk management process; and
- ❖ Reviewing and recommending to the Board for approval the interim and annual financial statements, the going concern status of the Agency, interim and final dividends and other special payments.

The Auditor General of South Africa (AGSA) conduct external audits for the Agency as required by the Municipal Finance Management Act (MFMA). Internal audit resources were provided via a service provision arrangement with Tladi and Associate Consulting at the recommendation of Management. The internal auditor does not perform the function or undertake the role of management.

The Finance and Risk Committee discharged the functions assigned and complied in all material respects with its mandate and the responsibilities prescribed to it in the Terms of Reference.



HUMAN RESOURCE AND REMUNERATION COMMITTEE (HR & REMCO)

For the period under review the Human Resource and Remuneration Committee comprised of the following

Members:

1. Ms MI Moakamela: Chairperson
2. Mrs. MF Mushwana: Member
3. Ms BL Mathebula: Member

The Human Resource and Remuneration Committee assists the Board by overseeing the following matters:

- ❖ Ensuring that the Agency's directors and Chief Executive Officer are competitively rewarded for their individual contributions to the overall performance.
- ❖ Ensures that the remuneration of the Chief Executive Officer is set by a committee of Board members who have no personal interest in the outcomes of their decisions and who will give due regard to the interests of shareholders and to the financial and commercial health of the Agency.

- ❖ Succession planning within the organisation.
- ❖ Reviewing performance assessment of the Chief Executive Officer and entire organisation.
- ❖ Recommending appropriate remuneration packages for employees.
- ❖ Reviewing the composition of the Board committees with respect to skills and experience; and
- ❖ Developing sound corporate governance policies.

Human Resource and Remuneration Committee complies in all material respects with its mandate and the responsibilities prescribed in its charter.

In terms of the Board Charter, the Board is responsible for the governance of risk, which is delegated to the Finance and Risk Committee but without abdicating the Board's responsibility.

Management is responsible for the development and implementation of the risk management plan in accordance with the Board approved policy and framework. The Finance and Risk Committee monitors the risk management process.

Risks are reviewed and prioritised by the Board on a regular basis and are assessed on an ongoing basis as part of normal operational management processes. The following eight (8) Strategic Risks were identified:

1. GOING CONCERN

The entity has an asset deficiency whereby liabilities exceed its assets, with a current ratio of 0.54; this is a sign of financial distress and indicates that a company may default on its obligations to creditors and may be headed for insolvency. The entity has low asset turnover, and the liability is emanating from VAT liability on grant received. The entity has an outstanding liability from SARS amounting to R 2,495,629. To mitigate this risk the entity should engage the Parent Municipality to assist the entity by settling off to offset the outstanding liability should SARS decline the application for debt compromise. SARS indicated that the process of debt compromise is at a final stage and outcome is expected to be received.

2. INABILITY TO ATTRACT INVESTMENTS

To Promote a conducive investment climate in the greater Tzaneen and attract suitable investors, the agency requires capital investments to create an investment climate for socio-economic and business development, however the agency is struggling to attract potential investors due to lack of incentives and available resources. To mitigate the above risk the entity should collaborate with strategic partnership for implementation of the three (3) identified projects in the LED strategy.

- ❖ Agri business incubator
- ❖ Farmer support Facility
- ❖ Waste management Project for SMMEs.

The Incentive policy was approved by Council and will be published in the Investment Magazine called Unlock Tzaneen.

3. INSUFFICIENT ACCESS BY ENTREPRENEURS TO SUPPORT, FUNDING AND INFORMATION

The development of small, medium and micro-enterprises (SMMEs) contributes significantly to job creation, social stability and economic growth, hence SMMEs must have access to strategic resources, finance and adequate support to realise their innovative visions. Entrepreneurship can be an effective vehicle that stimulates economic growth and reduces unemployment in the Greater Tzaneen municipal areas. Insufficient access by entrepreneurs will slow the growth of entrepreneur's sector. To mitigate the above risk, the entity should facilitate establishment of an agro processing incubator. 20 clients have been selected to participate in the incubator programme, 21 SMME's have been registered with CIPC and 12 SMME's have been assisted with Annual Returns

4. INADEQUATE ORGANIZATIONAL VISIBILITY AND POOR ORGANISATIONAL BRANDING

Part of building a strong organisation involves driving up your own visibility within your organization, industry, and professional network. The entity should promote rural development and community outreach. The Stakeholder engagement policy, which ensures that this is fully achieved, has been developed and approved by board.

RISK MANAGEMENT Cont.....

5. INABILITY TO FULLY IMPLEMENT CORE BUSINESS

Core business process states that certain (projects) requires certain tasks to be performed in sequence, and it must be reflected in the implementation. In the same manner, any specified steps associated with a task must also be reflected within the implementation. It is import that all parties involved in executing the process to clearly understand that it is the process that should be empowered and should not be confused with the organisational function. To mitigate the above risk the entity should facilitate project management related trainings to capacitate board to provide strategies leadership/ oversight role on core business.

6. INSUFFICIENT HUMAN CAPITAL AND LACK OF STAFF RETENTION

Attracting and retaining skilled and professional staff is a critical in an organisation, there is strong evidence to suggest that organisations throughout the world should seek innovative strategies to attract and retain specialised skills. To mitigate the above risk the entity must implement the organisational structure in phases and the board should reconsider the resolution of putting the implementation of the structure in abeyance.

The process is still on hold pending finalisation of the issue of going concern and sustainability.

7. POOR STAFF RETENTION

Employees who spend a considerable amount of time in any organization know it in and out and thus can perform better. They are well familiar with the company policies and adjustment is never a problem. Employees who come and go find it very difficult to settle down in a new environment and are thus always in a state of dilemma. They are not able to perform up to their potential and eventually the work and the organization suffers.

It is a common observation that employees who spend a good amount of time in the organization tend to know more about it and thus contribute effectively. They develop a sense of loyalty towards their workplace and strive hard to live up to the expectations of the management. To mitigate this risk the entity should development of staff retention strategy and full implementation of SALGA collective agreement.

8. INABILITY TO SECURE CONDUCTIVE OFFICE SPACE AND LACK OF ACCESSIBILITY BY DISABLED PERSONS

An ideal office brings employees together to collaborate, create and innovate which ultimately leads to a better product or service; and provides social interaction for employees. The entity must secure office in line with the Occupational Health and Safety Act.

CONCLUSION

Full implementation of Risk Management framework will assist the agency to obtain a clean audit opinion if the key controls are properly adhered and strengthened and that compliance with regulatory prescripts and legislation is maintained.

GTEDA has an effective risk-based internal audit function, outsourced to an independent professional firm, whose duties and responsibilities are defined in the Terms of Reference. The Internal audit provides necessary assurance to the Board.

CHAPTER 3: HUMAN RESOURCE MANAGEMENT OVERVIEW

INTRODUCTION

GTEDA has a Chief Executive Officer who operates within an approved framework of delegations of authority. He is supported by the Project Manager; Acting Finance and Risk Officer; and Acting HR and Administration Officer, for the day-to-day management. The Board is kept informed on progress through regular reporting during quarterly meetings, special meetings and other means as may be agreed as and when such need arises

The Human Resources Management (HRM) Unit falls within the Corporate Services division and reports to the Chief Executive Officer (CEO). The Unit ensures that progress on implementation of the organisational objectives is made.

RECRUITMENT

Following the Board resolution to put full implementation of the approved Organisation Structure in abeyance pending finalization of the Entity's going concern and sustainability issues, the vacancy rate of GTEDA remained at 79%.

TRAINING

Study bursaries for the year under review were awarded to employees who wanted to further their studies at the recognised South African higher institutions of learning. Training programmes that required physical attendance could not be undertaken due to outbreak of the COVID-19 virus.

GTEDA prioritised the COVID-19 training for Management in line with the Disaster Management Act, to ensure workplace preparedness

EMPLOYEE WELLNESS

The outbreak of COVID-19 virus necessitated the close monitoring of the wellbeing of employees. The Human Resource Management led the implementation circulars issued by the Department of Public Service and Administration (DPSA) which took into consideration various laws and regulations such as Basic Conditions of Employment Act, Disaster Management Act, Labour Relations Act, Occupational Health and Safety Act, to safeguard health of the employees.

HUMAN RESOURCE STATISTICS

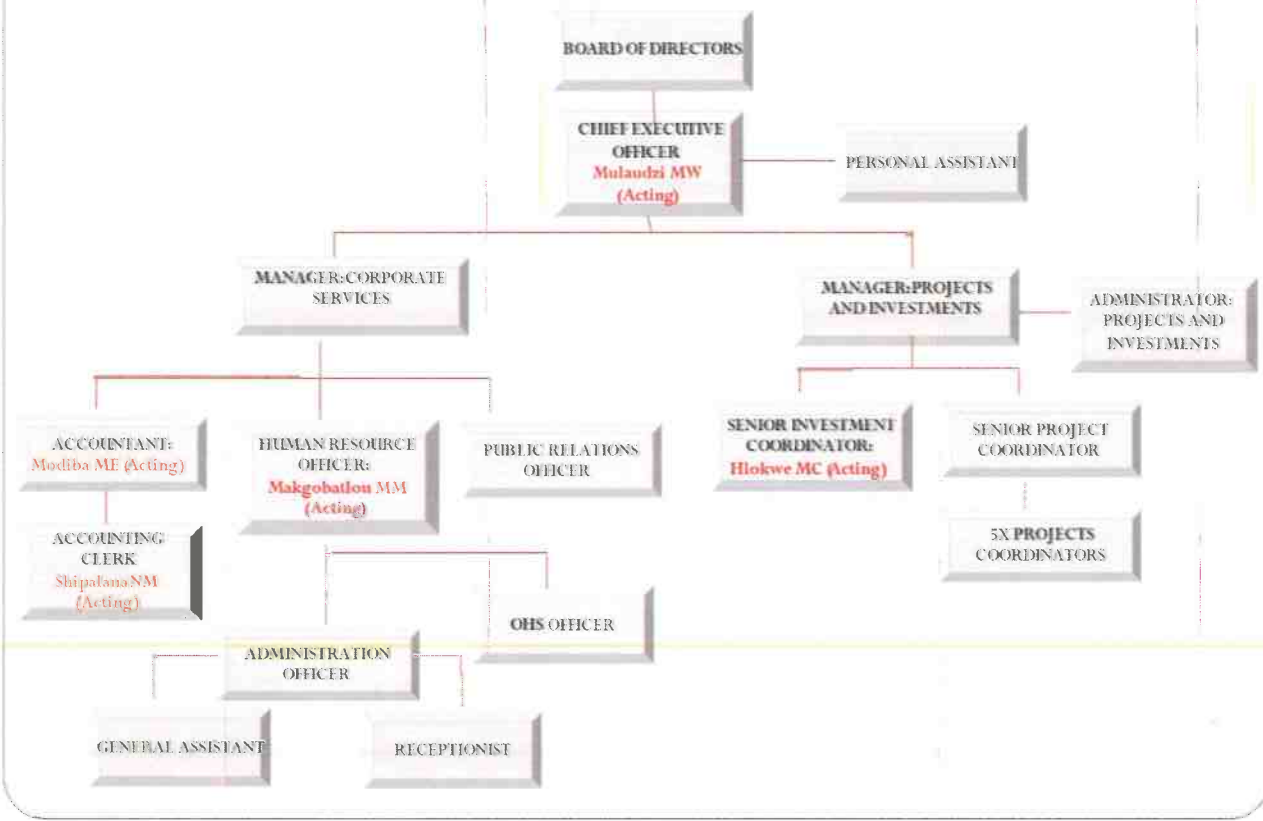
For the year under review, the workforce of GTEDA was constituted as:

CA= Contract Appointment

Category	Male					Female					Total
	African	Indian	Coloured	White	Total Male	African	Indian	Coloured	White	Total Female	
Executive Management	1 (CA)	—	—	—	1 (CA)	—	—	—	—	—	1 (CA)
Senior Management	1	—	—	—	1	—	—	—	—	—	1
Middle Management	—	—	—	—	—	3	—	—	—	3	3
Lower Level	—	—	—	—	—	1	—	—	—	1	2
Disabled	—	—	—	—	—	—	—	—	—	—	—
TOTAL	2	—	—	—	2	4	—	—	—	4	6

The Municipal Systems Act of 2000, Section 67 requires municipalities to develop and adopt appropriate systems and procedures to ensure fair, efficient, effective, and transparent personnel administration in accordance with the Employment Equity Act of 1998. However, the Agency currently does not have an approved Employment Equity Plan due its size, however, to an extent practical, is sensitive to issues of employment equity.

ORGANOGRAM



EMPLOYMENT CHANGES AND VACANCIES

GTEDA strives to ensure that it employs and maintains a staff complement consisting of the highest calibre of individuals who subscribe to its values and are committed to delivering sustainable long-term performance.

GTEDA Organisational Structure is aligned to the South African Local Government Association (SALGA) TASK Job Evaluation System to ensure adherence with regulations governing all municipalities and municipal entities. This aspires to apply and comply with codes of good practice.

All staff was employed in terms of ***“Total Cost to Employer”*** condition, similar to managers in ***“Section 56/57”*** of the ***“Municipal Systems Act, 2000 (Act No. 53 of 2000)”*** which is not consistent with the SALGA Bargaining Council’s Conditions of Service. Whereas their conditions of employment must be similar to those of ***“South African Local Government”*** employees with benefits as defined by the ***“Bargaining Council of Local Government”***. Management will take this into consideration during full implementation of the approved structure and table a proposal with clear recommendations to Board.

GTEDA Board and employees remain dedicated to quality, excellence, and continuous improvement. We balance requests to share information clearly and openly while respecting the security of confidential and personal information entrusted to the Agency.

PROJECTS REPORT AND EVENTS FOR THE FINANCIAL YEAR 2020/21

1. INVESTMENT ATTRACTION

For the 2020/21 financial year, the Agency secured two investors: Funding of R 618 650.00 (Six Hundred and Eighteen Thousand Six Hundred and Fifty Rand) was facilitated from the IDC and Mopani District Municipality committed funding for installation of an equipped borehole for Vexospark project.

2. INFORMATION SHARING SEMINARS CONVENED

The following 4 information sharing sessions were facilitated during the financial year under review:

i. *Export Training Phase 1 to Phase 3*

GTEDA in partnership with the DTI, SEDA, LEDA, LEDET and GTM successfully hosted the export training with the aim of training and to empower emerging entrepreneurs to grow their businesses and become part of the global village under the **theme: help entrepreneurs to develop their own marketing plan as they are getting ready to export.**

ii. *Mopani District Municipality Youth Economic Imbizo* GTEDA in partnership with Mopani District Municipality successfully hosted the Youth Economic Indaba on the 25th of November 2020 at Mamaila Circuit Office. The event serves as a marketing and promotion initiative to expose young people to economic opportunities and bridging the gap on economic imbalances.



iii. Mopani District Municipality Khauleza Consultative Session – 25 March 2021

GTEDA attended and exhibited during the District's Private/Business Consultative session held on Friday, 25th March 2021 at Karibu Lodge. The district presented on development needs of the district as well as key projects within all the local municipalities, further Presentations were made by the Department of Tourism, LEDET, LDARD.

3. NETWORKING SESSIONS FACILITATED WITH FUNDING AGENCIES

Due to Covid19 regulations which limited mass gatherings, GTEDA had to come up with innovative ways of ensuring that SMMEs get access to available funding opportunities. In light of this, GTEDA sourced and distributed calls for applications from Mopani District Municipality for the SME Support Fund, SEDA TREP Programme above sessions. In addition to the above interventions, GTEDA facilitated 3 three networking sessions with funding agencies, the networking sessions serve as outreach programmes to provide information and support to Co-operatives and SMMEs on available funding opportunities as well as to acquire information, processes and qualifying criteria from different funding institutions and government agencies.

All Covid-19 protocols were adhered to when hosting contact sessions.

4. PARTNERSHIPS SECURED

GTEDA facilitated partnerships with the following organisations:

- a. A partnership between **GTEDA and Bokamoso Global Solutions:** (signed MOU), a funding application was submitted to the Agricultural Sector Education Training Authority (AgriSETA) for a National Certificate in Mixed Farming Systems i.e., crop and livestock. The programme was targeted at training 159 learners of 33 supervisors and 126 general workers.
- b. A partnership between **GTEDA and Hilmark Trading:** (signed MOU), which resulted in submission of a funding application to the Local Government Sector Education Training Authority (LGSETA) for training of 200 SMMEs on Waste Management.
- c. A partnership between **GTEDA and Regenesys Business School:** (signed MOU), a funding application was submitted to the Transport Education Training Authority for training of women in Entrepreneurship Development which is a women empowerment programme targeted at unemployed women (youth) from Tzaneen.
- d. A partnership between **GTEDA and Great North Business Incubator:** (signed MOU), which resulted in submission of a funding application to the Department of Tourism, IDC and SEDA for an establishment of a business Incubator in Tzaneen.
- e. A partnership between **GTEDA and Eisowave:** (signed MOU) for the establishment of an electric vehicle manufacturing plant and biodiesel from biowaste.

5. PROMOTIONAL EVENTS ATTENDED AND EXHIBITED

Four (4) promotional events were facilitated during the financial year. The purpose of hosting promotional events is to provide SMMEs and Co-operatives a platform to exhibit and showcase their products and services as well as to expose them to marketing opportunities.

a. FABCO Flea Market – 10 October 2020



b. GTM Mayoral Imbizo – 04 December 2020



c. World Intellectual Property Day (University of Limpopo) – 28 April 2021



6. SMME AND COOPERATIVES DEVELOPMENT & SUPPORT

6.1. SMME Development and support

GTEDA conducted an intensive monitoring drive whereby site visits were undertaken to SMMEs and Cooperatives. Two hundred and forty-nine (249) walk-in-clients were offered business advisory services during the period under review, GTEDA further facilitated the registration of thirty-nine (39) businesses with the Companies and Intellectual Property Commission (CIPC). Once the companies have been registered, they were recorded into the SMMEs Development and Support Database which comprises of 133 SMMEs operating within Tzaneen. SMMEs are further provided with general business advisory services, access to funding through information sharing and networking sessions, training, and mentorship, filing of annual returns was done for 19 businesses.

6.2. Capacity Building for Cooperatives

GTEDA also conducts **Capacity Building and skills development for Cooperatives**. A monitoring database was developed to track progress of each Co-operative, the report accounts for 53 Co-operatives operating within Tzaneen.

- a. GTEDA successfully implemented the Services SETA New Venture Creation programme has been successfully concluded. The programme was implemented through a partnership between GTEDA, Services SETA and Dithoriso Phepo Hlweko Services. The purpose of the New Venture Creation (NQF level 2) is to provide a qualification that can form the basis for structured programmes for

potential and existing entrepreneurs to capitalise on opportunities to start and grow sustainable businesses that form part of the mainstream economy, enabling the learners to tender for business opportunities within both the public and private sectors. This qualification is designed for learners who intend to set up or have already set up own ventures.

The graduation ceremony for 182 learners who completed the New Venture Creation Programme on Friday, 10th December 2020 at Lenyenyane Community Hall. The Ceremony was graced by the presence of the Honourable Mayor of Greater Tzaneen, Cllr Maripe Mangena, Services SETA National Stakeholders Manager and Provincial Coordinator; Dithoriso Phepo Hlweko Services; SEDA, Mopani District Municipality, GTM Ward Committee, LDARD, Letaba TVET College and IEC.



- b. GTEDA through a partnership with Small Enterprise Development Agency (SEDA) facilitated a 2-day **Quality Management System Training for Co-operatives and SMMEs**. The training covered the following aspects: Understanding of Quality Management System (QMS) based on ISO 9001 requirements; Understanding QMS principles; Know and understand planning activities in an organization, operational requirements, performance evaluation requirements and requirements for overall improvement in an organization.
- c. **CCMA Capacity Building Training for SMMEs**: 20 SMMEs and Cooperatives attended a session facilitated by the CCMA on 13th to 15th October 2020. The focus of the training was on best practices and capacity building for employers and managers. The purpose of the training was to teach the SMMEs on the following outcomes:
- To empower entrepreneurs.
 - To demonstrate knowledge of labor relations laws.
 - To help entrepreneurs on how to deal with the day-to-day conflicts between employers and employees.
 - To broaden the knowledge base on drafting a workplace code of conduct.

7. LED PROJECTS

7.1. Agricultural Business Incubator

The overall objective of the project is to establish a business incubator that creates employment opportunities and stimulate local economic growth for the marginalized people of Greater Tzaneen Municipality. GTEDA facilitated an MOU with Great North Business Incubator on the establishment of a business Incubator in Tzaneen. A funding application was packaged and submitted to the Department of Tourism, IDC and SEDA. The incubator will among other services, offer skills development programmes and implementation in areas including but not limited to the following:

- Fruits and Vegetable processing
- Drying facility
- Bakery and deli
- Water purification

Whilst facilitation of funding for establishment of the Agribusiness incubator is underway, GTEDA has started with the implementation of services that are expected to be offered by the incubation centre i.e., GTEDA has identified SMMEs that should be part of the incubation programme and the following trainings have already been facilitated for the identified SMMEs: Agro processing of mango into atchar, Food Safety Training conducted by the University of Limpopo.

7.2. Tzaneen Farmer Support Facility

GTEDA has partnered with FABCO for establishment of a farmer support facility in Nkowankowa. The facility was launched in the first quarter of the financial year followed by a launch of the wholesale market for farmers on the 16 March 2021, which is available to farmers to sell and exhibit their products. The facility

will assist farmers with input support, mechanization support, training and market intelligence. GTEDA was further involved in the establishment of an agreement between FABCO and Mahindra for mechanization support to local farmers. Through the partnership, Mahindra availed tractors for this purpose.



GTEDA further partnered with Edqoflex for the implementation of a training programme for 300 beneficiaries within the Greater Tzaneen area. The Project aims at acceleration of job placements for unemployed youth, women and persons living with disabilities as well as the repositioning of emerging agribusinesses and vendors for more profitable participation in the agricultural value chain. A funding proposal was developed on the abovementioned project and submitted to the National Skills Fund.

A farmer consultative forum for agricultural SMMEs and Cooperatives was successfully hosted on 09 June 2021 at Mashuti Lodge. The session was hosted by Mopani District Municipality in partnership with local Municipalities, GTEDA, FABCO, SEDA, Department of Agriculture as well as other stakeholders. GTEDA coordinated farmers' exhibitions during the session which was intended to expose farmers to market opportunities. The forum discussed among others, the establishment of a temporary governance framework for organized agriculture in the district as well as to review the strategies to grow the sector, Framework for District Development Model as a blueprint for agricultural development in the district as well as issues relating to Climate Smart Agriculture.



Exillite Products (sweet potatoes, Jam, Green beans, Petroleum jelly and bath soap)



Mogoboya Masilo (MN enterprise) and Linda Nghatsana (Exillite499c)

7.3. Waste Management support programmes for SMMEs

GTEDA packaged and submitted an application for funding to the LGSETA for a learnership on Environmental Practice for 200 unemployed youth. The application was submitted in partnership with Hilmark Trading (Training Provider).

Management established a relationship with TWS to embark on a manufacturing project using bio waste. At the close of the financial year, the parties were in the process of developing Terms of References for development of a feasibility study for this initiative.

GTEDA successfully conducted Waste Management training for 15 participants. The training was held over a period of 3 days, from 19 to 21 May 2021 at Relela Community Hall. The purpose of the training was to provide skills for SMMEs and Co-operatives that operate or aspire to establish waste management businesses. The training involved understanding the most important elements integrated in sustainable waste management as well as to give support and guidance to attendees on funding opportunities available to the sector.



8. VEXOSPARK

Funding was secured from the IDC for the implementation of outstanding tasks i.e., erection of a palisade fence, roofing of centre space, installation of parking bay and a security house. GTEDA worked closely with Vexospark to ensure that funds are utilised as per the funding agreement. The Greater Tzaneen Municipality supported the project with a septic tank due to water challenges in the area, the municipality continues to support the project by providing 24-hour security personnel at the centre, to safeguard the property as well as to limit vandalism. Mopani District Municipality approved the request from GTEDA and installed an equipped and tested borehole facility.

GTEDA together with IDC and Vexospark successfully launched the Tzaneen Vexospark Digital College on the 15th of April 2021, which was graced by among a variety of stakeholders and dignitaries, the presence of GTEDA Board Chairperson, Matome Mawasha, Minister of Communications and Digital Technologies, Stella Ndabeni-Abrahams, the Mayor of GTM, Mr. Maripe Mangena as well as Ms Christina Mohale on behalf of the Executive Mayor of Mopani District Municipality.

The College offers among others, the following courses which are targeted at learners from the age of four years and above:

- *Robotics and Coding* – for learners from pre-school to grade 9.
- *Design Thinking* – for learners from grade 5 to grade 12.
- *Digital Library* – for all school learners.
- *Computer literacy*
- *Digital Technology Programme*
- *SheMeansBusiness programme* – this is a digital marketing programme for business owned by woman around Limpopo which teaches about principles of marketing their business.
- *She Will Connect Programme* - this programme is aims to teach girls and women about entrepreneurial Skills online safety, Computer basic Skills and website design.

Vexospark further signed a training contract with the University of Limpopo and the National Electronic Media Institute of South Africa (NEMISA) for training of 1400 individuals in Limpopo on Microsoft Digital Technology Programme which is an important skill in any business. The purpose of the training is to give knowledge and skills needed to enter the digital space, to empower, develop skills of participants to contribute to improved productivity and efficiency in the workplace as well as to respond to challenges of the economic environment.

Due to the expected high number of enrolments under this programme and with the guidance by Management, Vexospark is considering establishing satellite offices in the four clusters of the Greater Tzaneen area in order to achieve the target of 1400 participants.

Official Launch Pictures





4.2. ANNUAL PERFORMANCE REPORT

The role of GTEDA in the Greater Tzaneen Municipality is to facilitate socio-economic development and investment attraction in order to grow the local economy and stimulate job creation, this function is conducted by the Project Management Unit. The performance results of the financial year under review are presented below as captured under the SDBIP using the GTM online reporting tool called Action Assist.

Procedure for performance reporting during 2020/21 Financial Year

GTEDA together with GTM are abreast of technological systems used to accurately and reliably report performance information, the "Action Assist" system is at the epitome of capturing, verifying and auditing performance information of GTEDA to ensure that the correct information is reported, and an unbiased performance of the agency is shared with stakeholders and the community. The actual performance reported on the system, and presented in this report, has been audited by Auditor General South Africa (AGSA) and has been colour coded as follows:

Table 2: Economic Growth KPA - Summary of Results for 2020/21

Colour	Coding	Key to the Colour Codes	No of KPIs/Projects	% In category
R	KPIs with no targets or actuals in the selected period.	KPI Not Met	0	0%
O	0% <= Actual/Target <= 74.999%	KPI Almost Met	1	7%
G	75 0% <= Actual/Target <= 99.999%	KPI Met	10	67%
G2	Actual meets Target (Actual/Target = 100%)	KPI Well Met	0	0%
B	100 1% <= Actual/Target <= 149.999%	KPI Extremely Well Met	4	26%
		Total KPIs	15	

The key issues that contributed to the underperformance in terms of the targets set to ensure Economic Growth are:

- **Performance Management:** delay in the signing of Performance Agreements and also not conducting mid-year evaluations due to COVID 19 lockdown. The cascading of the signing of performance plans to level 3 Managers were also not implemented as planned.
- Poor performance by the Consultant appointed to develop a Land Use Management Scheme for GTM.
- **GTEDA:** Partnerships for SMMEs not secured as planned.

GREATER TZANEEN MUNICIPALITY

GTEDA 2020-21 ANNUAL PERFORMANCE REPORT

Ref	KPI Name	Description of Unit of Measurement	Strategic Objective	Project	Overall Performance for July 2020 to June 2021						Rating
					Original Target	Revised Target	Actual	Reason for Deviation	Corrective Measures Taken		
D390	# Of committed investors attracted through GTEDA	Number	Create a stable and an enabling environment by attracting suitable investors		2	2	2	None	None		C
D391	ICT Infrastructure	Q1: Purchase 3 laptops and 2 desktops and Implement licensing for Microsoft Teams (47%) Q2: Server upgrade (software and space from 2008-R2 to 2016) Cloud backup using acronys hosted backup (72%) Q3: Replace 500Gb hard Drive to 2TBSSD and add additional network drives	Increase financial viability	Purchase of MSCOA printers Equipment's (GTEDA 298)	87	87	87	None	None		C

D401	# Information sharing seminars convened	Number	Install firewall (87%) Q4: Not applicable this quarter Q4: Re-networking and cabling Upgrade switches and routers	Increased investment in the GTM economy	1	1	2	None	None	B
D402	# Networking sessions facilitated with funding agencies	Number		Increased investment in the GTM economy	1	1	1	None	None	B
D403	# Partnerships secured	Number		Increased investment in the GTM economy	2	2	4	None	None	B
D404	# Meetings to facilitate funding for Agricultural Business Incubator	Number		Increased investment in the GTM economy	1	1	2	None	None	B

D405	# Meetings to facilitate funding for Tzaneen Farmer Support Facility	Number	Increased investment in the GTM economy	1	1	1	1	None	None	G
D406	# Promotional events attended and exhibited	Number	Create a stable and an enabling environment by attracting suitable investors	1	1	1	1	None	None	G
D407	# Of individual performance assessments conducted	Number	Develop a high-performance culture for a changed, diverse, efficient and effective local government	1	1	1	1	None	None	G
D408	Workplace Skills Development Plan (WSP) submitted to LG Seta by 30 April	Percentage	Develop a high-performance culture for a changed, diverse, efficient and effective local government	100	100	100	100			G

D410	Annual Report submitted to the municipality by 10 January	Number	Effective and Efficient administration	0	0	0	None	None	N/A
D411	Number of Strategic Risk mitigated	Number	Effective and Efficient administration	1	1	1	None	None	G
D412	Audited Financial Statement submitted to AGSA by 31 August	Number	Increase financial viability	0	0	0	None	None	N/A
D413	Annual Budget Approved by 31 April	Number	Increase financial viability	1	1	1	None	None	G
D428	# Meetings to facilitate funding for Waste Management support systems for SMMEs	Number	Increased investment in the GTM economy	1	1	2	None	None	B

D429	# Of new appointments in line with the approved Organisational Structure	Number		0	0	0	0	0	0	0	0	N/A
D430	% Budget Spent	Percentage	Attract and retain best human capital to become employer of choice	100	100	94		Outstanding payment for Internal Auditors.	Will be paid once Internal Auditors finish their work and invoice GTEDA.			O
D431	# Internal Audits Conducted	Number	Increase financial viability	1	1	1		None	None			G

2020/21 AUDITED FINANCIAL STATEMENTS AND AGSA REPORT



greater tzaneen economic development agency

Greater Tzaneen Economic Development Agency (Pty) Ltd
(Registration number 2007/008144/07)
Annual Financial Statements
for the year ended 30 June 2021

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2021

General Information

Legal form of entity	Municipal Entity
Nature of business and principal activities	Greater Tzaneen Economic Development Agency is an entity established by Greater Tzaneen Municipality to drive economic development and attract investments.
Board of Directors	M.Z Mawasha (Chairperson) M.F. Mushwana M.I. Moakamela B.L. Mathebula
Accounting Officer	K.J. Maphoto (contract ended 02 May 2021) M.W. Mulaudzi (Acting Chief Executive Officer) (appointed 04 May 2021)
Parent Municipality Representatives in terms of Section 93D (1) MSA	S Tiba B.M Mathebula
Acting Finance and Risk Officer	M.E. Modiba
Registered office	Office no.63 Cascades Building Sapekoe Drive Tzaneen 0850
Business address	Office no.63 Cascades Building Sapekoe Drive Tzaneen 0850
Postal address	PO Box 2024 Tzaneen 0850
Controlling entity	Greater Tzaneen Municipality
Bankers	ABSA
Website	www.gteda.co.za
Level of rounding	Rounding to the nearest Rand
Auditors	Auditor General of South Africa (AGSA) Polokwane Office
Audit Committee	S.A.B Ngobeni (Chairperson) J.M Mabuza N.T Mabunda J.M Mofokeng N.S Hooeane

Greater Tzaneen Economic Development Agency (Pty) Ltd

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Annual Financial Statements for the year ended 30 June 2021

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

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Annual Financial Statements for the year ended 30 June 2021

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Abbreviations

GRAP	Generally Recognised Accounting Practice
GTEDA	Greater Tzaneen Economic Development Agency (Pty) Ltd
GTM	Greater Tzaneen Municipality
IAS	International Accounting Standards
IDC	Industrial Development Corporation
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MPAC	Municipal Public Accounts Committees
SARS	South African Revenue Service
SETA	Sector Education and Training Authority
	VAT Value Added Tax

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2021

Accounting Authority's Responsibility and Approval

The Accounting Authority are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Authority to ensure that the annual financial statements fairly present the state of affairs of the Municipal 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 will be engaged to express an independent opinion on the annual financial statements and will be 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 judgments and estimates.

The Accounting Authority acknowledge that they ultimately responsible for the system of internal financial control established by the Municipal Entity and place considerable importance on maintaining a strong control environment. To enable the Accounting Authority to meet these responsibilities, the Accounting Authority 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 Municipal Entity and all employees are required to maintain the highest ethical standards in ensuring the Municipal Entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Municipal Entity is on identifying, assessing, managing and monitoring all known forms of risk across the Municipal Entity. While operating risk cannot be fully eliminated, the Municipal 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 Authority are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

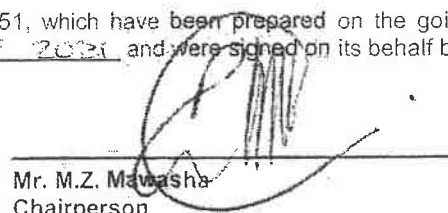
The Accounting Authority have reviewed the Municipal Entity's cash flow forecast for the year to 30 June 2022 and, in the light of this review and the current financial position, they are satisfied that the Municipal Entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The Municipal Entity is wholly dependent on the Greater Tzaneen Municipality for continued funding of operations. The annual financial statements are prepared on the basis that the Municipal Entity is a going concern and that the Greater Tzaneen Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the Municipal Entity.

The annual financial statements set out on pages 5 to 51, which have been prepared on the going concern basis, were approved by the Accounting Authority on 30 August 2021 and were signed on its behalf by:



Mr. M.W. Mulaudzi
Acting Chief Executive Officer



Mr. M.Z. Mavasha
Chairperson

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2021

Accounting Officer's Report

The Accounting Officer submits his report on the annual financial statements of Greater Tzaneen Economic Development Agency for the year ended 30 June 2021.

1. Nature of business

Greater Tzaneen Economic Development Agency (Pty) Ltd is a Municipal Entity incorporated in the Republic of South Africa established in terms of the Companies Act by the Greater Tzaneen Municipality (GTM) with the assistance of the Industrial Development Corporation (IDC) in order to project manage urban and rural regeneration of the GTM's territory with a view to promote economic development and investment attraction.

2. Review of financial results and activities

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

Greater Tzaneen Municipality approved and allocated a budget of R 8 961 106 to GTEDA as grant funding for the financial year under review, compared to R 8 146 460 that was allocated for prior year. The overall actual expenditure amounts to R 8 163 515 which is 80.97% of the budget in terms of spending pattern; the expenditure includes project costs of R456 621 as compared to R 1 592 690 for prior year. Employee and board member costs amount to R 4 509 728 as compared to R 4 709 049 in the prior year.

The Agency generated a surplus of R (1 008 875) as compared to a surplus of R (446 660) for prior year, this was mainly due to an increase in grants and subsidies.

3. Going concern

We draw attention to the fact that at 30 June 2021, the Municipal Entity had accumulated deficits of R (1 364 228) and that the Municipal Entity's total liabilities exceed its assets by R (1 364 128).

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 Municipal Entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the Accounting Officer continues to procure funding for the ongoing operations for the Municipal Entity. Furthermore, the Greater Tzaneen Municipal Council has committed to fund the Entity by approving a multi-year budget for the coming three fiscal years, and GTM has provided a comfort letter as a commitment to fund and assist the entity in paying the VAT liability

Provision for VAT payable has been made, this is as result of the entity not declaring output VAT on grants receivable from its funders i.e the Greater Tzaneen Municipality and Industrial Development Corporation. VAT returns from 2014 to 2017 financial years were reviewed and objections were lodged on the assessments raised by SARS. Following SARS audit, the entity's VAT liability has been reduced from R6 853 115 to R2 495 629 by SARS. Total liability owed to SARS at year-end is R 2 703 756 (2020: R 2 520 877).

GTEDA continues to work with SARS to resolve the outstanding obligation, an application for a debt compromise for the amount of R 2 495 629 has been submitted to SARS as another alternative for resolving the going concern situation.

4. Contributed capital

There were no changes in the authorised or issued share capital of the Municipal Entity during the year under review. The Authorised ordinary shares are 1000 and the issued ordinary shares are 100.

5. Subsequent events

The Accounting Officer and Directors are not aware of any matter or circumstance arising since the end of the financial year and confirm that there are no subsequent events that could affect the 2020/2021 annual financial statements.

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2021

Accounting Officer's Report

6. Directors

The directors in office at the date of this report are:

M.Z. Mawasha (Chairperson)
M.F. Mushwana
M.I. Moakamela
B.L. Mathebula

GTEDA Board of Directors were appointed on a Fixed Term Contract of five (5) years, effective from 01 July 2016 ending 30 June 2021. Greater Tzaneen Municipal Council resolved to extend their Term of Office to a further six (6) months (ending 31 December 2021) due to the National Lockdown.

7. Controlling entity

The Municipal Entity's controlling entity is the Greater Tzaneen Municipality.

8. Auditors

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

9. Fruitless and wasteful expenditure

Except for the fruitless and wasteful expenditure disclosed in Note 26 to the financial statements, the Chief Executive Officer and directors are not aware of any other fruitless and wasteful expenditure which have been incurred during the year under review.

10. Irregular expenditure

The Chief Executive Officer and Directors are not aware of any irregular expenditure incurred during the year under review.

11. Corona Virus (COVID 19)

Towards the end of March 2020, the Republic of South Africa was placed under a nationwide lockdown as a result of the Covid-19 implications and as part of the Government's efforts to flatten the curve and contain the infection and the spread of the global pandemic virus.

Greater Tzaneen Economic Development Agency (Pty) Ltd remains committed and doing its best to support the government's effort to curb the spread of the virus by implementing Covid-19 preventative measures as per guidelines issued by the National Department of Health.

The global spread of coronavirus (COVID-19) negatively affected GTEDA by the unprecedented disruption of working arrangements and business operations. The Covid-19 epidemic has resulted in significant changes, requiring expenditures for which no budgetary preparation had been made. Management had to improvise some budget item to cater for COVID-19 related expenditure, since GTEDA did not receive any additional funds as indicated by the finance minister in the Supplementary Budget Review dated 24 June 2020; that an amount of R20 billion will be made available to the municipalities and entities in response to the COVID-19 pandemic.

12. Events after reporting date

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

Report of the auditor-general to Limpopo provincial legislature and the council of Greater Tzaneen Economic Development Agency (Pty) Ltd

Report on the audit of the financial statements

Opinion

1. I have audited the separate financial statements of the Greater Tzaneen Economic Development Agency (Pty) Ltd set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2021, statement of financial performance, statement of changes in net assets and statement of cash flows and statement of comparison of budget information with actual information for the year then ended 30 June 2021, as well as the 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 entity as at 30 June 2021, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA), Companies Act, 2008 (Act no. 71 of 2008) and the Division of Revenue Act, 2020 (Act No. 1 of 2020) (DoRA).

Basis for opinion

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 this auditor's report.
4. I am independent of the municipal entity in accordance with sections 290 and 291 of the Code of ethics for professional accountants and parts 1 and 3 of the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA codes) as well as the 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 codes.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Material uncertainty relating to going concern

6. I draw attention to note 1.3 and accounting officer report to the financial statements, which indicates that the entity incurred an accumulated deficit of R1 364 128 as at 30 June 2021 and, as of that date the entity's current liabilities exceeded its total assets by R 1 364 128. As stated in the accounting officers report, these events or conditions, along with other matters as set forth in the accounting officer's report, indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern.

Emphasis of matter

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

Restatement of corresponding figures

8. As **disclosed in note 25 to the financial statements**, the corresponding figures for 30 June 2019 were **restated** as a result of an error in the financial statements of the municipal entity at, and for the year ended, 30 June 2021.

Fruitless expenditure

9. As **disclosed in note 26 to the financial statements**, the entity incurred **fruitless and wasteful expenditure amounting to R13 654 in the year under review** due to penalties and interest on VAT (Value Added Tax) returns.

Responsibilities of the accounting officer for the financial statements

10. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with Standards of GRAP and the requirements of the MFMA, the Companies Act 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 officer is responsible for assessing the 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 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 of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives

presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

15. My procedures address the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to 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 following selected objectives presented in the annual performance report of the entity for the year ended 30 June 2020:

Objectives	Pages in annual performance report
Objective 1: Economic growth	2 – 6

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. I did not I did not raise any material findings on the usefulness and reliability of the reported performance information for objective 1: Economic growth.

Other matters

19. I draw attention to the matters below. Our conclusion is not modified in respect of this matters.

Achievement of planned targets

20. Refer to the annual performance report on pages xx to xx for information on the achievement of planned targets for the year. This information should be considered in the context of the unqualified conclusions expressed on the usefulness and reliability of the reported performance information in paragraph 2 of this report.

Adjustment of material misstatements

21. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of economic growth. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information

Report on the audit of compliance with legislation

Introduction and scope

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

Annual financial statements, performance and annual reports

24. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA.

Material misstatements of corresponding current assets, corresponding current liabilities and corresponding accumulated surplus identified by the auditors in the submitted financial statement were corrected and/or the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure Management

25. Reasonable steps were not taken to prevent fruitless and wasteful expenditure to the amount of R13 654 as disclosed in note 26, in contravention of section 95(d) of the MFMA. Interest was incurred due to late payments of statutory fees

Other information

23. The accounting officer 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 the auditor's report.
24. Our 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 thereon.
25. In connection with our audit, our 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 objectives presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Internal control deficiencies

26. 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 basis for the opinion.

27. The accounting officer did not exercise adequate oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

28. The annual financial statements and annual performance report contained numerous misstatements mainly due to a lack of financial monitoring and review. This could be as a result of lack of segregation of duties and internal reviews within the entity.

Auditor General

Auditor-General

Polokwane

30 November 2021



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

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 scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected objectives and on the municipal 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 accounting officer
 - conclude on the appropriateness of the accounting officer's use of the going concerns 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 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 municipal 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
 - obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

Communication with those charged with governance

3. I communicate with the accounting officer 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 confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may

reasonably be thought to have a bearing on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020
Assets			
<i>Current Assets</i>			
Receivables from exchange transactions	3	53 966	8 424
Receivables from non-exchange transactions	4	3 421	149 221
Cash and cash equivalents	5	1 235 024	104 016
		1 292 411	261 661
<i>Non-Current Assets</i>			
Property, plant and equipment	6	276 743	156 859
Intangible assets	7	14 023	16 827
		290 766	173 686
Total Assets		1 583 177	435 347
Liabilities			
<i>Current Liabilities</i>			
Payables from exchange transactions	8	243 549	287 473
SARS	9	2 703 756	2 520 877
		2 947 305	2 808 350
Total Liabilities		2 947 305	2 808 350
Net Assets		(1 364 128)	(2 373 003)
Contributed capital	10	100	100
Accumulated deficit		(1 364 228)	(2 373 103)
Total Net Assets		(1 364 128)	(2 373 003)

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020
Revenue			
Revenue from exchange transactions			
Other income	29	43 596	-
Interest received - investment	11	19 488	30 700
Total revenue from exchange transactions		63 084	30 700
Revenue from non-exchange transactions			
Transfer revenue			
Grants and subsidies	12	8 961 106	8 146 460
Discretionary grant received from Services SETA (conditional grant)		-	903 261
Administration and project management costs from Services SETA	13	-	73 237
Grant received - LG SETA		148 200	68 640
Total revenue from non-exchange transactions		9 109 306	9 191 598
Total revenue	11	9 172 390	9 222 298
Expenditure			
Employee related costs	14	4 133 536	4 211 999
Remuneration of board members	15	376 192	497 050
Consulting fees		558 124	460 762
Depreciation and amortisation	16	53 700	66 090
General expenses	17	1 871 905	1 339 390
Lease rentals on operating lease		707 105	607 657
Project costs	18	456 621	1 592 690
Loss on scrapping of assets		6 332	-
Total expenditure		8 163 515	8 775 638
Surplus for the year		1 008 875	446 660

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2021

Statement of Changes in Net Assets

Figures in Rand	Note	Contributed capital	Accumulated deficit	Total net assets
Opening balance as previously reported		100	6 267 032	6 267 132
Adjustments:				
Prior year adjustments	25	-	3 447 269	3 447 269
Balance at 01 July 2019 as restated*		100	(2 819 763)	(2 819 663)
Changes in net assets				
Surplus for the year		-	446 660	446 660
Total changes		-	446 660	446 660
Balance at 01 July 2020		100	(2 373 103)	(2 373 003)
Changes in net assets				
Surplus for the year		-	1 008 875	1 008 875
Total changes		-	1 008 875	1 008 875
Balance at 30 June 2021		100	(1 364 228)	(1 364 128)
Note			10	

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2021

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020
Cash flows from operating activities			
Receipts			
Sale of goods and services		43 596	-
Grants and movement in trade and other receivables		9 209 564	9 760 428
Interest income		19 488	30 700
		<u>9 272 648</u>	<u>9 791 128</u>
Payments			
Employee costs and board member costs		(4 509 728)	(4 709 049)
Suppliers		(3 454 801)	(5 290 841)
		<u>(7 964 529)</u>	<u>(9 999 890)</u>
Net cash flows from operating activities	19	<u>1 308 119</u>	<u>(208 762)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	6	<u>(177 111)</u>	<u>(104 452)</u>
Net increase/(decrease) in cash and cash equivalents		<u>1 131 008</u>	<u>(313 214)</u>
Cash and cash equivalents at the beginning of the year		104 016	417 230
Cash and cash equivalents at the end of the year	5	<u>1 235 024</u>	<u>104 016</u>

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Virements	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Other income	-	-	-	43 596	43 596	Note
Interest received - investment	-	-	-	19 488	19 488	Note 11
Total revenue from exchange transactions	-	-	-	63 084	63 084	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	8 961 106	-	8 961 106	8 961 106	-	Note 12
Grant received - LG SETA	-	-	-	148 200	148 200	
Total revenue from non-exchange transactions	8 961 106	-	8 961 106	9 109 306	148 200	
Total revenue	8 961 106	-	8 961 106	9 172 390	211 284	
Expenditure						
Employee related costs	(4 361 398)	24 720	(4 336 678)	(4 133 536)	203 142	Note 14
Remuneration of board members	(674 100)	288 896	(385 204)	(376 192)	9 012	Note 15
Depreciation and amortisation	(87 555)	-	(87 555)	(53 700)	33 855	Note 16
Lease rentals on operating lease	(894 808)	(177 252)	(1 072 060)	(707 105)	364 955	Note 17
Repairs and maintenance	(5 500)	3 000	(2 500)	-	2 500	
Consulting fees	(420 574)	(19 297)	(439 871)	(558 124)	(118 253)	Note 17
Interest expenses	(4 524)	3 000	(1 524)	-	1 524	Note 17
Project cost	(1 047 786)	161 656	(886 130)	(456 621)	429 509	Note 17
General Expenses	(2 277 647)	(593 164)	(2 870 811)	(1 871 905)	998 906	Note 17
Total expenditure	(9 773 892)	(308 441)	(10 082 333)	(8 157 183)	1 925 150	
Operating surplus	(812 786)	(308 441)	(1 121 227)	1 015 207	2 136 434	
Impairment loss	-	-	-	(6 332)	(6 332)	
Surplus / (Deficit) before taxation	(812 786)	(308 441)	(1 121 227)	1 008 875	2 130 102	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(812 786)	(308 441)	(1 121 227)	1 008 875	2 130 102	

Greater Tzaneen Economic Development Agency (Pty) Ltd

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Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Virements	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Receivables from exchange transactions	-	-	-	53 966	53 966	Note 3
Receivables from non-exchange transactions	-	-	-	3 421	3 421	Note 4
Cash and cash equivalents	-	-	-	1 235 024	1 235 024	Note 5
	-	-	-	1 292 411	1 292 411	
Non-Current Assets						
Property, plant and equipment	235 000	-	235 000	276 743	41 743	Note 6
Intangible assets	-	-	-	14 023	14 023	Note 7
	235 000	-	235 000	290 766	55 766	
Total Assets	235 000	-	235 000	1 583 177	1 348 177	
Liabilities						
Current Liabilities						
Payables from exchange transactions	-	-	-	243 549	243 549	Note 8
VAT payable	-	-	-	2 703 756	2 703 756	Note 9
	-	-	-	2 947 305	2 947 305	
Total Liabilities	-	-	-	2 947 305	2 947 305	
Net Assets	235 000	-	235 000	(1 364 128)	(1 599 128)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Contributed capital	-	-	-	100	100	Note 10
Reserves						
Accumulated deficit	-	-	-	(1 364 228)	(1 364 228)	
Total Net Assets	-	-	-	(1 364 128)	(1 364 128)	

Refer to Note 29 for rationale for variances above 10%.

Greater Tzaneen Economic Development Agency (Pty) Ltd

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Annual Financial Statements for the year ended 30 June 2021

Notes to the Financial Statements: Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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.

1.1 Presentation currency

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

1.2 Rounding

All financial figures have been rounded off to the nearest Rand.

1.3 Going concern assumption

These annual financial statements have been prepared based on the expectation that the Municipal Entity will continue to operate as a going concern for the foreseeable future.

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.

1.4 Significant judgments 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 judgment 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 judgments include:

Trade receivables and loans and receivables

The Municipal Entity assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Municipal Entity for similar financial instruments.

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Financial Statements: Accounting Policies

1.4 Significant judgments and sources of estimation uncertainty (continued)

Impairment testing

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

1.5 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 Municipal 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.

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

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

Major spare parts and standby equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and standby equipment which can only be used in connection with an item of property, plant and equipment are accounted for a property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

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

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Financial Statements: Accounting Policies

1.5 Property, plant and equipment (continued)

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

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	7 - 10 years
Office equipment	Straight line	3 - 5 years
Computer equipment	Straight line	3 - 5 years

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

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

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

1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the Municipal Entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipal Entity; and
- the cost or fair value of the asset can be measured reliably.

The Municipal Entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Website development	5 years

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Financial Statements: Accounting Policies

1.7 Financial instruments

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

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

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

A derivative is a financial instrument or other contract with all three of the following characteristics:

- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

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

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

A financial asset is:

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

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

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

Classification

The Municipal Entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivable from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payable from exchange transactions	Financial liability measured at amortised cost

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1.7 Financial instruments (continued)

Initial recognition

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

The Municipal Entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

The Municipal Entity measures a financial asset and financial liability initially at its fair value.

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

The Municipal Entity accounts for that part of a concessionary loan that is:

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

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

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

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

Reclassification

The Municipal Entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the Municipal Entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

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1.7 Financial instruments (continued)

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

Derecognition

Financial assets

The Municipal Entity derecognises financial assets using trade date accounting.

The Municipal Entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the Municipal Entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the Municipal Entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

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Notes to the Financial Statements: Accounting Policies

1.7 Financial instruments (continued)

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the Entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the Municipal Entity has retained substantially all the risks and rewards of ownership of the transferred asset, the Municipal Entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the Municipal Entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The Municipal Entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another Municipal Entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

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1.7 Financial instruments (continued)

Distributions to holders of residual interests are recognised by the Municipal Entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the Municipal Entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the Municipal Entity does not offset the transferred asset and the associated liability.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. 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.

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.

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Notes to the Financial Statements: Accounting Policies

1.9 Impairment of non-cash-generating assets

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

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The Municipal Entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the Municipal Entity estimates the recoverable service amount of the asset.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the Municipal Entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an oversized or overcapacity asset. Oversized assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the Municipal Entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The Municipal Entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the Municipal Entity estimates the recoverable service amount of that asset.

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Notes to the Financial Statements: Accounting Policies

1.9 Impairment of non-cash-generating assets (continued)

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.10 Contributed capital

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

1.11 Contingencies

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note .

The Municipal Entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgment. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the Municipal Entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the Municipal Entity considers that an outflow of economic resources is probable, a Municipal Entity recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.12 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and

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Notes to the Financial Statements: Accounting Policies

1.12 Commitments (continued)

- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.13 Revenue from exchange transactions

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

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

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

Measurement

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the Municipal Entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest

Revenue arising from the use by others of entity assets yielding interest is recognised when:

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

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

1.14 Revenue from non-exchange transactions

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

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

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

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Notes to the Financial Statements: Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

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

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

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the Municipal Entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the Municipal Entity.

When, as a result of a non-exchange transaction, the Municipal Entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.15 Comparative figures

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

1.16 Fruitless and wasteful expenditure

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

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Notes to the Financial Statements: Accounting Policies

1.16 Fruitless and wasteful expenditure (continued)

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

1.17 Irregular expenditure

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.

1.18 Budget information

Municipal 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.

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

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

The approved budget covers the fiscal period from 01 Jul 2020 to 30 Jun 2021.

The budget for the economic entity includes all the entity's approved budgets under its control.

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.

1.19 Related parties

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

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

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

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

1.20 Events after reporting date

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

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

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

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Notes to the Financial Statements: Accounting Policies

1.20 Events after reporting date (continued)

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

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Figures in Rand

2. New standards and interpretations

2.1 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2021 or later periods but are not relevant to its operations:

GRAP 104 (amended): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the standard is not yet set by the Minister of Finance.

The Municipal Entity does not envisage the adoption of the standard until such time as it becomes applicable to the Municipal Entity's operations.

Guideline: Guideline on Accounting for Landfill Sites

The objective of this guideline: The Constitution of South Africa, 1996 (Act No. 108 of 1996) (the constitution), gives local government the executive authority over the functions of cleaning, refuse removal, refuse dumps and solid waste disposal. Even though waste disposal activities are mainly undertaken by municipalities, other public sector entities may also be involved in these activities from time to time. Concerns were raised about the inconsistent accounting practices for landfill sites and the related rehabilitation provision where entities undertake waste disposal activities. The objective of the Guideline is therefore to provide guidance to entities that manage and operate landfill sites. The guidance will improve comparability and provide the necessary information to the users of the financial statements to hold entities accountable and for decision making. The principles from the relevant Standards of GRAP are applied in accounting for the landfill site and the related rehabilitation provision. Where appropriate, the Guideline also illustrates the accounting for the land in a landfill, the landfill site asset and the related rehabilitation provision.

It covers: Overview of the legislative requirements that govern landfill sites, Accounting for land, Accounting for the landfill site asset, Accounting for the provision for rehabilitation, Closure, End-use and monitoring, Other considerations, and Annexures with Terminology & References to pronouncements used in the Guideline.

The effective date of the standard is not yet set by the Minister of Finance.

The Municipal Entity does not envisage the adoption of the guideline until such time as it becomes applicable to the Municipal Entity's operations.

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
3. Receivables from exchange transactions		
Prepayments	6 984	5 038
Rental deposits	3 386	3 386
Other receivables	43 596	-
	53 966	8 424
Other receivables relates to an amount of R43 596 receivable originating from a court order in favour of GTEDA.		
4. Receivables from non-exchange transactions		
Discretionary grant receivable from SETA	3 421	149 221
5. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	176	176
Bank balances	1 70 613	11 389
Other cash and cash equivalents	1 064 235	92 451
	1 235 024	104 016

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
Petty Cash - ABSA BANK - Cheque Account 40-7166-4582	-	-	-	176	176	179
ABSA BANK -Cheque Account 40-7166-4582	23 473	6 589	93 850	23 473	6 589	93 850
ABSA BANK - 32day Notice Account 92-2181-3770	365	365	356	365	365	356
ABSA BANK - Depositor Plus Account 92-8795-3029	1 063 870	92 086	898	1 063 870	92 086	898
ABSA Bank - Classic Business Account (SETA) 40-9462-4490	147 140	4 800	321 947	147 140	4 800	321 947
Total	1 234 848	103 840	417 051	1 235 024	104 016	417 230

6. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	286 578	(189 996)	96 582	288 411	(177 610)	110 801
Office equipment	33 311	(31 659)	1 652	37 278	(32 276)	5 002
IT equipment	366 670	(188 161)	178 509	245 776	(204 720)	41 056
Total	686 559	(409 816)	276 743	571 465	(414 606)	156 859

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Figures in Rand	2021	2020			
6. Property, plant and equipment (continued)					
Reconciliation of property, plant and equipment - 2021					
	Opening balance	Additions	Depreciation	Impairment loss	Total
Furniture and fixtures	110 801	-	(14 165)	(54)	96 582
Office equipment	5 002	-	(3 159)	(191)	1 652
IT equipment	41 056	177 111	(33 571)	(6 087)	178 509
	156 859	177 111	(50 895)	(6 332)	276 743

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	20 514	104 452	(14 165)	110 801
Office equipment	10 038	-	(5 036)	5 002
IT equipment	85 140	-	(44 064)	41 056
	115 692	104 452	(63 285)	156 859

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 Municipal Entity.

7. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	48 687	(38 046)	10 641	48 687	(35 918)	12 769
Website	45 051	(41 669)	3 382	45 051	(40 993)	4 058
Total	93 738	(79 715)	14 023	93 738	(76 911)	16 827

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software	12 769	(2 128)	10 641
Other intangible assets	4 058	(676)	3 382
	16 827	(2 804)	14 023

Reconciliation of intangible assets - 2020

	Opening balance	Amortisation	Total
Computer software	14 897	(2 128)	12 769
Other intangible assets	4 734	(676)	4 058
	19 631	(2 804)	16 827

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	2021	2020
8. Payables from exchange transactions		
Rental and other expenses	18 315	125 180
Accrued leave pay	57 864	41 272
Other payables	167 370	121 021
	243 549	287 473
9. SARS		
VAT and interest	2 703 756	2 520 877
<p>The VAT payable consists of assessments issued by SARS, provision for interest and VAT payable on the grant received from Greater Tzaneen Municipality as well as a refund of R470 000 received from Greater Tzaneen Municipality.</p>		
10. Contributed capital		
Authorised		
1000 Ordinary shares of R1 each	1 000	1 000
Issued		
Ordinary Shares	100	100
11. Revenue		
Other income - (rollup)	43 596	-
Interest received - investment	19 488	30 700
Government grants & subsidies	8 961 106	8 146 460
Discretionary grant received from SETA	-	903 261
Administration and project management fee - SETA	-	73 237
Grant received - LG SETA	148 200	68 640
	9 172 390	9 222 298
<p>The amount included in revenue arising from exchanges of goods or services are as follows:</p>		
Other income - (rollup)	43 596	-
Interest received - investment	19 488	30 700
	63 084	30 700
<p>The amount included in revenue arising from non-exchange transactions is as follows:</p>		
Taxation revenue		
Transfer revenue		
Government grants & subsidies	8 961 106	8 146 460
Discretionary grant received from SETA	-	903 261
Administration and project management fee - SETA	-	73 237
Grant received - LG SETA	148 200	68 640
	9 109 306	9 191 598
12. Government grants and subsidies		
Operating grants		
Greater Tzaneen Municipality	8 961 106	8 146 460

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Notes to the Annual Financial Statements

	2021	2020
13. Administration and project management fee from SETA		
Admin and project management fee - SETA	-	73 237
<p>In terms of paragraph 8 of the SETA Offer To Contract of the Grant Regulations and the Services SETA's Discretionary Grant Policy a maximum of 7.5% of the amount of grant funding may be used/allocated towards administration and project management costs ("administration costs")</p>		
14. Employee related costs		
Basic	2 863 853	2 841 134
Bonus	-	54 499
Other payroll levies (Statutory Levies)	1 070 019	1 171 357
Leave pay provision charge	107 302	44 462
Overtime payments	-	11 432
13th Cheques	92 362	89 115
	4 133 536	4 211 999
Compensation of Executive Directors		
K.J. Maphoto - Chief Executive Officer		
Annual Remuneration	874 443	1 026 342
Performance Bonuses	-	92 371
Travelling	115 044	105 921
	989 487	1 224 634
M.W. Mulaudzi - Acting Chief Executive Officer		
Acting Allowance	50 818	-
15. Remuneration of board members		
Board fees	376 192	497 050
30 June 2021		
M.Z Mawasha (Chairperson)	Emoluments	Travel
M.F Mushwana	125 829	8 270
M.I Moakamela	96 837	-
B.L Mathebula	70 766	-
	74 490	-
	367 922	8 270
	Total	134 099
	96 837	96 837
	70 766	70 766
	74 490	74 490
30 June 2020		
M.Z Mawasha (Chairperson)	Emoluments	Travel
Adv E.S Maake	150 381	24 078
M.F Mushwana	40 157	6 463
M.J Makapan	70 766	3 316
M.I Moakamela	48 419	26 895
B.J Pretorius	67 041	4 378
B.L Mathebula	3 724	3 044
	44 694	3 694
	425 182	71 868
	Total	174 459
	46 620	46 620
	74 082	74 082
	75 314	75 314
	71 419	71 419
	6 768	6 768
	48 388	48 388
	497 050	497 050

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Notes to the Annual Financial Statements

Figures in Rand		2021	2020
16. Depreciation and amortisation			
Property, plant and equipment		50 895	63 285
Intangible assets		2 805	2 805
		53 700	66 090
17. General expenses			
Advertising and marketing		44 842	18 519
Auditors fees	Note 21	378 934	268 748
Bank charges		17 773	29 335
Bursaries		274 600	95 050
Consumables		741	995
Covid-19 expenses		393 019	-
Entertainment		280	1 317
Fines and penalties: SARS		13 654	84
First aid		-	1 778
Insurance		16 851	16 750
IT expenses		74 355	66 558
Postage and courier		1 296	-
Printing and stationery		15 844	29 791
Recruitment costs		45 672	-
Security		4 403	4 965
Seminar and workshops		-	7 251
Subscriptions and membership fees		63 145	32 676
Telephone and fax		177 147	127 219
Training		57 200	75 887
Travel - local		292 149	259 222
VAT adjustment #		-	303 245
		1 871 905	1 339 390
<p># The VAT adjustment relates to the correction of the VAT liability account. Provision has been made for the assessments raised by SARS, accrued interest and any journals passed by SARS on the account.</p>			
18. Project costs			
Business support centre		443 567	1 570 385
Livestock (Leather Making)		4 820	8 551
Radio Station (GTFM)		8 234	13 754
		456 621	1 592 690
19. Cash generated from (used in) operations			
Surplus		1 008 875	446 660
Adjustments for:			
Depreciation and amortisation		53 700	66 090
Impairment loss		6 332	-
Changes in working capital:			
Receivables from exchange transactions		(45 542)	(1 949)
Other receivables from non-exchange transactions		145 800	570 779
Payables from exchange transactions		(43 925)	(402 919)
VAT		182 879	(887 423)
		1 308 119	(208 762)

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Figures in Rand	2021	2020
20. Taxation		
The entity is exempt from income tax in terms of Section S10(1)(cA)(ii) of the Income Tax Act.		
21. Auditors' remuneration		
External audit fees	196 325	219 600
Internal audit fees	182 609	49 148
	378 934	268 748
22. Related parties		
Relationships		
Controlling entity	Greater Tzaneen Municipality	
Major stakeholders	Chief Executive Officer and Board (Note 14 and 22)	
Identity of related parties		
The parent shareholder is Greater Tzaneen Municipality (GTM) and the ultimate controlling party is Greater Tzaneen Municipality (GTM).		
The Board of Directors comprises of directors as listed in the directors report and its committees, namely the Finance and Risk Committee, HR Committee and Project, Investment Committee and Social Committee.		
Greater Tzaneen Municipality Audit Committee (Shared).		
There are no entities that are related to the directors of the Board.		
Related party transactions		
Grant received from related parties		
Greater Tzaneen Municipality	8 961 106	8 146 460
Compensation to Chief Executive Officer : K.J Maphoto		
Annual remuneration	874 443	1 026 342
Performance Bonus	-	92 371
Travelling	115 044	105 921
	989 487	1 224 634
Compensation to Acting Chief Executive Officer: M.W. Mulaudzi		
Annual remuneration	50 818	-

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Figures in Rand

23. Risk management

Financial risk management

Liquidity risk

The Municipal Entity manages liquidity risk through proper management of working capital, capital expenditure and actual forecasted cash flow and its cash management policy. Adequate reserves and liquid resources are also maintained.

The carrying amount of the financial liabilities represents the liquidity exposure. The maximum exposure to liquidity exposure at the reporting date was:

At 30 June 2021	Less than 1 year	Between 1 and 2 years
Trade and other payables	2 947 305	-
At 30 June 2020	Less than 1 year	Between 1 and 2 years
Trade and other payables	2 808 350	-

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial instrument	2021	2020
Cash and cash equivalents	1 235 024	104 016

Market risk

Interest rate risk

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

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

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Figures in Rand	2021	2020
24. Commitments		
Authorised operating expenditure		
Already contracted for but not provided for		
• Internal Audit	198 000	180 000
• IT support	65 650	44 170
• Cleaning services	116 000	-
• Cellphone	48 300	55 587
• Panasonic -copier rental	19 176	23 970
• Office lease / rental	43 225	39 488
• Accounting and taxation	143 052	140 000
	633 303	483 215

IT support:

Bohlabele Computers, this is an IT support contract at R 3 450 p.m. appointed for a period of twenty four (24) months from 01/02/2021 to 31/01/2023 (commitment period 19 months).

Cell phone contract:

Vodacom contract for the following official, this is cell phone contract at R2 300 p.m appointed for a period of twenty four (24) months:

Project Manager (28/04/2021 to 31/03/2023). R 2 300 p.m. (commitment period 21 months)

Internal Audit:

Tladi and associates Inc is an Internal Audit Company contracted at R198 000 appointed for a period not exceeding four months from 01 May 2021 to 31 August 2021 for provision of internal audit services.

Panasonic

Panasonic is a company contracted for the rental copier machine R 4 794 per month for a period of fifty three months (01/06/2017 to 31/10/2021), (commitment period 4 months).

Office rental:

Tzaneen Steel Industry is a contract for office rental at R 43 225 per month for a period of twelve months (1/08/2020 to 31/07/2021), commitment period 1 month.

Accounting and taxation services

Tsutsa Consulting is a company contracted for accounting and taxation services for a period of thirty six months (01/06/2019 to 31/05/2022), commitment period 11 months.

Cleaning Services

Kgoane Trading Enterprise is a cleaning service contracted at R29 000 per months appointed for a period of twelve months from 14/11/2020 to 31/10/2021, commitment period 4 months.

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Notes to the Annual Financial Statements

25. Prior year adjustments

2019 Financial year:

Grant and subsidiaries – R1 025 217

Grant received from Greater Tzaneen Municipality now exempt from VAT subsequent to the VAT objection being lodged and SARS agreeing to change in VAT rate on the grant

General expenses – (R52 296)

VAT adjustment due to allowed VAT objection allocated under general expenses – R59 942

Employee Cost – R112 238

Travel and accommodation previously disclosed under employee costs was reclassified to general expenses – R112 238.

SARS – R3 427 636

A detailed VAT reassessment was performed in respect of the output VAT on grants received from Greater Tzaneen Municipality. Objections were lodged with SARS and the subsequent VAT audit was performed and the VAT liability payable has been reduced.

Intangible assets – R19 631

Reduction of accumulated amortisation due to assessment of useful life.

Statement of Financial Performance

	2019 Previously reported	Adjustment	2019 Restated
Revenue from exchange transactions			
Interest received	23 230	-	23 230
Transfer revenue			
Government grants and subsidies	6 834 783	1 025 217	7 860 000
Discretionary grant received - SETA	2 898 502	(217 388)	2 681 114
Administration and project management costs	217 388	-	217 388
Expenditure			
Employee costs	(3 791 601)	112 238	(3 679 363)
Remuneration of the Board	(914 224)	-	(914 224)
Consulting fees	(278 380)	-	(278 380)
Depreciation and amortisation	(69 020)	-	(69 020)
General expenses	(2 015 507)	(52 296)	(2 067 803)
Lease rentals and operating lease	(509 839)	-	(509 839)
Project costs	(3 148 925)	217 388	(2 931 537)
Surplus / (loss) for the year	(753 593)	1 085 159	331 566

Statement of financial position

	2019 Previously reported	Adjustment	2019 restated
Receivables from exchange transactions	6 475	-	6 475
Receivables from non-exchange transactions	720 000	-	720 000
Cash and cash equivalents	417 230	-	417 230
Property, plant and equipment	115 692	-	115 692
Intangible assets	-	19 631	19 631
Payable from exchange transactions	(690 392)	-	(690 392)
SARS	(6 835 937)	3 427 638	(3 408 299)
Contributed capital	(100)	-	(100)
Accumulated deficit	(6 267 032)	3 447 269	(2 819 763)

Greater Tzaneen Economic Development Agency (Pty) Ltd

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Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

26. Fruitless and wasteful expenditure

Opening balance	245 920	245 836
Penalties and interest: SARS (VAT)	13 654	84
Fruitless and wasteful expenditure awaiting condonement	259 574	245 920

The fruitless and wasteful Expenditure report was submitted to the Finance and Risk Committee for consideration, the expenditure related to Penalty and interests fee on late payment of SARS-PAYE and Penalty and interest incurred on the VAT liability. Subsequently, it was referred to MPAC for investigation.

A fruitless and wasteful register containing the details of all the transactions supporting the fruitless and wasteful balance is available at the registered address of GTEDA.

27. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the Accounting Officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the Accounting Officer and includes a note to the annual financial statements.

An amount of R 328 681 was procured during the financial year under review and the process followed in procuring those services deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the Accounting Officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

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Notes to the Annual Financial Statements

28. Budget differences

Material differences between budget and actual amounts

Explanation of variances between approved and final budget greater than 10%

Statement of Financial Performance

Revenue

Interest received (100%)

The variance is due to interest earned on higher investment balance than anticipated

Variance is R19 488 (Budget: R 0) and (Actual: R 19 488)

Grant received - LG SETA (100%)

The variance is due to the prior year provision (receivable) on service seta which was received in the current year

Variance is R148 200 (Budget: R 0) and (Actual: R 148 200)

Expenditure

Depreciation and amortisation (38,67%)

The under-spending on the purchasing of ICT infrastructure, which was affected by the National Lockdown, lead to the variance.

Variance is R 33 855 (Budget: R 87 555) and (Actual: R 53 700)

Lease rental (41,67%)

Variance is due to the underspending on copier rental, as it was affected by the National lockdown. Employees were working remotely, therefore there was less printing copier & printing activities.

Variance is R 446 746 (Budget: R 1 072 060) and (Actual: R 625 314)

Repairs and maintenance (100%)

The variance is due to non-expenditure on repairs and maintenance during the period under review.

Variance is R2 500 (Budget: R 2 500) and (Actual: R 0)

Consulting fees (43%)

The variance is due to overspending on accounting/taxation costs which was delayed by SARS response..

Variance is -R395 441 (Budget: R 909 969 and (Actual: R 514 528)

Interest expense (100%)

Variance is due to non-expenditure on interest during the period under review.

Variance is R1 524 (Budget: R 1 524) and (Actual: R 0)

Project costs (34,34%)

The variance is due to the underspending of projects given that most of the projects were not fully implemented due to the National Lockdown.

Variance is R304 331 (Budget: R886 130) and (Actual: R 581 799)

Loss on scrapping of assets (100%)

The variance is due to the impairment loss on assets scrapped during the year of review.

Variance is R6 332 (Budget: R 0) and (Actual: R 6 332)

General expenses (44,77%)

Variance is due to the underspending on general expenses that were affected by the National Lockdown.

Variance is R 1 482 165 (Budget: R 3 310 682) and (Actual: R 1 828 517)

Statement of Financial Position

Property, plant and equipment (24,63%)

Variance is due to the Municipal Entity not acquiring all budgeted items due to cashflow constraints.

Variance is R 57 888 (Budget: R 235 000) and (Actual: R 177 112).

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Figures in Rand	2021	2020
29. Other income		
Other income	43 596	-

Other income relates to an amount of R43 596 receivable originating from a court order in favour of GTEDA.

Greater Tzaneen Economic Development Agency (Pty) Ltd

Appendix B

July 2020

Analysis of property, plant and equipment as at 30 June 2021 Cost/Revaluation Accumulated depreciation

	Opening Balance Rands	Additions Rands	Disposals Rands	Assets written off Rands	Revaluations Rands	Other changes, increases Rands	Closing Balance Rands	Opening Balance Rands	Disposals Rands	Assets written off Rands	Depreciation Rands	Impairment Loss Rands	Closing Balance Rands	Carrying Value Rands
Other assets														
Computer equipment	246 776	-	-	(58 218)	-	-	188 558	(204 720)	-	-	(23 371)	80 130	(188 181)	-1 299
Furniture and fittings	256 411	-	-	(1 833)	-	-	254 578	(177 810)	-	-	(12 156)	1 775	(189 996)	68 582
Office equipment	37 278	177 112	-	(3 988)	-	-	210 421	(33 273)	-	-	(3 159)	3 775	(31 659)	178 782
	571 465	177 112	-	(62 019)	-	-	686 559	(414 603)	-	-	(28 685)	85 680	(409 816)	276 743
Total property plant and equipment														
	571 465	177 112	-	(62 018)	-	-	686 558	(414 603)	-	-	(28 685)	85 682	(409 816)	276 743
Intangible assets														
Computers - software	48 987	-	-	-	-	-	48 987	(36 018)	-	-	(2 128)	-	(39 046)	10 941
Website	49 031	-	-	-	-	-	48 031	(40 933)	-	-	(0,6)	-	(41 869)	3 262
	98 728	-	-	-	-	-	97 728	(76 951)	-	-	(2 824)	-	(78 915)	14 023
Total														
Other assets	571 465	177 112	-	(62 018)	-	-	686 559	(414 603)	-	-	(28 685)	85 680	(409 816)	276 743
Intangible assets	98 728	-	-	-	-	-	97 728	(76 951)	-	-	(2 824)	-	(78 915)	14 023
	666 203	177 112	-	(62 018)	-	-	786 287	(491 467)	-	-	(31 509)	85 680	(488 471)	290 766

Greater Tzaneen Economic Development Agency (Pty) Ltd
 Appendix B
 July 2020

Analysis of property, plant and equipment as at 30 June 2020
 Cost/Revaluation
 Accumulated depreciation

	Opening Balance Rands	Additions Rands	Disposals Rands	Transfers Rands	Revaluations Rands	Other changes, improvements Rands	Closing Balance Rands	Opening Balance Rands	Disposals Rands	Transfers Rands	Depreciation Rands	Impairment loss Rands	Closing Balance Rands	Carrying Value Rands
Other assets														
Computer equipment	246 776	-	-	-	-	-	246 776	(190 836)	-	-	(44 964)	-	(231 720)	41 058
Furniture and fittings	163 982	104 451	-	-	-	-	268 411	(188 446)	-	-	(44 164)	-	(177 850)	110 561
Office equipment	37 278	-	-	-	-	-	37 278	(27 240)	-	-	(6 038)	-	(32 278)	9 002
	487 014	104 481	-	-	-	-	571 488	(387 322)	-	-	(83 204)	-	(414 606)	168 859
Total property plant and equipment	487 014	104 481	-	-	-	-	571 488	(387 322)	-	-	(83 204)	-	(414 606)	168 859
Intangible assets														
Centurion - software	48 887	-	-	-	-	-	48 887	(33 790)	-	-	(3 128)	-	(36 918)	12 769
Website	46 081	-	-	-	-	-	46 081	(40 317)	-	-	(670)	-	(40 987)	4 094
	93 728	-	-	-	-	-	93 728	(74 107)	-	-	(3 804)	-	(78 911)	16 827
Other assets														
Other assets	487 014	104 481	-	-	-	-	571 488	(387 322)	-	-	(83 204)	-	(414 606)	168 859
Intangible assets	93 728	-	-	-	-	-	93 728	(74 107)	-	-	(3 804)	-	(78 911)	16 827
	580 742	104 481	-	-	-	-	688 203	(428 429)	-	-	(88 008)	-	(481 817)	173 986

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Segmental analysis of property, plant and equipment as at 30 June 2021

	Opening Balance	Additions	Assets written off	Closing Balance	Operating Expenses	Assets written off	Transfers	Transfers	Depreciation	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Cost/Revaluation	521 465	(52 019)	686 559	(414 605)	55 685	-	-	(99 651)	(499 816)	276 743	276 743
Accumulated Depreciation	521 465	177 112	(62 019)	177 112	(62 019)	686 559	(414 605)	55 685	(99 651)	(499 816)	276 743
	521 465	177 112	(62 019)	177 112	(62 019)	686 559	(414 605)	55 685	(99 651)	(499 816)	276 743
	521 465	177 112	(62 019)	177 112	(62 019)	686 559	(414 605)	55 685	(99 651)	(499 816)	276 743

GTEDA
 Tzaneen and Development/Economic
 Development/Plan
 Ltd

Segmental Statement of Financial Performance for the year ended
 Prior Year
 Current Year

	Actual Income Rand	Actual Expenditure Rand	Actual Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Actual Surplus /(Deficit) Rand
	9 172 390	8 163 515	1 008 875	GTEDA	9 222 298	8 775 638	446 660
	9 172 390	8 163 515	1 008 875	Planning and Development/Economic Development/Plan	9 222 298	8 775 638	446 660
	9 172 390	8 163 515	1 008 875		9 222 298	8 775 638	446 660

Actual versus Budget (Revenue and Expenditure) for the year ended 30 June 2021

Current year 2021	Current year 2021	Adjusted budget 2021	Variance	Var	Explanation of Significant Variances greater than 10% versus Budget
Act. Bal.	Rand	Rand	Rand		
19 488	19 488	-	19 488	100	The variance is due to interest earned on higher investment balance than anticipated.
8 961 106	8 961 106	8 961 106	-	-	Grant funding payments received from parent municipality (SITH).
43 596	43 596	-	43 596	-100,0	The variance is due to the court order in favour of GTEDA receivable, which was not budgeted for.
-	-	-	-	100,0	The variance is due to the 7,5% administration and management fee received from Services SETA.
-	-	-	-	100	Funding, which was not budgeted for.
148 200	148 200	-	148 200	100	The variance is due to the discretionary grant receivable from LG SETA, which was approved later in the year, hence it was not budgeted for.
9 172 390	9 172 390	8 961 106	211 284	(6)	
Expenses					
-	-	(1 524)	1 524	(100,0)	Non expenditure on interest during the period under review
(4 133 536)	(4 133 536)	(4 336 678)	203 142	(4,7)	
(376 192)	(376 192)	(385 204)	9 012	(2,3)	Variance is due to the resignation of three board members and reduced number of board committee meetings.
(53 700)	(53 700)	(87 555)	33 855	(38,7)	The under-spending on the purchasing of ICT infrastructure in preparation for rSICMA implementation, which was affected by the National Lockdown, lead to the variance.
(625 314)	(625 314)	(1 072 060)	446 746	(41,7)	Variance is due to the under spending on Copier Rental, as it was affected by the National Lockdown. Employees were working remotely, therefore there was less printing copier & printing activities.
(558 124)	(558 124)	(439 871)	(118 253)	26,9	The variance is due to the over-spending on accounting/valuation costs which was delayed by SARS response.
(581 799)	(581 799)	(886 130)	304 331	(34,3)	The variance is due to the under-spending given that most of the projects were not implemented due to the national lockdown.
(1 828 518)	(1 828 518)	(2 870 811)	1 042 293	(36,3)	Variance is due to the under-spending on general expenses that were affected by the National Lockdown.
-	-	(2 500)	2 500	(100,0)	Non-expenditure on repairs and maintenance during the period under review
(8 157 183)	(8 157 183)	(10 082 333)	1 925 150	(19,1)	
(6 332)	(6 332)	-	(6 332)	-	
1 008 875	1 008 875	(1 121 227)	2 130 102	(190,0)	

Budget Analysis of Capital Expenditure as at 30 June 2021

Actual Expenditure Rand	Revised Budget Rand	Variance Rand	Variance %	Explanation of significant variances from budget
177 112	235 000	57 888	25	Did not acquire all items budgeted for, due to cashflow.
177 112	235 000	57 888	25	
177 112	235 000	57 888	25	

GTEDA

Planning and
 Development/Economic
 Development/Plan

Greater Tzaneen Economic Development Agency (Pty) Ltd
Appendix G1
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 2021

	2021/2020				2020/ 2019			
	Original Budget	Budget Adjustments (i.e. S28 and S31 of the RFRSA)	Final Budget	Actual Outcome	Variance of Actual Outcome against Budget	Actual Outcome as % of Original Budget	Registered Audited Outcome	
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	

Revenue - Functional

	Original Budget	Budget Adjustments (i.e. S28 and S31 of the RFRSA)	Final Budget	Actual Outcome	Variance of Actual Outcome against Budget	Actual Outcome as % of Original Budget	Registered Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Economic and environmental services	8 961 105	-	8 961 105	9 399 538	211 284	96 %	9 548 721
Planning and development	5 581 105	-	5 581 105	5 961 105	43 505	100 %	5 140 460
Other income	-	-	-	43 505	43 505	Div0 %	55 546
Grant received - LG SETA	-	-	-	148 200	148 200	1000%	20 790
Interest received	-	-	-	19 488	19 488	1000%	-
Total Revenue - Functional	8 961 105	-	8 961 105	9 172 380	211 284	102 %	9 222 385

Expenditure - Functional

	Original Budget	Budget Adjustments (i.e. S28 and S31 of the RFRSA)	Final Budget	Actual Outcome	Variance of Actual Outcome against Budget	Actual Outcome as % of Original Budget	Registered Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Economic and environmental services	9 773 592	308 441	10 082 333	8 163 515	(1 918 818)	81 %	8 778 538
Planning and development	9 773 592	308 441	10 082 333	8 163 515	(1 918 818)	81 %	8 778 538
Total Expenditure - Functional	9 773 592	308 441	10 082 333	8 163 515	(1 918 818)	81 %	8 778 538
Surplus/(Deficit) for the year	(812 705)	(208 441)	(1 121 227)	1 008 878	2 150 102	1241%	448 600

Greater Tzaneen Economic Development Agency (Pty) Ltd
Appendix G2
Budgeted Financial Performance (revenue and expenditure by municipal entity vote)
for the year ended 30 June 2021

2021/2020 2020/
2019

Original Budget	Budget Adjustments (i.e. s28 and s31 of the MFMA)	Virement (i.e. Council approved policy)	Final Budget	Actual Outcome	Variance of Actual Outcome against Budget Adjustments	Actual Outcome of Final Budget	Revised Audited Outcome
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand

Revenue by Vote

Economic and environmental services Interest received	8 591 106	-	8 591 106	8 591 106	19 488	100,00 %	8 146 480
Administration and project management costs from SETA	-	-	-	-	-	100 %	30 700
Grant received - LG SETA	-	-	-	148 200	148 200	D/N/O %	73 287
Other income	-	-	-	43 588	43 588	D/N/O %	88 840
Total Revenue by Vote	8 591 106	-	8 591 106	9 172 380	211 286	102,58 %	9 222 298

Expenditure by Vote to be appropriated

Economic and environmental services	8 773 892	308 441	10 082 333	8 163 515	(1 918 818)	80,97 %	8 770 036
Total Expenditure by Vote	9 773 892	308 441	10 082 333	8 163 515	(1 918 818)	80,97 %	8 770 036
Surplus/(Deficit) for the year	(812 786)	(308 441)	(1 121 227)	1 008 878	(1 707 644)	(88,86)%	440 660

Greater Tzaneen Economic Development Agency (Pty) Ltd
Appendix G3
Budgeted Financial Performance (Revenue and Expenditure)
for the year ended 30 June 2021

2021/2020
 2020/2019

Original Budget	Final Budget	Actual	Actual	Actual	Actual
Final Budget	Final Budget	Actual	Actual	Actual	Actual
Final Budget	Final Budget	Actual	Actual	Actual	Actual

Revenue By Source	2021/2020	2020/2019
Market Grant	8 961 106	8 961 106
Interest earned - external investments	-	-
Other income	-	-
Administration and project management costs from SETA	-	-
Grant received - LG SETA	-	-
Total Revenue (including capital transfers and contributions)	8 961 106	8 961 106

Expenditure By Type	2021/2020	2020/2019
Employee related costs	4 391 399	4 139 536
Remuneration of Council	674 100	376 192
Travel, rental and operating lease	894 808	625 914
General expenditure	2 277 647	1 828 518
Project Costs	1 047 796	881 799
Consulting fees	420 574	550 124
Depreciation	87 565	53 700
Loss on disposal of non-current assets	4 524	6 332
Interest expense	5 500	(1 524)
Repairs and maintenance	2 500	(2 500)
Total Expenditure	9 773 692	8 163 515

Surplus/(Deficit)	2021/2020	2020/2019
Surplus/(Deficit) after capital transfers & contributions	(812 786)	1 008 875
Surplus/(Deficit) after taxation	(812 786)	1 008 875
Surplus/(Deficit) attributable to municipality	(812 786)	1 008 875
Surplus/(Deficit) for the year	(812 786)	1 008 875

Greater Tzaneen Economic Development Agency (Pty) Ltd
Appendix G4
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 2021

	2021/2020				2020/ 2019	
	Original Budget	Final Budget	Actual Outcome	Variance of Actual Outcome against Budget	Actual Outcome as % of Original Budget	Revised Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand
Capital expenditure - Vote Multi-year expenditure						
GTEDA	225 000	235 000	177 112	(57 888)	78 %	104 482
Capital multi-year expenditure sub-totals	225 000	235 000	177 112	(57 888)	78 %	104 482
Single-year expenditure						
Total Capital Expenditure - Vote	225 000	235 000	177 112	(57 888)	78 %	104 482
Capital Expenditure - Functional						
Funded by:						