

ANNUAL REPORT 2007/08



KOUGA
DEVELOPMENT AGENCY

All that is valuable in human society depends upon the
opportunity for **development**

Albert Einstein

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Mncedisi Mayakiso

DEVELOPING successes



1. CHAIRPERSON'S FOREWORD

The Board of the Kouga Development Agency (KDA) is very pleased to report that this financial year has been successful, specifically with regards to the operational phase. During the past year, while the Agency prepared to deliver on its mandate, it was critical to have the proper systems in place to ensure compliance in accordance with corporate governance and all applicable government regulations.

The Industrial Development Corporation (IDC) still continues to be the main source of funding for the Agency. Additional financial support in the form of grants has been received from our two Parent Municipalities, Cadadu District Municipality and Kouga Municipality. These funds have been utilized to fund operational activities. The Agency is currently in the Operational Phase (Year 1), which commenced in June 2007.

BOARD MEMBERS RESIGNATIONS AND APPOINTMENTS

During the financial year under review there were no resignations and no new appointments.

MARKETING & COMMUNICATIONS

The implementation of a Marketing Strategy was carried out through local and national print and broadcast media coverage as well as the agency website.

MASTER PLAN

The Master Plan for the core Mandate Area provides the key guidelines for the development. The Plan was completed in the previous financial year (2006/2007). As per the Master Plan, the next processes were initiated, namely the Expression of Interest (EOI) and Request for Development Proposals (RFP).

EXPRESSION OF INTEREST & REQUEST FOR PROPOSALS

The 2007/2008 financial year ended in a very positive note with the signing of a Land Availability Agreement for the 530HA parcel of land with the Department of Housing, Local Government & Traditional Affairs. The land availability agreement with the Department of Economic Development and Environmental Affairs for the 153 HA parcel of land is at an advanced stage and expected to be concluded in July 2008.

The Expression of Interest (EOI) process to appoint a developer for the mandated area was finalized and the Request for Development Proposals is at an advanced stage.

GAMKAB SPATIAL DEVELOPMENT FRAMEWORK

Another project that was successfully finalized is the Gamkab Spatial Development Framework Plan (SDF). The project was carried out in conjunction with the Kouga Municipality and also adopted by the Municipality. The establishment of the Gamkab Conservancy is progressing well and will be finalized during the next financial year.

BOARD MEETINGS & GOVERNANCE

For the year under review, four (4) Board Meetings and three (3) Special Board Meetings were held to deal with key strategic and operational issues. In the area of governance, the board ratified the following items:

- The 2007/2008 financial year ended in a very positive note with the signing of a Land Availability Agreement with the Department of Housing, Local Government & Traditional Affairs for the 530HA parcel of land. The land availability agreement with the Department of Economic Development and Environmental Affairs for the 153 HA parcel of land is at an advanced stage and is expected to be concluded in July 2008.
- As the agency is primarily financed by the IDC, the budget has been aligned with the operational phase 1 milestones laid out in the operational grant agreement currently in place between the Agency and the IDC. This presents a challenge for the Agency as the budget is for a specific period (1 year), whereas, the milestones agreed upon may not necessarily be achieved in one financial year.
- The income received from the IDC grant is still only recognized as income to the extent that it has been expensed. The surplus is disclosed as a liability in the statement of financial performance under unspent conditional grants and receipts.
- During the year under review, declarations of interests were only received from two members of the board of directors. The declarations for the other four members of the board were received during the 2006/2007 financial year.

OPERATIONAL AND FINANCIAL UPDATE

During this financial year, the IDC provided grant funding of R2 411 437 towards the operations of the KDA. The Cacadu District Municipality contributed R438 596, while the Kouga Municipality provided R679 000 (excluding VAT) towards funding for the Agency.

KDA has moved on from the deficit of R150 417 reported in the 2006 / 2007 financial year. The current financial position is characterized by a net surplus of R543 660. During the financial period under review the agency has experienced an increase in revenue of 18.6%. The appropriated budget for the 2007/2008 financial year was R3 443 454 and the total expenditure amounted to R3 151 776. Major expenses included employee related costs, consulting fees, audit fees, director's fees, utilities, as well as staff travel & accommodation costs.

BUSINESS PLAN & BUDGET

As part of the application to the IDC for the Operational phase, a business plan was developed. The plan focuses on the implementation of milestones to ensure that the Agency moves on to the next phase (Operational Phase in Year 2).

CONCLUDING REMARKS

The year ahead poses its own challenges and opportunities for the Agency to implement its core mandate and possibly extend beyond its current call.

In summary, constant support from the IDC and the Parent Municipalities, namely Cacadu District Municipality and Kouga Local Municipality, is well appreciated. Despite challenges that faced the Agency, I wish to express my sincere gratitude to the Board and KDA staff for keeping the fires burning.

DEVELOPING futures

2. AGENCY PROFILE

The Kouga Development Agency, hereafter referred to as the KDA, is a multi-jurisdictional service utility established in partnership between Cacadu District Municipality (CDM) and Kouga Municipality (KM).

The KDA was established in 2004, after an agreement was concluded between the Cacadu District Municipality and the Industrial Development Corporation.

The KDA is a dedicated champion tasked with the delivery of development. The Agency aims to leverage public and private resources for development around opportunities which offer investment, employment, economic and development potential/opportunities.

It also manages the spatial organization of the area, in a socially efficient manner, particularly through the use of public land and targeted private projects. Furthermore, it endeavours to strengthen the respective areas' real and perceived environment so that the area can compete effectively for capital investment necessary to develop its full economic potential.

The KDA's mission is to initiate, promote and manage sustainable private and public economic developments, thus transforming the Kouga area into a growth point for the benefit of all its communities. The Agency's ability to deliver on this mission will be greatly influenced by how it conducts and manages external and internal relationships. As a young organization, it seeks to establish a performance benchmark demonstrating leadership and creativity in delivering on developmental objectives.

The core business of the KDA is therefore:

- To un-lock the socio-economic developmental potential of the Kouga region through effective and efficient facilitation and brokering of the government resources.
- The Agency is a dedicated champion tasked to ensure the delivery of development. To leverage public and private resources for development around opportunities which offer investment, employment, economic and development potential/opportunities.
- To manage the spatial organization of the area, in a socially efficient manner, particular through the use of public land and targeted private projects.
- To strengthen the respective areas' real and perceived environment so that it can compete effectively for capital investment necessary to develop its full economic potential

MANDATED AREA

The KDA was established to project manage the development of a core Mandate area measuring approximately 683 HA and encapsulating the following properties:

Department of Housing (Eastern Cape Province)

- Portion 23 (a portion of portion 8) of the Farm Kabeljaauwrvier No. 321, Humansdorp measuring 95.3082HA, owned by the Department of Housing.
- Portion 24 of the Farm Kabeljaauwrvier No. 321, Humansdorp measuring 3.4193HA, owned by the Department of Housing.
- Portion 5 (a portion of portion 3) of the Farm Papiesfontein No. 319, Humansdorp measuring 429,1224HA, owned by the Department of Housing and Local Government.

REPUBLIC OF SOUTH AFRICA

- Farm 808 Humansdorp measures in extent 105ha which is owned by the National Government of South Africa.
- Farm 807 Humansdorp which measures in extent 48ha which is owned by the National Government of South Africa.

CURRENT ACTIVITIES

As mentioned, the KDA was established to project manage the development of a core mandate area measuring approximately 683HA.

MASTER PLAN

The Master Plan for the core Mandated Area provides the key guidelines for the development of the Mandate Area and was completed the previous financial year (2006/2007). As per the Master Plan, the subsequent processes were initiated namely the Expression of Interest (EOI) & Request for Development Proposals (RFP).

EXPRESSION OF INTEREST (EOI) & REQUEST FOR DEVELOPMENT PROPOSALS (RFP)

The EOI process started at the end of 2007. Various companies / consortiums showed interest. Three consortiums were short listed to proceed with the RFP process. The RFP process will only be completed within the next financial year.



¹ Multi-jurisdictional service utility means a body established in terms of section 87 of the Municipal Systems Act, 2000 (Act 32 of 2000).this states that two or more municipalities, by written agreement, may establish a multi-jurisdictional service utility to perform any function or power envisaged by section 8 in their municipal areas or in any designated parts of their municipal areas.

DEVELOPING opportunities

3. CEO'S REPORT

The agency completed its third financial year after the Board was inaugurated in August 2005.

The key focus for the financial year was to continuously strengthen the existing capacity to ensure delivery on the core Mandated Area.

The core mandate being to generate sustainable economic and tourism growth in Kouga through the development of 683HA prime coastal land in Jeffreys Bay.

We managed to expand on the existing core team by successfully appointing a Financial Manager as part of the team in October 2007.

The 2007/2008 financial year ended in a very positive note with the signing of a Land Availability Agreement with the Department of Housing, Local Government & Traditional Affairs for the 530HA parcel of land. The land availability agreement for the 153HA parcel of land with Department Economic Development and Environmental Affairs is at an advanced stage and is expected to be concluded by July 2008.

The Expression of Interest (EOI) process to appoint a developer for the mandated area was finalized and the Request for Development Proposals is at an advanced stage.

The Independent Development Corporation (IDC) still continues to be the main source of funding for the Agency. Funding for operational activities is also provided by the Parent Municipalities (Kouga Municipality & Cacadu District Municipality). The Agency is still in the Operational Phase, which commenced in June 2007.

With the valuable support of the IDC and our Parent Municipalities, the Agency's core focus still continues to be the development of the core mandated area, according to the master plan, and expanding the Agency's mandate.



Zola Tshetu

ORGANISATIONAL REVIEW

THE KDA BOARD

The Board, chaired by Mr. Mncedisi Mayekiso, consists of six independent members and four council elected observers. This is a dynamic board with a broad range of skills, ranging from running and controlling private businesses, financial and human resources to planning and development specialties.

THE KDA TEAM

The team currently consists of five full-time positions. These include: the CEO, Executive Assistant/Office Manager, Planning and Development Manager, Financial Manager and a Receptionist/Admin Assistant. The KDA is a facilitating agency and therefore utilises external consultants to provide most of the technical and professional services.

INTERNAL CONTROLS

The agency developed a Supply Chain Management policy, as well as an Accounting Systems Policy to ensure tight internal financial management. During the year an internal audit by the IDC and the AG identified several weaknesses in the internal control environment. These recommendations were implemented. The KDA continues to monitor the newly implemented system to ensure compliance. The Financial Manager is responsible for the overall financial management of the agency.

PROPOSED DEVELOPMENT

The core mandate area is currently undeveloped and has no public facilities other than the hiking trail within the Nature Reserve. It therefore currently offers no economic benefit and very limited recreation benefit to the community.

The development proposed by the Agency will not only create direct jobs but will

also generate revenue for the Kouga Council and local businesses. With a strong BEE imperative on development projects the qualifying local businesses also has opportunity to participate directly and indirectly on the projects.

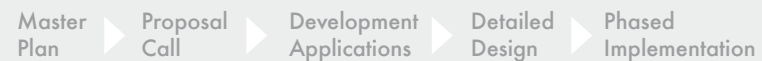
One of the primary objectives of the KDA in the year under review was identifying and developing new projects and to embark on the appointment of a developer.

The existing Master Plan continues to form a strong guide for infrastructure development in the Mandate Area and is based on extensive market research to ascertain what kind of development would be sustainable in the short, medium and long term within the Mandate Area.

The Master Plan for the KDA sets out a broad brush plan and vision rather than a detailed subdivision plan and fulfils the following:

- Sets a framework for structuring the major elements of the mandate area.
- Enables the preparation of a proposal call for potential investors to submit proposals for developing the area.
- Sets out a vision for the area including goals, development principles to be applied and land use and design guidelines for the area.

The Master Plan is informed by higher order plans, broad brush Strategic Environmental Scoping Report and Specialist Studies and will in turn influence lower order plans as set out below:



THE 'MASTER PLAN' PROJECTS IDENTIFIED

In order to evaluate the KDA potential projects in greater detail, an overview was required of the existing policy and current planning framework that is in place. The Master Plan needed to be aligned to the current planning framework and it was important to ensure that projects identified complement existing programmes in the Eastern Cape and specifically in the Kouga Area. The master plan is also in line with the Kouga Municipality Spatial Development Framework (SDF) plan and is therefore accommodated therein.

The Master Plan has been successful in demonstrating where the gaps are in the market and indicating the priority projects, which should be focused on. The aim of the study was to develop a strategy that could be used to guide all development within the Mandate Area.

THE DEVELOPMENT OPPORTUNITIES

The development opportunities as identified in the master plan include the following:

NODE 1- THE GATEWAY NODE:

- Gross Area: 2.91Ha
- Permitted Uses: Offices, Guard House and Guard Gate, Caretakers Accommodation, Tourist Facilities, Resort retail incidental to gateway, Parking
- Prohibited Uses: No permanent residential development,

NODE 2 - THE QUARRY NODE:

- Gross Site Area: 23.20Hectares
- Permitted Uses: Offices, Tourist Facilities, Place of Assembly, Place of Entertainment, Public Housing, Dwelling Units, Holiday Accommodation, Holiday Housing, Licensed Hotel, Resort Shop, Parking, Authority Usage, Nursery/Botanical Garden, Picnic Areas, Exhibition Hall
- Prohibited Uses: Camping Sites, Caravan Park, Mobile Homes

NODE 3 - THE ESTUARY NODE:

- Gross Area: 4.24Ha
- Permitted Uses: Holiday Accommodation, Parking, Tourist Facilities
- Prohibited Uses: Permanent residences, Holiday Housing, Place of Assembly, Motel, Hotel, Authority Usage, Camping Sites, Mobile Home, Caravan Park
- Special Conditions: The holiday accommodation shall be harmoniously designed and built in a unique natural environment with an informal clustered layout but does

not include a motel or hotel. The development shall be marketed by way of short-term renting or time sharing. Structures shall be designed to be hidden away from each other to maintain the wilderness appeal of the study area.

NODE 4 - THE VALLEY NODE:

- Gross Area: 2,92Ha
- Permitted Uses: Holiday Accommodation, Holiday (Resort) Housing, Dwelling units, Resort Shop, Parking
- Prohibited Uses: Place of Assembly, Motel, Hotel, Authority Usage, Camping Sites, Mobile Home, Caravan Parks

NODE 5 - THE LOOK OUT NODE:

- Gross Area: 9.74Ha
- Permitted Uses: Hotel, Tourist Facilities, Holiday accommodation, Holiday Housing, Dwelling Units
- Prohibited Uses: Camping Sites, Mobile Home, Caravan Parks

NODE 6 - GATEWAY NODE 2:

- Gross Area: 1.14Ha
- Permitted Uses: Offices, Guard House and Guard Gate, Caretakers Accommodation, Tourist Facilities, Resort retail incidental to gateway, Parking
- Prohibited Uses: No permanent residential development

NODE 7 - THE RIVER NODE:

- Gross Area: 1.26Ha
- Permitted Uses: Luxury Tent camp
- Prohibited Uses: Camping Sites, Mobile Home, Caravan Parks, Permanent Residences

NODE 8 - THE NORTH BANK:

- Gross Site Area: 8.67 Hectares
- Permitted Uses: Tourist Facilities, Place of Assembly, Place of Entertainment, Public Housing, Dwelling Units, Holiday Housing, Limited Retail, Parking
- Prohibited Uses: Camping Sites, Caravan Park, Mobile Homes

KDA MANDATED AREA SITE PLAN SHOWING DEVELOPMENT NODES



1 Gateway 1



5 Lookout



2 Quarry and Ridge



6 Gateway 2



3 Estuary



7 North Bank



4 Valley



8 River Bend Tent Camp



The project is expected to have the following socio-economic impacts during construction and operational phase:

ECONOMIC IMPACT DURING CONSTRUCTION - ENTIRE KDA DEVELOPMENT -			
Economic Variable	Direct	Indirect	Total
Change in New Business Sales	482,188,000	253,712,000	735,900,000
Change in Employment	1,180	540	1,720
Change in GDP	212,255,000	114,522,000	326,777,000

Source: KDA Master Plan, 2007

ECONOMIC IMPACT OPERATION - TOTAL IMPACT KDA DEVELOPMENT			
Economic Variable	Direct	Indirect	Total
Change in New Business Sales	157,159,000	54,425,000	211,584,000
Change in Employment	234	113	347
Change in GDP	112,266,000	27,575,000	139,841,000

Source: KDA Master Plan, 2007

EXPRESSION OF INTEREST (EOI) & REQUEST FOR DEVELOPMENT PROPOSALS (RFP)

The EOI process started in November 2007. Various companies / consortiums showed interest and three consortiums were short-listed to proceed with the RFP process. The process of assessing the proposals received and the selection of the developer is ongoing and will be finalized within the next financial year.

KDA FINANCIAL HEADLINES - 2007/08 Financial Year -		
Figures in rand	2008	2007
Revenue	3,611 138	3,050 087
Cost of sales	-	-
Gross surplus/(deficit)	3,611 138	3,050 087
Operating expenses	(3,151 776)	(3,264 740)
Operating surplus/(deficit)	(459 362)	(214 653)
Gains on disposal of assets	-	-
Investment income	84 298	64 236
Surplus/(deficit) before taxation	543 660	(150 417)
Taxation	-	-
Surplus/(deficit) for the year	543 660	(150 417)

SPENDING TRENDS AND PHASES COMPLETED DURING THE YEAR

The Kouga Development Agency (KDA) continues to derive its income from two sources. These sources are the Parent Municipalities (Cacadu District and Kouga Municipalities) and the Industrial Development Corporation (IDC). Grants received from the IDC are expensed in accordance with strict terms and conditions relating to each phase, while the grants received from the Parent Municipalities are not subject to any conditions. The following grants - valued at R3, 529 033 were received during the 2007/2008 financial year:

- Industrial Development Corporation - R2 411 437
- Cacadu District Municipality - R 438 596
- Kouga Local Municipality - R679 000

The operational phase commenced in June 2007 and will continue over three years. The fact that a specific phase could stretch over two years resulted in a change in accounting policy. This entails that KDA would recognise income received from the IDC-grant only to the extent that it has been expensed. The surplus would be disclosed as a liability in the statement of financial performance under unspent conditional grants and receipts.

SIGNIFICANT EVENTS THAT TOOK PLACE DURING THE YEAR

The Agency concluded a land availability agreement with the Department of Housing, Local Government for the 527,8499HA parcel of land during the year under review. The land availability agreement with the Department of Economic Development and Environmental Affairs for the 153HA parcel of land is at an advanced stage and is expected to be concluded by July 2008.

The agency commissioned on the appointment of the developer by finalizing the EOI process and progressing to the RFP process.

In conclusion, as Accounting Officer, I am humbled to account on behalf of the Agency, who I believe responded and reacted well within the context of the opportunities, challenges and service delivery demands presented by both the internal and external environments. My sincere appreciation to those dedicated board members, colleagues and key stakeholders who continue to add value and contribute to the overall improvement of effectiveness and efficiency in relation to corporate governance within the Agency.

DEVELOPING ownership



4. OWNERSHIP & BOARD OF DIRECTORS

The KDA is wholly owned by the Cacadu District Municipality and Kouga Municipality. Its establishment is supported by the Industrial Development Corporation (IDC), Cacadu District Municipality and Kouga Municipality. The Agency is governed by a Board of Directors, appointed in terms of section 93E of the Municipal Systems Act, 2000.

The Directors are responsible for the following:

- The provision of effective, transparent, and coherent corporate governance and effective oversight of the affairs of the Agency;
- Ensuring that there is compliance with applicable legislation and agreements;
- Communicating openly and promptly with the parent municipality of the Agency;
- Dealing with the parent municipality of the Agency in good faith.

The agency has six non-executive directors and the parent municipalities have decided to headhunt two more members in line with the Memorandum of Agreement entered into by the two parent municipalities.

Non Executive Director	Date of Appointment
Mncedisi Mayekiso	21 July 2005
Nceba Moss	21 July 2005
Nandipha Mshumi	15 August 2005
Mxolisi Sibam	15 August 2005
Sureshni Moodliar	04 April 2007
Benjamin Setipa	04 April 2007

The Cacadu District Municipality and Kouga Municipality have effective control² over the KDA. They are responsible for:

- Ensuring that annual performance objectives and indicators for the Agency are established by agreement and included in the Agency's multi-year business plan

in accordance with section 87 (5) (d) of the Municipal Finance Management Act, 2003; and

- Monitoring and annually reviewing the Agency's budget against the agreed performance objectives and indicators.

During this financial year, the Cacadu District Municipality supported the KDA with an annual budget allocation of R500 000, while R700 000 was received from Kouga Municipality to complement the funding received from the IDC.

The other party to the agency is the Eastern Cape Government. Although the province does not have any ownership of the Agency, the provincial government departments have provided land to the agency to facilitate and manage development thereof. They are key participants in the Agency as the bulk of land will not be transferred to the Agency but will remain under the ownership of the provincial government until final transfer to the purchaser, concessionaire or lessee.



² Effective control is the power by which the Parent Municipality(ies) may have to appoint or remove at least the majority of the board of directors; and to control at least the majority of the board of directors.

DEVELOPING commitment



5. PERFORMANCE HIGHLIGHTS

Key Performance Area	KPI	Annual Target	Proof	Budget R000s	Actual R000s
Build institutional capacity	Financial Manager Appointed October 2007	1 staff	Contracts of employment signed		
Project Development	EOI process completed and Evaluation of proposals for RFP process completed.			R190	R181,850
	Very positive media coverage & improved profile of the agency - including CNBCSA coverage	100%	Marketing & communication plan report	440	R175,507
	GAMKAB SDF completed and approved by council	Council resolution	Council resolution for SDF approval	40	In house
Operational Performance	Strategic Plan completed with consultation of all key stakeholders & approved by board.	Approved strategic plan	Approved strategic plan	250	R51,184
	Annual Workplan developed with regular updates reported to the board	Annual work plan	Workplan report	In house	In house
	Developed and implemented a performance management system	Performance plans, evaluation reports	Performance evaluation reports	In house	In house
Agency Financial viability and management	Financial Management Systems in place. Monthly reports and AFS drawn from system. No breakdowns experienced	100%	Installed Pastel, Accounting policies and procedures	In house	In house
	Annual Budget prepared and approved - also adjustment of current year budget	Approved budget	Budget	In house	In house
	Clean internal audit with immaterial matters that were subsequently ratified	Internal audit report from independent audit firm	Internal audit report	PWC	R53,288
	Budgetary control of operating income & expenditure with variance not exceeding 100%	Within 10%	Annual financial statements	In house	In house
A legally compliant Agency	Annual Financial Statements approved by board and submitted to parent municipalities	Delivery by 30 August	Annual financial statements	In house	In house
	Approved statements submitted to AG by 30th August to facilitate audit	Delivery by 30 August	Proof of submission	In house	In house
	Financial obligations required by MFMA adhered to in accordance with National Treasury implementation priorities	100%	MFMA NT checklist completed	In house	In house
An appropriately managed agency	Receipt of Unqualified Audit Report	Unqualified Audit	AG Report	In house	In house
	Number of planned board meetings	6 Meetings	Board meeting minutes x 4 & 3 Special Board Meetings	In house	In house
	% of board packs delivered 7 days prior to the meeting	100%	Database of delivery dates	In house	In house
Preparation for second tranche Year 1 Operation Phase Grant	Implementation of board resolutions	100%	Board meeting minutes	In house	In house
	Financial audit by ADS at IDC	Clean audit report	IDC Audit report	In house	In house
	Milestone Audit by IDC	Approved application	Supporting documents	In house	In house

MASTER PLAN

The Master Plan, completed in April 2007, is the blue print that guides the development to be undertaken on the KDA Mandate Area.

The Master Plan was adopted by the KDA Board of Directors. The Kouga Municipality approved and adopted the Master Plan during February 2008. The appointment of the developer and the development of the Master Plan and the actual implementation thereof will form the core of our activities for the next two years. Activities to be undertaken include the development and implementation of a conservation and heritage management plan. The Master Plan outlines various strategic options for the implementation of such a plan.

The Agency will also focus on infrastructure installation to the core Mandate Area, which may include a contribution to the upgrade of existing infrastructure in the Kouga area. The Master Plan gives a detailed guide plan on infrastructure of the projects identified in the Master Plan.

EXPRESSION OF INTEREST (EOI) AND REQUEST FOR DEVELOPMENT PROPOSALS (RFP)

Investment attraction and business development will be one of the core focus points for the operational phase. An expression of interest invitation was issued via local and national publications for prospective investors to demonstrate their capability to undertake a project of this nature. This process was well received and led to many inquiries that were responded to by the CEO and the Manager: Planning and Development. The final date for submission was stated as 30 January 2008. Eight (8) submissions were received. The final sitting of the evaluation committee on the EOI process was on February 2008. The committee recommended that 3 respondents be short listed for the RFP stage of the process. This recommendation was also accepted by the Adjudication Committee.

The terms of reference for the RFP have been issued to the recommended 3 short listed respondents and the closing date for submissions was 23 May 2008. The

Request for Proposals was drafted by the CEO, together with Boqwana Loon and Connellan, acting as a Bid Specifications Committee.

The evaluation and adjudication process is ongoing and the appointment of the successful respondent is expected to be completed within the 2008/2009 financial year.

GAMKAB SPATIAL DEVELOPMENT PLAN (SDF)

The KDA assisted the Kouga Municipality with the compiling of the Gamkab SDF. The Gamkab SDF was approved and adopted by the Kouga Municipality during October 2007. The Kouga Council resolution as well as the Gamkab SDF was submitted to the Department Economic of Development and Environmental Affairs (DEDEA) as well as other interested and affected parties.

One of the recommendations contained within the Gamkab SDF was the establishment of a Gamkab Conservancy.



GAMKAB CONSERVANCY

Various meetings and discussions with stakeholders on the establishment of a conservancy for the Gamkab area took place. The initiative was supported by DEDEA as well as Kouga Municipality and all the major landowners within the Gamkab area.

KDA prepared a draft constitution for the Gamkab Conservancy and forward that to DEDEA, Kouga Municipality and all stakeholders for input and comment. The establishment meeting with all role players to establish the Conservancy will take place in the next financial year.

The KDA's secondary priority is the broadening of the mandate for the Agency. Currently the Agency's mandate is to focus on the 683HA of land. This limits the impact the Agency is able to contribute as per the IDP priorities of Kouga Municipality. The Agency will have developed systems and capability to manage projects where a public asset is leveraged to encourage private and public sector investment into an underdeveloped location. As a means to maximise the return of investment made, it is imperative that the principals are encouraged to broaden the mandate of the agency.

The Agency will work with the Parent Municipalities in identifying other prime resources where similar development principles can be applied. The strategy would be to undertake a land audit for the whole Kouga area whereby prime development sites are identified. Proposals would then be developed around these for consideration and final approval. This approach will also ensure medium to long term sustainability of the Agency.

The Agency has an overall responsibility to manage the development and maintenance of the Mandate Area and, although it may enter into private arrangements in this regard with some private investors, the ultimate responsibility for the development shall be part of the KDA's core functions.

All applications for land use rights and environmental authorisations shall be submitted by and under the direction of the KDA. In respect of any performance indicators, the KDA shall be held accountable for the activities of the developers awarded developmental rights. The KDA shall prepare a Conservation and Land Use Management Plan for the Mandate Area to stipulate the ways in which the area will be developed and maintained. The KDA shall undertake detailed studies on appropriate Legal Arrangements with potential investors and developers.

The KDA is as such responsible for project managing the development of the Mandate Area and ensuring long term sustainability through developing guidelines and enforcing adherence through legal contracts.

FINANCE AND ADMINISTRATION INFORMATION MANAGEMENT SYSTEM

With the exception of the Receptionist (who utilizes the workstation) Agency staff is all equipped with notebooks which are all linked to a central server via a wireless network system. The server provides for email and internet access to all staff and will also serve as a storage facility.

FINANCIAL MANAGEMENT SYSTEM

The Agency still utilizes Pastel Accounting and Payroll which is the preferred accounting software of its main sponsor, the Industrial Development Corporation. Since the official appointment of the Financial Manager in October 2007, Vosloo Business Consultants have handed over to him all the monthly financial and reporting of the Agency. The Payroll function is still administered by the Office Manager.

HR MANAGEMENT & ADMINISTRATION SYSTEM

The management of HR processes and procedures system rests with the finance and administration department, with the CEO playing an oversight role to ensure compliance. All employee records and documents are stored in a secure enclosure. Recruitment files are stored for a period of at least six months after the appointment date.

OPERATING POLICIES AND PROCEDURES

SUPPLY CHAIN MANAGEMENT POLICY

A supply chain management policy utilized during year under review was developed and approved by the board during the 2006/2007 financial year. All functions relating to the procurement of goods are aligned to this policy.

HR MANAGEMENT POLICIES AND CONTRACTS

The following policies are in place:

1. Induction Policy
2. Travel and Subsistence Policy
3. Cellular Policy
4. Leave Policy
5. Private Work Policy
6. Recruitment & Selection Policy

FINANCIAL MANAGEMENT PROCEDURES

The Financial Manager developed an Accounting Policy which addresses the following financial issues:

1. Reconciliation of payroll accounts
2. Basis for presentation of financial statements
3. End of year financial procedures
4. Budget process
5. Accounts payable
6. Expenditure Guidelines and Payment Processes
7. Financial Delegations
8. KDA Bank Account Signatories

MARKETING AND COMMUNICATIONS

Boomtown Strategic Brand Agency was selected and appointed through a public tender / bidding process to develop a Strategic Marketing and Communications plan for the Agency addressing the following:

- Increasing awareness of the Agency, its role and its projects

- Establishing the Agency as a brand in tourism
- Creating investor awareness and increase investment in the area
- Building on current level of exposure and branding

Various communication methods have been used for the Agency's key stakeholders, including the:

BOARD OF DIRECTORS

The Board of Directors met four times during the year under review for normal board meetings, while three special board meetings were held. The meetings were used to report on operations of the agency.

IDC

Monthly operation reports have been submitted to IDC and the Parent Municipalities. These reports give an executive summary that outlines progress on key strategic programmes and summarizes operations during the reporting month. It also covers progress made on the milestones for that particular phase as per the IDC guidelines. A financial report is also included with a reconciliation of actual expenditure against budget.

PARENT MUNICIPALITIES

Monthly reports were submitted to each Parent Municipality as per Section 87 of the MFMA, which stipulates that the Agency will by no later than seven working days after the end of each month submit to the municipal managers of Parent Municipalities a statement in the prescribed format on the state of the Agency's budget reflecting actual expenditure against budget and an explanation of material variances.

STAFF

Diary meetings and operations reporting meetings are held with all Agency personnel. The diary meetings are a platform to inform staff of plans for the commencing week, while the monthly operations meetings are used to track progress on work plans and KPI's for each individual. Both meetings also act as information and communication sessions for all staff.

All growth depends upon activity. There is no development physically or intellectually without effort, and effort means work. - Calvin Coolidge



DEVELOPING leadership



6. CORPORATE GOVERNANCE

BOARD OF DIRECTORS

A Board of Directors was inaugurated in August 2005 to provide a high level of Corporate Governance, to oversee the main aims and objectives of the Agency in terms of the establishment of a memorandum of agreement entered into between the Parent Municipalities.

The Board is comprised of six independent members and four council elected observers and is constituted as follows:

BOARD MEMBERS

- a. Mr. Mncedisi Mayekiso – Chairperson
- b. Mr. Nceba Moss – Deputy Chairperson
- c. Ms. Nandipha Mshumi
- e. Mr. Mxolisi Sibam
- f. Mr. Tsepang Setipa
- g. Ms. Sureshni Moodliar

OBSERVERS

- h. Clr. Stuurman - Portfolio Councillor, Kouga Local Municipality
- i. Clr. Faxi - Portfolio Councillor, Cacadu District Municipality
- j. Mr. Ted Pillay – Municipal Manager, Cacadu District Municipality
- k. Dr. Rankwana – Municipal Manager, Kouga Local Municipality

BOARD COMMITTEES

The Board has two committees to give strategic direction, ensure proper policies and procedures are in place, review performance of the agency and its staff and maintain financial integrity of the KDA:

FINANCE & AUDIT COMMITTEE

The main function of this committee is to monitor that the Agency's strategy and operations contributes to the overall mission and vision of the KDA. The committee also ensures compliance with all internal/external controls and all other regulations governing such entities. The members of this committee are Mr Mxolisi Sibam (Committee Head) and Ms Sureshni Moodliar.

HR, PROCUREMENT & BEE COMMITTEE

The role of this committee is to oversee the recruitment of CEO and senior management members of the Agency; monitor remuneration and reward to Agency staff; development of HR policies and procedures as well as to ensure BEE procurement in tandem with the Finance Committee. Members of this committee are Mr Nceba Moss (Committee Head), Mr Tsepang Setipa and Ms Nandipha Mshumi.

BOARD CHARTER

The Board of Directors is guided by a Board charter which was developed and adopted in the 2006/2007 financial year. The Board Charter defines the governance parameters within which the Board exists, sets out specific responsibilities to be discharged by the Board and directors collectively. It also defines roles and responsibilities incumbent upon directors as individuals.

OPERATION PROCEDURES AND DELEGATION OF POWERS

The Service Level Agreement entered into between the Parent Municipalities and the KDA stipulates operating procedures and delegations to the Board of Directors as follows:

- That the Board manages the business of the KDA in terms of the requirements of the Local Government: Municipal Systems Act 32 of 2000 and any subsequent changes thereto as may be enacted from time to time.
- That the Board manages the business of the KDA in terms of the requirements of the Local Government: Municipal Systems Act 32 of 2000 and any subsequent changes thereto as may be enacted from time to time.
- That the Board manages the finances of the KDA in terms of the requirements of Parts 2 to 6 of chapter 10 of the Local Government Municipal Management Act 56 of 2003 and any subsequent changes thereto as may be enacted from time to time.
- That the Board meets no less than six (6) times per financial year to consider and recommend direction to the KDA management, Cacadu and Kouga Municipalities.
- That the Board, by general consensus, appoints representatives, from existing Board members, to serve on identified sub committees, as may be deemed necessary from time to time.

DEVELOPING relationships

7. HUMAN RESOURCE AND OTHER ORGANISATIONAL MANAGEMENT

The KDA is managed by a Chief Executive Officer (CEO), who is appointed in terms of section 93J of the Municipal Systems Act, 2000. The CEO is accountable to the Board of Directors for the management of the Agency, and is supported by the following key functionary incumbents to perform the Agency's mandate:

- Financial Manager
- Planning and Development Manager
- Executive assistant / Office Manager
- Corporate Affairs – Legal services outsourced
- Marketing and Communications – outsourced

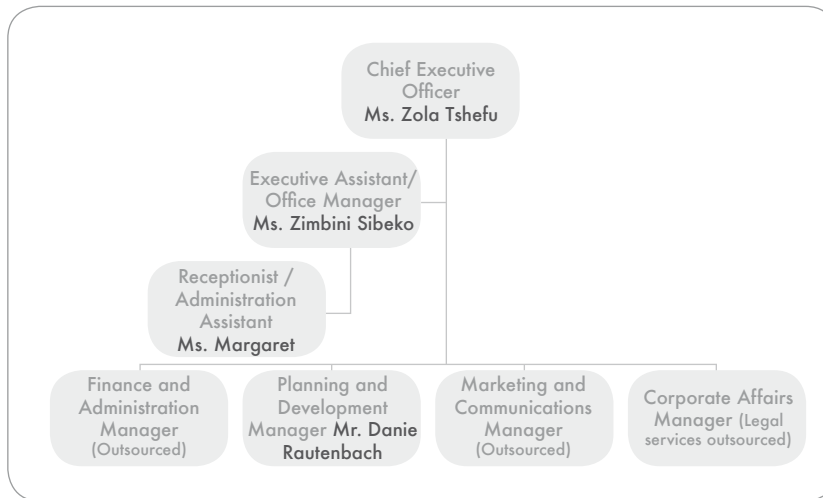
It is envisaged that the Agency should operate with a lean, yet effective team. The team is currently comprised of a minimum of 5 fulltime positions, including a receptionist. To minimize fixed costs whilst ensuring quality delivery on the mandate there are three senior management positions, being the CEO, Financial Manager and Planning & Development Manager. The role of marketing and communications is currently outsourced to external consultants as well the corporate and legal services which are outsourced to a legal firm.

The role of Executive Assistant to the CEO has been structured to include operations coordination and administration. The receptionist also performs general administration duties. We endeavour to appoint the best available skilled people to fill these positions whilst taking into consideration equity requirements.

EMPLOYER / EMPLOYEE RELATIONS

The KDA and its staff generally continued with their spirit of mutual respect and co-operation during the period under review.

ORGANISATION STRUCTURE



HR POLICES

The following HR policies have been implemented:

- Performance Management Systems
- Subsistence and Traveling Allowance
- Attendance and Punctuality
- Recruitment and selection
- Private work
- Leave
- Induction
- Cellular Phone

EMPLOYMENT EQUITY

Equity representation of KDA is as follows:

- Two black females
- 1 coloured female
- one coloured male and
- one white male.

Of the five KDA staff members two were recruited from the Kouga area.







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DEVELOPING prosperity



8. AUDITED FINANCIAL STATEMENTS

INTRODUCTION

It is indeed a pleasure to report on the financial results of the Agency for the third year of its existence. This year marked increase in momentum to realize the primary objective of the Agency; i.e. the development of the government land in the Kouga municipal area.

The agency reached the staff complement with the appointment of the Finance Manager. This move went a long way to consolidate the financial management and the general balance of the organization. The year however ended on a sad note with the departure of the Chief Executive Officer.

The land availability agreements were secured when the Eastern Cape cabinet resolved that the agreement dealing with Department of housing, Local Government & traditional Affairs property can be signed and the Department of Economic Development and Environment Affairs property should be dealt with in a separate manner. It is envisaged that a workable solution will soon be found in order to conclude the legal arrangements.

The funders of the Agency remain the parent municipalities (Cacadu District Municipality and Kouga Local Municipality) and the Industrial Development Corporation. Year one of the Operational Phase was concluded in May 2008 and the Agency applied for the second tranche in April 2008.

The agency remains committed to the objective of expanding its mandate and generate sustainable economic and tourism growth in the Kouga area.

SIGNIFICANT EVENTS DURING THE YEAR

The internal audit function was outsourced and the first reports were received in May and June 2008. This expanded the Agency's ability to detect and manage risk, review the organizational policies and procedures, as well as complying with legislation.

Although the Agency had a performance management system in place, the need for a compliant policy saw a major realignment of the system. The new system will be introduced in the new financial year.

The appointment of a developer for the 683ha prime coastal land in Jeffreys Bay took another step forward with Expression of Interest and Request for Proposals being issued. The last process ended in May 2008 and will be finalized early in the new financial year.

STRATEGIC FOCUS

In order to ensure the long term financial viability and sustainability of the Agency, the Board and Management, together with the funders embarked upon a strategic planning workshop in November 2007.

The workshop developed and expounded on the following goals:

- Contribute to economic growth in Kouga
- Ensure viability and sustainability of the agency
- Be responsive to stakeholders
- Identity and leverage private and public assets
- Ensure that the Agency becomes a learning and sharing organization

CURRENT YEAR PERFORMANCE

The Agency managed to increase its revenue from R3 047 982 to R3 918 454 (2006: R683 877), mainly due to the parent municipalities' contributions, income from tender fees and interest received.

In spite of a noticeable increase in marketing and advertising cost, expenditure decreased from R3 209 534 to R3 131 047 in 2007/08.

The net surplus of R958 742 realised in 2007/08 presented the institution with a retained surplus for the first time since its inception.

The sources of revenue are as follow:

- | | |
|--------------------------------------|------------|
| • Industrial Development Corporation | R2 718 454 |
| • Parent municipalities | R1 200 000 |
| • Other | R 171 335 |

CONCLUSION

My sincere appreciation goes to the members of the Board, colleagues and key stakeholders whose clarity of vision and dedication contributed the overall improvement of the organization.

APPROVAL

The accounting Officer has approved the annual financial statements set out on pages 3 – 14

Yours truly,
K.R Manzi
Chief Executive Officer & Accounting Officer

SIGNED:



DATE: 27 August 2008

STATEMENT OF FINANCIAL POSITION

at 30 June 2008

	Notes	2007 R	2006 R
NET ASSETS AND LIABILITIES			
Net Assets		369,777	(173,882)
Retained Surplus / (Accumulated Loss)		369,777	(173,882)
LIABILITIES			
Current liabilities		473,688	921,145
Unutilised Conditional Grants and Receipts	2	48,016	48,016
Trade and other payables	3	241,754	658,459
Provisions	4	110,521	162,900
Employee Benefits	5	73,397	47,875
Loan from Cacadu District Municipality	6	-	3,895
TOTAL NET ASSETS AND LIABILITIES		843,456	747,262
ASSETS			
Non-current assets		159,788	200,323
Property, plant and equipment	7	153,265	192,759
Intangible Assets	8	6,523	7,564
Current assets		683,677	546,939
Cash and cash equivalents	9	282,750	333,977
Receivables and prepayments	10	400,927	212,962
TOTAL ASSETS		843,465	747,262

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2008

	Notes	Actual 2008	Actual 2007	Budget 2008	Budget 2007
		R	R	R	R
REVENUE	11	3,529,033	3,047,982	3,418,454	3,129,173
Conditional Grants and Receipts		2,411,437	2,495,350	2,718,454	3,129,173
Unconditional Grants and Receipts		1,117,596	500,000	700,000	-
Donations received		-	52,632	-	-
OTHER INCOME		166,403	66,341	25,000	
Interest Received		84,298	64,236	-	-
Other Income	12	82,105	2,105	25,000	-
TOTAL REVENUE		3,695,436	3,114,323	3,443,454	3,129,173
EXPENDITURE		(3,151,776)	(3,264,740)	(3,443,454)	(2,833,970)
Accounting and Audit Fee		(97,992)	(11,520)	(76,117)	(11,668)
Advertising		(194,580)	(26,288)	(509,067)	(17,500)
Amortisation		(4,740)	(3,726)	-	-
Bank Charges		(4,268)	(3,025)	(28,591)	(3,000)
Cleaning		(5,867)	(4,931)	(8,400)	(3,000)
Computer expenses		(5,653)	-	(82,577)	-
Consulting Fees		(112,068)	(68,581)	(116,815)	-
Copier expenses		-	(1,230)	-	(9,900)
Courier and Postage		(687)	(1,279)	(3,262)	(2,000)
Depreciation		(66,036)	(56,433)	(41,298)	-
Directors Fees		(94,203)	(106,224)	(97,000)	(91,000)
Electrical Equipment		-	(5,423)	(28,000)	-
Electricity and Water		(5,612)	(9,463)	(7,829)	(5,900)
Employee Related Costs	13	(1,858,531)	(1,247,079)	(1,257,643)	(955,453)
Entertainment		(2,524)	(1,527)	(17,137)	(1,500)
Fines and Penalties		(4,751)	-	-	-
Insurance		(8,543)	(7,855)	(4,897)	(11,200)
Interest Paid		-	(1,000)	-	(1,000)
Launch Costs: Artists		-	(57,767)	-	-
Legal Fees		(89,416)	(36,599)	(299,711)	(70,000)
Marketing		(175,508)	(40,030)	(459,170)	(122)
Master Plan Development Costs		-	(1,150,208)	-	(1,200,000)
Meetings - Seminars		-	(1,547)	-	-
Printing and Stationery		(24,331)	(12,719)	(6,524)	(5,800)
Refreshments		(2,171)	(1,760)	(2,610)	(400)
Relocation Costs		(7,968)	(13,973)	(11,798)	(27,000)
Rent Paid		(129,487)	(129,488)	(87,013)	(90,550)
Repairs and Maintenance		(7,748)	(7,909)	(2,167)	(1,800)
Security		(1,703)	(1,623)	(979)	(1,350)
Staff Training		(9,220)	(21,511)	(32,621)	(35,000)
Staff Welfare		-	(128)	-	(1,200)
Subscriptions		(1,446)	(1,853)	(1,276)	(2,000)
Subsistence		-	(231)	-	-
Sundries		(533)	-	-	(33,437)
Telephone and Fax		(55,399)	(51,532)	(21,672)	(39,100)
Travel and Accommodation		(157,874)	(158,162)	(182,185)	(171,090)
Workshop Expenses		(22,916)	(22,116)	(57,095)	(42,000)
NET SURPLUS / (DEFICIT) FOR THE YEAR		543,660	(150,417)	-	295,203

STATEMENT OF CHANGES IN NET ASSETS

at 30 June 2008

	Notes	Retained Surplus (Accumulated Loss)	Total Net Assets
		R	R
Balance at 30 June 2006		(23,466)	(23,466)
Net surplus / (loss) for the year		(150,417)	(150,417)
Correction of prior year errors	14	(50,581)	(50,581)
Net surplus / (loss) for the year as previously reported		(99,836)	(99,836)
Restated Balance at 30 June 2007		(173,883)	(173,883)
Net surplus / (loss) for the year		(543,660)	(543,660)
Balance at 30 June 2008		(369,777)	(369,777)

CASH FLOW STATEMENT

for the year ended 30 June 2008

	Notes	2008 R	2007 R
Cash flow from operating activities			
Cash generated from / (utilised in) operations	15	(172,165)	414,858
Depreciation and amortisation		70,776	60,158
Interest paid		-	(1,000)
Interest received		84,298	64,236
Net cash flow used in operating activities		(17,091)	538,252
Cash flow from investing activities			
Purchase of property, plant and equipment		(26,542)	(103,913)
Purchase of intangible assets		(3,699)	(6,133)
Net cash flow used in investing activities		(30,241)	(110,046)
Cash flow from financing activities			
Loan from Cacadu District Municipality		(3,895)	(710,017)
Increase / (Decrease) in unspent conditional grants		-	48,016
Net cash flow used in financing activities		(3,895)	(662,001)
Net increase/(decrease) in cash and cash equivalents		(51,227)	(233,795)
Cash and cash equivalents at beginning of period		333,977	567,772
Cash and cash equivalents at end of period	9	282,750	333,977

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2008

1. ACCOUNTING POLICIES

1.1 BASIS FOR PRESENTATION

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005

The standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 9	Revenue
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Asset

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

IAS 24 / AC 126	Related party disclosures
IAS 17 / AC 105	Leases
AS 32 / AC 125	Financial Instruments: Disclosure
IAS 39 / AC 133	Financial Instruments: Recognition and Measurement
IAS 36 / AC 128	Impairment of Assets
IAS 38 / AC 128	Intangible Assets
IAS 10 / AC 107	Events after balance sheet date

1.2 CHANGE IN ACCOUNTING POLICY AND PRIOR YEAR ERRORS

When recognising changes in accounting policies and correcting prior year errors, the Agency adopts the guidelines as set out in the statement for accounting policies, changes in estimates and errors (GRAP 3).

1.3 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

1.4 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.5 COMPARATIVE INFORMATION

Current year comparatives:

Budgeted amounts have been included in the annual financial statements.

Prior year comparatives:

When the presentation or classification of items in the annual financial statements is amended, prior period comparatives amounts are reclassified. The nature and reason for the reclassification is disclosed.

1.6 UNUTILISED GRANTS AND RECEIPTS

Unutilised grants are reflected on the Statement of Financial Position as a current liability as Unspent Conditional Grants and Receipts. They represent unspent conditional grants and public sector donations. The cash received is invested until utilised. Interest earned on investments is treated in accordance with grants and donations conditions. (Refer Note 2)

1.9 EMPLOYEE BENEFITS

The liability recognised in the balance sheet for employee benefits represents leave pay accrued to employees which is reflected at the cost. The cost of all short term employee benefits is recognised during the period in which the employee renders the related service.

1.10 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost, less accumulated depreciation. Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual deoreciation rates are based on the following estimated asset lives: -

Asset	Years
Computer Equipment	3
Computer Software	3
Office Equipment	6
Furniture & Fittings	6
Kitchenware	6

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Financial Performance during the financial period in which they are incurred.

The asset's residual value and useful lives are reviewed for impairment, and adjusted if appropriate, at each balance sheet date.

1.11 INTANGIBLE ASSETS

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their useful lives. (3 years).

Subsequently the computer software is recognised at cost less accumulated amortisation less impairment.

The asset's residual value and useful lives are reviewed for impairment, and adjusted if appropriate, at each balance sheet date.

1.12 CASH AND CASH EQUIVALENTS

Cash includes cash on hand and with banks. Cash equivalents are short-term, liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purpose of the Cash Flow Statement, cash and cash equivalents comprise of cash on hand and deposits held on call accounts with banks.

1.13 RECEIVABLES AND PREPAYMENTS

Accounts receivable are carried at anticipated realisable values. Amounts that are receivable within 12 months from the reporting date are classified as current.

1.14 FINANCIAL INSTRUMENTS

Initial recognition

The Agency classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement.

Financial assets and financial liabilities are recognised on the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1.15 PROVISIONS

Provisions are recognised when the Board has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the obligation.

1.16 LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Lease payments under an operating lease shall be recognised as an expense on a straight-line basis over the lease term.

1.16 VALUE ADDED TAX

The Agency accounts for Value Added Tax on the invoice basis.

1.17 REVENUE RECOGNITION

Revenue from public contributions is recognised when all conditions associated with the contribution have been met. Where the contributions have been received but the Agency has not met the conditions, a liability is recognised. Interest is recognised when it accrues to the company.

1.18 CONDITIONAL GRANTS AND DONATIONS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Agency has complied with any criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met and the grant has been received, a liability is recognised. A phase will not necessarily be associated with a specific year thus resulting in revenue recognised only to the extent that it has been utilised. Any interest received on the grants are recognised in the statement of financial performance in the year it has been received and do not form part of the conditional grant.

1.19 TAXATION

The agency is exempt from Income Taxation for the year under review.

1.20 RELATED PARTIES

The agency discloses all arm length transactions and the effects they have on the surplus or loss. This will include all transfers of resources, services or obligations between related parties, regardless of whether a price is charged. Related parties include all key management personnel and the parent municipalities.

1.21 EVENTS AFTER BALANCE SHEET DATE

If any material events occur between reporting date and the date that the financial statements are authorised for issue, those events will qualify for disclosure as non-adjusting events in accordance with the statement of GRAP on events after balance sheet date.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2008

	2008 R	2007 R
2. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
Industrial Development Corporation (IDC)		
Opening Balance	48,016	-
Movements for the year		
Grants Received		
- Establishment Phase	-	2,420,840
- Operational Phase 1	(2,411,437)	122,526
Less: Disbursements		
- Pre - Establishment Phase		
- Establishment Phase	-	(2,372,824)
- Operational Phase 1	2,411,437	(122,526)
	<u>48,016</u>	<u>48,016</u>

A Conditional Grant to the value of R 2 500 000 was awarded to the Agency by the Industrial Development Corporation shortly before 30 June 2008 (2007: R2 500 000) for the Operational Phase (Part 2). The grant was still unpaid by the Industrial Development Corporation at 30 June 2008 although disbursements were already incurred for the specific phase. The grant has been accounted for under Receivables and Prepayments to the extent that it has been expensed.

	2008 R	2007 R
3. TRADE AND OTHER PAYABLES		
Accrued lease payments	26,909	32,117
PAYE and UIF	-	45,796
SDL	27,678	10,671
Trade Creditors	69,081	569,875
Valued Added Tax	118,086	-
	<u>241,754</u>	<u>658,459</u>
4. PROVISIONS		
Provisions consist of employee bonuses		
Opening balance at beginning of the year	162,900	31,500
Movement	(52,379)	131,400
	<u>110,521</u>	<u>162,900</u>

5. EMPLOYEE BENEFITS

	2008 R	2007 R
Staff Leave	73,397	47,875
	<u>73,397</u>	<u>47,875</u>

6. LOAN FROM CACADU DISTRICT MUNICIPALITY

Non interest bearing loan with no terms of repayment	-	3,895
	<u>-</u>	<u>3,895</u>

7. PROPERTY, PLANT & EQUIPMENT

2008

Actual	Furniture and fittings	Computer equipment	Computer software	Kitchenware	Total
For the year-to-date	R	R	R	R	R
Opening net book amount	121,517	66,021	2,193	3,028	192,759
Additions	9,250	17,292	-	-	26,542
Depreciation charge	(25,362)	(38,924)	(1,148)	(602)	(66,036)
Closing net book amount	<u>105,405</u>	<u>44,389</u>	<u>1,045</u>	<u>2,426</u>	<u>153,265</u>

At 30 June 2008	Cost	Accumulated Depreciation	Book value
Furniture & fittings	154,068	(48,663)	105,405
Computer equipment	120,176	(75,787)	44,389
Computer software	3,436	(2,390)	1,045
Kitchenware	3,599	(1,173)	2,426
	<u>281,279</u>	<u>(128,014)</u>	<u>153,265</u>

2007

Actual	Furniture and fittings	Computer equipment	Computer software	Kitchenware	Total
For the year-to-date	R	R	R	R	R
Opening net book amount	76,693	65,248	3,338	-	145,279
Additions	66,554	33,760	-	3,599	103,913
Depreciation charge	(21,729)	(32,987)	(1,145)	(571)	(56,433)
Closing net book amount	<u>121,518</u>	<u>66,021</u>	<u>2,193</u>	<u>3,028</u>	<u>192,759</u>

At 30 June 2007	Cost	Accumulated Depreciation	Book value
Furniture & fittings	144,818	(23,301)	121,517
Computer equipment	102,884	(36,863)	66,021
Computer software	3,436	(1,242)	2,193
Office equipment	-	-	-
Kitchenware	3,599	(571)	3,028
	<u>254,737</u>	<u>(61,978)</u>	<u>192,759</u>

8. INTANGIBLE ASSETS

2008

Actual	Computer Software	Total
For the year-to-date	R	R
Opening net book amount	7,564	7,564
Additions	3,699	3,699
Depreciation charge	(4,740)	(4,740)
Closing net book amount	6,523	6,523

At 30 June 2008	Cost	Accumulated Depreciation	Book value
Computer equipment	15,346	(8,823)	6,523
	15,346	(8,823)	6,523

2007

Actual	Computer Software	Total
For the year-to-date	R	R
Opening net book amount	5,156	5,156
Additions	6,133	6,133
Depreciation charge	(3,725)	(3,725)
Closing net book amount	7,564	7,564

At 30 June 2007	Cost	Accumulated Depreciation	Book value
Computer software	11,647	(4,083)	7,564
	11,647	(4,083)	7,564

9. CASH AND CASH EQUIVALENTS

	2008 R	2007 R
<i>The Agency has the following bank accounts:</i>		
Current Account (Primary account) ABSA Bank, Ring Road Greenacres		
Cashbook balance at beginning of year	231,984	567,772
Cashbook balance at end of year	35,923	231,984
Bank statement balance at end of the year	35,923	231,984

Savings Account ABSA Bank, Ring Road Greenacres		
Cashbook balance	246,349	101,782
Bank statement balance	246,349	101,782

Which are disclosed in the Statement of Financial Position as follows:

Bank Balances and Cash		
Bank Balance	35,923	231,984
Savings account	246,349	101,782
Cash at hand	478	211
	282,750	333,977

10. RECEIVABLES AND PREPAYMENTS

Grant receivable from Industrial Development Corporation	388,718	139,680
Prepaid rental	11,834	10,758
Value added tax	-	58,149
PAYE receivable from Board members	375	4,375
	400,927	212,962

11. REVENUE

Cacadu District Municipality Grant	438,596	500,000
Kouga District Municipality	679,000	-
Industrial Development Corporation of South Africa		
- Establishment Phase	-	2,372,824
- Operational Phase	2,411,437	122,526
Donations received	-	52,632
	3,529,033	3,047,982

12. OTHER INCOME

Request for proposal receipts	82,105	2,105
	82,105	2,105

13. EMPLOYEE RELATED COSTS

	2008 R	2007 R
Employee related costs - Salaries and wages	1,700,726	1,067,109
Employee related costs - Performance Bonuses	108,908	131,400
Employee related costs - UIF	6,368	5,144
Employee related costs - SDL	17,007	10,671
Leave pay accrued	25,522	32,755
Employee related costs included in the Statement of Financial Performance	1,858,531	1,247,079

Remuneration of the Chief Executive Officer

Employee related costs - Salaries and wages (including backpay)	728,246	600,000
Employee related costs - Performance Bonuses	84,829	31,500
Employee related costs - UIF	1,473	1,400
Leave pay accrued	9,745	17,000
Employee related costs included in the Statement of Financial Performance	824,293	649,900
CEO telephone allowance included in telephone expenses	12,000	12,000
Total remuneration of Chief Executive Officer	836,293	661,900

Remuneration of the Land and Planning Manager

Employee related costs - Salaries and wages	390,000	212,714
Employee related costs - Performance Bonuses	7,680	-
Employee related costs - UIF	1,473	1,400
Leave pay accrued	28,819	7,848
Employee related costs included in the Statement of Financial Performance	427,972	221,962
CEO telephone allowance included in telephone expenses	7,200	12,000
Total remuneration of Chief Executive Officer	435,172	233,962

Remuneration of the Financial Manager

Employee related costs - Salaries and wages	285,000	-
Employee related costs - Performance Bonuses	4,233	-
Employee related costs - UIF	1,473	-
Leave pay accrued	15,365	-
Employee related costs included in the Statement of Financial Performance	306,071	-
Telephone allowance included in telephone expenses	7,200	-
Total remuneration of Chief Executive Officer	313,271	-

Remuneration of Non-Executive Directors

Fee for attending board meetings	94,203	106,224
Remuneration of non-executive directors included in the Statement of Financial Performance	94,203	106,224

Remuneration paid to Non-Executive Directors

	2008 R	2007 R
Board Fees		
Mr Mayekiso	5,250	6,500
Mr Sibam	5,625	7,000
Ms Moodliar	5,000	-
Ms Prinsloo	-	2,500
Ms Mshumi	4,500	6,500
Mr Moss	7,000	8,000
Mr Setipa	11,500	1,500
Travel and accommodation	55,328	74,224
	94,203	106,224

14. CORRECTION OF PRIOR YEAR ERRORS

During the year ended 30 June 2007, expenditure incurred to develop the Agency's website were erroneously capitalised as intangible assets. This amount has been reclassified as expenditure namely Marketing.

During the year ended 30 June 2007, the company also erroneously did not raise a liability for Skills Development Levy not paid to SARS. This resulted in an expense for Skills Development Levy being raised and increasing the Agency's accumulated loss.

The comparative amount has been restated in 2007 as follows:

	2007 R (restated)
Accumulated deficit as previously reported	(99,836)
Marketing expenses for website design	(39,910)
Skills Development Levy expense	(10,671)
Restated accumulated deficit	(150,417)

The implication of the correction of the abovementioned errors on the statement of financial position was the following:

Increase in current liabilities	10,671
Decrease in intangible assets	(39,910)

15. CASH GENERATED FROM / (UTILISED IN) OPERATIONS

	2008 R	2007 R
Net surplus / (loss) for the year	543,660	(99,836)
Interest paid	-	1,000
Interest received	(84,298)	(64,236)
Operating profit before working capital changes:	459,362	(163,072)
- Receivables and prepayments	(187,965)	(212,962)
- Trade and other payables	(443,562)	790,892
Cash generated from / (utilised in) operations	(172,165)	414,858

16. OPERATING LEASES

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

Lease of office building		
No Later than 1 year	59,169	136,627
Later than 1 year and no later than 5 years	-	59,169
	<u>59,169</u>	<u>195,796</u>
Lease of telephone system		
No later than 1 year	10,026	9,114
Later than 1 year and no later than 5 years	38,762	46,529
Later than 5 years	-	2,258
	<u>48,788</u>	<u>55,643</u>

TERMS OF THE OPERATING LEASES

LEASE OF OFFICE BUILDING

The lease period commenced on 1 December 2005 and shall be for a period of three years with the option of the tenant to renew the lease. The rental shall escalate at a rate of 10% per annum.

LEASE OF TELEPHONE SYSTEM

The lease period commenced on 1 September 2006 and shall be for a period of six years with the option of the tenant to renew the lease. The rental shall escalate at a rate of 10% per annum.

17. ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT

17.1 AUDIT FEES

	2008 R	2007 R
Opening balance	-	-
Current year audit fee	67,744	-
Amount paid - previous year	(91,116)	(11,520)
Amount paid - current year	-	-
Underprovision previous year	91,116	11,520
Balance unpaid (included in creditors)	<u>67,744</u>	<u>-</u>

17.2 PAYE AND UIF

Opening Balance	41,421	-
Current year payroll deductions	459,054	287,989
Amount paid - current year	(500,475)	(246,568)
Amount paid - previous year	-	-
Balance unpaid (included in creditors)	<u>-</u>	<u>41,421</u>

17.3 VALUE ADDED TAX

VAT payable at year end has been shown in note 3. As at 30 June 2008 all VAT returns have been brought up to date and submitted to SARS.

18. POST BALANCE SHEET EVENTS

No material events occurred in the post balance sheet period

19. CONTINGENT LIABILITIES

We are not aware of any pending or threatened litigation, proceedings, hearings, claims or negotiations which may result in significant loss to the Development Agency.

20. RELATED PARTIES

Relations

Parent Municipalities

Cacadu District Municipality and Kouga District Municipality

Funder

Industrial Development Corporation

	2008 R	2007 R
Transactions with related parties		
<i>Statement of Financial performance</i>		
- Grant received from Industrial Development Corporation	2,411,437	2,495,350
- Grant received from Cacadu District Municipality	500,000	500,000
- Grant received from Kouga Municipality	700,000	-
	<u>3,611,437</u>	<u>2,995,350</u>
<i>Statement of Net Assets</i>		
- Loan from Cacadu District Municipality	-	3,895
		<u>3,895</u>
Key management personnel		
<i>Chief executive officer and Land and Planning Manager and Financial Manager</i>		
- Salary	1,403,246	812,174
- Telephone allowances	26,400	24,000
- Performance Bonus	166,482	44,820
	<u>1,596,128</u>	<u>880,994</u>

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

The Agency incurred interest on late payment of PAYE to the amount of R4 751 (2007: nil) and had petty cash theft of R532,66 (2007:nil). None of the wasteful expenses was due to an error or fraud by the Agency or the Agency's staff.

All resources were obtained and used in accordance with a legally adopted budget.

DEVELOPING innovation



9. REPORT BY AUDITOR GENERAL

The Accounting Authority
Kouga Development Agency
PO Box 3465
Jeffrey's Bay
6330

30 November 2008.
Reference: 60711REG07/08

Dear Sir

Report of the Auditor-General on the financial statements and performance information of Kouga Development Agency for the year ended 30 June 2008.

The above-mentioned report of the Auditor-General is submitted herewith in terms of section 21(1) of the Public Audit Act, 2004 (Act No. 25 of 2004) read in conjunction with section 188 of the Constitution of the Republic of South Africa, 1996 and section 121(3) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA).

Your attention is drawn to sections 121(4) and 127(1) of the MFMA with regard to the inclusion of this audit report in the annual report of your entity and the submission of said annual report to the municipal manager of the parent municipality.

Until tabled in council by the mayor of the parent municipality as required by section 127(2) of the MFMA, the audit report is not a public document and should therefore be treated as confidential.

As your municipal entity will be responsible for publishing the attached audit report as part of the annual report, you are required to do the following:

- Submit the final printer's proof of the annual report (which includes the audit report) to the relevant audit manager of the Auditor-General for verification of

the audit-related references before it is printed or copied. Special care should be taken with the page references in your report, since an incorrect reference could have audit implications.

- The signature Auditor-General in the handwriting of the auditor authorised to sign the audit report at the end of the hard copy of the audit report should be scanned in when preparing to print the report. This signature, as well as the place and date of signing and the Auditor-General's logo, should appear at the end of the report, as in the hard copy that is provided to you. The official logo will be made available to you in electronic format.

Please notify the undersigned Senior Manager well in advance of the date on which the audit report, or the annual report containing this audit report, will be tabled at the municipality.

Your cooperation to ensure that all these requirements are met would be much appreciated.

Kindly acknowledge receipt of this letter.

Yours sincerely
Signed

Auditor - General

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Senior Manager: EL O7

Enquiries: Natasha Lee
Telephone: (041) 367 2823
Fax: (041) 367 4465
Email: NatashaL@agsa.co.za



REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF KOUGA DEVELOPMENT AGENCY FOR THE YEAR ENDED 30 JUNE 2008

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Kouga Development Agency which comprise the statement of financial position as at 30 June 2008, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 26 to 37.

Responsibility of the accounting authority for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1.1 to the financial statements and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA). This responsibility includes:

- designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 186 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.

4. I conducted my audit in accordance with the International Standards on Auditing and General Notice 615 of 2008, issued in Government Gazette No. 31057 of 15 May 2008. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.

5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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.

6. An audit also includes evaluating the:

- appropriateness of accounting policies used
- reasonableness of accounting estimates made by management
- overall presentation of the financial statements.

7. Paragraph 11 et seq. of the Statement of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the Kouga Development Agency in this respect will be limited to reporting on non-compliance with this disclosure requirement.

8. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis of accounting

9. The municipal entity's policy is to prepare financial statements on the basis of accounting, determined by the National Treasury, as set out in accounting policy note 1.1 to the financial statements.

Opinion

10. In my opinion the financial statements present fairly, in all material respects, the financial position of the Kouga Development Agency as at 30 June 2008 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1.1 to the financial statements and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA).

Emphasis of matter

Without qualifying my audit opinion, I draw attention to the following matter:

Highlighting critically important matters presented or disclosed in the financial statements

Restatement of corresponding figures

11. As disclosed in note 14 to the financial statements, the corresponding figures for 30 June 2007 have been restated as a result of errors discovered during the 30 June 2008 financial year in the financial statements of the Kouga Development Agency III, and for the year ended, 30 June 2007.

OTHER MATTERS

Without qualifying my audit opinion, I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Non-compliance with applicable legislation

12. **Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA)**
- 12.1 The internal audit unit was not in place for the whole financial year as required by section 15(1) and (2) of the MFMA.
 - 12.2 The entity did not have an audit committee as required by section 16(1) of the MFMA.
13. **Skills Development Levies Act, 1998 (Act No. 9 of 1998) (SDLA)**
- The entity has not registered with the South African Revenue Service (SARS) for skills development as required by section 5(B) of the SDLA.

Matters of governance

14. The MFMA tasks the accounting authority with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which I have assessed as follows:

Matters of governance	Yes	No
Audit committee		
• The Kouga development agency had an audit committee in operation throughout the financial year.		•
• The audit committee operates in accordance with approved, written terms of reference.		•
• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 15(2) of the MFMA.		•
Internal audit		
• The municipal entity had an internal audit function in operation throughout the financial year.		•
• The internal audit function operates in terms of an approved internal audit plan.	•	
• The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 15(2) of the MFMA.		•
Other matters of governance		
• The annual financial statements were submitted for audit as per the legislated deadline section 12(1) of the MFMA.	•	
• The annual report was submitted to the auditor for consideration prior to the date of the auditor's report.		•
• The financial statements submitted for audit were not subject to any material amendments resulting from the audit.		•
• No significant difficulties were experienced during the audit concerning delays or the availability of essential information and/or the unavailability of senior management.	•	
• The prior year's external audit recommendations have been substantially implemented.		•

OTHER REPORTING RESPONSIBILITIES

REPORT ON PERFORMANCE INFORMATION

15. I have audited the performance information as set out on page 15.

Responsibility of the accounting authority for the performance information

16. In terms of section 121(4)(d) of the MFMA, the annual report of a municipal entity must include an assessment by the entity's accounting officer of the entity's performance against any measurable performance objectives set in terms of the service delivery agreement or other agreement between the entity and its parent municipality.

Responsibility of the Auditor-General

17. I conducted my engagement in accordance with section 13 of the PAA read with General Notice #16 of 2008, issued in Government Gazette No. 31657 of 15 May 2008 and section 45 of the MSA.

18. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

19. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

Audit findings (performance information)

Non-compliance with regulatory requirements

20. The internal auditor unit did not advise the accounting authority on matters relating to performance management as required by section 22(b)(v) of the MFMA.

APPRECIATION

21. The assistance rendered by the staff of the Kouga Development Agency during the audit is sincerely appreciated.

Auditor-General

Port Elizabeth
28 November 2008



AUDITOR-GENERAL

DEVELOPING accountability



10. RESPONSE TO AUDITOR GENERAL'S REPORT

IMPLEMENTATION PLAN

Audit matter raised	Response	Action to be taken	Person responsible	Timeframe(s)
<p>EMPHASIS OF MATTER</p> <p>11. The corresponding figures for 30 June 2007 have been restated as a result of errors discovered during the 30 June 2008 financial year in the financial statements of the Kouga Development Agency at, and for the year ended, 30 June 2007.</p>	<p>This was as a result of website design incorrectly allocated to fixed assets in 2007 and subsequently allocated to expenses.</p>	<p>All necessary action has been taken</p>	<p>NA</p>	<p>NA</p>
<p>NON-COMPLIANCE WITH APPLICABLE LEGISLATION</p> <p>12. Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA)</p> <p>12.2 The entity did not have an audit committee as required by section 166(1) of the MFMA</p> <p>13 Skills development Levies Act, 1999 (Act No. 9 of 1999) (SDLA) The entity has not registered with the South African Revenue Services (SARS) for skills development as required by section 5(6) of the SDLA</p>	<p>The scope of the internal audit was such that it covered the whole of the financial year up to the date of the audit.</p> <p>The difficulty of finding appropriate candidates to do justice to this function is not only experienced by the agency, but by all municipalities. The untiring attempts to recruit members for the audit committee are testimony to this fact. The arrangement with and assistance by the parent municipalities will see the committee come into existence before December 2008</p> <p>The Agency did take appropriate follow-up actions when, during the Industrial Development Corporation's audit this matter was raised. The agency immediately applied to SARS for registration. SARS erroneously registered the agency as a new entity, including PAYE and UIF, for which it was already registered. This led to a delay. In a follow-up with SARS, they confirmed that the registration for SDL will be effective in September 2008.</p>	<p>Internal Audit for the whole year under review has been undertaken.</p> <p>1 member have been appointed and 2 outstanding</p> <p>A confirmation in writing in this regard will be requested from SARS</p>	<p>Financial Manager working with PWC</p> <p>CEO and Office Manager</p> <p>Finance Manager</p>	<p>Completed</p> <p>November 2008</p> <p>December 2008</p>
<p>PERFORMANCE AUDIT</p> <p>20. The internal Auditor unit did not advise the accounting authority on matters relating to performance management as required by section (2)(b)(v) of the MFMA.</p>	<p>This comment is accepted.</p>	<p>To develop a framework policy and performance agreements and plans for managers and staff of KDA</p>	<p>Chief Executive Officer</p>	<p>September 2008</p>

11. COMPANY INFORMATION

REGISTERED OFFICE

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6300

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6300

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