

ASPIRE ANNUAL REPORT

2014-2015

Volume I

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Volume II - Annual Financial Statements

CHAPTER 1. MAYOR'S FOREWORD AND EXECUTIVE SUMMARY.

COMPONENT A - MAYOR'S FOREWORD AND CHAIRPERSON'S STATEMENT.

Executive Mayor's Foreword

ASPIRE, *the pride of the Amathole District Municipality*, achieves a 10 year milestone in 2015. As it achieves this milestone, we look back and undertake an in-depth reflection. We are able to walk tall whilst celebrating this significant milestone through important achievements. Allow me to take you through the following few examples:

The **Small Town Regeneration Program**, through which ASPIRE made iconic strides in developing *Stutterheim*, the future headquarters of the district, into a united modern town. Through this development, ASPIRE managed to link the township with the town through a solid *bridge* - thus breaking the segregation which was the most significant apartheid government tool to discriminate against the people of colour. The *Mlungisi Commercial Park* is one of its kind in the district and has proved itself a formidable feature in the township that is at the centre of the development of the community through access to both infrastructure and services. The *taxi rank* in town is a feature that has restored the dignity of the public transport users whilst also managing traffic in town. At the heart of the town, the *town square* feature, the *hawker stalls* and the *street lights* distinguish Stutterheim from other towns.

The regeneration *Hamburg*, a small tourist town in the sunshine coast has resulted in the development of the *Emthonjeni Artist Retreat*, the *Environmental Centre*, *Art Centre* and *Music Centre*. The focus in the new financial year will be to see these facilities operational and generating the much needed revenue for the area.

The regeneration of Alice is underway and it is going to change the landscape of town through the *Alice pedestrian bridge* linking Ntselamanzi and the town, the *Alice CBD upgrade* and a *taxi rank* which will start in the new financial.

In respect of the **Agricultural Programme**, we have seen the development of the Ndakana Food Gardens, Shixini Food Security, and the initiation of Mahlezana and Xabajiyane food Security projects which have made considerable impact in improving nutrition in the communities. On the commercial side we have witnessed the development of the Blue

Berries in Keiskammahoek, the initiation of the Ngangegqili Beef in **Mbhashe** and the commercial maize and dry bean production in Shixini.

Challenges experienced in the year under review took us by surprise at the critical time in the development stage of the agency. We have managed to harness the challenges and we are decisively dealing with them. We are investigating the root cause in order to put in place effective corrective measures. We are committed to ensure that the Agency recovers fully from this within the first quarter of the financial year. The appointment of the ADM Audit and Risk Committee is the first step towards strengthening governance at ASPIRE.

As our agency enters the adolescent stage we expect it to take giant strides in the development of other small towns within the district whilst also developing commercial agriculture.

The Accounting Authority's statement.

ASPIRE, *The Force for Change*, is one of the leading Agencies in the country. It derives its uniqueness from the sterling work it has done in making a difference in the small towns of the rural Amathole Districts. It is a well-known brand in the Eastern Cape and beyond.

It is our obligation to inspire it to accelerate in its endeavours to reach out to the entire district. Leading rural economic development work has proven to be tough- it is not for the light hearted. As the leadership of ASPIRE we have learnt to lead through difficult times.

Indeed 2014/15 has proven to be the toughest year in the life of ASPIRE, this is evident from the performance of the Agency - both financial (expenditure exceeded budget) and performance against the predetermined targets (achieved only 30% of the targets). We are well aware that the vents of the year might have negatively affected the employees, the communities within the district, the funders and the Shareholder. We are inviting all affected parties to join hands in taking ASPIRE to sustainability.

As the Accounting Authority we undertake to grow ASPIRE's resilient brand thereby reinforcing the stakeholders' confidence in ASPIRE. Our focus will be on employees to ensure that they deliver on the mandate as they are the most valuable asset of the Agency. Strengthening governance to ensure that we lead the organisation to sustainability whilst exceeding the shareholder's expectation. It is our commitment to expand our footprint within the district thereby reaching out to more communities. We undertake to reinforce the corridor approach as intended in the Amathole Regional Economic Development Strategy (AREDS) as adopted by the ADM.

We are undertaking to account to our funding institutions and diversify funding sources for ASPIRE in order to effectively empower the communities within the district. We thank our current funders for entrusting ASPIRE with their funding in their zeal to better lives of this rural district, the Amathole District Municipality for the continued leadership and the employees for their commitment to ASPIRE. As the leadership of the institution we are committed to build momentum of ASPIRE's endeavours such that it achieve its aspiration of being *a leader in rural economic development*.

1.1 CEO's Overview.

ASPIRE has been a growing from strength to strength in the previous financial years. It has managed to raise considerable funding during difficult times which has been used to stimulate the rural economy of the Amathole district. It is one of leading municipal entities in the country in terms of the positive contribution positively to the rural communities.

Infrastructure development and job creation has been at the centre of the development initiatives of the Agency. Through its revised strategy the Agency has managed to contribute meaningfully in the poverty alleviation efforts of the district through its food security drive.

During the period under review ASPIRE started to position itself strategically in the agricultural sector through its focus on commercial agriculture thereby facilitating market access through food safety training in collaboration with the Perishable Products Export Control Board for the Blue Berries, towards enhancing direct market access which will ensure that farmers/ producers derive optimum value from their product.

The growth strategy that was adopted during the period under review is a first step towards a sustainable organisation. This, together with a new cadre of leaders and team members recruited during the period under review will definitely accelerate the work of ASPIRE in the district.

The introduction of ISO 9000, will see ASPIRE as an ISO accredited institution is a sign of a growing organisation.

The period under review was not without challenges, however, the Agency has learnt valuable lessons from its challenges and it is ready to move forward. We thank our funders for not giving up on ASPIRE and undertake to make them proud. As the Agency survives the worst challenges through the commitment and support from the shareholder, the ADM, we are appealing to the ADM to continue to support ASPIRE in restoring investor confidence in the district - this calls for renewed investment by the shareholder into ASPIRE .

1.2 Agency Functions, Population and Environmental Overview.

1.1.1. Agency Functions of ASPIRE.

ASPIRE is the Amathole District Municipality's (ADM) Local Economic Development (LED) Agency. As such, its role is to support the objectives of the District Municipality in transforming the economy of the district. ASPIRE envisages itself as a leader in rural economic development. This is aimed at ensuring that the rural communities of the ADM are self-sufficient in order to reverse the negative effects of outward migration of people from the district thereby implementing projects which have the potential to create jobs and increase household disposable income, by focussing primarily on rural economic development, so as to address the significant unemployment in the region through empowerment of communities and infrastructure development, among others.

1.1.2. Population and Environmental Overview.

The Amathole District is predominantly rural in nature, with a population of approximately 990 962 people (ECSECC, 2014). From analysis of available data from ECSECC it is clear that the population has grown steadily by 0.61% as compared to last year's population which was 984 998. Statistics suggest that the Amathole region has been affected by outward migration, with almost 100 000 people having left the region during this period. This trend is not unique to the Amathole Region only, as people across the Eastern Cape have migrated over the last 10 years to the metropolitan areas of Buffalo City and Nelson Mandela as well as other more economically prominent provinces of South Africa like Gauteng and the Western Cape.

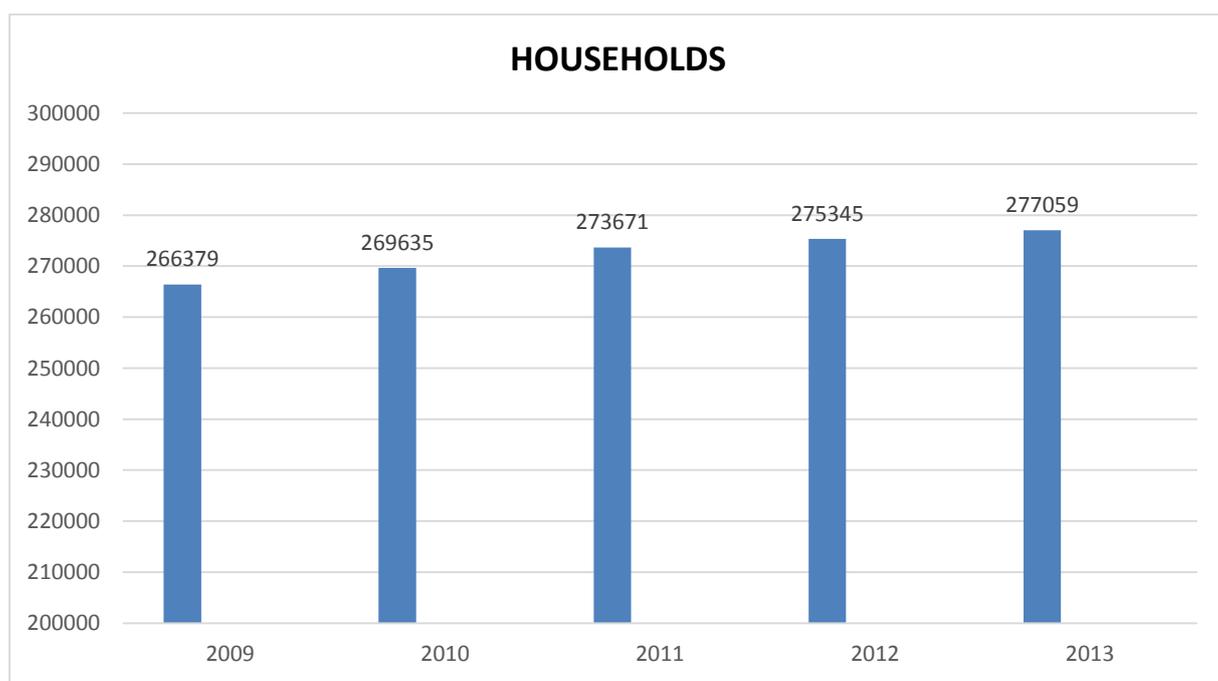
The demographic data further indicates that the Amathole district has a fairly young population with, more than 60% of the population being under the age of 35. This indicates that the stakeholders in the area, including the municipalities and their agencies need to have programmes that focus on this particular segment of the population. Unemployment and poverty are also high in this region, with an unemployment rate of more than 40%. The socio economic profile of the district paints a picture of two worlds in one (inequality). Some areas are highly developed and can be considered to be first world, while the majority of areas in the district are struggling economically and socially. Major economic sectors in the region are agriculture and tourism.

From an environmental asset perspective, the Amathole region is rich in biodiversity. The area is bordered by the Indian Ocean, the coastline of which includes estuaries, conservancies, national heritage sites, rocky shores and sandy beaches. There are also numerous freshwater systems and natural forests across the District.

The following tables are extracted from the ADM annual report of 2013-2014, however they still provide a clear picture of the current socio-economic situation across the District:

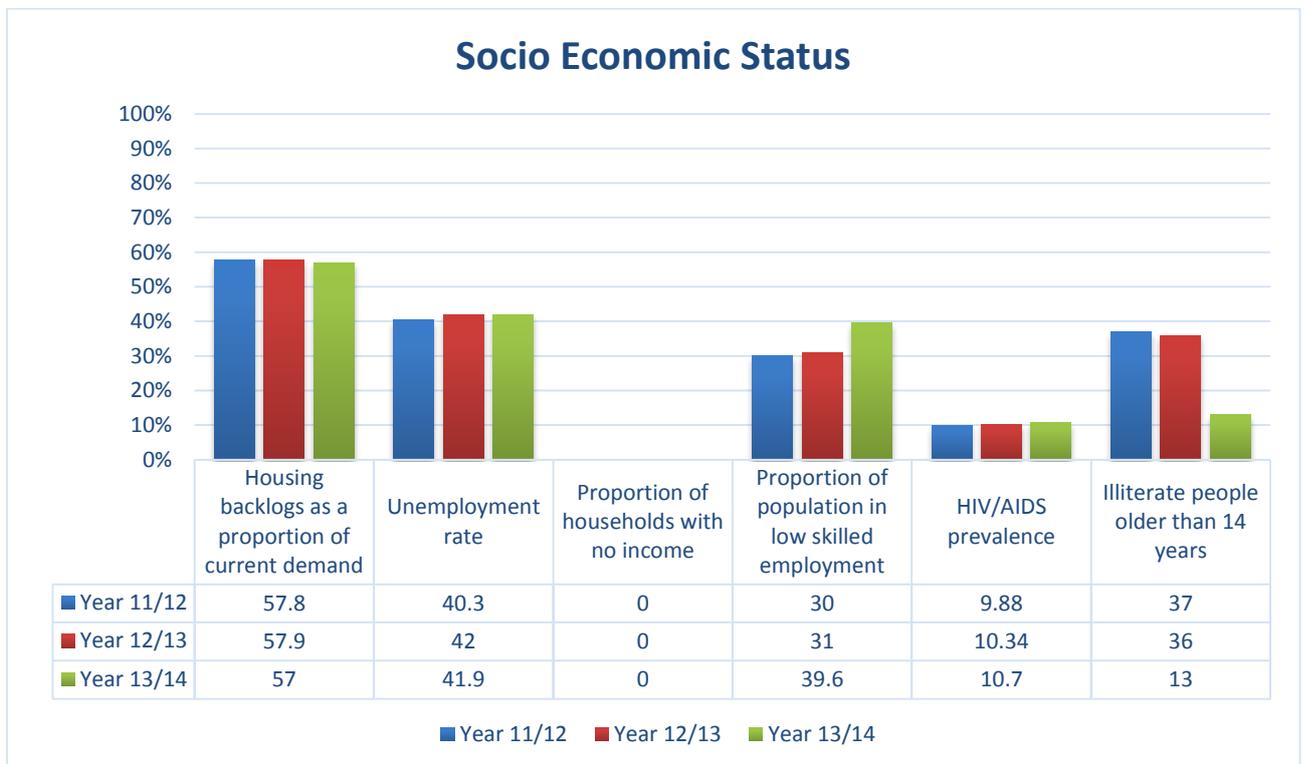
Population Details									
Age	Population '000								
	Year 11/12			Year 12/13			Year 13/14		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Age: 0 - 4	57	53	110	50	50	100	52	50	102
Age: 5 - 9	56	51	107	47	47	94	50	48	98
Age: 10 - 19	115	106	221	101	90	191	100	93	193
Age: 20 - 29	94	83	177	71	69	140	68	67	135
Age: 30 - 39	46	48	94	42	38	80	42	48	90
Age: 40 - 49	36	50	86	36	44	80	34	50	84
Age: 50 - 59	32	47	79	37	55	92	32	49	81
Age: 60 - 69	23	36	59	26	46	72	24	33	57
Age: 70+	16	37	53	13	38	51	19	38	57

Source: Statistics SA



Source: ECSECC - 2014

Socio Economic Status						
Year	Housing Backlog as proportion of current demand	Unemployment Rate	Proportion of Households with no Income	Proportion of Population in Low-skilled Employment	HIV/AIDS Prevalence	Illiterate people older than 14 years
Year 11/12	57.80%	40.30%	None	30.00%	9.88%	37.00%
Year 12/13	57.90%	42.00%	None	31.00%	10.34%	36.00%
Year 13/14	57.0%	41.90%	None	39.60%	10.70%	36.00%



Natural Resources	
Major Natural Resource	Relevance to Community
Mountain (Amathole Mountain)	Recreation, biodiversity, tourism
Coastline which includes estuaries, conservancies, national heritage sites, rocky shores and sandy beaches.	Recreation and Tourism, research and education, cultural values, commercial and subsistence agriculture
Freshwater systems	Mariculture and aquaculture
Biodiversity and natural forests	Land-based projects, carbon credits, environmental projects

1.2. *Service Delivery Overview.*

The period under review was a challenging one, however ASPIRE rose to the challenge thereby implementing 2013-2018 strategy at the beginning of the new year, aimed at stimulating the rural economy through agriculture and rural development, heritage & tourism, small towns regeneration and special projects focussing on natural resources and waste management . The focus of the strategy provides impetus to ensure that women, youth and people with disabilities are empowered to play meaningful roles in the economy.

2014-2015 saw ASPIRE initiating a number of projects and continuing to work with client communities, thereby embedding itself as the preferred development partner in the district, and being a true force for change.

Some of the highlights of the year include:

Securing from funding from GIZ to initiate establishment of a Quality Management System. 7 staff members were trained on ISO 9001:2008.

Received confirmation of the gazetting of R11.3m for the implementation of the Alice CBD Upgrade.

National Treasury also gazetted R20m to implement the Alice Transport Hub project and Alice CDB upgrade.

3 Food Security projects were supported through the through the projects funds from the ADM. These projects are Ndakana Nursery, Mahlezana Food Security and Xabajiyane Food Security. Furthermore two commercial farming projects namely; Ngangegqili Livestock Improvement, Hamburg Fish Farming, and Keiskammahoek Blueberry Out-growers projects were supported in collaboration with the National Agriculture Marketing Council (NAMC).

Further engagements with the Department of Agriculture, Forestry and Fisheries (DAFF) in the implementation of the fish farming project in Hamburg resulted in the resuscitation of the project activities. The project has progressed to include another business activity which is the rearing of Kob Fish in ponds as a pilot. With the introduction of this pilot, DAFF spent R15.m to buy the Oyster Farm, develop the Stock Rotation System, and Construct the Water Tanks and Construction of the Shed. Additionally ASPIRE successfully facilitated funding (R500 000) from the Eastern Cape Development Corporation for Siyazama Aquaculture Co-operative, who are the direct beneficiaries of the project.

In order to promote the maximisation of resources and stimulate synergies between development partners, ASPIRE has signed Memoranda of Understanding (MoU) and continues to implement and support projects with the Amahlathi, Great Kei, Nkonkobe, Ngqushwa and Nxuba local municipalities. In addition, value-adding partnerships with GIZ and National Heritage Council were entered into.

1.3. Financial Health Overview.

The Agency experienced cash-flow challenges in the second half of the year as a result of expenditure on unbudgeted line items arising from the investigation into the alleged misconduct of the CEO. This had a negative impact on the implementation of projects in all areas of ASPIRE, which is reflected in the overall performance of the Agency.

1.3.1. Strengths.

ASPIRE stood the test of time through its track record of effectively implementing infrastructure and economic development projects. In the year under review ASPIRE has increased its capacity and employed technical staff with project management background in an effort to accelerate its work in the district. As a move towards its strategic positioning to enhance its competitiveness ASPIRE embarked upon a process of streamlining its business processes through initiating a Quality Management System by training staff of ISO 9001.

1.4.2 Weaknesses and threats.

Poor cash-flow severely impacted on the performance of the organisation. Attributed to this was the lack of funding raised which was to be utilised to implement projects in line with the mandate.

The negative media coverage that the Agency received as a result of the suspension of the CEO and the subsequent investigation did little to promote the brand of the Agency.

1.4.3 Financial ratios.

Liquidity - ASPIRE's liquidity ratio for the 2014/15 was 0.95:1, which is below the norm of 2:1. The below norm current ratio indicates that the Agency is unable to pay its debts in the short term. ASPIRE's funding model is in place and will improve the liquidity ratios in the medium to long term. However, the ADM needs to invest in ASPIRE to ensure that its quick recovery.

Details	Original budget	Adjustment Budget	Actual
Income:			
Grants	59,853,189	61 666 784	29 415 823
Other	9 171 867	320 000	439,822
Sub Total	69 025 056	61 986 784	29,855,645
Less: Expenditure	68 882 555	61 844 284	31,145,487
Net Total*	142,500	142,500	-1,289,842
*Note: surplus/ (deficit)			

Operating Ratios	
Detail	%
Employee Cost	60%
Repairs & Maintenance	0%
Finance Charges & Impairment	0%
<i>T 1.4.3</i>	

1.3.1.1. Comment On Operating Ratios:

Employee Costs

This ratio indicates that 60% of the operating costs are attributable to employee costs, which remains the largest operating expense to the Agency. This is below the budgeted ratio of 67 %. This ratio is deemed appropriate and reasonable for ASPIRE, in light of the reduced budget due to non-transfer of approved funds from the NDPG and the Department of Rural Development and Land Reform, as well as the increase in staff to implement projects. A concerted effort to reduce this ratio will be addressed in future years through diversification of funding sources and strengthening the processes to be followed in ensuring that commitments by funders and partners are honoured.

Repairs and Maintenance

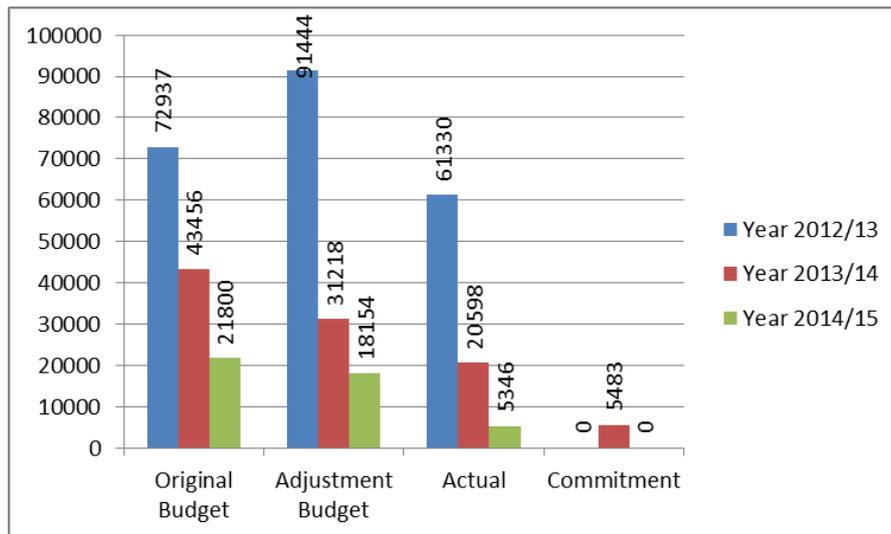
This ratio can be used to assess whether asset management is effective or not. ASPIRE does not have a large asset base as it operates primarily as a facilitating and implementing agency. The only assets owned by the Agency are office furniture and computer equipment. The maintenance cost towards these assets in current year was only R10 268 (2013/2014: R11 303), which amounts to 0.00045% or 0%. ASPIRE's Funding Model will be implemented such that the Agency is able to acquire capital assets towards sustainability.

Finance Charges

This ratio is 0% for the 2014/15 financial year (2013/2014: 0%). The reason for the ratio being so low is that the Agency does not have any external borrowings. All lease agreements in place are classified as operating leases.

1.4.4 Capital Budget.

Detail	Year 2012/13	Year 2013/14	Year 2014/15
Original Budget	R 72,937,174	R 43,456,492	R 21 800 000
Adjustment Budget	R 91,444,417	R 31,218,879	R 18 154 543
Actual	R 61,330,186	R 20,598,995	R5 346 411
Commitment	R 0	R 5 483 040	R 0



The adjustment figures for the capital budget are primarily due to the revision (reduction) of the portion that was to be raised in fundraising efforts. This was to ensure that only that funding which had a reasonable expectation of being received was included in the budget as there was no focussed fundraising during the period under review. ASPIRE continues to engage current funders to ensure that the promised funds are transferred in order to continue to implement the planned projects. Renewed fundraising efforts will be implemented in the new financial year.

1.3.1.2. *Comment on Capital Expenditure.*

There was under spending by 70% on capital expenditure, due primarily to:

- Leadership challenges
- Delayed completion of the Alice Pedestrian Bridge
- The reluctance of funders to transfer funds during the times of instability; and
- Transfer of NDPG funding towards the end of the financial year which did not permit adequate time to initiate spending by financial year end

1.4. Organisational Development Overview.

The year under review commenced on a strong point with the filling of several vacant posts that arose due to the organisational design process that was concluded in the previous financial year. The Chief Operations Officer and his three deputies, namely the Program Manager for Small Towns, for Rural Development and for Culture, Tourism and Heritage were all appointed in the first quarter, which set the mood for hard work and a focus on programs. In addition, the HR Manager and two project managers were recruited in the second quarter. The second quarter however, ended on a sad note with the departure of the Director of Finance at the end of December 2014.

Also during December, the CEO was suspended by the Board of Directors, resulting in the mid-year ending on a both sad and fragile note. Staff reactions resulted in low morale which flowed over into the working environment.

The second half of the year took its toll on staff as a result of the investigation implemented by the Board against the suspended CEO. By year end, morale was low.

Issues relating to cash-flow problems due to unbudgeted expenditure related to the investigation, resulted in programs in respect of training not taking place. The reinstatement of the CEO in the new financial year brought back the spirit of hope and enthusiasm within the Agency.

1.5. Auditor General Report.

Summary to follow when audit is completed.

1.6. Statutory Annual Report Process.

ASPIRE implemented the new format for annual reports as required in terms of MFMA Circular No 63 published in September 2012, issued by National Treasury, during the previous financial year. This new format enables comparisons to be made between entities based on the fact that a standardised reporting structure has been achieved.

The purpose of the Annual Report is:

- to provide a record of the activities of the municipal entity during the financial year to which the report relates;
- to provide a report on performance in service delivery and budget implementation for the financial year;
- to promote accountability to the local community for the decisions made throughout the year by the municipal entity; and
- To reduce the additional reporting requirements that will otherwise arise from Government Departments, monitoring agencies and financial institutions.

The process implemented in the preparation of the annual report is as follows:

ACTIVITY	ADM	ASPIRE	TIMEFRAME
Submitted draft Annual Report and evidence to Internal Audit and AG.	ADM MM/Strategic Manager and CFO	CEO and Director of Finance	August
Submitted draft municipal entity Annual Report to ADM Municipal Manager	-	CEO and Director of Finance	August
Submitted Municipal and Municipal entity draft Annual Report to the Combined Audit/Performance Committee	ADM MM/Strategic Manager and CFO	-	July/August
Combined Audit/Performance committee considered unaudited Annual Report of municipality and entity	ADM Audit and Performance Audit committee	-	August
ADM Mayor tabled the unaudited draft Annual Reports in Council	ADM Mayor/Director: LESS	-	August
Municipality and municipal entity submits Annual Report including final AFS and APR to Auditor-General for auditing purposes - due 31 August	ADM CFO and Strategic Manager	Director of Finance	31 August
Auditor-General audited the unaudited Annual Report and submitted an audit report to the Accounting Officer for the municipality and municipal entity	Auditor-General	Auditor- General	September to November
Auditor-General's report issued in November. Once the AG reports have been issued no further changes are	MM/Strategic Manager	CEO and Director of Finance	November

ACTIVITY	ADM	ASPIRE	TIMEFRAME
allowed as the audit process is completed.			
Presentation of the final annual report and Audited Financial statements to the Accounting Authority	-	CEO	November
Mayor tables audited Annual Report and financial statements to Council	Mayor/Director: LESS	-	November / December
Audited Annual Report is made public e.g. posted on municipal entity's website	MM/Strategic Manager	CEO and Director of Corporate Services	December

2. GOVERNANCE

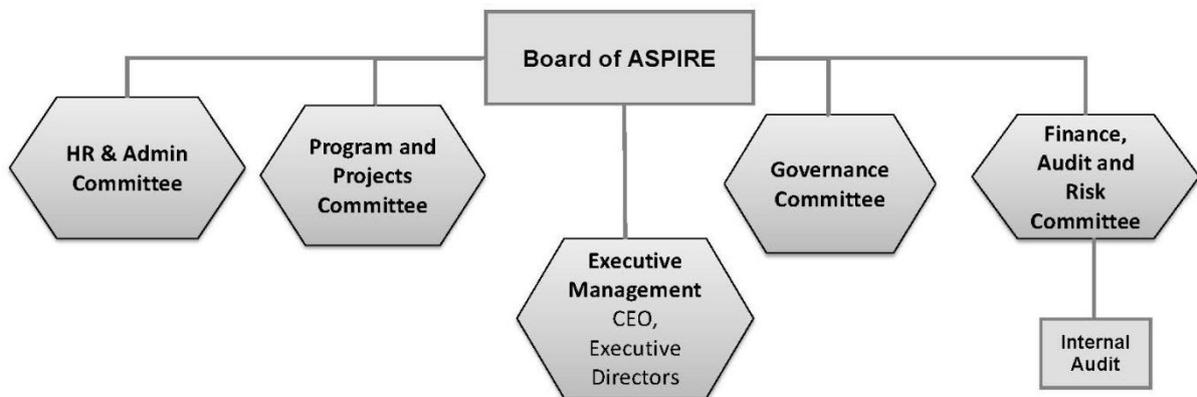
Amathole Economic Development Agency trading as ASPIRE is wholly owned and established by Amathole District Municipality. It is intended to assist the municipality in the performance of any of its function and powers with regard to the promotion and implementation of the municipality's local economic development policies in the areas of economic production and commercial activities. ASPIRE is registered as a State owned entity under Registration 2005/030812/07.

As a local government entity, ASPIRE is committed to good governance and compliance. A comprehensive compliance framework has been developed and implemented a legal compliance framework.

COMPONENT A - BOARD AND ADMINISTRATIVE GOVERNANCE

2.1. Board Governance.

2.1.1. Board Structure



The Board of Directors constitutes the accounting authority of ASPIRE, reporting and accountable to the Executive Mayor of the ADM. It is made up of six (6) non-executive directors including the Chairperson of the Board, appointed by the Amathole District Municipality Council for a period of three (3) years, which period ended at 30 June 2015 after the extension from March 2015. The Amathole District Municipality has a representative on the Board of Directors that attends meetings as an observer. The Chief Executive Officer, as the accounting officer is accountable to the Board and is a permanent attendee of the Board of Directors meetings.

ASPIRE's internal audit function directly reporting to the Audit, Finance and Risk Committee and it is outsourced. The current internal auditor's term will come to an end in February 2016. ASPIRE's Audit, Finance and Risk Committee is appointed by the ADM Council as regulated and reports to the Board of Directors.

The following is the list of board members

Dr Vanguard Mkosana

PhD Journalism, Diploma in HR Management, Certificate in Business Studies, Certificate I Corporate Coaching

Dr Mkosana is the Chairman of the Board of the Board Eastern Cape Rural Development Agency. He has extensive experience in government, having been a special advisor to the Minister of Labour and Director General in the Department of Labour, as well as Head of the Department of Transport in the Eastern Cape. He is a social entrepreneur for more than thirty (30) years.

ASPIRE Board: Chairman of the Board and Chairman of the Governance Committee
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Ms Portia Loyilane

BCom Economics & Business Economics, NDip Education and MPhil in Disability Studies

Ms Loyilane is a determined activist, lobbying and advocating for the rights of and representation of people with disabilities. She is currently a commissioner for Gender Equality of South Africa. She is also a member of the Disabled People South Africa and the Eastern Cape Disability Economic Empowerment Trust. She is the Director in the Office of the Premier.

ASPIRE Board: Deputy Chairman of the Board and a member of the Governance and Audit, Finance and Risk Committees.

Mr Sintu Mpambani

Honours BA Economics, MSc Economics

Mr Mpambani is a senior lecturer at Walter Sisulu University. He is currently an Audit and Advisory Committee member for the Eastern Cape Legislature. He is a former board member

of Eskom, Alfred-Nzo Development Agency and head of the Premier's Office EC. He is the founder and inspiration behind the Untu Consultancy, a farmer-cum-businessman, and a passionate development activist.

ASPIRE Board: Chairman of the Audit, Finance and Risk Committee and member of Programmes and Projects and Governance Committees. With the suspension of the CEO in December 2014 he was appointed as the acting CEO till 30 June 2015

Mr Alex T Qunta

BCom in Education, BCom honours, Diploma in International Trade Management

He is currently the Branch Manager of Seda Amathole, where he is in charge of stimulating and supporting enterprises in the Amathole region. He managed other Seda branches in the past, namely Mangaung and the Trade Point in Nelson Mandela Bay.

Mr Qunta in the past has been the Acting HOD of Business Studies at Port Elizabeth FET College, Russell Road Campus, SMME Manager (ABSA Small Business Unit) at the former University of Port Elizabeth and was Industrial Advisor at ECMAC. He is the National Examinations Moderator for Marketing Research N6 since 2001.

He has the pleasure of also serving in the Board of Directors of Seda Nelson Mandela Bay ICT Incubator.

ASPIRE Board: Chairman of the Human Resources and Administration Committee and member of Governance and Audit, Finance and Risk Committee.

Mr Prince Sivile Mabandla

Certificate Financial Information Systems

Mr Mabandla is a self-employed entrepreneur, youth activist, emerging farmer and traditional leader with a strong passion for rural youth development. He is currently a board member of King Sandile Development Trust, Umnombo Investment Holdings, Real People, Newport Construction, Lithba Travel and Mabandla Group; he has also served on many other statutory bodies in executive and advisory capacities. Sivile is Non-Executive Director at Digicore C-Track. At Fleetcam (Chairperson), Gas Sport (Chairperson), Media Revolution

(Chairperson). He is also deputy chairperson at the following companies Newport Construction, Fusion Africa and Elliot Farms.

ASPIRE Board: Chairman of the Programmes and Projects Committee and member of Governance Committee.

Ms Tutuka Madala

BA Law, LLB, Admitted Attorney

Ms Madala the sole director and associate of TS Madala Attorneys, a firm of attorneys specialising in property law. She served as a Board Member for the Eastern Cape Parks Board for two terms. She further served as a Council Member for the Eastern Cape Provincial Heritage Agency. She is currently a Council (Interim) Chairperson for the Buffalo City Collage.

ASPIRE Board: member of the Human Resources and Administration and Programs and Projects Committees.

2.1.2. Main Responsibilities of the Board.

The Board of Directors is primarily responsible providing strategic direction to the Agency. The main responsibilities of the Board are:

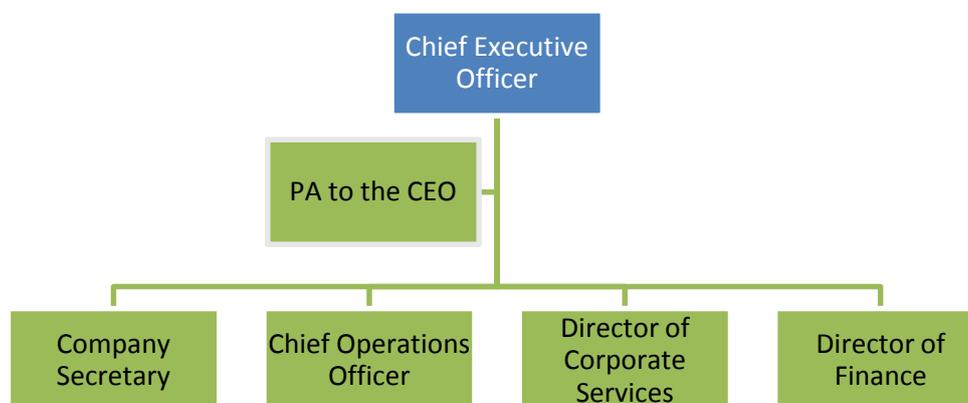
- Ensuring efficiency and effectiveness of operations, the optimum utilisation of resources, legal compliance, safeguarding of assets and the existence of sound and effective internal controls;
- Review and approval of business plans, budgets, major contracts and commitments;
- Accountability for the process of risk management;
- Monitoring Organisational Performance;
- Approval of major policy decisions;
- Appointing the Chief Executive Officer;
- Presentation of the financial statements and the assurance of integrity, objectivity and reliability of these statements; and
- Annual performance assessments of all sub-committees.

The Board meets at least four times in a year and is guided by its Board Charter on how it conducts its meetings. It has four (4) committees to assist the Board in fulfilling its role.

The Chairperson is responsible for the appraisal of the Chief Executive Officer on a quarterly basis.

The remuneration of the Board of Directors is through a board policy approved by the Executive Mayor. There are no board of directors that receives performance bonuses, fees are paid as per attendance.

2.2. Administrative Governance.



The Executive Committee (EXCO) comprises of the Chief Executive Officer as chairperson of the committee, and four (4) executive directors, including the Company Secretary. In addition to the daily operations of the organisation, the core responsibility of EXCO includes the implementation of policies, strategy and business plan formulation, and risk management.

Mrs Nokulunga Mngqeta (Chief Executive Officer)

Diploma in Forestry, BSc Agriculture, B Inst Agrar, M Inst Agrar, Certificate in Coaching To Excellence, Certificate in Associate Coaching

Mrs Mngqeta is the Chief Executive Officer of ASPIRE and reports to the Board. She is a Board Member of the South African Biodiversity Institute. She has extensive leadership experience in the public sector. She has worked for the ARC, CSIR, PPECB, Eastern Cape Parks, amongst others. She is responsible for the implementation of the Strategy and ensuring that the Agency delivers on the Business Plans. She leads a team of four (4) executives.

Mrs S Weppelman (Director of Corporate Services)

BCom, Post Grad Diploma in Management Studies, MBA

Mrs Weppelman has worked both in the public and private sector, and has gained experience across a board range of disciplines. She started her career at SARS, and then moved to the private sector for 15 years in positions relating to Finance, Human Resources and Administration. She has over 8 years senior management experience.

The Corporate Services portfolio encompasses

- Human Resources Management
- Information Technology
- Communications and Marketing

Mr V Sodladla (Director of Finance) till 31 December 2014

B.Com (Accounting) plus articles; currently registered for MBA

Mr Sodladla has worked for both the private and public sector. He began his career, after completing his articles, as a consultant and later joined the Eastern Cape Department of Health as a Director under the Audit Improvement Programme (AIP). In the final year of his employment at the Department of Health, the AIP programme was fully integrated to the Finance section and his position was changed from director - AIP to Director of Finance. In December 2011 he joined ASPIRE as a Director of Finance responsible for:

- Preparation and monitoring of the budget;
- Implementation of the Supply Chain Management Policy;
- Review of finance related policies and the development of new policies to further improve the internal controls of the Agency;
- Administration of cash and investments of the Agency;
- Co-ordination of internal and external audits; and
- Financial reporting, including the compilation of credible Annual Financial Statements.

The finance department is also responsible for ensuring full compliance with the Municipal Finance Management Act and other relevant legislation.

Mr Thabo Shenxane (Chief Operations Officer) from 1 August 2014

Thabo Vaughan Shenxane boasts with an extensive experience in Enterprise Development, Strategy, Research and Strategic Planning. He holds a Master's Degree in Economics Policy from the University of Stellenbosch and a BCom degree in Economics and Industrial Psychology from University of Western Cape. He has further successfully completed a number of Certificates in Project Management and Senior Management Programme from the University of Pretoria. These certificates and other training programmes that he has attended, coupled with his wealth of working experience have contributed immensely in enhancing his wide range of skills in the economic development space.

He is currently serving as a Non- Executive Director in the Board of the Co-operatives Banks Development Agency under the National Treasury since 2013. He was a Managing Director of Chumisa Consulting Services, a business focusing on project management, SMME Strategy, Policy Development and Research. Before joining ASPIRE, he worked as a Fund Manager at Eastern Cape Development Corporation (ECDC), managing the implementation of both the Jobs Fund and Co-operatives Funds. Combined, these funds amounted to R160million and were implemented with good audit outcomes for 3years in a row. Furthermore, he was Acting Manager in the Office of the CEO of the ECDC, providing both administrative and strategic support. He also previously occupied Senior Management levels at the national Department of Trade and Industry and the Umsobomvu Youth Fund, amongst other institutions.

He is currently responsible for managing the implementation of all Programmes and Projects. In addition to his Executive responsibilities, he also assist in the compilation of the organizational Strategy, Annual Performance Plans and Monitoring performance, using the Quality Management System that is being implemented within A

Ms Z Kiviet (Company Secretary)

BProc, LLB, Programme in Human Resources, Programme in Customer Care, Diploma in Developer Management and Certificate in Compliance Management

Ms Kiviet is an admitted attorney of the High Court of South Africa and has experienced in the compliance field. She has worked for Amatola Water as a Company Secretary and for the Eastern Cape Liquor Board, enforcing the liquor laws.

The Company Secretary is appointed by the Board and responsible for the governance of the organisation. It provides support to the Board as follows:

- Guidance to the Board of Directors related to the discharge of their duties;
- Development of systems to support the Board
- Induction of the new Directors
- Guidance on ethics and good governance
- Guidance to compliance and legal matters.

The company secretary further provides advice and support to the Executive Committee on any compliance and legal matters.

COMPONENT B - CORPORATE GOVERNANCE

ASPIRE is committed to excellent service delivery and good governance.

ASPIRE continues to ensure that it complies with the key legislative framework and the developed compliance checklist has been monitoring tool during the year under review of Furthermore, the Agency is consistent in submitting statutory and quarterly oversight reports to ADM in an effort to monitor performance.

The review of policies was undertaken to ensure their relevancy and staff were consulted in the policy review and development process to that they embrace such policies.

Ten (10) Board meetings (three scheduled and seven special meetings) and seventeen (17) Board committee meetings were held during the period under review. A number of ad hoc committee meetings were also held to and this is evident in the board fees. Management has done its best in ensuring that the Board resolutions are implemented and communicated to the relevant persons.

2.3. Risk Management.

Risk management has as its purpose the identification of potential events that may affect the agency and its ability to deliver on its performance objectives and ultimately its mandate. After identifying these possible events, the likelihood and impact that the event would have on the agency as a whole, it is the responsibility of management to identify mitigating actions which would reduce the risk to a more tolerable and manageable occurrence. In the process of doing so, the agency is able to provide reasonable assurance that the risk can be contained in the event that it did occur. With this in mind, risk

management is considered a key aspect of the agency. ASPIRE acknowledges that the adoption of strategic and formal risk management approach improves decision-making and enhances outcomes and accountability.

The Municipal Finance Management Act 56 of 2003 Section 62 states that:

The accounting officer is responsible for managing the financial administration of the municipal entity, and must for this purpose take all reasonable steps to ensure that:

- The resources of the municipal entity are used effectively, efficiently and economically;
- Full and proper records of the financial affairs of the municipal entity are kept in accordance with any prescribed norms and standards ; and
- The municipality has effective, efficient and transparent systems -
 - Of financial and risk management and internal control; and
 - Of internal audit operating in accordance with any prescribed norms and standards

ASPIRE has adopted a Risk Management Policy and maintains an up-to-date risk register. Quarterly risk reports are submitted to the Board in order for the Board to monitor the effectiveness of mitigation measures undertaken by management.

The top 5 risks at the end of the financial year are identified as being:

1. Performance below target.
2. Ineffective Information and technology management.
3. Poor organizational culture.
4. Sustainability of Aspire (including funding dependency on ADM).
5. Ineffective performance management system.

The organisation ended the 2014/15 financial year in a financial cash-flow crisis, which has been identified as an emerging risk.

2.4. Anti-Corruption and Fraud.

The ASPIRE Fraud Prevention Strategy clearly stipulates that the Agency does not tolerate fraud, corruption, maladministration or any other dishonest activities. In addition, ASPIRE has adopted two other policies which also provide guidance to the organisation in this regard, namely the Code of Conduct and the Supply Chain Management Policy.

The Fraud Prevention Strategy provides for the controls which will assist in the prevention and detection of fraud and corruption, as well as providing guidelines as to how to respond should fraud and/or corruption be identified. Strategies for the prevention, detection, response and investigation of fraud and corruption are outlined. Employees are tasked with the responsibility to report all incidents of fraud and corruption that may come to their attention.

The Code of Conduct speaks to issues of safeguarding the Agency's assets, including funds, property, information and records. It also provides guidelines with regards to nepotism and other conflicts of interest.

The Supply Chain Management Policy provides the framework within which contracts are awarded to service providers and goods are procured. The Policy covers issues of abuse of the supply chain management process and provides guidelines for ethical practice.

No fraudulent or corrupt activity was identified during the period under review.

2.5. Supply Chain Management.

ASPIRE has adopted a Supply Chain Management Policy, which is reviewed annually, and has been designed to be fair, equitable, transparent, competitive and cost effective. It is based on the requirements of section 111 of the Local Government Municipal Finance Management Act (No. 56 of 2003) and complies with the regulatory framework for municipal supply chain management.

The policy provides for a SCM Unit under the leadership of the Director of Finance. The Board has the final responsibility for the oversight of SCM, through the accounting officer.

The policy provides for a range of supply chain management processes which includes tenders, quotations, disposals and deviations. It further specifies which process must be followed for each range of commodities. There are procedures and mechanisms in place for each type of procurement process that is required to be followed. There is flexibility in the process in cases of emergencies and if the contract is below the prescribed thresholds. The Agency also undertakes a pre-qualification of all bids received during a competitive bidding process. Bid Administration is strictly adhered to when advertising, opening, registering, recording, evaluating and adjudicating tenders. The final terms of the contracts are negotiated in certain circumstances.

The SCM Policy further provides the framework for ethical practices within ASPIRE, guiding staff members with regards to issues such as favouritism, acceptance of gifts from service providers, etc. The policy provides a clear framework within which to address and resolve disputes, objections, complaints and queries.

2.6. Website.

The launch of the new ASPIRE website has been delayed due to cash-flow issues experienced in the second half of the financial year. The structure of the new website will be aligned to ASPIRE's five year strategic plan. Whilst much work has been done, the final content to be included will be finalised in the new financial year with the hope that the launch of the website will bring much needed exposure to the programs that ASPIRE implements.

Documents that are posted on the website include:

- Approved Budgets
- Amended Budgets
- Performance Reports
- Annual Reports
- Tenders
- Vacancies

3. PERFORMANCE

COMPONENT A - EXECUTIVE OFFICE

3.1. Board of Directors.

The Board reviewed its policies as well as the Board and Committee charters, as planned, to ensure that its policies are aligned to the applicable laws and evolving corporate standards. The Board further developed a compliance schedule for all its Board and Committee charters to ensure that it is not found in contravention of its own regulating documents.

3.2. Office of the CEO.

The CEO, Mrs Nokulunga Mqeta, provided leadership to ensure that ASPIRE performs towards achieving its objectives. Emanating from the Organizational Design process, capacity of ASPIRE was enhanced through appointment of additional staff that would ensure that both strategic and functional management responsibilities are performed. Key to the appointments made during this period was the appointment of the Chief Operations Officer.

Though striving towards the vision ASPIRE was faced with challenges that impacted on its seamless operations. Some of the challenges were attributed to limited budget for projects, and secondly governance. The remaining 7 months of the financial year was led by a board member, Mr Mpambani, appointed by the Board to act as the Chief Executive Officer.

COMPONENT B - OPERATIONS

ASPIRE's Operations Unit implements projects that are funded mainly from the ADM, IDC, NDPG of the National Treasury, Department of Rural Development and Department of Environmental Affairs. During the year under review, ASPIRE continued to implement the remaining Small Towns projects whilst introducing new projects in agriculture funded by the ADM and Natural Resource Management funded by the Department of Environmental Affairs. Below is a synopsis of the progress in implementing projects during financial year 2014/15.

3.3. Agriculture Programme.

ADM allocated a total of R2.5 million for the implementation of the new agriculture programme that was approved by the Board the previous financial year. However, only R923 947 was utilised owing to the fact that during Q3 of the financial year ASPIRE ran out of funds due to funds being utilised for on other unplanned activities. The execution of this agriculture programme was split into two broad areas, namely:

- Food security; and
- Commercial production.

3.3.1. Food Security Projects.

The following progress was recorded in implementing some food security projects during the financial year 2014/15.

3.3.1.1. Ndakana Food Gardens

The purpose of the project is to establish a household agro-ecological support co-operative. The first phase of the project has been implemented wherein the household gardens were established, the co-operative registration was registered and the nursery established. One hundred households were identified as participants of the initiative. The next stage was the construction of a nursery that will incubate seedlings for crops in order to supply the 100 beneficiaries from the 5 different villages. This exercise is meant to relieve the community from the cost of purchasing crops seedlings in East London, which is quite a distance.

ASPIRE's intervention was to refurbish the nursery and bring it back to a functioning state so that the production of seedlings continue, gardens continue to be planted and food security is restored.

Location of the Project: Stutterheim, Amahlathi Local Municipality, Ndakana Area. The 5 Ndakana benefiting villages include Gasela, Freshwater, Stanhope, Jerseyville and Nonkululeko. Ndakana consists of predominantly of 2350 ha of land owned by the Amazibula tribe with population of about 8000 people living in 2000 household located in five villages.

- **Profile of the Beneficiaries:** There are 100 members of the co-operative from 100 households benefiting from this nursery. These members are 36% men and 64% women
- **Multiplier Effect:** On average, there are 6 people per household depending on this food security project. This means a total of about 6000 people will benefit from ASPIRE's contribution to reconstruct the nursery;
- **Financial Contribution:** Aspire has already spent R30 000 to purchase the net to reconstruct the damaged nursery. The refurbishment of the nursery has been completed and planting of seedlings for distribution to the abovementioned communities will now resume.

3.3.1.2. Xabajiyane Community.

Xabajiyane project was established to address poverty in the community. Due to high production cost, the different owners of the field from within the community decided to combine their fields for establishment of a community project which they could use to plant maize, dry beans, crops, etc. The project owns 17 hectares which is used for crop production, maize, potatoes and vegetables. The harvest is used by beneficiaries for household food security and the surplus is sold locally.

- **Location of the Project:** Xabajiyane community and is situated about 96km from the town of Dutywa in the community of Xobo A/A;
- **Profile of the Beneficiaries:** There is a total of 20 project owners (12 women and 8 men). This project is not registered as a co-operative yet;
- **Multiplier Effect:** From the list provided to ASPIRE by the members of Xabajiyane project, there is a total of 82 beneficiaries (family members) that benefit from the proceeds of sales of the produce from Xabajiyane project. These include spouses and children and teenagers who attend school within the village;
- **Financial Contribution:** ASPIRE has already spent R119 000 to inputs for dry beans (seeds, chemicals for spraying, herbicides) and appointment of mechanisation contractor.

Currently maize is planted on 17 ha of the land and some portion of the land is reserved for bean cultivation. The members of the project were complaining about drought and lack of access to water for both maize and any other crop that will be planted.

ASPIRE is considering assisting the project with sinking a borehole, pumps and piping so that the project can continue planting without worrying about the impact of drought on their produce. This is a long-term solution, not only for the project but for the community and ASPIRE.

3.3.1.3. Mahlezana Community.

The objective of the project is to improve economic status of the co-operative members through vegetable production by fencing and ploughing of 2 hectares of land. Fencing material has been procured and delivered to the project at Mahlezana Location. Training of beneficiaries by the Department of Rural Development and Agrarian Reform in erecting fence was initiated. ASPIRE is concluding procurement of irrigation equipment.

- Location of the Project: Mbhashe Local Municipality, Mndundu A/A, Mahlezana Location, Willowvale
- Profile of the Beneficiaries: All 14 members of the co-operative are women
- Multiplier Effect: From the list provided to ASPIRE by the members of Mahlezana co-operative, there is a total of 79 additional beneficiaries (family members) from the proceeds of sales of the produce from Mahlezana Agricultural Co-operative. These include spouses and children and teenagers who attend school within the village.
- Financial Contribution: ASPIRE has already contributed R50 000 to buy fence, poles, cement, nets, etc. (see pictures). Efforts are now underway to find someone to assist the co-operative to fence the land and install the irrigation system;

The current activities of Mahlezana Agricultural Co-operative are that of planting crops home gardens for both consumption and selling in the surrounding villages. Given the richness of the soil, as evident in the produce from the gardens, the co-operative approached a local chief requesting a piece of land where they could plant together. The Local Chief agreed to give the co-operative about 2 hectares, as a start, to plant crops (confirmation in writing from the Chief is available). It is this piece of land that ASPIRE has bought fencing material for and also where the irrigation system will be installed. The impact of this intervention to the community is as follows:

- Technical skills in crop production will be enhanced;
- A youth co-operative called Ikamva Lethu Youth Co-operative has already agreed to work with the Amahlezana Co-operatives to work the land. This will ensure much needed jobs for the youth in the area;
- Income will be generated through sales of vegetables thereby creating employment;

Food security will be ensured for the 14 members of the co-operative who are all mothers, 79 family members and the surrounding community.

3.3.2. Commercial Production Projects.

3.3.2.1. Keiskammahoek Berries Out-growers.

The purpose of the project is to promote production of berries in identified areas for commercial market. Three sites in Gxulu, Sinqumeni and Iqunube have been identified as out-growers of Blueberries.

Gxulu Berries progressing well and producing the Berries. Sinqumeni Berries is not functioning to full capacity due to lack of funds still outstanding from the Department of Rural Development. Iqunube Berries is waiting for funding to start operating and the Department of Rural Development is to release the funds next financial year to start operations at Sinqumeni and Iqunube.

The CSIR was commissioned by the Department of Rural Development to conduct an assessment of the entire Blueberries Project in Keiskammahoek and the following were findings that need to be addressed:

- Shareholder's Agreements do not exist between parties;
- Ownership of all the 3 Blueberries sites should be in line with funder's intent;
- Lease agreements for the use of the land have not been concluded and signed between land owners and the legal entities of the projects;
- Application for Global Gap and HACCP certification is still outstanding because the Quality Manual has not been completed;
- Transfer of outstanding funding from the Department of Rural Development remains an issue. Rural Development continues to demand accountability for the use of funds from ASPIRE;
- Development of a priority list of activities to kick-start Iqunube and Sinqumeni Berries;

- There is currently no centralized Pack house with enough capacity to cater for the produce that will eventually come from the 3 Out growers;
- Updating business plans of the Out growers and the development of the Business plan for the Pack house
- Formalising relations between parties, i.e., Rural Development and ASPIRE, ASPIRE and the Blueberries Out growers.

These challenges will be dealt with in the next stage of implementation.

3.3.2.2 Livestock Improvement Project.

The purpose of the project was to construct a Livestock Handling Facility in order to empower livestock farmers to farm commercially. The idea is to improve the market value of the livestock in the identified areas in order for them to command good prices in the market. Farmers residing mainly in the North East part of Amathole and also South of OR Tambo have been identified to benefit from this Livestock Handling Facility. The profile of the project is as follows:

- **Location of the Project:** Mhashe Local Municipality, Sundwane-Xobo Administration Area (Qombe Location) - Idutywa
- **Profile of the Beneficiaries:** It is estimated that there are about 950 households in 27 villages under Dutywa, Willowvale, Xhora, Mqanduli, and Mthatha that will benefit from this handling facility. With an average of 600 cattle that can be accommodated in a dipping tank, the area has 4 dipping tanks already. This means there is already a minimum total of 2400 cattle (conservative) in the area that will start participating in the handling facility.
- **Multiplier Effect:** With an estimated average size of each of the 950 households being 5 family members, the multiplier beneficiaries will be about 4750 family members that will benefit from the successful implementation of this project.
- **Financial Contribution:** ASPIRE contributed about R750 000 and NAMAC will contribute R750 000. This means ASPIRE's contribution will reach out to an estimated 4750 people in about 27 villages. This is significant income to the rural community whose members mainly rely on subsistence farming and crop production for livelihoods.

NAMC and ASPIRE have signed a Co-operation Agreement, with NAMC assuming the role of implementer. ASPIRE has already disbursed its contribution and the construction of the handling facility is already underway.

One of the spinoffs of this project is the level of sales that are going to be realised from the informal trade market locally. These animals would be bought for weddings, ritual slaughter and funerals. This project will also act as a central business hub where buyers can go at any time they require stock and can even place orders. Livestock owners to derive better profits from their livestock than they currently are getting.

During ASPIRE's visit to the project in March 2015, the Local Chief also advised of the currently existing market in Mthatha, Dutywa and Gcuwa. These key centres of business in Amathole and OR Tambo normally import their meat from outside the province because of limited production capacity and the poor quality of livestock available for consumption within the province.

The other benefits brought by this project to the surrounding communities have been identified as follows:

- The quality and quantities of livestock (cattle and sheep) that will be produced in the area for the markets will improve significantly;
- Improved quality refers to the genetics, age and gender profile of livestock that come from the Idutywa area;
- Incorporation of developing and subsistence farmers into formal red meat value chains;
- Consistent increase in income of livestock owners in the area;
- The market value of livestock assets in the area will increase;
- The level of technical skill in livestock farming will increase because of the investment in techniques in livestock production that the project will impart in the area;
- Better and efficient use of area's natural resource; and
- The relief of pressure on natural grazing overtime, which would improve the landscape of the villages for Tourism Promotion;
- Creation of stronger farmer organizations in the area.

3.3.2.2. *Aquaculture Project in Hamburg.*

Siyazama cooperative is an aquaculture primary cooperative that operates from Hamburg town. It has a two-fold business operation, viz, the first is Wild Oyster Harvesting. The second is the Kob Fish Farming activity where fingerlings are deposited grown and sold as

fully grown cob fish. The Oyster business, which has been operating for a couple of years now, has the following features:

- Harvesting of Oysters for the market from the sea;
- Farming of Oysters in the bay in nets.

Within the Operations of this Oyster business, Department of Agriculture, Forestry and Fisheries (DAFF) introduced another business activity, which is the rearing of Kob Fish in ponds as a pilot. With the introduction of this pilot, DAFF spent R15.m to buy the Oyster Farm, develop the Stock Rotation System, and Construct the Water Tanks and Construction of the Shed

The co-operative is profiled according to men, women, youth and disability ratios. The gender split is twenty five (25) female and twenty six (26) males making a 49:51 ratio. Given that there are two business activities taking place on this one site, ASPIRE opted to initially support the already existing Oyster Farming activity given that the pilot was still under DAFF. Under the oyster production unit, ASPIRE assisted Siyazama Aquaculture Co-operative with the following:

- Install a 3 Phase Energy Efficiency specification which is meant to connect a maximum demand of 100kVA at a total cost of R334 926, 65. This is to upgrade the farm's energy capacity to cater for the additional farming activities. The 3 phase electricity connection so far is the only cost incurred by Aspire towards the project ASPIRE is considering spending an additional R400 000 to employ a technical advisor to handhold the co-operative;
- To apply for Siyazama Aquaculture Co-operative for funding under the Imvaba Co-operative Fund, details of the funds are below. It is with great pleasure to report that R500 019 was approved for Siyazama Aquaculture Co-operative to continue with its Oyster Farming activities.
- Funding requested amounted to the value of R500 000.00. This funding is meant for equipment, inputs, training costs and branding of the Oyster Unit of the Siyazama Aquaculture Co-operative. The funding breakdown is as follows:

No	Description of Items	Quantity	Amount (R)
1	Chevrolet UTE 1.4 Bakkie with standard canopy	1	R 147 732
2	4m long boat Indigo Boats E400 (hull only)	2	R58 954
3	15hp Yamaha motor	2	R50 000
4	Safety equipment 1 Nautical mile per 4m boat	1	R3 200

5	Nautical mile per large boat Petrol tanks	1	R4 900
6	Packing material	1	R25 000
7	Safety equipment package for 8 man	1	R10 000
8	General tools, cooler boxes and accessories	1	R8 600
9	Cold room (3m x 3m)	1	R30 000
10	Spats (Oyster eggs)	4	R72 960
10	Mobile cold room	1	R27 000
11	Technical training service of Oysters both cultivated & wild	1	R28 836.50
12	Branding and Marketing service	1	R32 836.50
GRAND TOTAL			R500 019.00

Achievements of this project to date:

- The ECDC has approved funding for the co-operative to the amount of R500 019, 00 as applied for towards the Oyster Production component of the entire aquaculture project.
- 3 phase electric was installed by Eskom in the farm in order to keep up with the production of Kob Fish.
- Governance training and management of the cooperative was also conducted.

3.4. Small Town Regeneration Programme.

ASPIRE has played a prominent role in the revitalisation of some small towns within the Amathole District Municipality over the past few years. This was done through a series of town beautification projects and the development of public buildings to address various community projects with social cohesion and economic development outcomes. During the financial year 2015/16, the following projects were carried out:

3.4.1. Alice Pedestrian Bridge Project.

The idea for this project was the development of the Alice Pedestrian Bridge, Paved Walkways and associated lighting. The pedestrian bridge links the Alice CBD with Ntselemanzi, Victoria Hospital and Lovedale College. A budget of R4.3million was allocated from the NDPG and construction started in February 2013 due to be completed in August 2014. The project has unfortunately experienced delays owing to two major reasons:

- Default by the appointed contractor resulted in the cancelling of the contract and appointment of a new contractor to complete the job;
- Towards the end of 2014, the bridge itself collapsed whilst still under construction.

The above two challenges experienced by the project are the reasons why it has not been completed to date. The bridge has now been fixed and is in the process of being installed back onsite so that the projects can be completed. The Principal Agent and his team of professionals have made sure that the bridge meets all required quality standards and that it is properly reinforced. The anticipated date of completion is now October 2015.

3.4.2 Alice CBD Upgrade project.

The purpose of the project is to upgrade the heritage park of Alice and add value to the public space of the CBD. The project is now at its implementation stage which includes:

- Landscaping.
- Paving of pathways.
- Upgrading of access roads.
- Development of a play park for children.
- Amphi-theatre
- Renovations of buildings.
- Street furniture &
- Hawker stalls.

3.4.2. Completion of Local Spatial Development Frameworks

The promotion of improved and coordinated planning in the Amathole District will lead to enhanced infrastructure development in the district, with a measurable and visible impact on social-economic conditions.

During the period under review all planned targets were achieved. Specifically, the completion of four LSDF documents. The LSDF was approved by Mquma Local Municipality.

3.5. Culture, Tourism and Heritage Programme

During this year a Culture Heritage and Tourism Strategy was developed. Partnerships with the following organizations were established and MOU's signed:

- National Heritage Council and,
- Open Africa.

3.6. Special Projects

This program is in line with the funding model of ASPIRE which was approved by the Board of Directors during the 2013/14 financial year. It is aimed at raising funds to accelerate job creation whilst ASPIRE benefit from implementers fees and capacity enhancement associated with the projects. ASPIRE has been appointed as the implementer of two Extended Public Works Programme (EPWP) by the Department of Environmental Affairs. The projects are:

- EC Adopt-a Spot (R10m), from the Environmental Protection Infrastructure Programme (EPIP).
- Removal of Alien Invasive project (R35.7m over three years), from the Natural Resource Management Programme.

3.6.1. Adopt-a-Spot.

As part of ASPIRE's effort to secure projects and funding this waste management project was secured from the Department of Environmental Affairs. A Memorandum of Agreement was signed in June 2014 between ASPIRE and the Department of Environmental Affairs. This project is valued at **R10 000 000.00** and is aimed at assisting Buffalo City Metro (BCM) in its attempts to identify illegal dumping sites, clean them up, and develop vegetable gardens for food security for the city.

The following activities were achieved in this year:

- The Adopt-a-Spot Business Plan was approved by the Department of Environmental Affairs, and R2.7 million was paid to Aspire.
- 96 beneficiaries are employed in the project.

The Adopt-a-Spot project activities include the following:

- Street sweeping and gutter cleaning along pavements and open spaces.
- Clearing of Illegal dumps
- Awareness campaigns
- Erection of “No Dumping” signs

3.6.2. Removal of Alien Invasive Plants

The Department of Environmental Affairs, through its Natural Resource Management (NRM) unit, is in the process of removing alien invasive species, focusing on catchment areas, with the aim being to improve stream flow. The activity involves the removal of alien plants and alien vegetation by either cutting or poisoning those plants, depending on the variety of the alien species.

ASPIRE has been contracted by the DEA to implement this project in various parts of the Amathole District Municipality. The project is implemented at Diya, Ngqamakhwe, Shixini and Willowvale. The initiative is also aimed at creating much needed jobs whilst also empowering the local communities in various skills. This initiative is also aligned to the ASPIRE strategy as it focuses on the most vulnerable groups (i.e. youth, women and people with disabilities) whilst it also focus on the restoration of natural resources. 25 contractors and 317 beneficiaries have been employed.

COMPONENT C - CORPORATE SERVICES

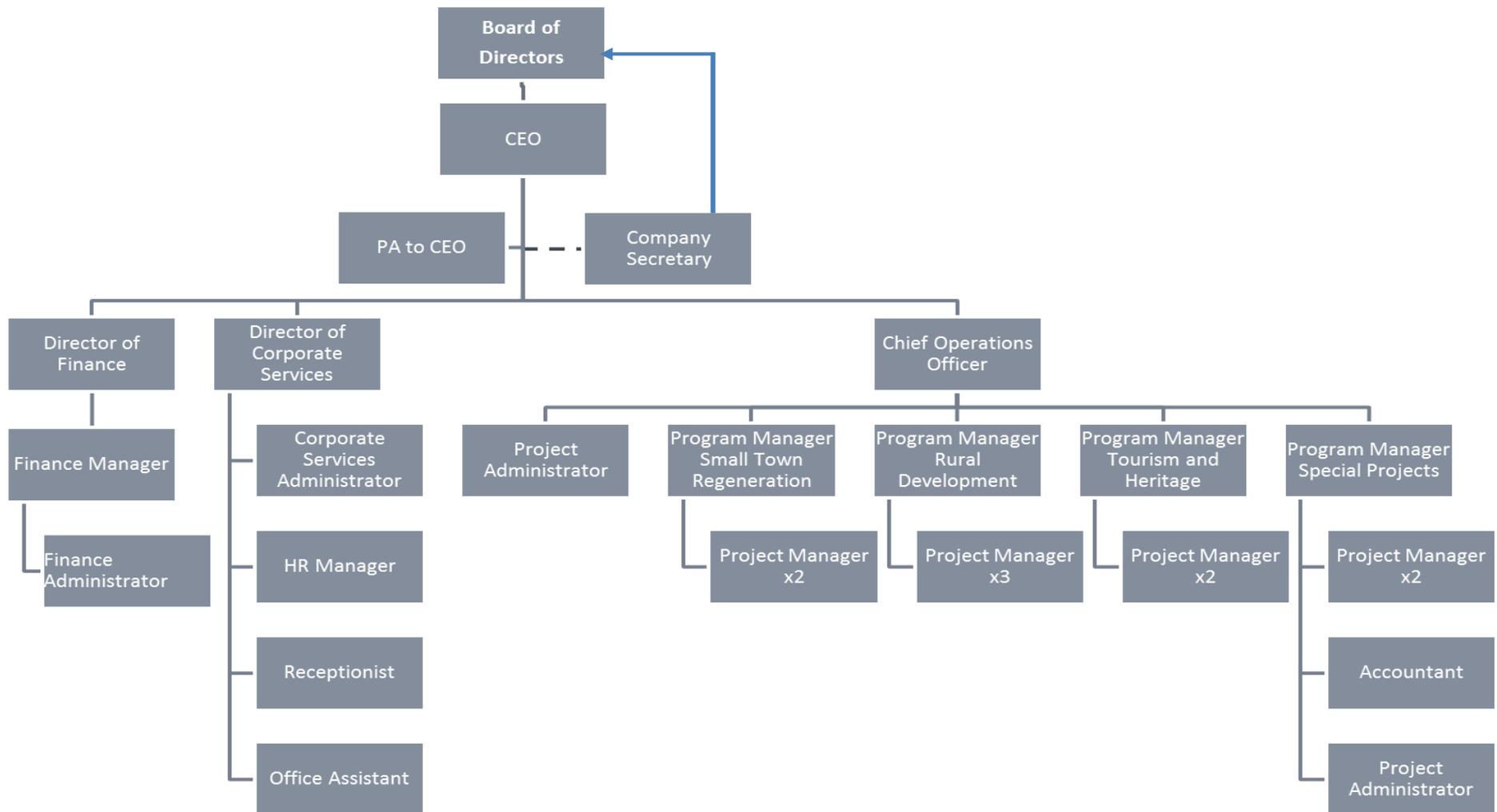
3.7. Human Resources & Organizational Structure

During the year under review for budgeted posts, 8 staff (COO, 3 Program Managers, 2 Project Managers, HR Manager, and 1 Administrator) were employed, whilst 2 resigned (Director Finance and Project Manager). In addition 3 more staff members (Program Manager, Project Manager, and Administrator) were employed through a funded special projects program implemented on behalf of the Department of Environmental Affairs. In December 2014 the Chief Executive Officer was suspended by the Board of Directors. The Board delegated one of the Board members to be appointed as the Acting CEO until the end of June 2015. Furthermore the Board appointed the Finance Manager as the Acting Director

of Finance for the balance of the financial year, whilst the vacant position was advertised by the Board of Directors.

The large increase in recruitment was in response to the organogram approved by the Board in the previous financial year.

Employees : Total Human Resource					
Task Grade	Year 2013/14	Year 2014/15			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	#	#	#	#	%
1-3	1	1	1	0	0%
4-6	1	1	1	0	0%
7-9	2	3	3	0.77	26%
10-12	7	9	7	2.34	26%
13-15	0	3	3	0.528	18%
16-18	4	4	3	0.58	15%
19-20	1	1	0	0.084	8%
Total	16	22	18	4.3	



3.8. Information and Communication Technology

Although the size of the agency is small, it relies heavily on information and technology. Being small, however, results in this vital resource being outsourced due to the fact that a full time resource would not provide value. This however, creates the unfortunate circumstance of being dependent on an outsourced service provider to assist the agency with its ICT needs. The main responsibility of this service provider is to provide and maintain the Information System so that it responds to the information needs and requirements of the agency.

The information technology platform enables users to be connected at all times, by focusing on the following:

- Security of IT systems and platforms
- Availability and performance of systems
- Support and maintain systems used by various departments
- Seamless integration of systems and platforms according to business requirements

Whilst a need to conduct an IT governance audit was identified in the previous financial year, the implementation of this project was delayed due to cash-flow constraints experienced by the agency during the second half of the financial year. This project will be re-incarnated in the new financial year to ensure compliance with the ICT Governance framework.

The communications, marketing and reputation management strategy document initiated in the previous financial year was finalised and submitted to the Board for approval. Due to time constraints however, this strategy document was not considered by the Board by the close of the financial year.

In an effort to ensure the integrity of the ASPIRE brand and logo going forward, an application for the trademarking of the brand and logo was initiated. This process was not concluded by the close of the financial year, but once trademarked and registered will ensure that the brand is secure.

The marketing brochure continues to be utilised to promote the ASPIRE brand and the work that the agency implements in the rural development field.

Final approval by the Board of the Amathole product brand was concluded, but unfortunately the launch of the brand in collaboration with ADM was delayed. The launch of the brand should take place in the new financial year. The brand will be utilised to promote the uniqueness and authenticity of Amathole products, thereby driving tourism and investment potential to the Amathole region.

A second and third quarterly newsletter was finalised and distributed. Unfortunately the fourth edition of the newsletter has been delayed, but it is hoped that this colourful means of communicating with our stakeholders will be re-introduced in the new financial year.

3.9. Risk Management

ASPIRE has adopted a Risk Management Policy and maintains an up-to-date risk register. Quarterly risk reports are submitted. The top 5 risks that have been identified are:

The following mitigating measures have been implemented to guard against these risks:

Risk	Mitigating Activities
1. Performance below target.	Appointment of COO, and Program managers. Development of procedure manual and policies
2. Ineffective Information and technology management.	Competent IT capacity. Review and develop IT strategy & Policy. Develop and implement a MIS system in line with governance requirements
3. Poor organizational culture.	Team building.
4. Sustainability of Aspire (including funding dependency on ADM).	Review business model. Review the funding Model. Enhance performance and efficiency of project implementation to maintain relevance. Sell ASPIRE strategy, action orientated. Communication.
5. Ineffective performance management system.	Evaluate and improve the working of the performance system. Ensure effective enforcement.

3.10. Legal

There has been two (2) legal matters reported during the period under review, the CEO's suspension and disciplinary hearing and a civil claim against a former employee. The CEO's matters has since been settled and closed beginning of June. The Audit, Finance and Risk committee gets reports of all legal matters initiated or defended by the Board, to assess

the risk exposure to ASPIRE. There were no other legal expenses incurred during the period under review.

3.11. Procurement

The procurement of all goods and services is guided by the Supply Chain Management Policy which has been adopted by the Board and is reviewed annually. Details are included in Section 2.5 above.

There were no procurement matters identified by or reported to the Internal Audit through the internet based tip-offs line during the current financial year.

COMPONENT E - ORGANISATIONAL PERFORMANCE SCORECARD

ANNUAL PERFORMANCE PLAN 2014-2015									
STRATEGIC GOAL #	STRATEGIC GOAL	OBJECTIVE	ORGANIZATIONAL TARGETS	INDICATOR	Budget	ANNUAL TARGET	ACHIEVED (YES / NO)	Progress Report	Reasons For deviation
BUDGET ALLOCATION - Good and Effective Service Orientated Organisation									
1	Good and effective service orientated organisation	Implement risk management systems to reduce risks to acceptable levels (9 and below) by 2017	1.1 To reduce the number of high risks	% of high risks > 14 score	726 948	15%	NO	55.6% achieved, being 10 out of 18 risk items had an inherent risk score above 14 as at end of June 2015. The target of reducing the number of high risks to 20% was therefore not achieved.	The number of high risks increased over the period. Diversification of funding of ASPIRE and funding for projects has not been successful, resulting in the actual risk remaining high. Sustainability of projects is also a high risk as it is dependent on buy-in of project beneficiaries. Cashflow problems in the last quarter did not permit certain mitigating actions to be implemented resulting in the risk remaining high.
			1.2 To lower the overall risk score	Average risk score		9	NO	The average risk score was 15.36 as at end of June 2015. There target score of 9 for the year was therefore not achieved	The risk profile of certain risks became worse over the period under review.
		Achieve and maintain economic, social and environmental sustainability of the organisation by 2017 and beyond	1.3 To increase income from other sources	% of income from other sources	689 448	5%	NO	5.2% from other sources [(R2,211,353 + R765,000 + R2,333,781K)*10% + R331,397] / R16.5m	Delays in the implementation of Special projects resulted in the shortfalls of income, attributable to implementation fees.
			1.4 To raise funding for projects	Value of Funding raised	689 448	R50 million	NO	Only achieved R21.97 million (EC BCM R15m + ASPIRE NRM R6.6m + GIZ R331K)	Funding applications were not successful.
			1.5 To ensure the organisation is staffed to achieve its mandate	Vacancy rate of funded posts	897 688	5%	NO	The vacancy rate as at end of June 2015 was 10%	Vacant posts not filled timeously due to funding constraints
			1.6 To ensure training interventions are implemented in line with the training needs	Achievement of planned training interventions	789 448	100%	NO	A total of 69% was achieved	Due to cashflow problems as a result of unforeseen and unbudgeted expenditure, no further training could be undertaken during the year under review and as such the balance of training could not be initiated.
			1.7 To implement green initiatives to reduce the ASPIRE carbon footprint	% reduction in paper usage, utilities, travel	18 779	2%	Yes	20% reduction	N/A
			1.8 To achieve the company targets set	% of targets achieved	2 068 344	80%	NO	Only 30% of the targets were achieved	Due to cashflow problems and capacity problems many of the targets were not met.
		Continuously implement effective performance management systems to ensure delivery of our mandate	1.9 To manage the agency in line with prescripts in order to achieve a clean audit	Clean Audit report	2 291 396	Clean Audit report	N/A	N/A	N/A
			1.10 To develop and implement a growth strategy for ASPIRE	Growth strategy document	714 487	Baseline determined	NO	Work has not commenced	Growth strategy document developed but not implemented.
			1.11 100% of policies reviews	% policies reviewed and approved	4 136 687	100%	NO	31 of 33 policies have been reviewed and approved by the Board. Total reviewed 94%	Code of Conduct of Board Directors and Declaration of Interest Policies were not approved by the Board.
			1.12 100% compliance with relevant prescripts and legislation	% compliance	2 105 903	100%	NO	Only 86% achieved for compliance in respect of Company's Act, MFMA, PFMA.	MFMA - lack of compliance with some Supply Chain Management requirements. Company's Act - lack of compliance with trademark and registration requirements and lodging of memorandum of incorporation. MSA - lack of personal and business interest disclosure by some of the Directors.

AGRICULTURE							
Lead the establishment and support of community owned and operated agricultural enterprises in seven LMs by 2017	2.1 To implement projects to ensure food security	# of food security projects	2 109 967	5	NO	<ul style="list-style-type: none"> • Ndakana Ago Ecological Co-op: The refurbishment of the nursery has been completed. • Xaba Jiyane Food Security Project: R119 000 has been spent to purchase seeds for beans, chemicals and herbicides. 5 tons of maize was harvested in May15. • Mahlezana Food Security Project: R50 000 spent on fencing material, the co-op is currently in the process of procuring a service provider to fence the land. 	3 out of 5 food security projects were supported due to the allocated budget being used for unbudgeted items.
	2.2 To implement commercial agricultural projects	# of commercial agricultural project	9 980 000	2	YES	<ul style="list-style-type: none"> • Blueberries Project: Production of Berries at Gxulu Berries still progressing well. PPECB has completed food safety assessment of the 3 sites in an effort to improve market access - the report available. All 3 sites have Governance Challenges. The outstanding funds from DRDLR/DTI have still not been received. • Ngangegqili Livestock Handling Facility: Procurement for the Ngangegqili Livestock Handling Facility was completed in December 2014 and construction of the handling facilities commenced in January 2015. As at June 2015 the construction of the handling facility was 80%. 	None
	2.3 To implement projects to assist in the rehabilitation of natural resources	# of natural resource rehabilitation projects	9 700 000	2	YES	<ul style="list-style-type: none"> • Adopt a Spot: 96 participants have been employed. Occupational Health and Safety training was conducted. 5 illegal dumping sites were cleared. • ASPIRE NRM: 25 Contractors and 317 beneficiaries commenced work on sites during March 2015. A total of 559 hectares have been cleared. 	None
Economically thriving small towns and rural communities	2.4 To implement marine projects	# of fish farming projects,	1 000 000	1	YES	<ul style="list-style-type: none"> • Siyazama Aquaculture Co-operative: ASPIRE, facilitated funding to the value of R500,000 from the ECDC for Oyster production. 	None
	TOURISM AND HERITAGE						
Partner with relevant stakeholders to address constraints to tourism in order to increase occupancy of facilities by 10% by 2017	2.5 To develop a tourism strategy and to partner with stakeholders to increase tourism in the district	Approved tourism and heritage strategy with implementation plan	2 500 000	Tourism and heritage strategy and implementation plan	Yes	Culture, Heritage & Tourism Strategy developed and completed	None
ECONOMIC INFRASTRUCTURE							
Facilitate the provision of infrastructure development in 3 localities by 2017 to unlock economic development opportunities	2.6 To implement infrastructure projects to unlock economic development opportunities	# of infrastructure projects	1 282 607	1	NO	ASPIRE has compiled a list of access roads that required improvement across the District. These are the ones that link Tourism Accommodation and tourism opportunities to main roads. Discussions were held with ECDC to assist in obtaining funding from the infrastructure fund, but these were delayed due to internal processes at ECDC. This proposal was submitted to the Department of Public Works and it requests R520 m.	Due unavailability of funds this project could not be implemented.
SMALL TOWN REGENERATION							
Facilitate planned public infrastructure upgrades in 5 small towns by 2017	2.7 To facilitate infrastructure upgrades of small towns	# of upgrades of small towns	22 138 260	2	YES	<ul style="list-style-type: none"> • Alice Regeneration: The Bridge is still under construction, after delays due to bridge collapse. Funding for the Alice CBD Upgrade was finally gazetted and the contractor has already been instructed to open site. The transport hub project will resume next financial year after funding was finally released from National Treasury. • Cathcart CBD: The procurement process was initiated but never completed due to funding constraints. 	The CBD upgrade project could not be fully implemented due to the allocated budget being used for unbudgeted items.

3	Rural Community Clusters	To create sustainable rural communities in order to reduce migration to urban areas	3.1 Partner with investors to establish 3 agro-processing enterprises by 2017	# of agro-processing enterprises established	500 000	1	NO	ASPIRE is partnering with the Tyefu community and DEA in order to establish an aloe processing unit.	Negotiations for establishment of an aloe processing unit are ongoing
BUDGET ALLOCATION - The preferred investment and development partner (R)									
4	The preferred investment and development partner	Attract and retain investments of R150 million for sustainable economic development opportunities by 2017	4.1 To increase visibility of the ASPIRE brand in the market by 2017	% of projects with ASPIRE signage	30 000	100%	NO	Signage for the Hamburg Town Upgrade was finalised and installed.	Insufficient budget allocated for the signage and branding.
				Number of marketing events	90 000	2	NO	No marketing events were held during the year. The launch of the Hamburg regeneration after finalisation did not take place.	Due to cashflow problems as a result of unforeseen and unbudgeted expenditure, no marketing events could be undertaken during the year under review
				Number of strategic partnerships	350 000	6	YES	Strategic partnerships signed with SABS, NHC, ECRDA, DEA, NAMC, OpenAfrika	None
			4.2 To facilitate Investment into Amathole by 2017	Value of private investments	150 000	R10 million	NO	No activities undertaken	Due to budgetary constraints no activities could be implemented
			4.3 To market the Amathole brand to promote Amathole products and services by 2017	# of products registered	30 000	5	NO	The Authentic Amathole product brand has been designed together with a brand guidelines document.	Approval from the ADM council is required before the brand can be launched and marketed.

4. ORGANISATIONAL DEVELOPMENT PERFORMANCE

Organisational development provides an agency with the opportunity to improve the effectiveness and efficiency of itself by increasing its capacity to manage both internal and external functions and relationships. This increased capacity enables the organisation to deliver on its mandate and achieve its strategic goals.

An Organizational Development plan provides the organisation with an opportunity to improve interpersonal and group processes, provide more effective communication, increase the ability to cope with organisational problems and pressures, to streamline decision making and implement appropriate leadership styles. All these work at creating an environment of trust and cooperation amongst staff members, with the value system of the organisation as the base.

COMPONENT A - INTRODUCTION TO AGENCY PERSONNEL

4.1. *Employee Totals, Turnover and Vacancies*

After the finalisation of the strategy review process and the change management process started in the previous financial year, during which a new strategy and supporting organogram were adopted by the Board, the year commenced with a recruitment drive to fill the vacant positions.

Many posts in the Operations Department were filled, this being the department where the core business of the agency is performed. A COO, 3 program managers, a project administrator and 2 project managers were appointed in the first 6 months of the financial year.

The new Special Projects Unit was expanded by the appointment of the Program Manger, the second project manager and a project administrator. This unit was established to implement projects on behalf of others for financial gain.

An HR manager was appointed to provide much needed expertise. This would also assist in the implementation of various programs that will take place in the new financial year.

Employees					
Description	Year 2013-2014	Year 2014-2015			
	Employees	Approved Funded Posts	Employees	Vacancies	Vacancies
	#	#	#	#	%
CEO	1	1	0	1	100%
Senior Management	4	4	3	1	25%
Middle Management	6	11	9	2	18%
Support Staff	5	6	6	0	0%
Totals	16	22	18	4	18%

Vacancy Rate : 2014/15			
Designations	Approved Posts	Vacancies (Total time that vacancies exist using fulltime equivalents)	Vacancies (as a % of total posts)
	#	#	%
1-3	1	0	0%
4-6	1	0	0%
7-9	3	0.18	6%
10-12	9	2.34	26%
13-15	3	0.528	18%
16-18	4	0.58	15%
19-20	1	0.084	8%

Turn Over Rate 2014-2015			
Details	Total Appointments at beginning of Financial Year	Terminations during the Financial Year	Turn Over Rate
	#	#	%
2012-2013	17	5	29%
2013-2014	16	7	44%
2014-2015	15	3	20%

The turnover rate for the Agency during the 2014/15 financial year is at 20%. This is significantly down on the 44% from the previous financial year. In an effort to understand the reasons for staff exiting the agency, exit interviews are held with the exiting staff in order to identify gaps in the HR value proposition. The reasons for exiting are explained below:

Position	Reason for leaving
Executive team x2	Mutual agreement on termination of contract, to pursue family business interests
Project managers x1	Better position

COMPONENT B - MANAGING THE WORKFORCE

ASPIRE reviews policies annually to ensure that a standardised approach to the management of staff is both legislatively up to date and current in terms of best practices. Staff management is a core function of each line manager and the various policies provide a structured approach that management can utilise to implement the various HR related policies and procedures. Human resource policies also are effective at supporting and building the desired institutional culture. All HR policies are available to staff at all times, which provide clear guidelines and frameworks to assist in the day to day fulfilment of their duties and provide direction on compliance.

4.2. Policies

	Name of Policy	Completed	Reviewed	Date Approved by Board of Directors
1	Cell phone Policy	100%	100%	May 2015
2	Code of Conduct	100%	100%	May 2015
3	Communications	100%	100%	May 2015
4	Corporate Social Responsibility	100%	100%	May 2015
5	Declaration of Interest	100%	100%	May 2015
6	Employee Assistance	100%	100%	August 2014
7	Employee Equity Policy	100%	100%	May 2015
8	Experiential training, Volunteerism, Internship and Learnerships	100%	100%	May 2015
9	Information technology	100%	100%	May 2015
10	Leave	100%	100%	May 2015
11	Occupational Health and safety	100%	100%	May 2015
12	Performance Management	100%	100%	August 2014
13	Recognition	100%	100%	May 2015
14	Recruitment, Selection and Placement	100%	100%	May 2015
15	Remuneration (Staff)	100%	100%	May 2015
16	Study Bursary	100%	100%	May 2015
17	Subsistence and Travel	100%	100%	May 2015

Policies are reviewed and where shortcomings/gaps are identified, changes are effected to close these gaps. All policies are reviewed on an annual basis to ensure compliance with prescripts. Once a policy has been reviewed and possible amendments have been suggested, the following process is initiated to ensure approval:

- The policy will be drafted and or reviewed
- The policy is submitted to staff for their comments and input
- Possible amendments/suggestions/proposals are consolidated into one policy review document
- Consultation occurs at a staff meeting where the changes are highlighted and amendments finalised
- The policy is submitted to EXCO for final review
- The policy will be tabled at the next Board sub-committee meeting for recommendation to the Board
- The policy will be tabled at the next Board meeting for approval.

4.3. Injuries, Sickness and Suspensions

Number of Days and Cost of Sick Leave						
Job level	Total sick leave	Proportion of sick leave without medical certificate	Employee s using sick leave	Total employee s in post	Average sick leave per Employee s	Estimate d Cost
	Days	%	#	#	Days	R'000
Senior Management	30	23%	5	5	6.00	559
Middle Management	49	10%	10	13	3.77	1 219
Support Staff	30	17%	6	7	4.29	177
Totals	109	16%	21	25	4.68	1 955

Staff sick leave increased over the period under review. This can be attributed to the increased level of stress the staff had to endure over the period, in particular during the second half of the year, as a result of the uncertainty and instability which arose as a result of the CEO's suspension and subsequent investigation.

	Nature of alleged misconduct	Date of suspension	Details of Disciplinary Action taken or Status of Case and Reasons Position why not Finalised	Date Finalised	
CEO	Insubordination	December 2014	Contract expired by mutual agreement with Board of Directors	June 2014	
Number and Cost of Injuries on Duty					
Type of Injury	Injury Leave Taken	Employees using injury leave	Proportion of employees using injury leave	Average Injury Leave per employee	Estimated Cost
	Days	%	#	#	R'000
NO INJURIES ON DUTY DURING THE YEAR					

No injuries on duty were reported during the year, and one staff member was suspended during the year under review.

4.4. Performance Rewards

The implementation of the Performance Management System was compromised by the delayed contracting of the CEO during the year under review. Finalisation of staff contracts was therefore also delayed and in certain instances, contracting did not take place. This deviation, whilst submitted to the Board for approval was not considered by them due to time constraints.

A performance bonus was paid to staff in December 2014, based on the outcomes of the performance appraisals and overall performance of the organisation as a whole. These rewards are indicated below:

Performance Rewards by Gender					
Task Grade	Gender	Total number of employees in group	Number of beneficiaries	Expenditure on Rewards	Proportion of beneficiaries within group
		#	#	R'000	%
Senior Management	Female	3	3	212	100%
	Male	1	1	124	100%
Middle Management	Female	2	0	0	0%
	Male	3	1	53	33%
Support Staff	Female	5	5	116	100%
	Male	0	0	0	0%
Totals		14	10	505	

COMPONENT C - CAPACITATING THE WORKFORCE

4.5. Skills Development and Training

During the year under review, it was discovered that the agency is registered with the incorrect SETA, namely the Services Seta when it should be the LGSeta. A transfer applications was submitted to the relevant SETA's during quarter 2 and it is expected that the transfer should be effected in the new financial year.

The Agency commenced with the implementation of the workplace skills plan that was formulated towards the end of the previous financial year. Training was however, halted during quarter 3 as a result of cash-flow issues.

Type of Training	Internal/External	No of staff	Cost
SCM Training	Service provider	10	44,000
IMFO - Good Governance	Service provider	1	7,070
IMFO - Vat	Service provider	2	5,105
BBB-EE amendments	Service provider	1	868
Corporate Governance	Service provider	2	17,990
Case Ware	Service provider	1	3,390
ISO9001:2008 Module 1	Service Provider	8	Sponsored
ISO9001:2008 Module 2	Service Provider	5	17,768

COMPONENT D - MANAGING THE WORKFORCE EXPENDITURE

4.6. Employee Expenditure

At the end of the financial year, the personnel expenditure stands at 43% of the total expenditure. An inflationary increase of 6.79% was implemented, with effect from July 2013 for all general staff. An increase was also extended to the executive team during January 2015, after confirmation of the upper limits from the parent municipality and approval by the Board.

The Agency remunerates staff on a total cost to company basis, at a median of the grade and includes participation in the company provident fund and medical aid in the HR offering.

Description R'000	Executive	Senior management	Middle management	Coordination /administration	TOTAL
Salaries and wages					
Normal	1414	3146	4497	1198	10255
Leave paid / Accrued		85	8	10	103
Overtime	0	0	0	0	0
Staff and Company contributions					
Provident fund	192	173	442	170	977
Medical aid	0	22	255	147	424
Other	20	39	82	33	174
Allowances					
Travel and vehicle	0	24	84	0	108
Other	0	0	257	0	257
Housing benefit and allowances	0	0	0	0	0
Loans and advances	0	0	0	0	0
Other benefits and allowances					
Bonus and leave	200	215	14	46	475
Arrears owed to municipality	0	0	0	0	0

5. FINANCIAL PERFORMANCE

COMPONENT A - STATEMENTS OF FINANCIAL PERFORMANCE

5.1. *Statements of Financial Performance*

5.1.1. Introduction to Financial Statements

The annual financial statements have been prepared on the accrual basis of accounting and in accordance with historical cost convention, unless otherwise specified. The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No. 56 Of 2003).

The principle accounting policies adopted in the preparation of the annual financial statements are set out in the annual financial statements contained in this document.

5.1.2. Financial Performance

The Agency reported an overall deficit of R1 289 842 for the current financial year, and overall revenue of R35 976 547 in 2014, and R73 378 256 in 2013. The continuous decrease is mainly associated with the reduction in NDPG, which funded a number of projects in the past.

The Agency managed to spend R31 145 487 during the current financial year, which represents 51% of the budget. The expenditure amount excludes provision for bonuses and possible income tax expense.

5.1.3. Financial Position

The liquidity position of the Agency has been slowly getting weaker over the past few years which is mainly attributed to the change of strategic focus of the main funder (NDPG). In the 2014/2015 financial year the Agency reported cash and cash equivalents of R15.4 million (2013/2014: R5.3 million). The Agency had a liquidity ratio of 0.95:1. The unfavourable liquidity ratio thus illustrates the Agency's inability to defray current liabilities as and when they fall due.

5.1.3.1. Project Expenditure

The total variance of R 32.2 million was caused by the following:

- Leadership challenges
- Delayed completion of the Alice Pedestrian Bridge
- Blueberry project funding transfer being delayed by the Department of Rural Development, therefore no expenditure could be incurred.
- Discomfort of investors due to instability challenges.
- Delay in implementation of special projects resulting in limited expenditure being incurred

5.1.3.2. Staff Costs

The variance of R0.4 million in personnel expenditure relates to vacant posts of the CFO for half the financial year, which was offset by the staff appointed to the Special Projects Unit which has not managed to secure the budgeted new funding (fundraising).

5.1.3.3. Administrative costs

The variance of R1.9 million in administration expenditure relates to mainly unbudgeted legal fees and board fees which resulted in other administrative costs not having sufficient budget to implement all programs.

5.1.4. Grants

5.1.4.1. Grant Income

The entity's budget and financial reporting is prepared on a comparable basis with regards to sundry income, interest received and expenditure. However, with regards to Grant income, the budget is prepared on a cash basis or, alternatively, when the grant will be allocated to the entity. For financial reporting, grants are recorded as revenue from non-exchange transactions when they become receivable, and are then recognised as income on a systematic basis over the periods necessary to match the grants with the related costs which they are intended to compensate.

The entity's budget was approved by the Board of Directors on 20 January 2014 and submitted to the parent municipality in May 2014. A comparison between the budget and actual financial performance is as follows:

The total variance of R 32.01 million is attributed to the following:

- The grants are recognised to the extent that expenditure is incurred, hence non incurring of expenditure resulted in lower income realised
- An income variation consists of R13.7 million on the NDPG capital grant allocation relating to the non-completion of the Alice Pedestrian Bridge. This is due to delayed expenditure as result of an infrastructure issues resulting in the bridge collapse prior to finalisation. A variance of R7 million relates to funding to be received from the Department of Rural Development and Land Reforms for the blueberry projects. Both sets of funding were not received during the period under review and are expected in the new financial year.
- A variance of R12.2 million relates to income not realised from the implementation of special projects on behalf of DEA.
- A variance of R3 million was incurred on the IDC funding grant as a result of non-transfer of the grant funding to ASPIRE.
- A variance of R1.9 million of ADM funding relates mainly to a grant for EA Operations which was not received at year end.

5.2. Asset Management

Section 63 of the Municipal Finance Management Act requires the accounting officer to have a consistent regulatory framework in which ASPIRE operates. An Asset Management Policy was designed to promote efficient and effective management, monitoring, control and safeguarding of all assets controlled and owned by the Agency. To ensure accurate recording of asset information in the asset register is in accordance with the applicable accounting standards approved by National Treasury.

Capital Assets are classified into the following categories for the financial reporting purposes:

1. Property, Plant and Equipment
 - Land and Buildings (land and buildings not held as investment)
 - Infrastructure Assets (immovable assets that are used to provide basic services)
 - Community Assets (resources contributing to the general well-being of the community)
 - Heritage Assets (culturally significant resources)
 - Other Assets (ordinary operational resources)

2. Intangible Assets (GRAP 102) (assets without physical substance held for ordinary operational resources).
3. Investment Property (GRAP 16) - investment assets (resources held for capital or operational gain)
4. Biological Assets (GRAP 101) (livestock and plants held)
5. Assets classified as held-for-sale (GRAP 100) (assets identified to be sold in the next 12 months and reclassified as inventory)

The Agency does not have a large asset base as it operates as an implementing Agency within the Amathole District Municipality. The total amount of assets purchased during the current year was R222 348

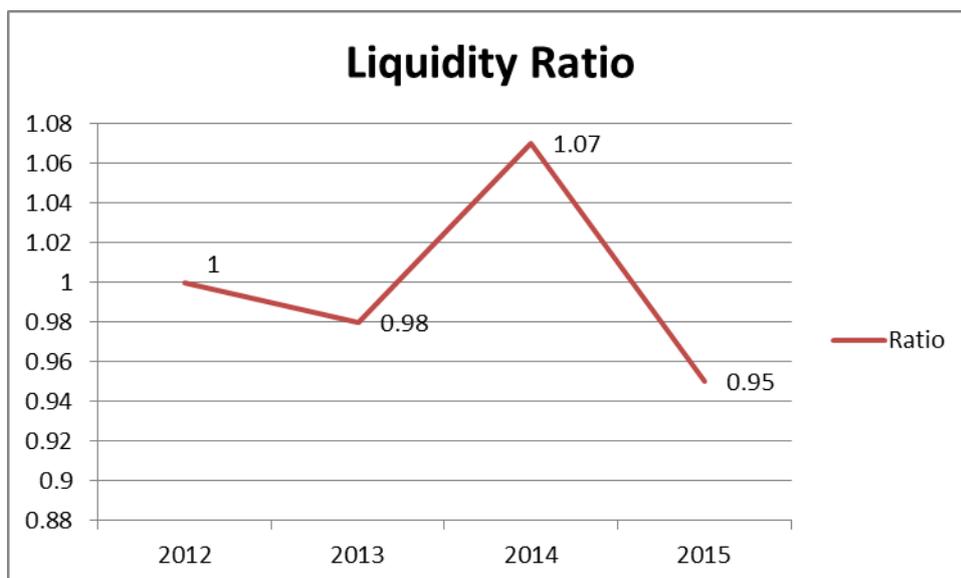
5.3. Financial Ratios

5.3.1. Liquidity Ratio

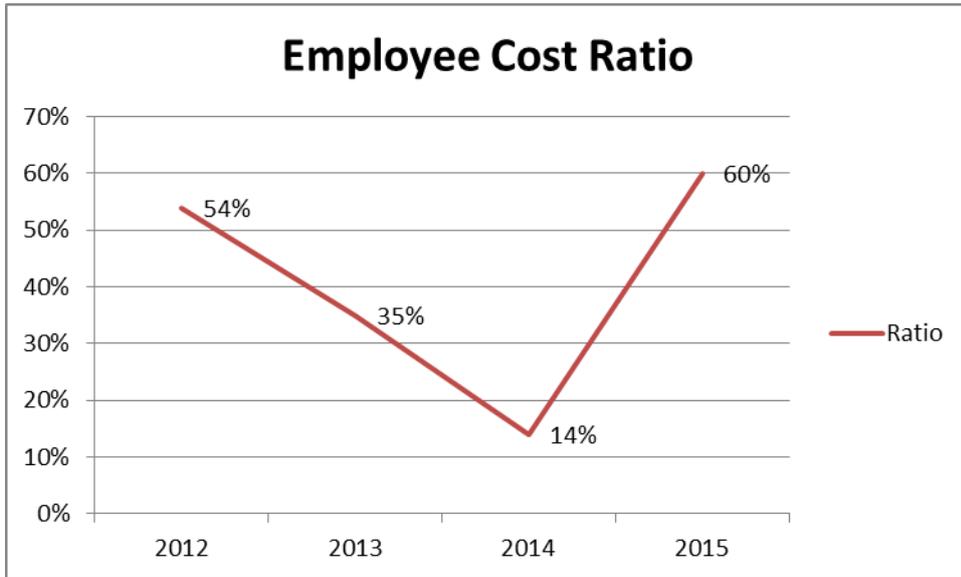
This ratio measures the Agency’s ability to pay its debts when due and is calculated by dividing the total current assets by current liabilities. The higher the ratio the better.

ASPIRE’s current ratio is below the norm of 2:1, as well as below the minimum of 1:1. This implies that the Agency is unable to pay debts in the short term.

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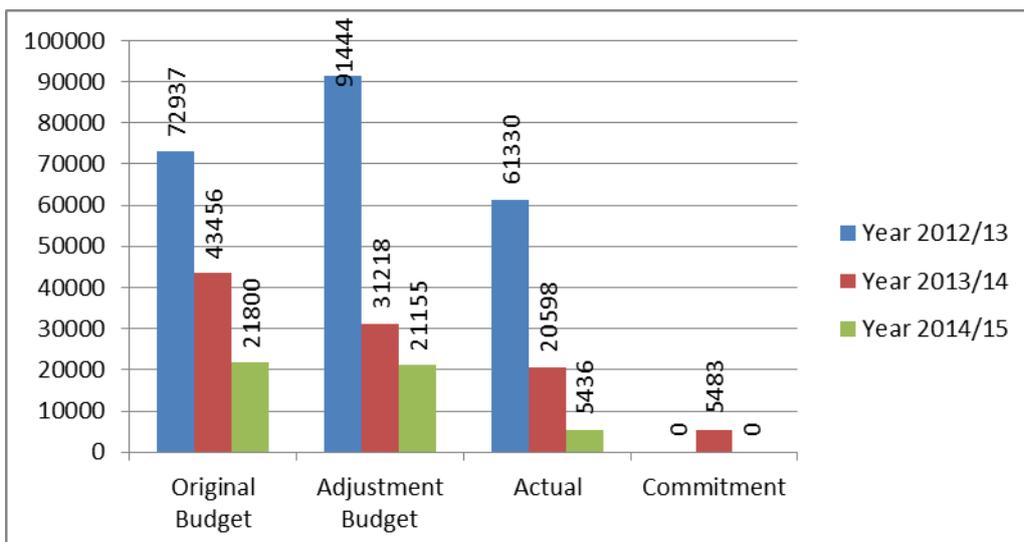
5.3.2. Employee Cost Ratio



This ratio measures what percentage of the total operating budget was spent on paying employee costs. It is calculated by dividing the total employee cost by the total operating costs.

COMPONENT B - SPENDING AGAINST CAPITAL BUDGET

5.4. Capital Expenditure



5.5. Sources of Finance

The decline in revenue during the period under review was due to the following:

- Capital Grant - the late and non- transfer of approved funds from the NDPG
- ADM- in 2013 there were savings from the previous years which were treated as deferred revenue
- Other Grant - the non- transfer of the approved funding for Blueberry Project (DRDLR) as well as IDC
- Delayed project implementation for the DEA NRM projects due to leadership challenges
- No concerted fundraising efforts

5.6. Capital Spending on Projects

A total of R5.4 million was spent on the Alice Regeneration project during the year under review. This was the main capital project implemented during the year.

COMPONENT C - CASHFLOW MANAGEMENT AND INVESTMENTS

5.7. Cash-flow Statement

	2015	2014
Note(s)	R	R
Cash flows from operating activities		
Receipts		
Revenue from non-exchange transactions	38 106 368	20 867 751
Other operating income	52 007	24 049
Sponsorship	-	65 523
Interest received	412 439	274 697
Payments		
Staff costs	-13 595 209	-8 657 214
Suppliers	-14 092 727	-34 721 393
Taxation	-519 778	-
Net cash from operating activities	10 363 099	-22 146 587
21		
Cash flows from investing activities		
Proceeds on disposal of property, plant and equipment	31 853	15 282
Purchase of intangible assets	-15 945	-15 828
Purchase of property, plant and equipment	-206 404	-99 847
	-190 496	-100 393
Net increase / (decrease) in cash and cash equivalents	10 172 604	-22 246 980
Cash and cash equivalents at beginning of year	5 266 638	27 513 618
Cash and cash equivalents at the end of year	15 439 242	5 266 638

5.8. Supply Chain Management

Section 3(1) (b) and (c) of the SCM Regulations state that the accounting officer of a municipal entity must, at least annually, review the implementation of the SCM policy and when necessary submit proposals for the amendment of the policy to Board of Directors.

Section 117 of the MFMA states that: “No councillor of any municipality may be a member of a municipal bid committee or any other committee evaluating or approving tenders, quotations, contracts or other bids, not attend any such meeting as an observer.” The accounting officer established a committee system that is consistent with the MFMA and Municipal SCM Regulations for competitive bids consisting of:

- A bid specification committee
- A bid evaluation committee
- A bid adjudication committee

Rules and procedures governing the functioning of the abovementioned bid committees were developed and implemented. Chapter 6 of the Municipal Regulations on Minimum Competency Levels states that: “The accounting officer and any other official of a municipal entity involved in the implementation of the SCM Policy of the municipal entity must generally have the skills, experience and capacity to assume and fulfil the responsibilities and exercise the functions and power in respect of Supply Chain Management.” The regulations indicate the minimum competency levels for Heads and Managers in Supply Chain Management. Due to the size of the Agency the Head of Supply Chain Management, is currently the director of finance.

5.9. GRAP Compliance

GRAP is the acronym for **G**enerally **R**ecognized **A**ccounting **P**ractice and it provides the rules by which municipal entities are required to maintain their financial accounts. Successful GRAP compliance will ensure that accounts are comparable and more informative for the municipality/municipal entity. It will also ensure that the entity is more accountable to its citizens and other stakeholders. Information on GRAP compliance is needed to enable National Treasury to assess the pace of progress and consider the implications.

ASPIRE has prepared fully GRAP compliant annual financial statements.

6. AUDITOR GENERAL AUDIT FINDINGS.

6.1. Introduction.

The accounting officer of the Agency is responsible for the preparation and fair presentation of the annual financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act No. 56 of 2003 (MFMA) and for internal controls that management determines necessary to enable the annual financial statements to be prepared free from material misstatements whether due to fraud or error.

The Constitution S188 (1) (b) and section 4 of the Public Audit Act of South Africa No. 25 of 2004 states that the functions of the Auditor-General include the auditing and reporting on the accounts, financial statements and financial management of all municipalities. MSA S45 states that the results of performance measurement must be audited annually by the Auditor-General.

COMPONENT A - AUDITOR GENERAL OPINION OF FINANCIAL STATEMENTS - YEAR 1

The audit report for the 2013/14 financial was issued by the Office of the Auditor General on 29 November 2014.

Auditor-General Report on Financial Performance 2013/14	
Status of audit report: Unqualified audit opinion with no emphasis of matter but with non-compliance with laws and regulations.	
Finding	Remedial Action Taken
Misstatement of disclosure as a result of casting error	Schedules updated monthly and checked to final AFS
Weakness in internal controls	Review of procurement and expenditure to be undertaken during the year by internal audit to ensure gaps are closed

Governance - material misstatements and non-compliance not identified by audit committee and internal audit indicating they did not adequately review compliance with laws and regulations	Audit committee and internal audit to be given enough time in which to review AFS
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6.2. Auditor General Report 2013-2014

REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE AMATHOLE ECONOMIC DEVELOPMENT AGENCY (SOC) LTD

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Amathole Economic Development Agency (SOC) Ltd set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2014, the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting authority's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Amathole Economic Development Agency (SOC) Ltd as at 30 June 2014 and its financial performance and cash flows for the year then ended, in accordance with Standards of GRAP and the requirements of the MFMA and the Companies Act.

Emphasis of matter

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

Other reports required by the Companies Act

8. As part of my audit of the financial statements for the year ended 30 June 2014, I have read the directors' report and the audit committee's report for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports, I have not identified material inconsistencies between the reports and the audited financial statements. I have not audited the reports and, accordingly, do not express an opinion on them.

Additional matters

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

Unaudited supplementary schedule

10. The supplementary information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. I have not audited this schedule and, accordingly, I do not express an opinion thereon.

Unaudited disclosure notes

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings on the reported performance information against predetermined objectives, non-compliance with legislation as well as internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

13. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objective presented in the annual performance report of the entity for the year ended 30 June 2014:
 - Economically thriving small towns and rural communities
14. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
15. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information*.

16. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

17. I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected objective.

Additional matter

18. Although I raised no material findings on the usefulness and reliability of the reported performance information for the selected objective, I draw attention to the following matter:

Achievement of planned targets

19. Refer to the annual performance report on pages x to x and x to x for information on the achievement of the planned targets for the year.

Compliance with legislation

20. I performed procedures to obtain evidence that the entity had complied with applicable legislation regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Financial statements, performance report and annual report

21. 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 disclosure items identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Internal control

22. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.

Leadership

23. The oversight structures did not exercise adequate oversight responsibility over financial reporting, compliance and related internal controls. This was the result of not adequately monitoring the functioning of internal controls, which led to non-compliance with the MFMA and material misstatements in the financial statements.

Financial and performance management

24. Although a record management process was in place, requested documentation was not always available on the dates initially agreed upon.

Governance

25. Although no findings were raised on the audit committee and internal audit unit, material findings on non-compliance and material misstatements that were subsequently corrected in the financial statements indicated that the audit committee and internal audit unit did not adequately review compliance with laws and regulations during the period.

Auditor - General

East London

29 November 2014



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

6.3. Auditor General Reports 2014-2015

To be included after completion of the AG Audit.

6.4. Audit Committee Report

Draft in the AFS

ACRONYMS

ADM	Amathole District Municipality
AFS	Annual financial statements
AREDS	Amathole Regional Economic Development Strategy
ARC	Agricultural Research Council
BCMM	Buffalo City Metropolitan Municipality
CAPEX	Capital expenditure
CBD	Central business district
CCMA	Commission for Conciliation, Mediation and Arbitration
CEO	Chief executive officer
CFO	Chief Finance Officer
CSIR	Council for Scientific and Industrial Research
ECDC	Eastern Cape Development Corporation
DAFF	Department of Agriculture, Forestry and Fisheries
DEA	(National) Department of Environmental Affairs
DLGTA	Department of Local Government and Traditional Affairs
DRDLR	Department of Rural Development and Land Reform
DRPW	Department of Roads and Public Works
EC	Eastern Cape
ECDC	Eastern Cape Development Corporation
ECF	Employment Creation Fund
ECMAC	Eastern Cape Manufacturing Advisory Centre
EIA	Environmental impact assessment
EPIP	Environmental protection and infrastructure programmes

EXCO	Executive committee
FET	Further education and training
GIZ	German development service
GRAP	Generally recognised accounting practice
HIV	Human immunodeficiency virus
HR	Human resources
ICT	Information and communications technology
IT	Information Technology
LED	Local economic development
LESS	Legislative and Executive Support Services
LM	Local municipality
LSDF	Local spatial development framework
M&E	Monitoring and evaluation
MFMA	Municipal Finance Management Act
MM	Municipal manager
MoA	Memorandum of agreement
MoU	Memorandum of understanding
NAMC	National Agricultural Marketing Council
NDPG	Neighbourhood Development Partnership Grant
NEDA	Nkonkobe Economic Development Agency
NRM	Natural resource management
NMMU	Nelson Mandela Metropolitan University
OD	Organisational development
PMS	Performance management system

PPECB	Perishable Products Export Control Board
RoD	Record of decision (in the EIA process)
SARS	South African Revenue Service
SCM	Supply chain management
SDL	Skills development levy
SEDA	Small Enterprise Development Agency
SETA	Sector Education and Training Authority
SMME	Small Micro Medium Enterprise
WSP	Workplace skills plan

APPENDICES

Appendix A

Board of Directors: Attendance and Remuneration for the period 1 July 2014 to 30 June 2015

Director	Board	Human Resources and Administration Committee	Audit, Finance and Risk Committee	Programs and Projects Committee	Governance Committee	Directors Fees Paid
	(3 meetings) (7 Special)	(4 meetings) (1Special)	(4 meetings) (2 Special)	(4 meetings)	(3 meetings)	
Dr. V Mkhosa (Chairman)	10 of 10	-	-	-	3 of 3	R181,808.00
Ms. NEP Loyilane (Deputy Chairman)	8 of 10	-	6 of 6	-	3 of 3	R149,813.00
Mr. SA Mpambani (until Dec 2014)	3 of 3	-	2 of 2	1 of 2	2 of 2	R67,833.00
Mr. AT Qunta	7 of 10	5 of 5	3 of 6	-	1 of 3	R119,500.00
Prince S Mabandla	10 of 10	-	-	4 of 4	3 of 3	R243,518.00
Ms. T Madala	10 of 10	5 of 5	-	4 of 4	-	R241,593.00
Mr. S Mbewu (Independent Director)	-	-	6 of 6	-	-	R47,465.00
Mr. MJ Panicker (Independent Director)	-	-	6 of 6	-	-	R64,401.00

Appendix B

Board Committees

Audit, Finance and Risk Committee

The committee is made up of three non -executive directors and two (2) independent directors. It meets at least four times in a year.

This committee is responsible for overseeing effectiveness of internal controls, financial reporting, risk management and performance of internal auditors.

The committee meets four times in a year.

Human Resources and Administration Committee

There are two (2) non- executive directors in this committee and its main function is to assist the Board of Directors in fulfilling its obligation and oversight responsibility for human resources strategies and policies.

The committee is designed to meet four times in a year.

Programmes and Projects Committee

There are three (3) non- executive directors in this committee and its focus is on giving effect to the obligations of ASPIRE in terms of the Service Level Agreement with the Amathole District Municipality.

The committee is designed to meet four times in a year.

Governance Committee

This committee is made of all the committee chairpersons and is chaired by the Chairman of the Board. Its main responsibility is to establish and maintain an appropriate system of corporate governance.

The committee is designed to meet four times in a year.

Appendix C

DISCLOSURES OF FINANCIAL INTEREST

Period 1 July 2014 to 30 June 2015 (Current Year)

<u>Position</u>	<u>Name</u>	<u>Description of Financial Interest</u>
<u>CEO</u>	<u>NN Mnqeta</u>	<u>Nil</u>
<u>Director of Finance - till December 2014</u>	<u>V Sodladla</u>	<u>Nil</u>
<u>Acting Director of Finance - January to June 2015</u>	<u>N Cekiso</u>	<u>Nil</u>
<u>Chief Operations Officer - appointed 1 August 2014</u>	<u>TV Shenxane</u>	<u>Nil</u>
<u>Company Secretary</u>	<u>Z Kiviet</u>	<u>Nil</u>
<u>Director of Corporate Services</u>	<u>S Weppelman</u>	<u>Nil</u>

APPENDIX D

CONDITIONAL GRANTS: excluding MIG

Details	Budget	Adjustments Budget	Actual	Variance		Major conditions applied by donor
				Budget	Adjustments Budget	
Industrial Development Corporation	3 000	3 000	0	3 000	3 000	To be spent according to signed agreement
NDPG Capital Grant	18 800	18 155	5 436	13 364	12 719	To be spent according to signed agreement
Other grant income	14 200	14 545	2 286	11 914	12 259	To be spent according to signed agreement