

TSHWANE ECONOMIC DEVELOPMENT AGENCY ANNUAL REPORT, 2016/17

Sign Off:

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Chief Executive Officer**

**TSHWANE ECONOMIC DEVELOPMENT AGENCY
ANNUAL REPORT
2016/17**

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GLOSSARY OF TERMS

| Term | Definition |
|---|--|
| Business plan | A document that summarises the work of a department or municipal entity. It highlights the functions of the department or entity, its organisational arrangements, planned activities as well as the cost associated with delivering on its mandate. The planned activities of the Tshwane Economic Development Agency revolve around economic development interventions to address socio-economic challenges such as unemployment, inequality and poverty. A business plan also outlines related budget requirements for such interventions. |
| Deliverables | Set targets for a financial year and relate to the overall strategic objectives of the Tshwane Economic Development Agency. The deliverables must be in line with the five-year targets as reflected in the 2011/16 Integrated Development Plan and must demonstrate a progressive movement towards achieving the City of Tshwane's goals. |
| IDP scorecard | Identifies the strategic objectives for the five-year term in line with the long-term vision, Tshwane Vision 2055. |
| SDBIP scorecard | Drives service delivery using the Municipality's approved budget. Departments and municipal entities are expected to align their KPIs to the approved budget and related projects. |
| Departmental scorecard | Reflects the planned activities of a department or entity in line with its functions. Targets set in the departmental scorecard are broken down into quarterly targets. The scorecard is used to monitor a department or entity's performance on a quarterly basis. |
| Strategic focus area | Area of immediate importance that supports a strategic priority area and a department or entity's functional areas. The key focus areas represent the work of the department or entity and support the organisational strategy. |
| Functional area | Part of the approved organisational structure of the City of Tshwane (micro structure). It is an area of work of a department or municipal entity and has been budgeted for. |
| Indicator | Statement of measurement that is used to indicate whether progress is being made in achieving a goal. An indicator provides a framework for gathering data for measurement and reporting; translates a complex concept into a simple measurable operational variable; enables the review of the goal and objectives; assists in policy review processes; and helps to provide feedback to the Municipality and staff. The approved IDP 2011/16 and its first review contain such indicators. Departments and municipal entities are encouraged to improve their indicators in line with their set targets. |
| Key performance area | An area of focus that defines tasks and activities that are carried out in support of set objectives. |
| Strategic objectives (City of Tshwane) | <p>The Performance Management Guidelines state that "[a] components of the IDP need to be translated into a set of clear and tangible objectives. The statement of objectives requires a tangible, measurable and unambiguous commitment to be made. In setting objectives, a municipality needs to carefully consider the results desired; review the precise wording and intention of the objective; avoid overly broad results statements; be clear about the scope and nature of change desired and ensure that objectives are outcome and impact focused.</p> <p>In line with the guidelines, the revised strategic objectives, as per the 2013/14 IDP revision, are:</p> |

| | |
|-----------------------------------|--|
| | <ol style="list-style-type: none"> 1) Provide sustainable service infrastructure and human settlement management; 2) Promote shared economic growth and job creation; 3) Ensure sustainable, safer cities and integrated social development; 4) Promote good governance and an active citizenry; 5) Ensure improved financial sustainability; and 6) Ensure continued organisational development, transformation and innovation. |
| Strategic objective (TEDA) | What TEDA intends to do or produce in order to achieve its vision and mission. |

| ACRONYMS | |
|---------------------|---|
| Abbreviation | Full name |
| APC | Audit and Performance Committee |
| B-BBEE | Broad-Based Black Economic Empowerment |
| COID | Compensation for Occupational Injuries and Diseases |
| CoT | City of Tshwane |
| ERM | Enterprise Risk Management |
| FINRISK | Finance and Risk Committee |
| FDIs | Foreign Direct Investments |
| IDP | Integrated Development Plan |
| KPI | Key performance indicator |
| MFMA | Municipal Finance Management Act |
| MMC | Member of the Mayoral Committee |
| OD | Organisational Design |
| OECD | Organisation for Economic Co-operation and Development |
| OPCA | Operation Clean Audit |
| PWC | PricewaterhouseCoopers |
| REMCO | HR and Remuneration Committee |
| SANEC | South African Netherlands Chamber of Commerce |
| SCM | Supply chain management |
| SDBIP | Service Delivery and Budget Implementation Plan |
| SDA | Service delivery agreement |
| SMMEs | Small, Medium and Micro-sized Enterprises |
| MLAP | Management letter action plan |
| TEDA | Tshwane Economic Development Agency |
| TITTIC | Tshwane International Trade. Investment Infrastructure Conference. |

PURPOSE

This document presents the 2016/17 Annual Report, compiled in compliance with the Municipal Finance Management Act, Act 56 of 2003 (MFMA), and the Municipal Systems Act, Act 32 of 2000 (MSA), as amended. It reflects on the performance of the Tshwane Economic Development Agency (TEDA) for the period 1 July 2016 to 30 June 2017.

CHAPTER 1 FOREWORD BY THE CHAIRPERSON, REPORT OF THE CEO AND EXECUTIVE SUMMARY

1.1 FOREWORD BY THE CHAIRPERSON

TEDA is progressively claiming its space in positioning itself as a premium entity of the City of Tshwane.

In the 2016/17 financial year, the entity has done well in terms of its performance targets as indicated in the tables below. This followed another good performance in the preceding 2015/16 financial year where very few targets were not met due to external dependencies. This is a performance risk we are continuing to address with the Shareholder to ensure that such experiences are avoided.

TEDA has gained good traction in its core business of promoting investments in the City of Tshwane and undertaking a set of economic development projects which will soon change the economic landscape of the City. The entity managed to mobilise funding from its strategic partners to assist in with detailed feasibility studies for some of our key projects like the Agro-processing Hub project in the east of the capital.

In line with the appetite to reach higher levels of maturity, TEDA is ready for taking responsibility over some of the City's catalytic / strategic projects in order to complete the identity of the entity being the implementation vehicle of the City of Tshwane.

At the front of financial performance, TEDA continues to exemplify prudence as expressed through amongst others, living up to its expenditure plans against set performance objectives and few audit findings to name but only two.

TEDA's Board has had impressive ratings both from the City's Internal Audit and External Audit on its governance and oversight scorecard.

Few challenges which continue to impact TEDA's work include the lack of financial sustainability and certainty in respect of TEDA's mandate. For its part, TEDA has demonstrated its capacity to conceptualise, plan and implement projects, trade and investment promotion initiatives in line with the City's guiding strategic frameworks.

1.2 REPORT OF THE CHIEF EXECUTIVE OFFICER

Vision

The vision of Tshwane Economic Development Agency is:

“TEDA strives to be a catalyst for economic growth and development to position the City of Tshwane as a globally competitive Capital City.”

Mission

The mission of Tshwane Economic Development Agency is:

“To provide integrated and innovative economic development solutions through investment promotion and funding, programme management and property management.”

The attainment of the predetermined objectives and targets set out in the year under review, were realised through the entity’s four strategic objectives, namely:

- **To develop, facilitate and promote viable foreign and local investments into the City of Tshwane.**
- **To identify, design and develop and manage projects with strategic economic and social benefits for the greater Tshwane community.**
- **To promote Tshwane as a vehicle investment destination through the implementation of integrated marketing and communication programmes.**
- **To establish and build TEDA as a strong and effective organisation in the context of good governance best practices.**

To achieve the above strategic objectives, TEDA has structured its operations around three programmes whose cross-cutting functions enable it to operate in an efficient and effective manner.

The programmes are:

- **Programme 1: Strategic Management, Finance and Administration;**
- **Programme 2: Programme Portfolio Management; and**
- **Programme 3: Investment Promotion and Funding.**

Key policy developments:

There have been no significant changes to TEDA's legislation and mandate. TEDA's work is guided by the City's 2016/21 Integrated Development Plan (IDP) and Tshwane Vision 2030 transformation areas, in particular Economic Transformation.

Key service delivery improvements:

During the year under review, the City of Tshwane (CoT) embarked on a review of the future of its entities including TEDA. The City resolved not to disestablish TEDA, however sufficient measures are to be put in place in order to monitor and evaluate the operations of the entity over the next twelve months, after which a re-evaluation of the mandate will be considered. The review of the entity's service delivery agreement as well as its mandate in the next financial year, would ensure that the issues surrounding the entity's direction and financial sustainability are resolved.

TEDA made significant progress towards achieving its strategic objectives as set out in the 2016/17 Business Plan despite both the financial and human resource constraints. The 2016/17 scorecard had to be adjusted and was approved by Council in April 2017 as three Strategic Objectives (SO's) had to be removed. The three SO's had no quarterly targets and therefore no link between the business plan and performance reporting. Furthermore, the SO's were related to income generating assets belonging to the City.

TEDA's organisation performance has greatly improved. The entity achieved 13 out of 16 Key Performance Indicators (KPIs) in the 2015/16 financial year whereas in the period under review the entity had 13 KPIs and all KPIs were achieved. It is therefore my privilege to report on the successes of the entity.

- The entity through its facilitation role of the Tshwane Freight Terminal and Logistics hub has facilitated an investment amounting to R1.2 billion. The investment is expected to create 80 temporary jobs during construction and 400 permanent jobs in the first three years of operation. The investment contributes directly towards the City of Tshwane SDBIP KPI's of rand value of investment attracted to the city by TEDA and number of income-earning opportunities facilitated by TEDA.**
- The entity completed a high level detailed feasibility study for Tshwane Agro-processing hub bio-energy facility as well as a pre-feasibility study of the Clothing and Textile hub.**
- TEDA in collaboration with the Department of Trade and Industry hosted three export capacity building workshops so as to develop and capacitate Tshwane based businesses to succeed in exporting their goods and services to the global market.**

- **TEDA undertook an international benchmarking and information gathering in Ireland. The outcome was to assist TEDA in developing training course on best practices to attract Foreign Direct Investments (FDIs), advise on how to develop and implement a world class aftercare programme and to develop value proposition for aero-space industry.**
- **Four trade missions were undertaken in the period under review. The last mission was the Paris Air Show and was led by the MMC for Economic Development and Spatial Planning.**
- **As part of promoting Tshwane as an investment destination, TEDA participated in 7 exhibitions and trade shows.**
- **The entity partnered with South African Netherlands Chamber of Commerce (SANEC) for the Ambassadors Luncheon in the period under review. The topic for discussion was on the impact of infrastructure on Trade and Economic Growth. A keynote speech was delivered by the Executive Mayor of the CoT.**

1.3 EXECUTIVE SUMMARY

TEDA is a municipal entity that was established in November 2006 and is solely owned by the City of Tshwane. TEDA is largely governed by the Companies Act (Act 71 of 2008), Municipal Systems Act (MSA) (Act 32 of 2000), as amended, and the Local Government: Municipal Finance Management Act (MFMA) (Act 53 of 2003), as amended, and its regulations.

The service delivery agreement entered into by TEDA and the City sets the mandate and the business plan for the entity. The attainment of the predetermined objectives and targets set out in the business plan, were realised through the entity's four strategic objectives, namely:

- **To develop, facilitate and promote viable foreign and local investments into the City of Tshwane.**
- **To identify, design and develop and manage projects with strategic economic and social benefits for the greater Tshwane community.**
- **To promote Tshwane as a vehicle investment destination through the implementation of integrated marketing and communication programmes.**
- **To establish and build TEDA as a strong and effective organisation in the context of good governance best practices.**

To achieve the above strategic objectives, TEDA has structured its operations around three programmes whose cross-cutting functions enable it to operate in an efficient and effective manner.

The programmes are:

- **Programme 1: Strategic Management, Finance and Administration**

The purpose of this programme is to provide effective and efficient management and strategic and administrative support to the organisation. The programme consists of strategic management, finance and governance, and corporate services.

- **Programme 2: Programme Portfolio Management**

The purpose of this programme involves the delivery of a range of developments and programmes aimed at achieving the goals outlined in Tshwane Vision 2055, within the parameters of its mandate from the City of Tshwane as approved by Council. The programme consists of infrastructure, industrial developments, and inner city and designated areas sub-programmes.

- **Programme 3: Investment Promotion and Funding**

The purpose of this programme is to promote and facilitate trade and investment in Tshwane. This programme consists of investment promotion and aftercare, export development and promotion, as well as marketing and communication sub-programmes.

CHAPTER 2 CORPORATE GOVERNANCE

2.1 CORPORATE GOVERNANCE

Table 1: Board of Directors

| Board member | Capacity: Executive/non-executive | Race | Gender | Board committee membership |
|--|--|----------------|---------------|---|
| Prof. DL Mosoma (Chairperson) | Non-Executive | African | Male | <ul style="list-style-type: none"> • Board Chairperson • Chairperson: Social and Ethics Committee |
| Bahula-Ermias, RS* | Non-Executive | African | Female | <ul style="list-style-type: none"> • Finance & Risk Committee • Projects Committee |
| Gouvelis, H | Non-Executive | White | Male | <ul style="list-style-type: none"> • HR & Remuneration Committee • Projects Committee |
| Mpungose, ZG | Non-Executive | African | Female | <ul style="list-style-type: none"> • Trade and Investments Committee • HR & Remunerations Committee |
| Mpyane, CR* | Non-Executive | African | Male | <ul style="list-style-type: none"> • Projects Committee, • Trade & Investments Committee |
| Mzizi, SP | Non-Executive | African | Female | <ul style="list-style-type: none"> • Projects Committee • Finance and Risk Committee |
| Sibanda, FK | Non-Executive | African | Male | <ul style="list-style-type: none"> • HR & Remuneration Committee • Trade & Investments Committee |
| Singh, N | Non-Executive | Indian | Female | <ul style="list-style-type: none"> • Chairperson: Finance and Risk Committee • Social and Ethics Committee |
| Thubakagale, JL | Non-Executive | African | Male | <ul style="list-style-type: none"> • Finance & Risk Committee • Chairperson: HR & Remunerations Committee |
| Yates, M | Non-Executive | White | Male | <ul style="list-style-type: none"> • Chairperson: Projects Committee • Trade & Investments Committee |
| Mogaladi | Executive Director | African | Male | <ul style="list-style-type: none"> • Social & Ethics Committee |

*The non-executive director retired on 30 June 2017

2.2 LEGISLATIVE FRAMEWORK PRESCRIBING THE FUNCTIONS OF THE ENTITY

TEDA strives to comply with the Constitution of the Republic and the enabling general legislative prescripts. In particular, TEDA is committed to comply with the Companies Act, Municipal Finance Management Act, Municipal Systems Act, Broad-based Black Economic Empowerment Amendment Act, National Environmental Management Act, Occupational Health and Safety Act, Labour Relations Act, Basic Conditions of Employment Act, Employment Equity Act, Promotion of Access to Information Act, the Skills Development Act and their regulations.

TEDA approved its Corporate Governance Policy Framework in April 2014. The framework sets out, amongst other things, roles and responsibilities of the shareholder, Board and management. The framework was developed in line with the King IV Report on Corporate Governance, 2016 (King IV). It also incorporates the Code of Conduct for Employees and Directors, Fraud Prevention Policy, Conflict of Interests Policy and ICT Governance Framework. TEDA adopted various human capital policies in compliance with labour market legislation.

TEDA reviewed the Delegations of Authority Framework and Supply Chain Management Policy which allocate powers and functions to the Board, management committees, CEO and individual executive managers. The sub-delegations were also developed and adopted by the Executive Committee to ensure speedy approval processes and allow managers to manage.

2.2.1 FUNCTIONING OF THE BOARD AGAINST THE 2016/17 WORK PLAN

The Board approved the Annual Work Plan at the beginning of the financial year. This plan guided the work of the Board and its committees. The Board established the following committees to strengthen its oversight role:

2.2.1.1 Projects Committee

The mandate of the committee is to advise the Board on the implementation of the projects portfolio of TEDA. The committee uses the Projects Management Framework adopted by the Board in order to perform its functions. During the year under review, three projects were identified, whilst the City commenced with the process of transferring additional projects to TEDA.

2.2.1.2 Trade and Investment Committee

The mandate of the committee is to advise the Board on the City of Tshwane's economic development initiatives, which include investment attraction, marketing and communication. During the year under review, TEDA participated in several outbound missions aimed at promoting local companies, successfully convened TITIIC and empowered SMMEs through various trade initiatives.

2.2.1.3 Human Resources and Remuneration Committee

The mandate of the committee is to advise the Board on the development and implementation of remuneration and recruitment policies of TEDA as well as other human capital policies. The REMCO spearheaded the Organisational Design (OD) intervention towards ensuring that TEDA has the right organisational structure with appropriate competencies amongst its staff to deliver on TEDA's strategic objectives.

2.2.1.4 Finance and Risk Committee

The terms of reference of this committee include overseeing the development of financial and organisational performance policies, overseeing the development and management of risks, ensuring an effective internal audit function and ensuring that the entity addresses external audit findings. The committee also monitors the entity's compliance with key legislation and the King III Report.

2.2.1.5 Social and Ethics Committee

This committee was established in terms of the Companies Regulations, 2011. Its terms of reference include monitoring the activities of the company on socio-economic development matters and the company's standing with regard to the principles set out in the UN Global Compact Principles, the OECD recommendations regarding corruption, the Employment Equity Act, 1998, the Broad-Based Black Economic Empowerment and TEDA's corporate social responsibility.

2.2.1.6 Audit and Performance Committee of the City of Tshwane and its municipal entities

The Internal Audit and Risk function is performed by the CoT on behalf of TEDA. The CoT Audit Committee is the Audit and Risk Committee of TEDA.

Board committee meetings, 2016/17 financial year

Table 2: Board committee meetings

| Name of Board Member | Board | Trade and Investment Committee | Social and Ethics Committee | Finance and Risk Committee | Projects Committee | REMCO | Total |
|--------------------------------------|--------------|---------------------------------------|------------------------------------|-----------------------------------|---------------------------|--------------|--------------|
| Prof. DL Mosoma (Chairperson) | 8 | - | 1 | - | - | - | 9 |
| Bahula-Ermias, RS | 7 | - | - | 5 | 3 | - | 15 |
| Gouvelis, H | 8 | - | - | - | 3 | 2 | 13 |
| Mpungose, ZG | 8 | 4 | - | - | - | 2 | 14 |
| Mpyane, CR | 9 | 3 | - | - | 3 | 1 | 16 |
| Mzizi, SP | 7 | - | - | 7 | 4 | - | 18 |
| Sibanda, FK | 8 | 3 | - | - | - | 1 | 12 |
| Singh, N | 8 | - | 1 | 7 | - | - | 16 |
| Thubakagale, JL | 9 | - | - | 5 | - | 2 | 16 |
| Yates, M | 9 | 4 | - | - | 4 | - | 17 |

Directors' remuneration

Table 3: Total remuneration of non-executive directors, 2016/17

| No | Surname | Initials | Year to date |
|--------------|-----------------------|-----------------|---------------------|
| 1 | Mosoma | LD | R151 690 |
| 2 | Bahula- Ermias | RS | R102 840 |
| 3 | Gouvelis | H | R120 409 |
| 4 | Mpungose | ZG | R144 405 |
| 5 | Mpyane | C | R147 833 |
| 6 | Mzizi | SP | R139 263 |
| 7 | Sibanda | FK | R99 841 |
| 8 | Singh | N | R149 547 |
| 9 | Thubakgale | JL | R122 123 |
| 10 | Yates | MW | R159 831 |
| Total | | | R 1 337 783 |

2.3 RISK MANAGEMENT AND INTERNAL CONTROLS

2.3.1 TEDA'S RISK MANAGEMENT STRATEGY

TEDA has adopted the Enterprise Risk Management (ERM) Strategy and Policy of the City of Tshwane and its entities. The strategy lays out guiding principles for the management of risk across the enterprise.

2.3.2 PROVISION OF TEDA'S RISK MANAGEMENT PLAN

TEDA's risk management implementation plan was developed in line with a risk maturity assessment that was performed by PWC. The implementation plan outlined risk management activities that the entity will implement to improve its risk maturity level.

TEDA's strategic risk plan was developed through a consultative process involving all the unit heads. Strategic risks were identified and submitted to the Board for approval and subsequently approved by the City Risk Committee and the Council.

2.3.3 STRATEGIC RISK REGISTER

The development of TEDA's Strategic risk register was through workshops and one on one consultation process. The register was discussed in the Finance and Risk Committee for further inputs and approved by the Board. GAAR Department monitored the implementation of the action plans to ensure that the Entity mitigates all unacceptable risks.

Table 5: TEDA's strategic risk register

| Strategic risk | RR | Management action plan |
|--|----------------------|---|
| <p>1. Failure to attract investments</p> | <p>MEDIUM</p> | <p>1. To increase marketing of CoT investment opportunities e.g. projects and incentives from the policy framework.</p> <p>2.To undertake both inbound and outbound trade missions to attract investments and identifying foreign markets.</p> <p>3.To target investors for particular sectors (investor targeting) using both country and company analyses and investment seminar.</p> <p>4. Increased lead generation, facilitation and follow-up, company visitations as part of investment expansion and after care.</p> <p>5. Information sharing on investing in CoT (assistance with business permits, access to opportunities, skills availability, etc.)</p> |
| <p>2. Inability to implement the financial sustainability model</p> | <p>HIGH</p> | <p>1. Review of the SDA towards securing CoT support to TEDA.</p> <p>2. Continued mobilisation of funding from external partners.</p> |
| <p>3. Delays in implementation of projects</p> | <p>LOW</p> | <p>1. Establishment of project oversight committees to monitor progress on projects in which TEDA is involved.</p> <p>2. Development of SLAs and Project Charters for business plan linked projects.</p> |
| <p>4. Inadequate marketing of the CoT as an investment destination.</p> | <p>HIGH</p> | <p>1. To implement various marketing and communications strategies (digital marketing, regular postings on the web etc.).2. Development of biannual investment bulletins.</p> |
| <p>5. Inadequate compliance with governance framework</p> | <p>LOW</p> | <p>1. Monitoring of OPCA action plan to address identified weaknesses.</p> <p>2. Compilation of a full list of compliance indicators, norms and standards against all applicable legislative and regulatory framework.</p> |

2.3.4 RISK MANAGEMENT ASSESSMENT PROCESSES FOLLOWED

TEDA adopted the Public Sector Risk Management Framework from National Treasury and the King III Report on Corporate Governance to ensure that its risk management processes are streamlined to best practices as indicated in the Enterprise Risk Management Policy for the City of Tshwane and its entities.

Risks within TEDA are assessed, reviewed and identified annually. The aim of the review and identification is to minimize as much as possible the risks faced by the entity and fulfil the expectations of the shareholder and other stakeholders.

To ensure TEDA's future sustainability, management looked at risks facing the entity across its major risk categories, these being strategic, financial, operational, governance and information technology risks.

TEDA management is responsible for ensuring that the Enterprise Risk Management Strategy and Policy are implemented. Hence they ensure that the action plans as approved by the Board are carried out.

In the year under review, TEDA developed a Risk Appetite Framework that outlines the risk acceptance parameters, escalation process and minimum actions required for the management of risks that are within and/or outside TEDA's risk appetite.

The objective of the Risk Appetite Framework is to articulate the process that will be adopted to embed risk appetite and its disciplines in TEDA's management protocol.

2.3.5 TEDA'S RISK MANAGEMENT, INTERNAL AUDIT AND AUDIT COMMITTEE FUNCTIONING

The Group Internal Audit and Risk function is performed by the CoT on behalf of TEDA and the CoT Audit Committee is the Audit and Risk Committee of TEDA. The Group Internal Audit Unit and the Group Audit Committee has the responsibility of ensuring the effectiveness of internal controls to the Audit and Performance Committee (APC). These committees use information drawn from various sources to carry out their reviews. The Board has a representation on these committees and information from the Risk Committee is passed to the Board for final ratification and approval.

Managers identify and manage all risks in their areas of responsibility; risks are mitigated through enhanced internal control measures. Further assurance is provided by the external auditors and other external specialists.

The Internal Audit Unit provides objective assurance to management, the Board and the Audit and Performance Committee. The internal audit annual work plan is developed in conjunction with TEDA's management and focuses on key risks and key internal controls. Where Internal Audit makes recommendations, management must develop and implement corrective action plans and address the root causes of deviations. Corrective actions are tracked on a regular basis by the City's Internal Audit Unit and the results are reported to executive management, the Audit and Performance Committee and the Board.

2.4 ENTITY'S SUPPLY CHAIN PROCESSES AND PROCEDURES

2.4.1 SUPPLY CHAIN MANAGEMENT PROCESS

Supply Chain Management (SCM) is an integral part of financial management and its role is to render support in terms of goods and professional services procured by TEDA. Goods and services are procured in a system that is fair, equitable, transparent, competitive and cost effective, and historically disadvantaged individuals and black economic empowerment are the chief driving forces in allocating contracts.

SCM is divided into the following five phases:

- **Demand management:** Demand management deals with the identification of the need for goods and services, ensuring that requirements are linked to the budget, the stakeholder analysis, specifications or terms of reference, preferential procurement strategies, evaluation criteria, lead and delivery times, the cost of goods and services, and the necessary approvals for the acquisition of goods and services. In this phase, the end user plays the biggest role and is assisted by the Procurement Unit. To facilitate this process, a specification committee is appointed, comprising the end user, supply chain management and any other role player.
- **Acquisition management:** This is the second phase of supply chain management. In this phase, a decision is made on how to approach the market. The total cost of ownership is determined. Bid documents are compiled. Bids are invited and evaluated, and contracts are signed. This phase is executed by the Procurement Unit with some assistance from the end user and other role players. To facilitate this process, a bid evaluation committee is appointed, comprising the end user, supply chain management and any other role player. A tender committee (or bid adjudication committee) is also appointed to evaluate the adjudicated contracts.
- **Logistics management:** This is the third phase and elaborates on the requisitioning of goods in storage (inventory management) for issuing to end users on request. These items are kept in storage due to the repetitive or frequent nature of requests for them, which makes it impractical to invite price quotations for each request. Orders are placed at suppliers who are registered on a supplier database. The process of placing, receiving and dispatching orders falls within this ambit.
- **Disposal management:** In this phase, unserviceable, redundant or obsolete movable items are discarded. A disposal committee is appointed to recommend a proper disposal strategy. Disposal management is conducted in accordance with delegated powers or authority.

- **Supply chain performance:** This is the final phase, which focuses on monitoring projects at their completion stage, i.e. whether the desired objectives and goals are achieved.

SCM also takes care of the effective, efficient, economic and transparent use, management, safeguarding and maintenance of assets. Various types of forms are utilised to ensure proper control while relocating and/or moving assets around. Assets are physically assessed annually so as to determine their useful life. This is accomplished through inspecting the physical condition of the assets.

2.4.2 SUPPLY CHAIN MANAGEMENT CAPACITY IN TEDA

Currently, SCM is carried out by the following two permanent staff members:

| DESIGNATION | RESPONSIBILITY |
|---------------------|---|
| Senior Manager: SCM | Supply chain performance and policy development |
| Manager: SCM | Tender administration |

2.4.3 SUPPLY CHAIN MANAGEMENT POLICY APPROVAL IN LINE WITH THE MUNICIPAL FINANCE MANAGEMENT ACT (ACT 56 OF 2003)

All SCM policies are approved by the Board, through the Finance, Risk and Governance Committee. Before approval is granted or the policy is adopted, it is ensured that the policy is aligned to all relevant legislative frameworks like the SCM Guide for Municipal Accounting Officers, Municipal Finance Management Act, Municipal Supply Chain Model, Preferential Procurement Policy Framework Act, Treasury Regulations as well as Practice notes and Circulars, etc.

The following table lists the SCM committees and their related functions.

Table 6: TEDA's supply chain committees and functions

| SUPPLY CHAIN MANAGEMENT COMMITTEE | GUIDELINES | FUNCTIONS AND PURPOSE OF THE COMMITTEE | NO OF MEETINGS PLANNED | ACTUAL | REASONS FOR DEVIATION | INTERVENTION/ ACTION TAKEN |
|--|---------------------------------------|---|-------------------------------|---------------|------------------------------|-----------------------------------|
| Bid Specification Committee | Supply Chain Management Policy | <p>A bid specification committee compiles the specifications for each procurement of goods or services by the municipal entity. A bid specification committee is composed of one or more officials of the municipal entity, preferably the manager responsible for the function involved, and may, when appropriate, include external specialist advisors.</p> <p>No person, advisor or corporate entity involved with the bid specification committee, or director of such a corporate entity, may bid for any resulting contracts</p> | 1 | 1 | None | Not applicable |
| Bid Evaluation Committee | Supply Chain Management Policy | <p>A bid evaluation committee must be cross-functional and must be composed of officials from the end user requiring the good, works or services; and at least one supply chain management official</p> <p>The Bid Evaluation Committee EC must evaluate bids in accordance with the specifications and the criteria specified in the bid documentation for a specific procurement and evaluate each bidder's ability to execute the contract, checks in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears and submit to the Bid Adjudication Committee a report and recommendations</p> | 1 | 1 | None | Not applicable |

| SUPPLY CHAIN MANAGEMENT COMMITTEE | GUIDELINES | FUNCTIONS AND PURPOSE OF THE COMMITTEE | NO OF MEETINGS PLANNED | ACTUAL | REASONS FOR DEVIATION | INTERVENTION/ ACTION TAKEN |
|--|--------------------------------|---|-------------------------------|---------------|------------------------------|-----------------------------------|
| | | regarding the award of the bid or any other related matter | | | | |
| Bid Adjudication Committee | Supply Chain Management Policy | <p>The Bid Adjudication Committee must be cross-functional of which at least one member should be a supply chain management practitioner. A bid adjudication committee must consist of at least four TEDA senior officials, a technical expert in the relevant field or an end user. The Chairperson of the committee should be the Chief Financial Officer. Neither a member of a bid evaluation committee, nor an advisor or person assisting the bid evaluation committee may be a member of a bid adjudication committee.</p> <p>The Bid Adjudication Committee must consider the report and recommendations of the Bid Evaluation Committee and make a recommendation to the Accounting Officer.</p> <p>The Bid Adjudication Committee must ensure that all necessary bid documents have been submitted, disqualifications are justified and that valid and accountable reasons/motivations were</p> | 1 | 1 | None | Not applicable |

| SUPPLY CHAIN MANAGEMENT COMMITTEE | GUIDELINES | FUNCTIONS AND PURPOSE OF THE COMMITTEE | NO OF MEETINGS PLANNED | ACTUAL | REASONS FOR DEVIATION | INTERVENTION/ ACTION TAKEN |
|--|-------------------|---|-------------------------------|---------------|------------------------------|-----------------------------------|
| | | <p>furnished for passing over of bids.</p> <p>They must ensure that scoring has been fair, consistent and correctly calculated and applied and that declarations of interest have been taken cognizance of.</p> | | | | |

Table 7: TEDA Bid Adjudication Committee structure and non-compliance with the requirements

| VALUE OF PURCHASE | PROCUREMENT METHOD AND REQUIREMENTS | DELEGATED AUTHORITY | OVERSIGHT ROLE | PROCUREMENT REQUIREMENTS DEVIATIONS | REASONS | INTERVENTION/ ACTION TAKEN |
|--------------------------|--|----------------------------|-----------------------|--|--|-----------------------------------|
| 0 to R2 000 | Petty cash | CFO | CEO | N/A | N/A | N/A |
| R2 001 to R10 000 | Verbal quotation | CFO | CEO | N/A | N/A | N/A |
| R10,001 to R30 000 | 3 Formal written Quotations and Tax Clearance compliance | CFO | CEO | N/A | N/A | N/A |
| R30 001 to R200 000 | 3 Formal written Quotations and PPPFA, Tax Clearance compliance | CFO | CEO | Appointment of the law firm for the facilitation of appeal resulting from restructuring process on behalf of TEDA to the value of R142 100 | Regulation 36(1) (v) Exceptional cases where it is impractical or impossible to follow procurement processes and Paragraph 25.17.3 (e) of the Supply Chain Management policy | Ratified by the Board |
| Unlimited | Competitive bidding Process (Tenders): PPPFA, Tax Clearance compliance | CEO | Board of Directors | N/A | N/A | N/A |

CHAPTER 3 SERVICE DELIVERY PERFORMANCE

3.1 PERFORMANCE AGAINST SCORECARD FOR TEDA FOR 2016/17

3.1.1 Performance Overview

In the year under review, the entity achieved 13 out of 13 Key Performance Indicators as per the below amended 2016/17 scorecard.

3.1.2 Performance Assessment (Scorecard)

Strategic objective 1: To develop, facilitate and promote viable foreign and local investment in the City of Tshwane

| Number | Output | Performance indicator | Annual target | Annual performance achieved | Achieved/Not achieved | Comments/Reason for deviation/Corrective measure |
|--------|--|--|---------------|-----------------------------|-----------------------|--|
| 1.1 | Trade and investment intelligence acquired | Number of trade and investment reports produced | 3 | 3 | Achieved | - |
| 1.2 | Export development and promotion services provided | Number of capacity-building initiatives held for SMME export readiness | 2 | 3 | Achieved | - |
| 1.3 | Trade and investment missions undertaken | Number of trade and investment missions participated in | 3 | 4 | Achieved | - |
| 1.4 | Investment attracted | Rand value of investment attracted to the City by TEDA | R1 billion | R1.2 billion | Achieved | - |
| 1.5 | Facilitate economic growth that is labour absorptive | No of income earning opportunities facilitated by TEDA | 300 | 400 | Achieved | - |

Strategic objective 2: To identify, design, develop and manage projects with strategic economic and social benefits for the greater Tshwane community

| Number | Output | Performance indicator | Annual performance target | Annual performance achieved | Achieved/Not achieved | Comments/Reasons for deviation/Corrective measures |
|--------|-----------------------------|---|--|---|-----------------------|--|
| 2.1 | Tshwane Agro-processing Hub | Infrastructure feasibility study for the Hub produced | Infrastructure feasibility study for the Hub | Infrastructure feasibility study report | Achieved | - |
| | | Preliminary design of the Hub produced | Preliminary design of the Hub | Preliminary design of the Hub completed | Achieved | - |

| Number | Output | Performance Indicator | Annual performance target | Annual performance achieved | Achieved/Not achieved | Comments/Reasons for deviation/Corrective measures |
|---------------|---|---|--|---|------------------------------|---|
| 2.2 | Tshwane Freight Terminal and Logistics Hub | Project feasibility study facilitated | Quarterly projects reports | Quarterly projects reports produced | Achieved | - |
| 2.3 | Revitalisation of the Groenkloof Nature Reserve | Preparation work on refurbishment completed | Project implementation on preparatory work (e.g. EIA, Designs and Permits) | Project implementation on preparatory work completed | Achieved | - |
| 2.4 | Clothing and Textile Hub | Pre-feasibility study produced | Pre-feasibility study of the Hub | Pre-feasibility study of the Hub completed | Achieved | - |
| 2.5 | Tshwane Agro-processing hub bioenergy facility | Feasibility study produced | Feasibility study of the Tshwane Agro-processing hub bioenergy facility | Feasibility study of the Tshwane Agro-processing hub bioenergy facility completed | Achieved | - |

Strategic objective 3: To promote Tshwane as a viable investment destination through the implementation of an integrated marketing and communication programme

| Number | Output | Performance Indicator | Annual performance target | Annual performance achieved | Achieved/Not achieved | Comments/Reasons for deviation/Corrective measures |
|---------------|----------------------------------|---|----------------------------------|------------------------------------|------------------------------|---|
| 3.1 | City's increased competitiveness | Number of exhibitions and trade shows participated in | 4 | 7 | Achieved | - |

Strategic objective 4: To establish and build TEDA as a strong and effective organisation in the context of good governance best practice

| Number | Output | Performance Indicator | Annual performance target | Annual performance achieved | Achieved/Not achieved | Comments/Reasons for deviation/Corrective measures |
|---------------|--|---|----------------------------------|------------------------------------|------------------------------|---|
| 4.1 | Approved quarterly risk control matrix | % of strategic risks monitored against the approved strategic risk register | 100% | 100% | Achieved | - |

3.1.3 Performance Improvement Measures

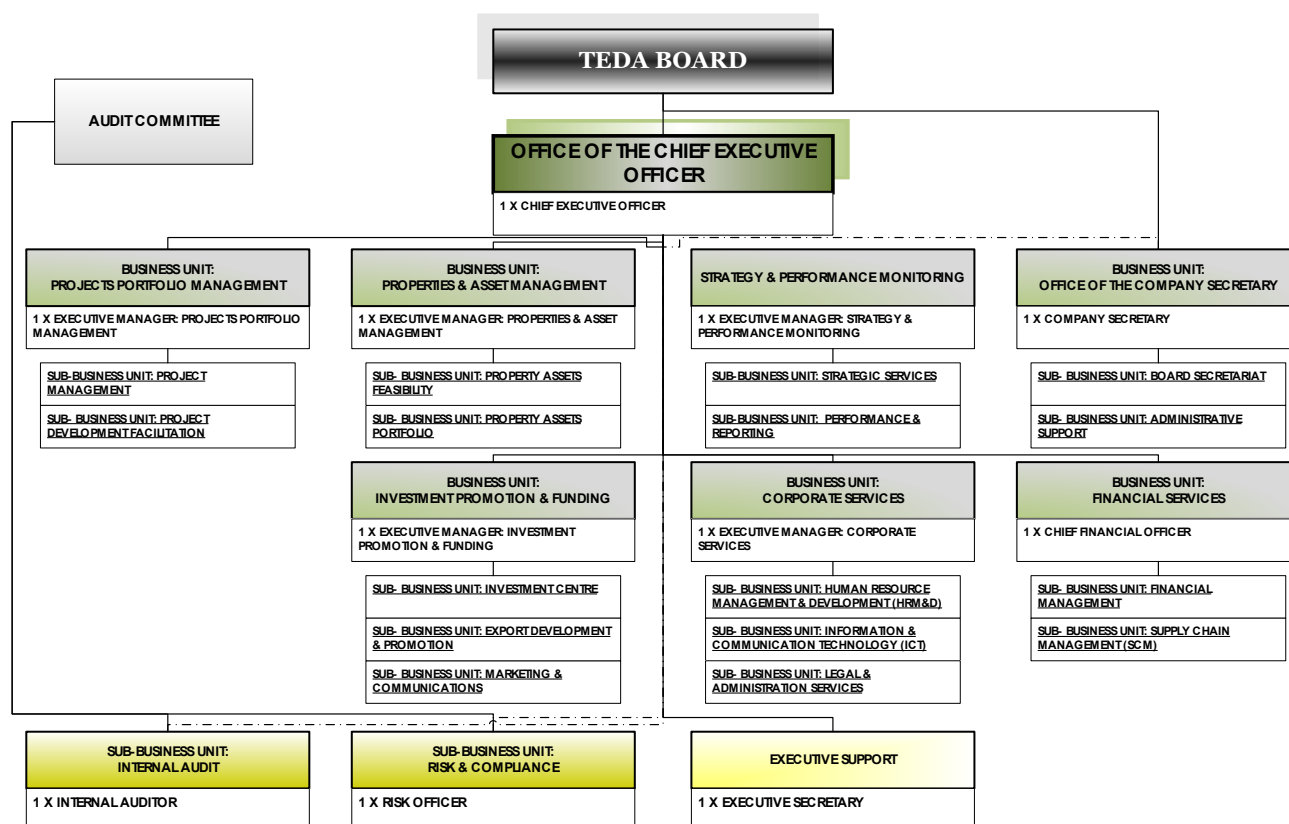
The entity seeks to align its performance management and reporting processes with the City’s Performance Management Framework. Progress towards achieving TEDA’s KPIs are assessed using the performance scorecard, which measures performance in terms of both the service delivery mandate, financial and other resource management processes. The scorecard targets aim to improve performance and efficiency, and achieve long –term goals.

The entity also has appropriate systems to ensure that valid, accurate and actual achievements against planned objectives, indicators and targets are reported on.

CHAPTER 4 ORGANISATIONAL DEVELOPMENT PERFORMANCE

4.1 TEDA ORGANOGRAM AND STAFF COMPONENT

As at 30 June 2017, the entity had a total of 60 posts on the structure with 32 posts filled and vacancy rate at 47%. The following diagram represents TEDA's organisational structure which was approved by the Board in April 2015.



4.2 MANAGING THE ENTITY'S WORKFORCE

4.2.1 Totals on injuries, sicknesses, suspension, capacity building, skills development and training

| Injuries | Sicknesses | Suspensions | Capacity building/ skills development and training |
|----------|------------|-------------|--|
| 0 | 186 | 0 | 21 |

No injuries at work or suspensions were reported during the period under review. One-hundred & eighty-six (186) sick leave days were utilized. Twenty-one (21) training interventions took place successfully.

4.2.2 Employee expenditure

For the period under review, total employee expenditure was R30 243 884.

4.2.3 TEDA's employee totals and vacancies turnover

Sixty (60) approved positions exists on the organizational structure, of which thirty two (32) are filled and twenty eight (28) are vacant.

Table 9: Number of approved positions filled and vacant

| Business Units | Nr of posts | Nr of filled posts | Nr of vacancies | Vacancies % |
|-------------------------------|-------------|--------------------|-----------------|-------------|
| Chief Executive Officer | 7 | 4 | 3 | 42% |
| Finance Department | 8 | 6 | 2 | 25% |
| Property Management | 6 | - | 6 | 100% |
| Company Secretary | 3 | 3 | - | -% |
| Corporate Services | 13 | 9 | 4 | 31% |
| IPF | 10 | 7 | 3 | 30% |
| Projects Portfolio Management | 10 | 3 | 7 | 70% |
| Internal Audit | 2 | - | 2 | 100% |
| Risk & compliance | 1 | - | 1 | 100% |
| TOTAL | 60 | 32 | 28 | 47% |

4.2.4 EEA report on (female position and people with disabilities)

The entity continues to prioritise employment equity and therefore strives to achieve annual equity targets for race, gender and disability among staff. The table below shows the employment equity profile of each job level.

| JOB LEVELS | BLACK (A/C/I) | | WHITE | | FOREIGN NATIONALS | | GENDER | | DISABILITIES | | GRAND |
|------------------------|---------------|-----------|----------|----------|-------------------|----------|-----------|-----------|--------------|----------|-----------|
| | M | F | M | F | M | F | M | F | M | F | Total |
| Executives | 4 | 2 | - | 1 | - | - | 4 | 3 | - | - | 7 |
| Senior management | 4 | 1 | - | - | - | - | 4 | 1 | - | - | 5 |
| Middle management | 2 | 5 | - | - | - | - | 2 | 5 | - | - | 7 |
| Specialists | 2 | 3 | - | - | - | - | 2 | 3 | - | - | 5 |
| Support | 3 | 5 | - | - | - | - | 3 | 5 | - | - | 8 |
| Total permanent | 15 | 16 | - | 1 | - | - | 15 | 16 | - | - | 32 |
| Temps and interns | - | - | - | - | - | - | - | - | - | - | - |
| Grand total | 15 | 16 | - | 1 | - | - | 15 | 16 | - | - | 32 |

4.2.5 Number of approved positions, filled and vacancies

| Business Units | Nr of posts | Nr of filled posts | Nr of vacancies |
|-------------------------------|-------------|--------------------|-----------------|
| Chief Executive Officer | 7 | 4 | 3 |
| Finance Department | 8 | 6 | 2 |
| Property Management | 6 | - | 6 |
| Company Secretary | 3 | 3 | - |
| Corporate Services | 13 | 9 | 4 |
| IPF | 10 | 7 | 3 |
| Projects Portfolio Management | 10 | 3 | 7 |
| Internal Audit | 2 | - | 2 |
| Risk & compliance | 1 | - | 1 |
| TOTAL | 60 | 32 | 28 |

4.2.6 Highlights, challenges and interventions

Highlights:

- **The entity implemented initiatives and interventions such as stress management, management responsibilities and relationship management in order to improve the health and wellness of TEDA employees.**
- **To encourage good performance, the entity implemented Rewards & Recognition Programme during the year under review.**
- **Successful COID reporting.**
- **Successful employment equity reporting.**

Challenges:

- **Moratorium on recruitment was not lifted: This impeded the organization from recruiting sufficient head count.**
- **Lack of budget to implement some HR Projects to build a conducive culture.**
- **High employee turnover due to uncertainty of the future of the organization: There has been four resignations in a period of 5 months in the current financial year.**

4.3 TEDA'S TURNAROUND STRATEGY ON RECRUITMENT

A moratorium was placed on recruitment processes. TEDA will continue to apply for the lifting of the moratorium in order to fill critical posts deemed necessary to deliver on its mandate.

4.4 DISCLOSURES

Table 4: Remuneration of the executive, 2016/17

| Name | Designation | Total cost to company |
|------------------|--|-----------------------|
| Solly Mogaladi | Chief Executive Officer | R 1,967,442 |
| Thami Mkhwanazi | Chief Financial Officer | R 1,473,214 |
| Boledi Seopela | Executive Manager: Corporate Services | R 2,009,683 |
| Karin Liebenberg | Executive Manager: Investment Promotion and Funding | R 1,257,194 |
| Khanya Mahlare | Executive Manager: Marketing and Communications | R 1,619,161 |
| Lebogang Mahaye | Company Secretary | R 1,350,480 |
| Sello Sefuthi | Executive Manager: Strategy and Performance Monitoring | R 1,196,752 |
| Tshifhiwa Mafela | Executive Manager: Trade and Investment | R 1,525,268 |
| Mogau Leshilo | Executive Manager: Projects Portfolio Management | R 1,423,812 |
| Total | | R13,823,006 |

Table 10: Number of approved positions filled and vacant

| Business Units | Nr of posts | Nr of filled posts | Nr of vacancies | Vacancies % |
|-------------------------------|-------------|--------------------|-----------------|-------------|
| Chief Executive Officer | 7 | 4 | 3 | 43% |
| Finance Department | 8 | 6 | 2 | 25% |
| Property Management | 6 | - | 6 | 100% |
| Company Secretary | 3 | 3 | - | 0% |
| Corporate Services | 13 | 9 | 4 | 31% |
| IPF | 10 | 7 | 3 | 30% |
| Projects Portfolio Management | 10 | 3 | 7 | 70% |
| Internal Audit | 2 | - | 2 | 100% |
| Risk & compliance | 1 | - | 1 | 100% |
| TOTAL | 60 | 32 | 28 | 47% |

During the 2016/17 financial year, we have continued to develop our staff to ensure the organisation has the skills and expertise available in order to meet the changing demands of our environment. Twenty one (21) skills development intervention were attended.

Table 11: Training and development

| Institution | Degree or diploma | Male | | | | Female | | | | Total |
|-------------|-------------------|------|---|---|---|--------|---|---|---|-------|
| | | A | C | I | W | A | C | I | W | |
| | | | | | | | | | | |

| Institution | Degree or diploma | Male | | | | Female | | | | Total |
|--------------------------|---|-------------|---|---|---|---------------|---|---|---|--------------|
| Jamela | Finance for non-financial managers | - | - | - | - | 2 | - | - | - | 2 |
| GVMP | Strategy formulation and transformational leadership | 2 | - | - | - | 4 | - | - | - | 6 |
| UP | Conduct Supply Chain Performance to South African Municipal Environment | 1 | - | - | - | - | - | - | - | 1 |
| UP | Approaches to mapping Municipal Income expenditure | 1 | - | - | - | - | - | - | - | 1 |
| Pink Elephant | ITIL Version 3 foundation | 1 | - | - | - | - | - | - | - | 1 |
| CLSkills management | Verbal reasoning & interpersonal skills | 1 | - | - | - | 1 | - | - | - | 2 |
| ITRISA | International trade course | - | - | - | - | 1 | - | - | - | 1 |
| UP | Financial management or non-financial managers | 1 | - | - | - | - | - | - | - | 1 |
| NOSA | Introduction to SAMTRACK public training | - | - | - | - | 1 | - | - | - | 1 |
| PRISA | Social Media & content marketing | 1 | - | - | - | - | - | - | - | 1 |
| SACPCMP | CPD training | 1 | - | - | - | - | - | - | - | 1 |
| Heart solutions | Financial acumen | 2 | - | - | - | 4 | - | - | - | 6 |
| Unisa | Value Added Tax | 3 | - | - | - | - | - | - | - | 3 |
| UP | Construction procurement process | 2 | - | - | - | - | - | - | - | 2 |
| Proactive College | Monitoring | - | - | - | - | 1 | - | - | - | 1 |
| Peniel | HR Management, Recruitment and Selection | - | - | - | - | 2 | - | - | - | 2 |
| Peniel | Job analyses and job evaluation | - | - | - | - | 3 | - | - | - | 3 |
| Peniel | HRM & Strategic leadership | - | - | - | - | 1 | - | - | - | 1 |
| Assessment & RPL College | MFMP RPL Programme | 3 | - | - | - | 3 | - | - | 1 | 7 |
| Assessment & RPL College | Apply accounting principles and decision making | 1 | - | - | - | - | - | - | - | 1 |

| Institution | Degree or diploma | Male | | | | Female | | | | Total |
|--------------------------|--|------|---|---|---|--------|---|---|---|-------|
| | | | | | | | | | | |
| Assessment & RPL College | Conducting working capital management activities | 1 | - | - | - | - | - | - | - | 1 |

4.5 MANAGEMENT OF LEAVE

Table 12: Leave records

| Types of leave | 2016/17 | | | Days |
|-----------------------|---|------------------|--|------|
| | Description | Total sick leave | For special and sick leave (medical certificate, death certificate and study leave information provided) | |
| Sick leave | Sick leave is time away from work due to illness/injury. Sick leave is categorised into normal sick leave, temporary incapacity leave and permanent disability leave. | 186 | Required proof provided | 186 |
| Annual leave | Annual leave is paid time off work granted by the employer to employees to be used for whatever the employee wishes. | n/a | n/a | 108 |
| Special (study) leave | Study leave is absence from work granted in order to allow employees to prepare for and write exams or to attend specific/limited number of classes. | n/a | Required proof provided | 95 |

A total of one-hundred & eighty-six (186) sick leave days, ninety-five (95) study leave days and one hundred & eight (108) annual leave days were utilized in the financial year 2016/17.

4.6 HUMAN RESOURCES

Table 13: Staff movements

| Staff movements | African | | Coloured | | Indian | | White | |
|-----------------|---------|--------|----------|--------|--------|--------|-------|--------|
| | Male | Female | Male | Female | Male | Female | Male | Female |
| Appointments | 1 | - | - | - | - | - | - | - |
| Resignations | 2 | 2 | - | - | - | - | - | - |

| | | | | | | | | |
|-------------|----|-----|---|---|---|---|---|---|
| Suspensions | - | - | - | - | - | - | - | - |
| Sick leave | 79 | 106 | - | - | - | - | - | 1 |

There was only 1 appointment made in 2016/17 financial year. Four (4) resignations were processed.

Table 14: Employee totals, vacancies and turnover

| Position | Status | Plan |
|------------------------------------|--------|------------------------------|
| Events coordinator | Vacant | Recruitment is still on hold |
| Senior Manager: Strategic services | Vacant | Recruitment is still on hold |
| Supply chain officer | Vacant | Recruitment is still on hold |

Three vacancies currently exist at senior management level and appointments were expected to be made at the end of quarter 2 of the 2016/17 financial year, however, a moratorium was placed on the filling of vacant posts.

4.7 COMPETENCY LEVELS OF FINANCE AND SUPPLY CHAIN OFFICIALS

Table 15: Progress report on financial competency development

| Financial Competency Development: Progress report | | | | |
|--|---|--|--|--|
| Description | A. Total number of officials employed by the Municipality (Regulation 14(4)(a) and (c)) | Consolidated: Competency assessments completed for A (Regulation 14(4)(b) and (d)) | Consolidated: Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f)) | Consolidated: Total number of officials that meet prescribed competency levels (Regulation 14(4)(e)) |
| Financial officials | | | | |
| Accounting Officer | 1 | 1 | 1 | 1 |
| Chief Financial Officer | 1 | 1 | 1 | Training in progress |
| Finance Senior Manager | - | - | - | - |
| Any other financial officers | 2 | 2 | 2 | Awaiting certificate |
| Supply Chain Management officials | | | | |
| Head of Supply Chain Management Unit | - | - | - | - |
| Supply Chain Management Senior Manager | 1 | 1 | 1 | Awaiting certificate |
| Any other Supply Chain Management officials | 1 | 1 | 1 | Awaiting certificate |

| Financial Competency Development: Progress report | | | | |
|--|--|---|---|---|
| Description | A. Total number of officials employed by the Municipality (Regulation 14(4)(a) and (c)) | Consolidated: Competency assessments completed for A (Regulation 14(4)(b) and (d)) | Consolidated: Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f)) | Consolidated: Total number of officials that meet prescribed competency levels (Regulation 14(4)(e)) |
| TOTAL | 6 | 6 | 6 | 1 |

FINANCIAL PERFORMANCE

Please refer to Annexure A.

CHAPTER 6 AUDITOR-GENERAL'S FINDINGS

6.1 REPORT OF THE AUDITOR-GENERAL

The Auditor General completed with the 2016/17 regulatory audit at the end of November 2017 and TEDA was able to obtain Clean Audit for the 2016/17 financial year.

6.2 MANAGEMENT LETTER ACTION PLAN

In 2016/17, the entity received a clean audit. The table below depicts the progress against the action plan based on the audit outcome of the 2016/17 audit report. The action plans were constructed to address the root cause as highlighted by the auditors.

Table 16: Action plan based on 2016/17 Auditor-General's report

| CLASSIFICATION | NUMBER OF FINDINGS | REPEAT FINDINGS | NO OF FINDINGS RESOLVED | NO OF FINDINGS NOT YET RESOLVED |
|--|--------------------|-----------------|-------------------------|---------------------------------|
| Annexure A: Matters affecting the audit report | 0 | 0 | 0 | 0 |
| Annexure B: Other important matters | 2 | 0 | 2 | 0 |
| Annexure C: Administrative matters | 0 | 0 | 0 | 0 |
| TOTAL | 2 | 0 | 2 | 0 |

| Number | Finding | Recommendations by the Auditor General | Background | Action plan | Responsible person | Due date | Progress |
|--|---|---|---|--|--------------------------------|-----------|---|
| ANNEXURE B: OTHER IMPORTANT MATTERS | | | | | | | |
| 1. | Provision for leave pay: Understatement of Leave Provision | <p>Audit finding It was noted that provision for leave was understated on the annual financial statements. A difference of R 353 375 was noted between the amounts per the schedule and the supporting documents.</p> <p>Internal control deficiency Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.</p> <p>Impact</p> | <p>Management comment on audit finding: Management agrees with audit finding, the leave pay provision balance will be corrected and AFS will be adjusted as well as other affected accounts. The leave pay provision balance report is generated by the service provider who manages the payroll, the leave provision report was supposed to have two columns showing both</p> | No further action required as this was an isolated error that was corrected. | Chief Financial Officer | Immediate | No further action required as this was corrected. |

| Number | Finding | Recommendations by the Auditor General | Background | Action plan | Responsible person | Due date | Progress |
|--------|--|--|---|---|---------------------------------------|------------------|--|
| | | <p>This will result in an understatement of provisions and expenses.</p> <p>Recommendation Management should also ensure that when calculating provisions for leave pay, all leave days in the current cycle and previous cycle are included.</p> | <p>current and previous accumulated portion of the leave days, the report received from the service provider only had one column which was only the current leave balance. To prepare the AFS we used the report as provided. A correct report has been supplied by the service provider and the service provider confirmed that the report used had erroneously omitted the prior year leave balance cycle column. Management believes the internal controls relative to the preparation, review and disclosure of the leave provision balance, are intact therefore, this is an isolated error.</p> | | | | |
| 2. | <p>Commitments: Understatement of Commitments</p> | <p>Audit finding It was identified that commitments disclosure was understated on the annual financial statements. The table below shows the difference between the amount on the AFS and the amount as per the commitment register. Internal control deficiency Management did not prepare regular,</p> | <p>Management comment on audit finding: Management agrees with the audit finding and as such the commitments and the annual financial statements will be corrected, management endeavoured to check the commitment register to ascertain the</p> | <p>No further action required as this was an isolated error that was corrected.</p> | <p>Chief Financial Officer</p> | <p>Immediate</p> | <p>No further action required as this was corrected.</p> |

| Number | Finding | Recommendations by the Auditor General | Background | Action plan | Responsible person | Due date | Progress |
|--------|---------|---|--|-------------|-----------------------|----------|----------|
| | | <p>accurate and complete financial and performance reports that are supported and evidenced by reliable information.</p> <p>Impact This will result in the understatement of the commitment amounts disclosed.</p> <p>Recommendation Management should ensure that the commitments register is reviewed by senior management and casted for accuracy.</p> | <p>root cause of the error and discovered that the controls to review and approve the register by senior management is in place (as provided to the auditors). The error is an isolated event since the commitment register is maintained on the excel spreadsheet inherently susceptible to minor errors.</p> | | | | |

7.1 CONCLUSION

TEDA has performed well in the 2016/17 financial year with all of its KPIs and their related targets met.

The City of Tshwane embarked on a review on the future of its entities in the current financial year including TEDA. This review was concluded in quarter 4. The City resolved not disestablish TEDA. However, sufficient measures will be put in place to monitor and evaluate the operations of the entities over the next twelve months, after which a re-evaluation of the mandate of the entities will be considered.

The review of the entity's Service Delivery Agreement as well as its mandate in the next financial year, would address the issues surrounding the entity's direction and financial sustainability.

