



2019 - 2020

QUARTER 1 REPORT

TABLE OF

CONTENTS

1. EXECUTIVE SUMMARY	2
2. SUMMARY OF 2019/2020 BUDGET IMPLEMENTATION	2
3. REVENUE	4
4. EXPENDITURE	5
5. Statement of Financial Performance - 30 June 2019.....	11
6. Statement of Financial Position - 30 June 2019	12
7. Cash-flow Statement - 30 June 2019	13
8. Cash and Cash Equivalents - 30 June 2019	14
9. Report on SCM Implementation	14
10. Report on Asset Management.....	21
11. Report on mSCOA Implementation.....	21
12. OPERATIONS - PROJECTS	22
13. CORPORATE SERVICES.....	23
Strategic Risk Register	28
Operational Risk Registers.....	29
Internal Audit Findings.....	29
Emerging Risks	29
14. GOVERNANCE AND LEGAL SUPPORT	29

1. EXECUTIVE SUMMARY

Highlights for the first quarter financial year to date are as follows:

- Approval of strategy and APP
- Finalisation of performance contracting with staff

Challenges for the first quarter are as follows:

- Legal matters : Mnqeta and Toni Attorneys
- Vacant key leadership positions
- mSCOA compliance

2. SUMMARY OF 2019/2020 BUDGET IMPLEMENTATION

Year to Date Overall Performance

The table below summarises the overall position on the budget for ASPIRE for the year to date.

Details	Income R	Expenditure R
Annual Budget	69,740,667	69,740,667
Year to date budget (3 months)	17,435,167	17,435,167
Actual to date	5,982,741	2,545,526
Variance	-11,452,426	-14,889,640
% Variance of Annual Budget	-66%	-85%
% Income/ Expenditure	9%	4%

Table 1: Overall Budget Performance

ASPIRE's Annual Budget for 2019/2020 was approved by the Board of Directors on 17 May 2019 with a budgeted figure of R69 million, R15 million relating to the ADM Equitable Share Funding and R4 million allocated for the procurement and implementation of an mSCOA compliant financial management system and amount of R50 million budgeted for contracted services which remains unfunded.

The final approved equitable share portion allocated by the parent municipality amounts to R16 331 141 excluding VAT, giving rise to an excess amount of R805 342 in ASPIRE's annual budget. An additional item has been prepared for the Board to note the additional allocation as this constitutes an adjustments budget in accordance with Section 28 of the Municipal Finance Management Act.

Table 1 above reflects that the actual income received is below the planned income by 66% while 9% of the annual budgeted income has been received/accrued.

The overall expenditure is below the planned expenditure by 85% while 4% of the annual budget has been spent.

Operating Budget Performance

This segment focuses on the operating budget performance for the year to date. The operating budget comprises of the Equitable Share portion received from the Amathole District Municipality (ADM), funding for the procurement of an mSCOA compliant financial management system from ADM as well as income generated from interest received from ASPIRE's call account.

Details	Operating Income R	Operating Expenditure R
Annual Budget	19,740,667	19,740,667
Year to date budget (3 months)	4,935,167	4,935,167
Actual to date	5,982,741	2,545,526
Variance	1,047,574	-2,389,640
% Variance of Annual Budget	21%	-48%
% Income/ Expenditure	30%	13%

Table 2: Operating Budget Performance

Table 2 above illustrates that the actual operating income is below the planned income by 21% while 30% of the annual budget has been received/accrued. The first tranche of the equitable share was received in September 2019. The funding for mSCOA is anticipated to be received after a final resolution has been made on the procurement of an mSCOA compliant system.

The operating expenditure is below the planned expenditure by 48% while 13% of the annual budget has been spent.

Capital Budget

The approved budget for Contracted Services remains unfunded with no funds received to date.

In relation to the additional gazetted NDPG funds amounting to R920 thousand, an invoice of R417 thousand accrued during the 2018/19 financial year has been paid following a resolution by the Board to effect payment.

3. REVENUE

The table below reflects management accounts as at 30 September 2019 in line with the budget as approved by the Board in May 2019. This segment seeks to provide detailed explanations on variances between the approved budget and actual collections for Quarter 1.

AMATHOLE ECONOMIC DEVELOPMENT AGENCY SOC LTD (ASPIRE)
MANAGEMENT ACCOUNTS SEPTEMBER 2019

DESCRIPTION	APPROVED BUDGET 2019/20	Pro-Rata Budget 30 SEPTEMBER 2019	Actual Revenue/Exp - 30 SEPTEMBER 2019	VARIANCE	% Variances
REVENUE					
ADM Funding	15,525,799	5,175,266	5,443,714	268,447	5
ADM FUNDING:MSCOA SUPPORT	4,026,548	1,342,183	-	(1,342,183)	(100)
Funding Other Projects	50,000,000	-	-	-	0
NDPG Capital Grant	-	-	417,395	417,395	0
Income Tender Documents	20,000	-	-	-	0
Interest Received	168,320	42,080	121,633	79,553	189
TOTAL INCOME	69,740,667	6,559,529	5,982,741	(576,788)	(9)

Table 4: Total Revenue

Budgeted revenue for the entity is comprised of the following categories: -

- ADM Funding - Operations
- ADM Funding: mSCOA
- Funding Other Projects
- Sundry Income (Interest Received; Income from sale of Tender documents)

ADM Funding - Operations

As at 30 September 2019, of the R19,5 million budgeted to be received from ADM (being R15,5 million for operations and R4 million for mSCOA support), the first tranche allocation amounting to R5,4 million has been transferred for the first tranche resulting in an under collection of 9% (R576 thousand) against the pro-rata budget.

ADM Funding - mSCOA

ASPIRE has budgeted an amount of R4 million for the procurement of an mSCOA compliant financial management system and the implementation thereof. ASPIRE and ADM are in the process of engaging the SAP service provider on a pricing agreement that will be in line with the amount budgeted for the procurement of the system. A meeting on the initial review of the estimated costs to deploy ASPIRE on ADM SAP system was held with the ADM implementing agent, in order to understand the scope of systems in ASPIRE and form an

initial view of the primary steps to convert to the ADM systems. The cost for the implementation of SAP project, 6 months support and license fees has been estimated at R5,4 million based on a scenario where ASPIRE will utilise the ADM's SAP IT infrastructure platform as opposed to procuring its own.

In addition to this engagement, further research has been done in an attempt to ascertain whether other agencies are using the same system as that of their parent municipalities, the result is that three out of the four agencies approached are using different financial management and payroll systems as that of their parent municipalities. A cost benefit analysis exercise is still in progress.

Sundry income

Sundry income realized to date relates to interest received from the STD Bank operating call account (R121 thousand).

4. EXPENDITURE

The table below provides a detailed analysis of budgeted expenditure per category as well as per cost centre/vote. The following votes are included in the entity's budget: -

- Governance/Legal/Compliance
- CEO and Strategic Services
- Operations
- Corporate Services
- Finance & SCM
- Capital Expenditure

DESCRIPTION	APPROVED BUDGET 2019/20	Pro-Rata Budget 30 SEPTEMBER 2019	Actual Revenue/Exp - 30 SEPTEMBER 2019	VARIANCE	% Variances
EXPENDITURE					
GOVERNANCE/LEGAL/COMPLIANCE	1,425,000	356,250	354,868	(1,382)	(0)
CEO & STRATEGIC SERVICES	220,000	55,000	1,619	(53,381)	(97)
OPERATIONS DEPARTMENT	50,150,000	12,537,500	1,652	(12,535,848)	(100)
CORPORATE SERVICES	11,813,919	2,953,480	2,089,572	(863,907)	(29)
FINANCE AND SCM	3,444,232	861,058	97,814	(763,244)	(89)
TOTAL OPERATING EXPENDITURE	67,053,151	16,763,288	2,545,526	(14,217,761)	(85)

Table 5: Summary of Expenditure

As at 30 September 2019, the entity has under-spent the approved budget by 85% (R14,2 million) as expenditure tends to be lower during the first quarter of the year. The first tranche of the equitable share was deposited during the last month of Quarter 1 and there were no projects being implemented during the first quarter.

Governance/Legal/Compliance

AMATHOLE ECONOMIC DEVELOPMENT AGENCY SOC LTD (ASPIRE) MANAGEMENT ACCOUNTS SEPTEMBER 2019

DESCRIPTION	APPROVED BUDGET 2019/20	Pro-Rata Budget 30 SEPTEMBER 2019	Actual Revenue/Exp - 30 SEPTEMBER 2019	VARIANCE	% Variances
EXPENDITURE					
GOVERNANCE/LEGAL/COMPLIANCE	1,425,000	356,250	354,868	(1,382)	(0)
Board Expenses	1,000,000	250,000	304,884	54,884	22
Legal Fees	200,000	50,000	-	(50,000)	(100)
Travelling and Accommodation	100,000	25,000	24,153	(847)	(3)
Refreshments/Catering Board Activities	25,000	6,250	3,308	(2,942)	(47)
Board Events/Training	100,000	25,000	22,523	(2,477)	(10)

Table 6: Governance/ Legal/ Compliance Expenditure

Included as major items in the budget for Governance/Legal/Compliance are Board expenses; Legal Fees as well as Travelling and Accommodation for the Board of Directors. For the first quarter ended 30 September 2019, this vote reflects 99% expenditure with a variance of R1 thousand).

The pro-rata budget for Board Fees has been over-spent by 22% (R54 thousand) due to claims incurred for special board meeting held during the month of July 2019. Legal fees have been underspent by 100% (R50 thousand). Refreshments/Catering Board Activities reflect an under expenditure of 47% (R2 thousand). Board Events/Training reflect an under expenditure of 10% (R2 thousand)

CEO & Strategic Services

DESCRIPTION	APPROVED BUDGET 2019/20	Pro-Rata Budget 30 SEPTEMBER 2019	Actual Revenue/Exp - 30 SEPTEMBER 2019	VARIANCE	% Variances
EXPENDITURE					
CEO & STRATEGIC SERVICES	220,000	55,000	1,619	(53,381)	(97)
Travelling and Accommodation	200,000	50,000	1,520	(48,480)	(97)
Refreshments / Catering	10,000	2,500	100	(2,400)	(96)
Entertainment	10,000	2,500	-	(2,500)	(100)

Table 7: CEO & Strategic Services Expenditure

The pro-rata budget has been underspent by 97% (R53 thousand). This is as a result of planned travelling to be undertaken not fully realised.

Operations Department

DESCRIPTION	APPROVED BUDGET 2019/20	Pro-Rata Budget 30 SEPTEMBER 2019	Actual Revenue/Exp - 30 SEPTEMBER 2019	VARIANCE	% Variances
EXPENDITURE					
OPERATIONS DEPARTMENT	50,150,000	12,537,500	1,652	(12,535,848)	(100)
Direct Programs (Projects)	50,000,000	12,500,000	-	(12,500,000)	(100)
Travelling and Accommodation	150,000	37,500	1,652	(35,848)	(96)

Table 8: Operations Department

Included as major items in the budget for this vote are direct programs (Projects) budgeted at R50 million. The pro-rata budget has been underspent by 100% as no funds have been received during the first quarter.

Corporate Services

DESCRIPTION	APPROVED BUDGET 2019/20	Pro-Rata Budget 30 SEPTEMBER 2019	Actual Revenue/Exp - 30 SEPTEMBER 2019	VARIANCE	% Variances
EXPENDITURE					
CORPORATE SERVICES	11,813,919	2,953,480	2,089,572	(863,907)	(29)
Staffing (Cost to Company)	9,264,981	2,316,245	1,786,155	(530,090)	(23)
Recruitment	50,000	12,500	-	(12,500)	(100)
Staff Development and Training	250,000	62,500	-	(62,500)	(100)
Staff Wellness & Gifts	50,000	12,500	-	(12,500)	(100)
Rental/Rates Offices	740,000	185,000	159,714	(25,286)	(14)
Rental Plants, Water, Hygiene Tools	12,624	3,156	-	(3,156)	(100)
Photocopier Rental	44,000	11,000	9,033	(1,967)	(18)
Rental of Equipment (alarm)	2,750	688	-	(688)	100
Electricity & Water	176,000	44,000	35,129	(8,871)	(20)
Security	33,000	8,250	7,203	(1,047)	(13)
Stores and Materials	50,000	12,500	6,954	(5,546)	(44)
Printing, Stationery and Consumables	95,000	23,750	4,589	(19,161)	(81)
Annual Report	105,000	26,250	2,500	(23,750)	(90)
IT Governance and Support	157,800	39,450	6,705	(32,745)	(83)
Advertising and marketing	200,000	50,000	3,030	(46,970)	100
Maintenance Computers	15,000	3,750	689	(3,061)	(82)
Telephone	250,000	62,500	37,506	(24,994)	(40)
Postage/Courier	7,364	1,841	-	(1,841)	(100)
Repairs and Maintenance Office & Furniture	100,000	25,000	5,060	(19,940)	(80)
Subscriptions	-	-	5,663	5,663	100
Insurance	210,400	52,600	19,643	(32,957)	(63)

Table 9: Corporate Services

Personnel costs

As at the reporting period, personnel costs have been underspent by 23% (R530 thousand). This is as a result of non-filled budgeted vacant position for the Chief Financial Officer.

Employee efficiency ratio	2019/20	2019/20
	Budget	Actual
	R	(3 months) YTD R
Employee costs	9,264,981.00	1,786,155.00
Operating expenditure	19,740,667.00	2,545,526.29
Ratio	47%	70%

The employee efficiency ratio calculated above measures total employee costs to total operating expenditure.

Circular 71 of the MFMA indicates a norm between 25% - 40%. ASPIRE budgeted ratio is 47% and thus this annual ratio should not be exceeded, while the first quarter actual ratio yields 70% which is above the budgeted ratio. This ratio is to be monitored constantly to ensure that employee costs are indicative of the level of service that is to be delivered.

Recruitment

As at the reporting period, recruitment costs have been underspent by 100% (R12 thousand). This is mainly due non-filling of budgeted vacant posts.

Staff Development and Training

As at the reporting period, the budget for Staff Development and Training has been underspent by 100% (R62.5 thousand). This is mainly due to the finalisation of training needs for the 2019/20 financial year.

Rental Offices

This item reflects under expenditure of 14% (R25 thousand).

Electricity and Water

This item reflects under expenditure of 18% (28 thousand).

Printing, Stationery and Consumables

This item has been underspent by 81% (R19 thousand). This is due to reduced purchases for stationery.

Annual Report

This item has been underspent by 90% (R23 thousand). The annual report will only be printed during the second half of the financial year.

IT Governance and Support

Included in costs incurred under IT governance are costs for IT support on a day to day basis. This item has been underspent by 83% (R32 thousand) as at the reporting period. The current ASPIRE server stopped working during August 2018 and arrangements for a loan server on a monthly rental had to be made.

Telephone

This item has been underspent by 40% (R25 thousand). This is due to reduced usage.

Insurance

This item has been underspent by 63% (R33 thousand).

Finance and SCM

DESCRIPTION	APPROVED BUDGET 2019/20	Pro-Rata Budget 30 SEPTEMBER 2019	Actual Revenue/Exp - 30 SEPTEMBER 2019	VARIANCE	% Variances
EXPENDITURE					
FINANCE AND SCM	3,444,232	861,058	97,814	(763,244)	(89)
Audit Fees	850,000	212,500	-	(212,500)	(100)
Accounting Fees	52,600	13,150	1,000	(12,150)	(92)
Bank Charges	52,600	13,150	3,814	(9,336)	(71)
Depreciation & Impairment	150,000	37,500	26,211	(11,289)	(30)
Travelling and Accommodation	100,000	25,000	-	(25,000)	(100)
MSCOA Implementation	1,339,032	334,758	-	(334,758)	(100)
Advertising	150,000	37,500	-	(37,500)	(100)
CaseWare Implementation		-	66,789	66,789	100
Sundry Creditors	750,000	187,500	-	(187,500)	(100)

Table 10: Finance and SCM

Audit Fees

There has been no expenditure incurred to date on the Audit Fees.

Accounting Fees

Accounting Fees reflect an under expenditure of 92% (R1 thousand).

Bank charges

Bank charges reflect an under expenditure of 71% (R9 thousand).

Depreciation & Impairment

In line with the anticipated mSCOA roll-out project, budget provision has been made for the acquisition of IT hardware and software resulting in a reported under expenditure on depreciation of 30% (R11 thousand).

mSCOA Implementation

There has not been a formal appointment for a service provider on the roll-out of mSCOA resulting in 100% (R334 thousand) under expenditure.

Advertising

This line item has been underspent by 100% (37 thousand). No advertising costs have been incurred as at the reporting period.

CaseWare Implementation

An accrual payment was processed during the first quarter of the 2019/20 financial year for the implementation and training on CaseWare that took place mid-July.

Capital Expenditure (mSCOA Rollout)

An amount of R2,7 million has been budgeted for the hardware and software requirements that relate to the rollout of mSCOA, no expenditure has been incurred to date.

5. Statement of Financial Performance - 30 September 2019

	2020 UNAUDITED QUARTER 1 R	2019 UNAUDITED FULL YEAR R
Revenue		
Revenue from exchange transactions		
Interest Received	121,633	336,828
Other Income	-	11,844
Total Revenue from Exchange Transactions	121,633	348,672
Revenue from non-exchange transactions		
Government grants and subsidies	5,861,109	15,681,396
NDPG Capital grant	-	6,490,555
Other grant income	-	1,030
Services in kind	-	1,228,358
Total Revenue from Non-Exchange Transactions	5,861,109	23,401,339
Total Revenue	5,982,741	23,750,011
Expenditure		
Contracted expenses	-	(6,006,913)
Depreciation	(26,211)	(70,210)
Employee related costs	(1,786,155)	(8,271,832)
Board and Sub-committee expenditure	(304,884)	(1,254,374)
Finance costs	-	-
General expenses	(254,469)	(2,513,415)
Impairment costs	-	-
Lease rentals	(168,747)	(658,653)
Project expenditure	-	(1,301)
Repairs and maintenance	(5,060)	(7,721)
Total expenditure	(2,545,526)	(18,784,419)
Operating surplus	3,437,215	4,965,592
Gain/ Loss on disposal of property, plant and equipment	-	20,137
Surplus before taxation	3,437,215	4,985,729
Taxation	-	1,436,626
Surplus for the period	3,437,215	3,549,103

6. Statement of Financial Position - 30 September 2019

Amathole Economic Development Agency (SOC) Limited

(Registration number 2005/030812/07)

Trading as ASPIRE

Annual Financial Statements for the period ended 30 September 2019

Statement of Financial Position as at 30 September 2019

	Note(s)	2020 UNAUDITED QUARTER 1 R	2019 UNAUDITED FULL YEAR R
Assets			
Current Assets			
Cash and cash equivalents		13,951,207	10,145,873
Receivables from non-exchange transactions		158,034	162,742
VAT receivable		33,398	120,328
Current Tax receivable		-	-
		14,142,639	10,428,943
Non-Current Assets			
Property, plant and equipment		121,716	138,012
Intangible assets		116,321	28,497
		238,037	166,509
Total Assets		14,380,676	10,595,452
Liabilities			
Current Liabilities			
Current Tax Payable		238,940	31,985
Payables from exchange transactions		1,033,839	1,280,612
VAT Payable		798,941	-
Unspent conditional grants		2,656,377	3,025,630
Operating lease liability		12,191	12,191
		4,740,289	4,350,418
		9,640,387	6,245,034
Non-Current Liabilities			
Operating lease liability		-	-
Total Liabilities		-	-
Net Assets		9,640,387	6,245,034
Contributed capital		1,000	1,000
Accumulated surplus/(deficit)		9,639,387	6,244,034
Total Net Assets		9,640,387	6,245,034

7. Cash-flow Statement - 30 September 2019

Cash Flow Statement

	2020	
	UNAUDITED	2019 AUDITED
Note(s)	R	R
Cash flows from operating activities		
Receipts		
Government Grants, subsidies and other grants	5,861,109	22,172,981
Other Income	-	11,844
Interest Income	121,633	336,828
Other Cash Items	169,802	232,030
	<u>6,152,543</u>	<u>22,753,683</u>
Payments		
Employee Costs	(1,786,155)	(8,878,750)
Board and Sub-committee expenditure	(304,884)	(937,375)
Suppliers	(158,431)	(7,672,838)
Finance costs	-	-
Taxes on surpluses	-	(1,891,568)
Grant Returns	-	(2,781,412)
	<u>(2,249,470)</u>	<u>(22,161,943)</u>
Net cash flows/outflows from operating activities	<u>3,903,073</u>	<u>591,740</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	-	(145,271)
Proceeds from sale of property, plant and equipment	-	21,002
Purchase of other intangible assets	(97,739)	(37,267)
Non cash acquisition of Hamburg assets	-	-
Net cash flows from investing activities	<u>(97,739)</u>	<u>(161,536)</u>
Net increase/(decrease) in cash and cash equivalents	3,805,334	430,204
Cash and cash equivalents at the beginning of the year	10,145,874	9,715,670
Cash and cash equivalents at the end of the year	<u>13,951,208</u>	<u>10,145,874</u>

8. Cash and Cash Equivalents - 30 September 2019

Cash and Cash Equivalents as at 30 September 2019

	2020	2019
	UNAUDITED	UNAUDITED
	QUARTER 1	QUARTER 1
	R	R
ABSA Cheque Account	-	-
Petty Cash	2,069	1,354
ABSA Call account - normal	0	0
ABSA Investment Account	-	-
AEDA - STD Bank Cheque Acc 271076550	560,974	2,508,736
Aspire - EC - Adopt a Spot Project	-	-
EC-BCM Waste Mangement	-	-
Aspire - Natural Resources Management	210	210
AEDA - STD Bank Call Acc 388810769001	11,562,723	5,441,090
HAR - STD Bank Cheque Acc 302012818	-	-
NDPG - STD Bank Call Acc 388810769003	1,825,231	2,194,484
Bwattle STD Bank Call 388810769 004	-	-
EA - Operations (Bank)	-	-
Total Cash and Cash Equivalents	13,951,207	10,145,874

Included in cash and cash equivalents are conditional grants call accounts totaling to R1,8 million (NDPG) as at the reporting period. The remainder of the cash (R12,1 million) being available to finance the on-going operations of ASPIRE.

9. Report on SCM Implementation

The following report will focus on the following key topics:

- Contracts awarded for the quarter
- Formal written price quotations
- List of Contracts Awarded
- Service Provider Performance
- Contracts terminated for the quarter
- Operational and Infrastructure Contracts
- Fruitless and Wasteful Expenditure
- Irregular Expenditure
- Deviations and Breaches

CONTRACTS AWARDED DURING THE QUARTER ENDED 30 SEPTEMBER 2019, ACTIVE CONTRACTS AND PERFORMANCE

CONTRACTS AWARDED

For the quarter ended 30 September 2019, one contract was awarded being the procurement of software namely CaseWare for the compilation of financial statements.

The table below reflects the various procurement methods utilised as well as the number of projects:

PROCUREMENT METHOD	NO.
Formal written price quotation (RFQ) (R0 - R30 000)	09
Formal written price quotation (RFQ) (R30 000 - R200 000)	00
Competitive Bidding (Above R200 000)	Nil
Limited Bidding (Single Source/Multiple Source/Sole Provider)	00
TOTAL	09

The following table reflects the types of procurement:

PROCUREMENT METHOD	NO.
Goods	03
Services	06
Infrastructure	Nil
TOTAL	09

FORMAL WRITTEN PRICE QUOTATIONS FOR THE QUARTER ENDED 30 SEPTEMBER 2019

July 2019

Suply Chain Management Report July - 2019				
Range : R 0 < R30 000(Formal Written Prcie Quotations)				
Date	Supplier Name	Order Number	Total Cost	
01/07/2019	SURE TRAVEL	PO102563	2,760.87	\$
05/07/2019	SURE TRAVEL	PO102564	2,760.87	\$
09/07/2019	Harvery World Travel	PO102565	1,523.48	\$
25/07/2019	Abantu Staffing Solutions	PO102566	379.80	\$
		TOTAL	7,425.02	

August 2019

Suply Chain Management Report August - 2019				
Range : R 0 < R30 000(Formal Written Prcie Quotations)				
Date	Supplier Name	Order Number	Total Cost	
07/08/2019	RENNIES TRAVEL	PO102567	4,653.09	S
26/08/2019	SURE TRAVEL	PO102569	3,282.61	S
26/08/2019	Harvery World Travel	PO102570	1,300.00	S
29/08/2019	NU REACH PROJECTS	PO102572	2,500.00	G
29/08/2019	TidyFiles (Pty) Ltd	PO102573	2,924.00	G
		TOTAL	14,659.70	

September 2019

Suply Chain Management Report Sept - 2019				
Range : R 0 < R30 000(Formal Written Prcie Quotations)				
Date	Supplier Name	Order Number	Total Cost	
N/A	N/A	N/A	N/A	
		TOTAL	-	
		QUARTER 1 TOTAL	22,084.72	

SERVICE PROVIDER PERFORMANCE FOR THE QUARTER ENDED 30 SEPTEMBER 2019

The colour-coded legend below reflects the service provider rating, where the awarded contracts are in progress and no assessment can be performed, the rating is deemed to be 'Work-in-Progress' and performance will be rated upon completion of the work contracted.

Poor	0-49%
Good	50-69%
Excellent	70-100%
Work-In-Progress	

A deviation was awarded to Adapt IT for the installation, implementation and training on CaseWare during the month of June 2019. The work was performed during the month of July 2019.

Department	Project Description	Company Awarded the Contract	Contractually Committed (Award Amount)	Contract Completion date	Service Provider Rating
Finance	Procurement of CaseWare for the preparation of Annual Financial Statements for 1819 (PO102560)	ADAPT IT	R189 207.49	19 July 2019	80%

CONTRACTS TERMINATED FOR THE QUARTER ENDED 30 SEPTEMBER 2019

During the quarter ended 30 September 2019, the contracts for relating to the construction of the Alice Transport Hub are due to expire, a close-out report and final completion certificate has already been issued for the initial Alice Transport Hub project. The Sinakho Consulting contract being the consulting engineers for the Alice Transport Hub are also due to terminate on 30 September 2019.

OPERATIONAL CONTRACTS

The following table reflects the existing operational tenders established in the 2019/2020 financial year that is still active. The start and end date of the contracts are included:

0 - 4 Months to expire	
4 - 6 Months to expire	
> 6 Months to expire	
Expired	

OPERATIONAL TENDERS/PANELS			
CONTRACT NO / PURCHASE ORDER NO#.	PROJECT DESCRIPTION	START DATE	END DATE
ASPIRE 004 - 2019	Supply & Delivery of Various goods & Services for Alice Transport Hub	08-Apr-2019	30- Jun -2019
	Lease PABX - TELKOM	23-Jan-2017	23-Jan-2022
PO102493	Provision of hygiene equipment and monthly maintenance for 12months	01-Feb-2019	30-Jan-2020
	KONICA MINOLTA - Photo Copy Machine	02-Feb-2018	02-Feb-2020
	Capstone - Rental Office	01-Feb-2018	01-Feb-2020
	Capstone - Security	01-Feb-2018	01-Feb-2020
	BrouBart Security	Month to Month	Month to Month

INFRASTRUCTURE CONTRACTS/PROJECTS

There were no infrastructure projects awarded during first quarter ended 30 September 2019.

FRUITLESS AND WASTEFUL EXPENDITURE

The register for Fruitless and Wasteful Expenditure is updated, maintained and reviewed on a monthly basis. There was no Fruitless and Wasteful Expenditure incurred during the first quarter ended 30 September 2019.

IRREGULAR EXPENDITURE

In terms of section 62(1) (b) of the Municipal Finance Management Act No. 56 of 2003 (MFMA), the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

The register for Irregular Expenditure is updated, maintained and reviewed on a monthly basis.

The following table is a summary of the register for Irregular Expenditure for the 2019/2020 financial year:

FINANCIAL YEAR	AMOUNT DEEMED AS IRREGULAR EXPENDITURE
2019/2020	R417 395
TOTAL	R417 395

ASPIRE contracted Siviwe Jayiya Construction for additional delivery of goods and services on the upgrade of the Alice Transport Hub (Taxi Rank). The contract has been deemed irregular as there was no valid tax clearance certificate at the time of award. A valid tax clearance certificate was furnished thirty days after awarding the contract. The project has been completed and the payment of an invoice amounting R417 395 thousand has been made during the first quarter ended 30 September 2019. The Finance Committee has been assigned to perform an investigation on the irregular expenditure incurred on the deviation awarded to Siviwe Jayiya Construction during the 2018/19 financial year.

DEVIATIONS AND BREACHES

There were no deviations approved during the first quarter ended 30 September 2019.

10. Report on Asset Management

ASSET ACQUISITION FOR THE QUARTER ENDED 30 SEPTEMBER 2019

During the first quarter ended 30 September 2019, software being CaseWare was procured and installed during the month of July 2019.

ASSET DISPOSAL FOR THE QUARTER ENDED 30 SEPTEMBER 2019

During the first quarter ended 30 September 2019, there were no asset disposals.

INSURANCE CLAIMS FOR THE QUARTER ENDED 30 SEPTEMBER 2019

No insurance claims were lodged during the first quarter ended 30 September 2019.

11. Report on mSCOA Implementation

In line with mSCOA Regulations (Municipal Standard Chart of Accounts), as gazetted per government gazette number 37577 of 22 April 2014, these regulations required that all municipalities and their entities needed to comply by 01 July 2017. Parent municipalities were further encouraged to support their entities towards full compliance with the regulations.

However, in order for municipalities and their entities to comply with the regulations, they have to ensure that their financial management systems have the ability to handle the reporting requirements linked to mSCOA and allow for seamless integration between the municipality and its entity.

ASPIRE has budgeted an amount of R4 million for the procurement of an mSCOA compliant financial management system and the implementation thereof for the 2019/2020 financial year. ASPIRE and ADM are in the process of engaging the SAP service provider on a pricing agreement that will be in line with the amount budgeted for the procurement of the system. A meeting on the initial review of the estimated costs to deploy ASPIRE on ADM SAP system was held with the ADM implementing agent, in order to understand the scope of systems in ASPIRE and form an initial view of the primary steps to convert to the ADM systems. The cost for the implementation of SAP project, 6 months support and license fees has been estimated at R5,4 million based on a scenario where ASPIRE will utilise the ADM's SAP IT infrastructure platform as opposed to procuring its own.

In addition to this engagement, further research has been done in an attempt to ascertain whether other agencies are using the same system as that of their parent municipalities, the result is that three out of the four agencies approached are using different financial management and payroll systems as that of their parent municipalities. A cost-benefit analysis exercise is still in progress.

12. OPERATIONS - PROJECTS

The organisational annual performance plan with quarterly targets was approved by the Board at the meeting of the 29 August 2019. Thereafter, performance contracting was conducted with all staff, where these targets were utilised as a basis for the creation, negotiation and finalisation with all staff of their individual targets for the year. This process was concluded by the end of September 2019.

The final APP approved by the board contains a number of new targets. A comparison of the current APP with the prior year reflects the following changes:

Year	# of Targets in Total	# of Governance targets	# of Finance targets	# of Corporate Services targets	# of Operations targets
2018-2019	24	3	8	9	4
2019-2020	16	2	3	2	9

The number of targets in the Operations unit has increased, which is in line with the increased scope. Targets in the other departments have been reduced and only those of a strategic nature have been included.

Due to the delay in the finalisation of the APP and the subsequent delay in contracting with staff, limited progress has been made on the quarter 1 targets of the organisation during the one month after approval by the Board. A total of 7 out of a possible 15 targets have been achieved, which equates to performance at 47%. ASPIRE's performance at the same time last year was 88%. However, this should be considered in the context of the expanded scope and new targets that

have been included in the plan for the new financial year. The vacant COO position has also negatively affected the achievement of targets at a strategic level.

Progress on the various targets has been updated on the quarterly performance report, together with actions identified in order to ensure these targets are achieved.

During quarter 2, focus will be placed on catching up those targets that were missed together with actioning the items for the achievement of the quarter 2 targets.

13. CORPORATE SERVICES

HUMAN RESOURCE MANAGEMENT AND ADMINISTRATION

Employment Equity

A quarterly employment equity forum meeting was held where the following issues were highlighted by the forum members:

- vacant leadership positions
- large number of vacant positions on the organogram (7 of 17)
- lack of representation of coloured and Indian ethnic groups
- lack of disability representation

The forum proposed that attempts to address the diversity issues be addressed during any upcoming recruitment initiatives. It was however noted that the anticipated turnaround strategy may impact on the organisational design which would then require a review of the employment equity plan.

Organizational Development

The review of the organogram will form part of the turnaround strategy which will be finalised in quarter 2.

Occupational Health and Safety

A workplace safety assessment was completed during the quarter.

Recruitment and retention

As at the end of the quarter, there were a total of 10 staff members, which included the suspended CEO. Seconded from ADM are two staff members, namely the acting CFO and the acting CEO.

The following positions are vacant as at the end of quarter 1:

- SCM Manager
- Executive Manager: Operations
- Stakeholder Manager
- Corporate Services Administrator
- Project Manager (x2)
- CFO

The CFO role profile and subsequent job advert has been reviewed and is awaiting approval prior to the commencement of the CFO recruitment drive. The budget for this position is available for 6 months from January to June 2020.

Organisational Structure

The staff complement at the end of September 2019 consisted of 10 staff members and 2 seconded from ADM. The secondees are not included in the staff tables below.

Staff Headcount as at 30 September 2019											Table 1
	Male				Male	FEMALE				Female	Total
	W	C	I	B		W	C	I	B		
Executive Management				1	1	1			1	2	3
Senior Management					0					0	0
Managers				2	2					0	2
Support Staff				1	1				4	4	5
Interns					0					0	0
	0	0	0	4	4	1	0	0	5	6	10

Staff movement: Staff turnover for the quarter ended September 2019 was 0% (quarter 4 of 2018-19 was 9.09%).

Staff Labour Turnover for the quarter ending September 2019											Table 2
	Male				Male	FEMALE				Female	Total
	W	C	I	B		W	C	I	B		
Staff as at 1 July 2019				4	4	1			5	6	10
Terminations					0					0	0
Sub Total	0	0	0	4	4	1	0	0	5	6	10
Engagements					0					0	0
Totals - end September 2019	0	0	0	4	4	1	0	0	5	6	10
LTO %				Male	0%				Female	0%	
									Total LTO	0.00%	

Engagements & Terminations - Quarter 1 : July to September 2019											Table 3
	Male				Male	FEMALE				Female	Total
	W	C	I	B		W	C	I	B		
Beginning of the quarter				4	4	1			5	6	10
Terminations - Resignations					0					0	0
- Dismissals					0					0	0
Sub Total	0	0	0	4	4	1	0	0	5	6	10
Engagements					0					0	0
Totals - End of Quarter 1	0	0	0	4	4	1	0	0	5	6	10

Training and Development

Due to the fact that the APP for the current financial year was approved on 29 August 2019, performance contracting with staff in respect of targets for the financial year was delayed and not achieved by the close of the previous financial year. This was condoned by the Board at its meeting of 29 August 2019.

Performance contracting of staff was however finalised by the end of September 2019, with all staff signing their respective performance agreements, schedule of targets and personal development plans.

As such, the workplace skills plan was only finalised at the end of September 2019 and is included as an annexure to this report. No training therefore took place during the quarter, except for the Caseware Training.

The following training needs have been identified which are crucial to the success of the agency going forward, taking in account the fact that mega projects will be implemented:

- Public Private Partnerships and the management and implantation thereof
- Contract management in general
- Stakeholder management
- CPMD for certain officials

PERFORMANCE REPORTING, MONITORING AND EVALUATION

The majority of targets of the company were not achieved by the end of quarter 1. This is attributable to the delay in the finalisation of the strategy and the APP, together with delayed performance contracting. Targets that were achieved were in respect of operational issues, whilst those relating to the core mandate of the agency were mostly not achieved.

A concerted effort to catch up on these targets during quarter 2 will be initiated to ensure a successful performance at mid-year.

INFORMATION AND COMMUNICATION TECHNOLOGY

IT Infrastructure, network and maintenance

The following matters are brought to the attention of the Audit and Risk Committee:

ICT Steering Committee

No ICT Steering Committee meeting took place during the first quarter, however ICT is considered and discussed during the EXCO meetings.

CGICT Implementation Plan

The CGICT Implementation Plan has been reviewed and where necessary changes have been made to the action dates. Whilst progress on the achievement of the plan has been steady, certain issues will only be able to be finalised once the move to ADM has been finalised and the extent of the support that ADM can provide has been established. This would impact both the plan and the strategy going forward, which may need to be reviewed.

The effectiveness of IT controls

The following findings identified by internal audit are still in the process of being actioned:

- a) No training / empowerment on ICT Governance - as ASPIRE is moving to ADM and they will be providing support, there may not be a need to initiate this training
- b) No infrastructure to support current and future business requirements - will be resolved by the move to ADM
- c) ADM not adhering to SLA requirements - will be resolved by the move to ADM

IT Risk Register Management

Finalisation of the ICT Risk Register has not been finalised as yet. It will be finalised once the move to ADM which is set for the month of October 2019, has taken place, as this move will have

an impact on the risks the agency will be exposed to. It is anticipated that the ICT department of ADM will be part of the risk assessment process.

ICT Hardware and Software

ADM ICT has indicated that they are in a position to host ASPIRE on the ICT platform without the purchase of any additional hardware.

Caseware training for relevant staff was conducted during quarter 1 and Caseware was successfully utilised by these staff during the process of finalizing the annual financial statements for submission to AG.

Incidents Monitoring and monthly maintenance

Reflected below are the various incidents and callouts that required support from our outsourced service provider during quarter 1:

Date	Incident and /or support requested	Hours
11 July	Confirmation of backup and swop out of external backup hard drive; check email server and space availability;	½ hour
25 July	Confirmation of backup and swop out of external backup hard drive; check email server and space availability;	½ hour
1 Aug	Confirmation of backup and swop out of external backup hard drive; create email address akhona@aspire.org.za ;	½ hour
7 Aug	Desktop support - Namhla - install printer drivers and setup; Confirmation of backup and swop out of external backup hard drive; check email server and space availability	½ hour
16 Aug	Confirmation of backup and swop out of external backup hard drive; check email server and space availability; Backup Assist giving errors - problem resolved	½ hour
21 Aug	Confirmation of backup and swop out of external backup hard drive; check email server and space availability;	½ hour

27 Aug	Windows operating system error - Anda. Recover and set up laptop from backup - Files, Programs, Mail; Confirmation of backup and swop out of external backup hard drive; check email server and space availability;	3 hours
6 Sept	Confirmation of backup and swop out of external backup hard drive; check email server and space availability; Investigate slow network	½ hour
12 Sept	Confirmation of backup and swop out of external backup hard drive; check email server and space availability; Investigate internet speed - slow	½ hour

RISK MANAGEMENT

The following risk related activities took place during quarter 1:

Risk Management Implementation Plan

The end of the previous quarter 4 marked the end of the Risk Implementation Plan for the 2018-19 financial year. During quarter 1, after the finalisation of the strategy and the approval of the APP by the Board at the 29 August 2019 meeting, the implementation plan for the new financial year was drafted. The plan is provided as an annexure to this report and includes activities to be conducted during the year. Progress on the implementation of these activities will be provided from quarter 2.

Strategic Risk Register

A workshop, attended by senior management staff, members of the ARC and a board representative, was held on the ??? where a risk assessment was conducted based on the draft APP, which was based on the new approved strategy of the Board. At this workshop, a number of strategic risks were identified. Each risk was then evaluated in terms of potential loss, likelihood of occurrence and the effectiveness of controls in place to manage the risks

The outcome of these assessments results in a residual risk score allocated to each risk identified. ASPIRE has a total of 11 strategic risks of which 4 are Priority 1 and 7 are Priority 2. Priority 1 and 2 risks, in terms of the Risk Policy, require attention through various mitigating

actions, which have been included in the risk register.

Operational Risk Registers

Workshops with the various business units were also conducted during the quarter to review the previous year's risk registers and develop new risk registers for each business unit also taking into account the strategy. These departmental risk registers are included as annexures to this report. Progress on the mitigating actions will be provided quarterly going forward.

Internal Audit Findings

The internal audit action plan was also recently updated with progress for quarter 1. Any findings not yet implemented and which are a risk to the agency will be included in the relevant departmental registers.

Emerging Risks

The emerging risks identified during the previous financial year are included in the strategic risk register for the current financial year, namely the vacant leadership positions and the non-implementation of mSCOA regulations.

OFFICE PREMISES

The board approved a request to extend the stay at the current offices for an additional month due to delays experienced at ADM as a result of the strike. Finalisation of the quote for the approval of renovations is underway to enable ASPIRE to relocate during October 2019.

14. GOVERNANCE AND LEGAL SUPPORT

BOARD SUPPORT AND REPORTING

Board Evaluation

The evaluation of the board will take place in December, wherein the board members will be evaluated individually and collectively. A hybrid system will be used for the evaluation.

Review of Board Charters and Committee Charters

No policies were reviewed by the Board during Q1.

Board Composition

Section 93E of the Municipal Systems Act No. 32 of 2000 (MSA) requires the Board of Directors of a municipal entity to consist of at least a third non- executive directors and a non- executive Chairperson. the Board has met the requirements of section 93E of the MSA as it comprises of seven (5) non- executive Directors and a non- executive Chairperson, namely:

- ✓ Prof CM Addendorf (Chairperson);
- ✓ Dr M Williams (Deputy Chairperson);
- ✓ Mr NE Mbende;
- ✓ Ms MM Mosehana; and
- ✓ Mr S Khanyile

Section 93D of the MSA the Council of a parent municipality to designate a councillor or an official of the parent municipality, or both as the representative/s of the parent municipality to represent the parent municipality as a non-participating observer of the Board of Directors. In this regard ADM has designated the following:

- ✓ Mr. S. Zuka; (Councillor) and
- ✓ Dr. TT Mnyimba (ADM MM).

Board Committees

The ASPIRE Board comprises of 3 Board Committee, namely:

Finance Committee (FINCOM)

- The Board meeting that was held on the 22 February 2019 resolved that the Chairperson of the Board, Prof Addendorf, must appoint one member from the SEC to the Finance Committee to ensure that the committee has three members as per the Finance Committee Charter. Subsequently, Mr Khanyile was appointed as an additional member to the committee.
- This Committee, thus, comprises of the following:
 - ✓ Three (3) non- executive Directors,
 - ✓ the Chief Executive as an *ex officio* Director in terms of the MOI

- The Chief Financial Officer as a permanent attendee of the Committee in terms of the Finance Committee Terms of Reference

Social and Ethics Committee (SEC):

- Regulation 43(1) of the Companies Regulations requires a state- owned company to appoint a social and ethics committee.
- ASPIRE has met the requirements of this Companies Regulations as it has appointed a social and ethics committee which comprises of two non- executive Directors.
- In terms of the board resolutions of the 22nd February 2019 meeting, Mr Mbende has been appointed as an additional member to the SEC.
- This Committee, thus, comprises of the following:
 - ✓ Three (3) non- executive Directors,
 - ✓ the Chief Executive as an *ex officio* Director in terms of the MOI
- The Executive Manager: Corporate Services as a permanent attendee of the Committee in terms of the Social and Ethics Committee Terms of Reference

Audit and Risk Committee (ARC):

- Section 166(1) of the MFMA requires each municipality and municipal entity to have an audit committee.
- The ASPIRE Audit and Risk Committee is appointed by ADM and is shared with ADM in terms of section 166(6) of the MFMA.

Board and Board Committee Attendance

During Q1 the Board held one ordinary board meeting which was held on the 29 August 2019. The shareholder was represented by Mr Mnweba, who was attending instead of the Municipal Manager. The table below indicates the Directors attendance for the Q1 of the 2019/2020 financial year:

DIRECTOR	ORDINARY BOARD MEETING	SPECIAL BOARD MEETING	AGM	(FINCOM)	SEC
Prof. Addendorf	1 OF 1	N/A	N/A	N/A	N/A
Dr. Williams	0 OF 1	N/A	N/A	1 OF 1	N/A
Mr. Mbende	1 OF 1	N/A	N/A	1 OF 1	1 OF 1
Ms. Mosehana	1 of 1	N/A	N/A	N/A	1 OF 1
Mr. Khanyile	0 OF 0	N/A	N/A	1 OF 1	1 OF 1

DIRECTOR	ORDINARY BOARD MEETING	SPECIAL BOARD MEETING	AGM	(FINCOM)	SEC
Cllr Zuka	0 OF 1	N/A	N/A	N/A	N/A
Dr TT Nyimba	0 OF 1	N/A	N/A	N/A	N/A

Audit and Risk Committee Attendance

During Q1 the ARC held one ordinary meeting which was held on the 12th August 2019, and one special ARC meeting which was held on the 22nd August 2019.

The table below indicates the ARC member's attendance for Q4 of the 2019/20:

DIRECTOR	ORDINARY MEETING	SPECIAL MEETING	BOARD MEETINGS
Ms V Ntsodo	1 OF 1	1 OF 1	1 OF 1
Ms V. Hlehliso	0 OF 1	1 OF 1	N/A
Mr PG Zitumane	1 OF 1	0 OF 1	N/A
Mrs Maqwati-Naku	1 OF 1	1 OF 1	N/A

Board Expenditure

The Directors are paid in accordance with Board of Directors Remuneration, Subsistence and Travel Policy and the ARC members are paid by ADM. The Board Expenditure is fully depicted in the Management Accounts.

Declaration of interest

Section 93L (1)(a) of the Municipal Systems Act of 2000 read with Schedule 1 of the Act provides that every director must within 60 days of his or her appointment and thereafter not later than 30 June of each financial year declare financial interests held by that director.

In compliance with the above-mentioned provisions, the directors of ASPIRE and staff members have declared, in writing, their financial interests and benefits for the 2019/20 financial year.

In addition to the annual declaration, in each Board and Committee meeting, Directors are requested to disclose and/ or declare any interests relating to agenda items, and to date no

Director has disclosed any interest on any matter at the Board and/or Committee meetings

COMPLIANCE

Service Level Agreement

ASPIRE and ADM have, since the incorporation of ASPIRE, entered into a Service Level Agreement, which is reviewed every financial year. The SLA, inter alia, regulates the rights and obligations of each Party, in line with the regulatory framework governing local government and local government entities. The SLA further seeks to ensure compliance by the parties with relevant provisions of the MFMA, without impeding ASPIRE in performing its operational responsibilities.

The SLA has been reviewed to ensure that it meets the prevailing conditions. The SLA will be submitted to the board committees and the Board, and will subsequently be entered into by ASPIRE and the ADM.

Compliance Checklist

The legislative compliance checklist comprises of the following legislations:

- ✓ Municipal Systems Act No. 32 of 2000
- ✓ Municipal Finance Management Act No. 56 of 2003
- ✓ Companies Act No. 71 of 2008

This checklist is to enable management and overall the Board to monitor the company and Directors compliance with the applicable legislations.

According to the Compliance Checklist, ASPIRE is currently at 98% compliant as it has not complied with the provisions of the Promotion of Access to Information Act of 2000

A PAIA Manual in terms of section 14 of the Act has been developed and will subsequently be submitted to the Human Rights Commission as per dictates of the Act after it has been submitted to the Social and Ethics Committee and the Board. The manual will assist persons wishing to obtain access to information held by ASPIRE.

LEGAL SUPPORT

Item No.	Date Reported	Nature	Initiated /Defended	Summary of Details	Liability	Comments/status
1.	19 October 2018	Action Procedure	Defended	The former CEO, Mrs Mngqetha, is suing the agency for amounts that she alleges are due and payable to her in terms of the settlement agreement and her employment contract.	Amounted demanded R1200 000.00	A Notice to Defend was filed on the 30 October 2018. From that date the Agency had 20 days to file a plea. Exchange of pleadings (Plea)
2.	22 November 2018	Action Procedure	Initiated	The Board of Directors concurred with the KPMG Report Recommendation and resolved to recoup the irregular expenditure of at least R 1 569 333.91 that was paid to HS Toni Attorneys	Amount demanded R 1 569 333.91	Exchange of pleadings stage

In addition to the above-mentioned legal advice and opinion is provided on an ad hoc basis orally and in writing.

CONCLUSION

The following will be the focus during the second quarter of the new financial year:

- a) Catch up of quarter 1 targets
- b) Finalisation of a turnaround strategy