



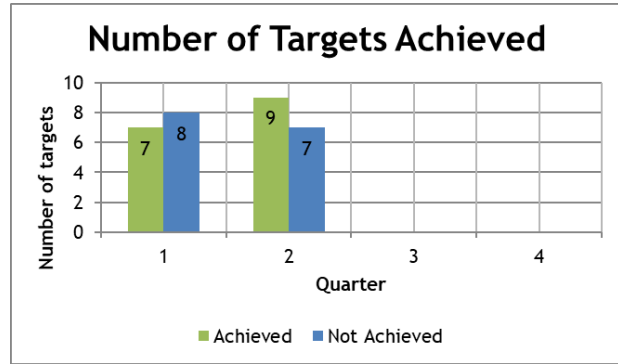
2019-2020
MID YEAR PERFORMANCE REPORT
20 January 2020
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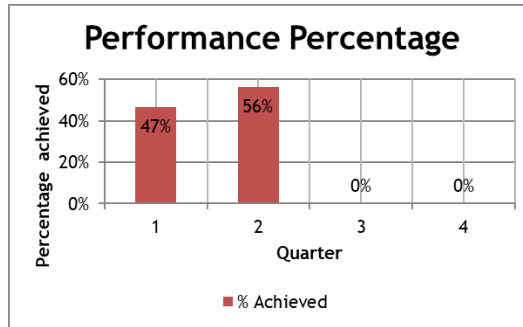
EXECUTIVE SUMMARY

Performance progress is provided in line with ASPIRE’s annual performance plan. Reflected below is the performance based on number of targets achieved, as well as the overall percentage.

QUARTER	<i>Achieved</i>	<i>Not Achieved</i>
1	7	8
2	9	7



QUARTER	<i>% Achieved</i>
1	47%
2	56%



The detailed APP provided hereunder in respect of each of the business units follows. Detailed progress reports are provided further in respect of each of the business units.

ASPIRE 2019/20 Annual Performance Report - Quarter 2

\	Strategic Objective	Cluster / Programme	Business Unit	Secondary Objectives	Target No	Projects / KPA	Baseline	Budget	2019/20 Target	Activities	Indicators	POE	Q2	Achieved / Not Achieved	Progress	Remedial Actions
1	To establish ASPIRE as a world leading development institution	Governance and Administration	Governance	To develop and implement best-practice public sector management	1	Board oversight	Prior year quarterly meetings held as scheduled		1. Board Calendar implemented 2. Board evaluation Conducted	1. Ensure Board meetings are held as per board calendar 2. Facilitate the completion of a board evaluation	1. No of Board meetings held in line with the calendar 2. Outcome of Board Evaluation	1. Board Calendar and Signed Board and Committee Minutes 2. Board Evaluation Report	Quarterly Board and committee meetings held	Achieved	1. The Social and Ethics Committee and the Finance Committee meetings were held on the 17 October 2019. The ARC meeting was held on the 18 October and 25 November 2019. The Ordinary Board Meeting was held on the 25 October and 5 December 2019	n/a
					2	Compliance	98%	100% Compliance	1. Monitor compliance with key legislations (Companies Act, MFMA, MSA) and Board and sub committee charters 2. Ensure continuous training of all staff on SCM policies and the Anti-Fraud and Corruption Plan	% compliance	1. Compliance checklist with calculated percentage compliance 2. Attendance register of training sessions	100% Compliance	Not achieved	98.8% compliance achieved	The PAIA manual has been submitted to the Board at the October 2019 meeting. The manual will now be submitted to the Human Rights Commission and will be placed on the website.	
			Corporate Services	To Establish a servant-led efficient and productive entity	3	Human Resource Management and Administration	Prior year organogram, job descriptions, training		Develop and implement an organisational design to support the achievement of the mandate	1. OD plan developed 2. Organogram in support of mandate approved 3. Job realignment and skills audit completed 4. Change management implemented 5. Staff trained to deliver on mandate as per skills audit 6. Key strategic positions filled	No of quarterly progress reports	Quarterly progress reports Approved organogram New job descriptions Skills audit report Training initiatives - attendance registers	1. Organogram approved 2. Job descriptions finalised 3. Change Management Initiated 4. Job grading and salary packages finalised	Not achieved	All targets are linked to the turnaround strategy which is yet to be approved by the Board. An employee forum was established to discuss issues relating to the HR value proposition in order to obtain staff input into HR related matters.	Upon approval of the Turnaround Strategy in Q3, the OD plan will be developed.
					4	ICT Governance	MSCOA not implemented	mSCOA implemented to ensure compliance	1. ICT platform option finalised 2. Procurement of mSCOA ICT platform 3. Training of staff on MSCOA platform 4. Implementation of MSCOA platform	% compliant with mSCOA	Service provider contract Training attendance registers	Service provider procured, software installed and GL mapping finalised	Not achieved	A decision not to utilise the SAP option due to costs involved was finalised. The entity will embark on a competitive bidding process to source a cost-effective financial management system that will be able to integrate with the financial management system utilised by the parent municipality.	TOR to be drafted in order to procure a service provider for the rollout of mSCOA compliance.	
			Finance and SCM	To Obtain a clean audit of ASPIRE within 3 years;	5	Finance and Budget Management	Unqualified audit opinion with matters of emphasis		A clean audit	1. Annual Financial Statements prepared 2. Audit facilitated 3. Audit Action Plan developed and implemented with improved turnaround times	No of findings in Audit outcomes	Audit opinion and management report	1. Monthly Finance report prepared and submitted to ADM 2. External Audit facilitated	Achieved	1. The monthly reports are submitted on time to ADM 2. The external audit was conducted smoothly with the audit report being issued at the end of November 2019	n/a
					6	Supply Chain Management	R9 018 835-irregular expenditure R11 844 - fruitless and wasteful expenditure	No irregular, fruitless and wasteful expenditure incurred for the year	Implement SCM protocols in line with prescripts	Value of irregular expenditure, value of fruitless and wasteful expenditure	Irregular Expenditure register, fruitless and wasteful expenditure register	Submission of Quarterly SCM Report to Board including Irregular and Fruitless and wasteful registers	Achieved	The SCM reports was submitted to the Board at the Board meeting of the 25 October 2019	n/a	
				7	Sustainability	Rnil	Increased revenue from diversified income streams	1. Develop a Turnaround Strategy 2. Implement Turnaround Strategy	Value of income from diversified streams	Copy of turnaround strategy, Report on turnaround strategy implementation Proof of increased revenue received	Turnaround Strategy developed and approved by the Board	Not achieved	The turnaround strategy is in draft format. Engagements with ECDC have resulted in the signing of a MOU, in order to build relationships to strengthen the turnaround..	The Turnaround strategy will be finalised and approved by the Board during Q3.		

ASPIRE 2019/20 Annual Performance Report - Quarter 2

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2	To promote innovative industry value-chain enterprise growth	Economic sectors and Employment	Operations	To Stimulate growth, expansion and new investment in value chains of current and new sectors	8	Sector development	New target		Develop action plans for Amathole Sector Plans	1. Conduct a workshop of ADM sector plans in order to develop actions plans for each sector 2. Develop a database of all relevant stakeholders in each sector 3. Engage with key stakeholders to determine opportunities	No of action plans for sectors	1. Attendance register of workshop, sector action plans 2. Database of all relevant stakeholders for each sector 3. Proof of engagement with stakeholders	Workshop held on ADM sector plans. 2. Database of stakeholders initiated	Not achieved	Continuous engagements with ADM to obtain sector plans, but no feedback received	The target has been reviewed during the mid term review and is proposed to be removed as the activities are a duplicate of target 16
					9	Value Chains	New target	Provide support to the Ngqushwa LM Beekeeping initiative	1. Consult with the LM to conduct a gap analysis to identify challenges and shortcomings 2. Support the implementation of the project	No of quarterly progress reports	Gap Analysis report Quarterly progress reports	Prepare a gap analysis report with recommendations to address gaps and shortcomings	Achieved	Consultative meeting with relevant stakeholders has taken place during October 2019. During November 2019, Ashanti Gold presented the proposed intervention to the project.	Nil	
3	To Optimise the socio-economic value of District-owned infrastructure asset	Infrastructure Development	Operations	Facilitate and implement repurposing of assets to realise industry-led economic development through innovative sustainable partnership	10	Revitalisation of irrigation schemes	New target		Report on both current and past irrigation schemes in the Amathole District.	1. Conduct an Analysis and status quo of current and past irrigation schemes in Amathole District 2. Draft a report on the analysis conducted	No of quarterly progress reports	Quarterly Project progress reports Report on Irrigation schemes	Engage LM's and stakeholders to investigate irrigation schemes	Achieved	Irrigation schemes have been investigated and LM's engaged.	Nil
					11	Revitalisation of crop plantations	New target	Report on both current and past crop plantation schemes in the Amathole District	1. Conduct an Analysis and status quo of current and past crop plantation schemes in Amathole District 2. Draft a report on the analysis conducted	No of quarterly progress reports	Quarterly Project progress reports Report on crop plantation schemes	Engage LM's and stakeholders to investigate crop plantation schemes	Achieved	Crop Plantation schemes have been investigated and LM's engaged.	Nil	
				12	Small Town Revitalisation	Alice Transport Hub project implemented	Support the implementation of the Butterworth Industrial Park project	1. Engage relevant stakeholders to determine the current status quo of the project 2. Attend project steering committee meetings 3. Identify the role of ASPIRE in the implementation of the project 4. Provide support in line with ASPIRE's role	No of quarterly progress reports	Quarterly progress reports	1. Consult stakeholders to identify role of ASPIRE and ADM in the project and reduce to writing 2. Attend project steering committee meetings	Achieved	ECDC was consulted and they confirmed that ASPIRE would be invited to future stakeholder meetings. ASPIRE submitted a business plan for Broadband connectivity in the district to support small town revitalisation.	Nil		

ASPIRE 2019/20 Annual Performance Report - Quarter 2

\	Strategic Objective	Cluster / Programme	Business Unit	Secondary Objectives	Target No	Projects / KPA	Baseline	Budget	2019/20 Target	Activities	Indicators	POE	Q2	Achieved / Not Achieved	Progress	Remedial Actions
4	To promote ADM as a domestic and international investment location	International Cooperation, Trade and Security	Operations	Provide ease-of-business support services to stimulate investment into the ADM economy;	13	SMME hubs	New target		Develop a concept document for the establishment of SMME hubs in Amathole	<ol style="list-style-type: none"> 1. Conduct research into current SMME hubs active in Amathole 2. Engage with LM's and other stakeholders to identify requirements and challenges 3. Facilitate a workshop to brainstorm options 4. Draft a concept document 	No of quarterly progress reports	<ol style="list-style-type: none"> 1. Outcome of research 2. Attendance register of engagements 3. Workshop attendance register 4. Concept document 	Consult with stakeholders and LM'S and submit a record of identified requirements and challenges	Achieved	<p>Engagements with Ngqushwa LM, Greak Kei LM and Amahlathi LM have taken place who in turn submitted a database of SMME's operating in the respective LM.</p> <p>ADM confirmed that no current SMME hubs exist in the district, but various programmes are initiated to assist SMME's.</p> <p>A business plan was submitted to SEDA for the implementation of Innovation Hubs in the district.</p>	Nil
				Promotion of ADM as an ideal investment location nationally and internationally	14	Brand ASPIRE	New target		Develop and implement a Brand Repositioning Strategy	<ol style="list-style-type: none"> 1. With the assistance of ADM, Develop ASPIRE's brand repositioning strategy to align with ADM Brand repositioning strategy 2. Rollout ASPIRE'S brand repositioning strategy 3. Review the Stakeholder Engagement Strategy to ensure alignment with Brand Repositioning Strategy 	No of stakeholders engaged No of activities implemented	<ol style="list-style-type: none"> 1. Approved Brand Repositioning strategy document 2. Proof of activities implemented as per the brand repositioning strategy 3. Approved Stakeholder Engagement Strategy 	<ol style="list-style-type: none"> 1. Draft the Brand Repositioning Strategy 2. Review the Stakeholder Engagement Strategy 	Not achieved	No progress on the brand repositioning strategy. Final output also dependent on the finalisation of the turnaround strategy. ASPIRE undertook an Outbound trip to Spain where the brand of ASPIRE was well received.	ADM Communications Department will assist with the finalisation of the strategy during Q3
					15	Economic Development SUMMIT	New target		<ol style="list-style-type: none"> 1. Support and assist ADM to host the Economic Development Summit 2. Implement the outcomes of the Economic Development Summit 3. Establish viable formal relationships with domestic and international partner organisations; 	<ol style="list-style-type: none"> 1a. Identify ASPIRE projects that can be showcased at the Summit and develop a profile for each 1b. Consistent participation in the Stakeholder Engagement Committee for the Economic Development Summit 2. Develop an implementation plan of the deliverables based on the outcomes of the Summit 3. Sign MOU's with key identified partner organisations 	<ol style="list-style-type: none"> 1a. No of profiles developed 1b. No of meetings attended 2. No of deliverables implemented 3. No of MOU's signed 	<ol style="list-style-type: none"> 1a. Profiles of identified projects 1b. Attendance registers 2. Implementation plan of deliverables 3. MOU's signed 	<ol style="list-style-type: none"> 1. Profile identified projects to submit to ADM 2. Attend Summit meetings 	Not achieved	A number of possible projects have been identified, and up to date profiles for these projects will be developed. Various summit meetings were attended by the ACEO	Profiles for the relevant projects will be finalised in Q3 for inclusion at the summit.
5	To position ADM as a SMART District		Operations	Develop future citizens that are skilled and equipped to exploit the opportunities of the future	16	Vision 2058	New target		<ol style="list-style-type: none"> 1. Develop a status quo report on projects implemented by ASPIRE 2. Develop concept documents for possible projects aligned to 60 game changes 	<ol style="list-style-type: none"> 1. Analysis of implemented projects to determine status quo and feasibility for quick wins. 2. Draft Concept documents for possible ASPIRE projects aligned to 60 game changers 	No of reports developed	Report on ASPIRE projects Report on projects aligned to 60 game changes	<ol style="list-style-type: none"> 1. Draft a report on status quo of ASPIRE PROJECTS 2. Consult LMS for input on aligned projects 	Achieved	The following past project were visited during the quarter: Stutterheim projects (CBD upgrade and MCCP), Hamburg (Emthonjeni Arts and CBD upgrade), Buttersworth (CBD upgrade). Report in process of being drafted Business plans submitted (SMME hubs and Broadband connectivity).	Nil

MID-YEAR: GOVERNANCE AND LEGAL SUPPORT REPORT

GOVERNANCE AND EFFECTIVENESS OF THE BOARD

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 five (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).

Audit and Risk Committee

The Audit and Risk Committee (“ARC”) is appointed by the Amathole District Municipality Council (“the Council”) and comprises of the five (5) members namely:

Ms. V. Ntsodo : Chairperson
Ms. V. Hlehliso : Member
Ms. T. Maqwati-Naku: Member
Mr. PG Zitumane : Member
Mr. B. Bothma : Member

Mr. N. Mbende is the Board member representative at the Audit and Risk Committee meetings, as an observer.

Board and Committee Meetings

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 period under review of the 2019/2020 financial year:

DIRECTOR	ORDINARY BOARD MEETING	SPECIAL BOARD MEETING	AGM	(FINCOM)	SEC
Prof. Addendorf	3 OF 3	1 of 1	N/A	N/A	N/A
Dr. Williams	2 OF 3	1 of 1	N/A	1 OF 1	N/A
Mr. Mbende	3 OF 3	1 of 1	N/A	2 OF 2	2 OF 2
Ms. Mosehana	3 of 3	1 of 1	N/A	N/A	2 OF 2
Mr. Khanyile	1 OF 3	1 of 1	N/A	1 OF 2	1 OF 2

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.

During Q2 the ARC held one ordinary meeting on the 18th October 2019, and one special ARC meeting on 25 November 2019.

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

DIRECTOR	ORDINARY MEETING	SPECIAL MEETING	BOARD MEETINGS
Ms V Ntsodo	2 OF 2	2 OF 2	1 OF 1
Ms V. Hlehliso	1 OF 2	1 OF 2	N/A
Mr PG Zitumane	1 OF 2	1 OF 2	N/A
Mrs Maqwati-Naku	2 OF 2	2 OF 2	N/A
Mr B Bothma	2 OF 2	2 OF 2	N/A

Board Fees

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.

Directors 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. The manual was submitted to the Board during the October 2019 meeting. The manual will assist persons wishing to obtain access to information held by ASPIRE.

Annual General Meeting

The Annual General Meeting is scheduled for the 21st February 2020.

Policies

The following policies were reviewed and approved by the Board during the period under review:

Policy Name	Last Approval Date	Responsible Department
Leave Policy	October 2019	Corporate Services
Communications Policy	October 2019	Corporate Services
Performance Management	October 2019	Corporate Services
Recruitment, Selection and Placement	October 2019	Corporate Services
Performance Management Policy	October 2019	Corporate Services

Appointment of Company Secretary

The company secretary resigned during quarter 2 and his last working day was 30 November 2019. The recruitment of a new company secretary will commence in the new year.

LEGAL MATTERS

The pending legal matters for the period under review are as follows:

Item No.	Date Reported	Nature	Initiated / Defended	Summary of Details	Liability	Comments/status
1.	19 October 2018	Action Procedure	Defended	The former CEO, Mrs Mnqeta, 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 R1,200 000.00	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

MID YEAR: CORPORATE SERVICES REPORT

HUMAN RESOURCE MANAGEMENT AND ADMINISTRATION

Employment Equity

Quarterly employment equity forum meetings were 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. Relevant EE reporting will be submitted during January 2020.

Organizational Development (OD)

The review of the organogram will form part of the turnaround strategy which will be finalised in quarter 3. During quarter 2, a staff forum was established to discuss issues related to the HR value proposition.

Occupational Health and Safety

Workplace health and safety assessments are completed during each quarter.

Recruitment and retention

As at the end of the quarter, there were a total of 9 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 2:

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

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. The recruitment of the company secretary will commence in the new year. In the interim, a service provider will be procured to provide secretarial support to the board.

Organisational Structure

The staff complement at the end of December 2019 consisted of 9 staff members and 2 seconded staff from ADM, namely acting CFO and acting CEO. The secondees are not included in the staff tables below.

Staff Headcount as at 31 December 2019											Table 1
	Male				Male	FEMALE				Female	Total
	W	C	I	B		W	C	I	B		
Executive Management					0	1			1	2	2
Senior Management					0					0	0
Managers				2	2					0	2
Support Staff				1	1				4	4	5
Interns					0					0	0
	0	0	0	3	3	1	0	0	5	6	9

Staff movement: Staff turnover for the quarter ended December 2019 was 10% (quarter 1 of 2019-20 was 0%).

Staff Labour Turnover for the quarter ending December 2019											Table 2
	Male				Male	FEMALE				Female	Total
	W	C	I	B		W	C	I	B		
Staff as at 1 October 2019				4	4	1			5	6	10
Terminations				1	1					0	1
Sub Total	0	0	0	3	3	1	0	0	5	6	9
Engagements					0					0	0
Totals - end December 2019	0	0	0	3	3	1	0	0	5	6	9
LTO %				Male	25%				Female	0%	
									Total LTO		10.00%

Engagements & Terminations - Quarter 2 : October to December 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				1	1					0	1
- Dismissals					0					0	0
Sub Total	0	0	0	3	3	1	0	0	5	6	9
Engagements					0					0	0
Totals - End of Quarter 2	0	0	0	3	3	1	0	0	5	6	9

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. No training therefore took place during the quarter, except for the Caseware Training which formed part of the supply contract.

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

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

Staff have been identified for the CPMD training which will commence in January 2020. This training will utilise 50% of the budget.

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.

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.

RISK MANAGEMENT

The following risk related activities took place during the period under review:

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. Progress on the implementation of these activities is submitted to the Audit and Risk Committee on a quarterly basis.

Strategic Risk Register

A workshop, attended by senior management staff, members of the ARC and a board representative, was facilitated 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. Progress on the mitigating actions is submitted to the Audit and Risk Committee on a quarterly basis..

Internal Audit Findings

The internal audit action plan is updated quarterly with progress on the findings. Any findings not yet implemented and which are a risk to the agency were 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 remain at the current premises until the expiration of the lease at the end of January 2020. During quarter 2, the procurement of the renovations to be completed at ADM to support the relocation of ASPIRE had been finalised. The landlord will commence with the renovations in the new year and it is expected that ASPIRE will relocate in the last week of January 2020.

MID YEAR: FINANCE EPORT

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
Adjusted Budget	0	0
Year to date budget (6 months)	34,870,334	34,870,334
Actual to date	5,689,157	5,048,260
Variance	-29,181,177	-29,822,074
% Variance of Annual Budget	-84%	-86%
% Income/ Expenditure	8%	7%

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 and will be adjusted during the adjustments budget period.

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 was tabled for the Board to note the additional allocation as it constituted 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 84% while 8% of the annual budgeted income has been received/accrued.

The overall expenditure is below the planned expenditure by 86% while 7% of the annual budget has been spent. The unfunded capital allocation will be adjusted downwards to realistically reflect the financial position of ASPIRE.

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
Adjusted Budget	0	0
Year to date budget (6 months)	9,870,334	9,870,334
Actual to date	5,689,157	5,048,260
Variance	-4,181,177	-4,822,074
% Variance of Annual Budget	-42%	-49%
% Income/ Expenditure	29%	26%

Table 2: Operating Budget Performance

Table 2 above illustrates that the actual operating income is below the planned income by 42% while 29% of the annual budget has been received/accrued. The payment of the second tranche of the equitable share portion from ADM is anticipated to be received during January 2019.

ASPIRE will be embarking on a competitive bidding process to source a cost-effective financial management system that will be able to integrate with the financial management system utilised by the parent municipality during the third quarter of the financial year. The funding for mSCOA is anticipated to be received on completion of the SCM competitive bidding processes.

The operating expenditure is below the planned expenditure by 49% while 26% of the annual budget has been spent.

Capital Budget

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

REVENUE & XPENDITURE

The table below reflects management accounts as at 31 December 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 the mid-term ending 31 December 2019.

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

DESCRIPTION	APPROVED BUDGET 2019/20	Pro-Rata Budget 31 DECEMBER 2019	Revenue/Exp - 31 DECEMBER 2019	VARIANCE	% Variances
REVENUE					
ADM Funding	15,525,799	10,350,532.67	5,443,714	(4,906,819)	(47)
ADM FUNDING:MSCOA SUPPORT	4,026,548	-	-	-	-
Funding Other Projects	50,000,000	-	-	-	-
Income Tender Documents	20,000	-	-	-	-
Interest Received	168,320	84,160.00	245,443	161,283	192
TOTAL INCOME	69,740,667	10,434,693	5,689,157	(4,745,536)	(45)

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 31 December 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 32% (R4,9 million) 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 plans on embarking on a competitive bidding process to source a cost-effective financial management system that will be able to integrate with the financial management system utilised by the parent municipality during the third quarter of the financial year.

The funding for mSCOA is anticipated to be received on completion of the SCM competitive bidding processes.

Sundry income

Sundry income realized to date relates to interest received from the STD Bank operating call account (R245 thousand).

EXPENDITURE

The table below provides a detailed analysis of budgeted expenditure per category as well as per cost center/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

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

DESCRIPTION	APPROVED BUDGET 2019/20	Pro-Rata Budget 31 DECEMBER 2019	Revenue/Exp - 31 DECEMBER 2019	VARIANCE	% Variances
EXPENDITURE					
GOVERNANCE/LEGAL/COMPLIANCE	1,425,000	712,500	539,724	(172,776)	(24)
CEO & STRATEGIC SERVICES	220,000	110,000	23,896	(86,104)	(78)
					0
OPERATIONS DEPARTMENT	50,150,000	75,000	1,208	(73,792)	(98)
					0
CORPORATE SERVICES	11,813,919	5,906,960	3,984,951	(1,922,009)	(33)
					0
FINANCE AND SCM	3,444,232	1,722,116	498,481	(1,223,635)	(71)
					0
TOTAL EXPENDITURE	69,740,667	8,526,576	5,048,260	(3,478,316)	(41)

Table 5: Summary of Expenditure

As at 31 December 2019, the entity has under-spent the pro-rata budget by 41% (R3,5 million) due to various expenditure line items which have been outlined in detail in their respective cost centers below. The second tranche of the equitable share will be deposited during the last month of January 2020.

Governance/Legal/Compliance

DESCRIPTION	APPROVED BUDGET 2019/20	Pro-Rata Budget 31 DECEMBER 2019	Revenue/Exp - 31 DECEMBER 2019	VARIANCE	% Variances
EXPENDITURE					
GOVERNANCE/LEGAL/COMPLIANCE	1,425,000	712,500	539,724	(172,776)	(24)
Board Expenses	1,000,000	500,000	445,222	(54,778)	(11)
Legal Fees	200,000	100,000	-	(100,000)	(100)
Travelling and Accommodation	100,000	50,000	66,816	16,816	34
Refreshments/Catering Board Activities	25,000	12,500	5,163	(7,337)	(59)
Board Events/Training	100,000	50,000	22,523	(27,477)	(55)

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 mid-year ended 31 December 2019, this cost center reflects overall under-expenditure of 24% with a variance of R172 thousand.

The pro-rata budget for Board Fees has been under-spent by 11% (R54 thousand) due to outstanding claims relating to the special board meeting held during the month of December 2019. There has been no expenditure on Legal fees. Board Travelling and accommodation has been overspent by 34% (R16 thousand) as a result of increased engagements by the Board. Refreshments/Catering Board Activities reflect an under expenditure of 59% (R7 thousand). Board Events/Training reflect an under expenditure of 55% (R27 thousand)

CEO & Strategic Services

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

DESCRIPTION	APPROVED BUDGET 2019/20	Pro-Rata Budget 31 DECEMBER 2019	Revenue/Exp - 31 DECEMBER 2019	VARIANCE	% Variances
EXPENDITURE					
CEO & STRATEGIC SERVICES	220,000	110,000	23,896	(86,104)	(78)
Travelling and Accommodation	200,000	100,000	23,796	(76,204)	(76)
Refreshments / Catering	10,000	5,000	100	(4,900)	(98)
Entertainment	10,000	5,000	-	(5,000)	(100)

Table 7: CEO & Strategic Services Expenditure

The pro-rata budget has been underspent by 78% (R86 thousand), however a payment amounting to R94 thousand relating to the Outward Mission to Spain will reflect in the quarter 3 report.

Operations Department

DESCRIPTION	APPROVED BUDGET 2019/20	Pro-Rata Budget 31 DECEMBER 2019	Revenue/Exp - 31 DECEMBER 2019	VARIANCE	% Variances
EXPENDITURE					
OPERATIONS DEPARTMENT	50,150,000	75,000	1,208	(73,792)	(98)
Direct Programs (Projects)	50,000,000	-	-	-	0
Travelling and Accommodation	150,000	75,000	1,208	(73,792)	(98)

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 mid-term.

Corporate Services

DESCRIPTION	APPROVED BUDGET 2019/20	Pro-Rata Budget 31 DECEMBER 2019	Revenue/Exp - 31 DECEMBER 2019	VARIANCE	% Variances
EXPENDITURE					
CORPORATE SERVICES	11,813,919	5,906,960	3,984,951	(1,922,009)	(33)
Staffing (Cost to Company)	9,264,981	4,632,491	3,499,382	(1,133,109)	(24)
Recruitment	50,000	25,000	-	(25,000)	(100)
Staff Development and Training	250,000	125,000	-	(125,000)	(100)
Staff Wellness & Gifts	50,000	25,000	-	(25,000)	(100)
Rental/Rates Offices	740,000	370,000	250,218	(119,782)	(32)
Rental Plants, Water, Hygiene Tools	12,624	6,312	-	(6,312)	(100)
Photocopier Rental	44,000	22,000	15,056	(6,944)	(32)
Rental of Equipment (alarm)	2,750	1,375	-	(1,375)	(100)
Electricity & Water	176,000	88,000	57,999	(30,001)	(34)
Security	33,000	16,500	12,475	(4,025)	(24)
Stores and Materials	50,000	25,000	11,999	(13,001)	(52)
Printing, Stationery and Consumables	95,000	47,500	6,769	(40,731)	(86)
Annual Report	105,000	52,500	2,500	(50,000)	(95)
IT Governance and Support	157,800	78,900	8,534	-70,366	(89)
Advertising and marketing	200,000	100,000	3,030	-96,970	(97)
Maintenance Computers	15,000	7,500	918	(6,582)	(88)
Telephone	250,000	125,000	61,808	(63,192)	(51)
Postage/Courier	7,364	3,682	478	(3,204)	(87)
Repairs and Maintenance Office & Furniture	100,000	50,000	5,060	(44,940)	(90)
Subscriptions	-	-	9,439	9,439	0
Insurance	210,400	105,200	39,286	(65,914)	(63)

Table 9: Corporate Services

Personnel costs

As at the reporting period, personnel costs have been underspent by 24% (R1,1 million). This is as a result of non-filled budgeted vacant position for the Chief Financial Officer as well as the resignation of the Company Secretary.

Recruitment

As at the reporting period, recruitment costs have been underspent by 100% (R25 thousand). This is mainly due non-filling of budgeted vacant posts. Recruitment for the CFO and Company Secretary positions is anticipated to take place during the third quarter of the 2019/20 financial year.

Staff Development and Training

As at the reporting period, the budget for Staff Development and Training has been underspent by 100% (R125 thousand). This is mainly due to the finalisation of training needs for the 2019/20 financial year. The Finance Section will be enrolling in the Minimum Competency Standards course commencing in January/February 2020. There is planned training for other areas as well.

Rental Offices

This item reflects under expenditure of 32% (R119 thousand).

Electricity and Water

This item reflects under expenditure of 34% (R30 thousand).

Printing, Stationery and Consumables

This item has been underspent by 86% (R41 thousand). This is due to reduced purchases for stationery.

Annual Report

This item has been underspent by 95% (R50 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 89% (R70 thousand) as at the reporting period.

Telephone

This item has been underspent by 51% (R63 thousand). This is due to reduced usage.

Insurance

This item has been underspent by 63% (R65 thousand).

Finance and SCM

DESCRIPTION	APPROVED BUDGET 2019/20	Pro-Rata Budget 31 DECEMBER 2019	Revenue/Exp - 31 DECEMBER 2019	VARIANCE	% Variances
EXPENDITURE					
FINANCE AND SCM	3,444,232	1,722,116	498,481	(1,223,635)	(71)
Audit Fees	850,000	425,000	368,255	(56,745)	(13)
Accounting Fees	52,600	26,300	1,000	(25,300)	(96)
Bank Charges	52,600	26,300	7,449	(18,851)	(72)
Depreciation & Impairment	150,000	75,000	53,678	(21,322)	(28)
Travelling and Accommodation	100,000	50,000	1,310	(48,690)	(97)
MSCOA Implementation	1,339,032	669,516	-	(669,516)	(100)
Advertising	150,000	75,000	-	(75,000)	(100)
Sundry Creditors	750,000	375,000	66,789	(308,211)	(82)

Table 10: Finance and SCM

Audit Fees

Audit Fees reflect an under expenditure of 13% (R56,7 thousand). The remaining invoices relating to the 2018/19 audit will be finalised during the third quarter.

Accounting Fees

Accounting Fees reflect an under expenditure of 96% (R25 thousand).

Bank charges

Bank charges reflect an under expenditure of 72% (R18.9 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 28% (R21 thousand).

mSCOA Implementation

There has not been a formal appointment for a service provider on the roll-out of mSCOA resulting in 100% (R669 thousand) under expenditure.

Advertising

This line item has been underspent by 100% (R75 thousand). No advertising costs have been incurred as at the reporting period.

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.

Amathole Economic Development Agency (SOC) Limited

(Registration number 2005/030812/07)

Trading as ASPIRE

Annual Financial Statements for the period ended 31 December 2019

Statement of Financial Performance as at 31 December 2019

		2020 UNAUDITED QUARTER 2 R	2019 AUDITED FULL YEAR R
Revenue	Note(s)		
Revenue from exchange transactions			
Interest Received		245,443	336,828
Other Income		-	11,844
Total Revenue from Exchange Transactions		245,443	348,672
Revenue from non-exchange transactions			
Government grants and subsidies		5,443,714	15,681,396
NDPG Capital grant		-	6,907,950
Other grant income		-	1,030
Services in kind		-	1,228,358
Total Revenue from Non-Exchange Transactions		5,443,714	23,818,734
Total Revenue		5,689,157	24,167,406
Expenditure			
Contracted expenses		-	(6,006,913)
Depreciation		(53,678)	(70,210)
Employee related costs		(3,499,382)	(8,271,832)
Board and Sub-committee expenditure		(512,038)	(1,254,374)
Finance costs		-	-
General expenses		(712,829)	(2,513,415)
Impairment costs		-	-
Lease rentals		(265,273)	(658,653)
Project expenditure		-	(1,301)
Repairs and maintenance		(5,060)	(7,721)
Total expenditure		(5,048,260)	(18,784,419)
Operating surplus		640,897	5,382,986
Gain/ Loss on disposal of property, plant and equipment		-	20,137
Surplus before taxation		640,897	5,403,123
Taxation		-	1,436,626
Surplus for the period		640,897	3,966,497

Amathole Economic Development Agency (SOC) Limited

(Registration number 2005/030812/07)

Trading as ASPIRE

Annual Financial Statements for the period ended 30 December 2019

Statement of Financial Position as at 31 December 2019

		2020 UNAUDITED QUARTER 2 R	2019 AUDITED FULL YEAR R
Assets			
Current Assets			
Cash and cash equivalents		10,628,868	10,145,873
Receivables from non-exchange transactions		153,327	162,742
VAT receivable		33,398	120,328
Current Tax receivable		-	-
		10,815,593	10,428,943
Non-Current Assets			
Property, plant and equipment		105,592	138,012
Intangible assets		104,978	28,497
		210,570	166,509
Total Assets		11,026,163	10,595,452
Liabilities			
Current Liabilities			
Current Tax Payable		93,465	31,985
Payables from exchange transactions		826,428	1,280,610
VAT Payable		93,879	-
Unspent conditional grants		2,683,888	2,608,235
Operating lease liability		12,191	12,191
		3,709,851	3,933,021
		7,316,312	6,662,431
Non-Current Liabilities			
Operating lease liability		-	-
Total Liabilities		-	-
Net Assets		7,316,312	6,662,431
Contributed capital		1,000	1,000
Accumulated surplus/(deficit)		7,315,312	6,661,431
Total Net Assets		7,316,312	6,662,431
Net Profit/Loss		-	-

(Registration number 2005/030812/30)
 Trading as ASPIRE
 Annual Financial Statements for the period ended 31 December 2019

Cash Flow Statement

Note(s)	2020 UNAUDITED R	2019 AUDITED R
Cash flows from operating activities		
Receipts		
Government Grants, subsidies and other grants	5,443,714	22,172,981
Other Income	-	11,844
Interest Income	245,443	336,828
Other Cash Items	9,415	232,030
	<u>5,698,572</u>	<u>22,753,683</u>
Payments		
Employee Costs	(3,639,719)	(8,878,750)
Board and Sub-committee expenditure	(304,884)	(937,375)
Suppliers	(1,186,219)	(7,672,838)
Finance costs	-	-
Taxes on surpluses	-	(1,891,568)
Grant Returns	-	(2,781,412)
	<u>(5,130,823)</u>	<u>(22,161,943)</u>
Net cash flows/outflows from operating activities	<u>567,749</u>	<u>591,740</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(11,343)	(145,271)
Proceeds from sale of property, plant and equipment	-	21,002
Purchase of other intangible assets	(86,396)	(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	470,010	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>10,615,884</u>	<u>10,145,874</u>

Amathole Economic Development Agency (SOC) Limited

(Registration number 2005/030812/07)

Trading as ASPIRE

Cash and Cash Equivalents as at 31 December 2019

	2020 UNAUDITED QUARTER 2 R	2019 AUDITED FULL YEAR R
ABSA Cheque Account	-	-
Petty Cash	163	1,354
ABSA Call account - normal	0	0
ABSA Investment Account	-	-
AEDA - STD Bank Cheque Acc 271076550	146,568	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	8,629,184	5,441,090
HAR - STD Bank Cheque Acc 302012818	-	-
NDPG - STD Bank Call Acc 388810769003	1,852,742	2,194,484
Bwattle STD Bank Call 388810769 004	-	-
EA - Operations (Bank)	-	-
Total Cash and Cash Equivalents	10,628,868	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.

Ratios

Current Ratio

This segment of the report is aimed at showing the entity's ability to continue its operations in the foreseeable future.

As at the mid-year ending 31 December 2019, ASPIRE's current assets exceeds its current liabilities by R7 million giving rise to a **current ratio of 1: 2.9** calculated as follows:

Current Assets	=	<u>10,815,593</u>
Current Liabilities		3,709,851

CURRENT RATIO: 1:2.9

Employee Efficiency Ratio

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

Employee efficiency ratio	2019/20	2019/20
	Budget	Actual
	R	(6 months) YTD
		R
Employee costs	9,264,981	3,499,382
Operating expenditure	19,740,667	5,048,260
Ratio	47%	69%

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 mid-year actual ratio yields 69% 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.

REPORT ON SCM

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 MID-YEAR ENDED 31 DECEMBER 2019, ACTIVE CONTRACTS AND PERFORMANCE

CONTRACTS AWARDED

For the mid-year ended 31 December 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)	15
Formal written price quotation (RFQ) (R30 000 - R200 000)	01
Competitive Bidding (Above R200 000)	Nil
Limited Bidding (Single Source/Multiple Source/Sole Provider)	00
TOTAL	16

The following table reflects the types of procurement:

PROCUREMENT METHOD	NO.
Goods	06
Services	10
Infrastructure	Nil
TOTAL	16

FORMAL WRITTEN PRICE QUOTATIONS FOR THE MID-YEAR ENDED 31 DECEMBER 2019

October 2019

Supply Chain Management Report October 2019					
Range : R 0 < R30 000 (Formal Written Price Quotations)					
Summary of Supplier Outstanding Orders					
No#	Date	Supplier Name	Order Number	Total Cost	Type of Service Goods (G)/Service (S)
1	08/10/2019	RENNIE RENNIES TRAVEL	PO102577	3,560.04	S
2	16/10/2019	URE001 U-RENT VAN AND TRUCK HIRE	PO102579	1,231.74	S
3	22/10/2019	REN001 RENNIES TRAVEL	PO102581	6,992.63	S
4	28/10/2019	ABA001 Abantu Staffing Solutions	PO102583	3,213.70	S
5	29/10/2019	BRO001 Broubart Security	PO102584	1,238.58	S
6	29/10/2019	RENNIE RENNIES TRAVEL	PO102585	5,949.78	S
GRAND TOTAL			186984.99	22,186.47	
Supply Chain Management Report October 2019					
Range : R 0 < R30 000 (Formal Written Price Quotations)					
No#	Date	Supplier Name	Order Number	Total Cost	Type of Service Goods (G)/Service (S)
1	24/10/2019	HAR002 Harvery World Travel	PO102582	164,798.52	S

November 2019

Supply Chain Management Report November - 2019				
Range: R 0 < R30 000(Formal Written Price Quotations)				
Date	Supplier Name	Order Number	Total Cost	
19/11/2019	H A STEER / Steers Afrovan	PO102586	25,250.00	S
29/11/2019	SURE TRAVEL	PO102587	3,630.43	S
29/11/2019	Harvey World Travel	PO102588	5,107.83	S
GRAND TOTAL			33,988.26	

Supply Chain Management Report November - 2019				
Range: R 30001 < R200 000(Limited Bidding (Single Source/Multiple Source/Sole Provider))				
Date	Supplier Name	Order Number	Total Cost	
N/A	N/A	N/A	N/A	N/A

December 2019

Supply Chain Management Report December - 2019				
Range : R 0 < R30 000(Formal Written Price Quotations)				
Date	Supplier Name	Order Number	Total Cost	TYPE Procurement Good (G)/Service(S)
02/12/2019	ZEB001 Zebhele Building Construction	PO102589	5,043.00	G
03/12/2019	SUR001 SURE TRAVEL	PO102590	4,426.09	S
04/12/2019	KEM001 Kempston Car Rental	PO102591	2,165.22	S
04/12/2019	ELBP ELBP ACCOUNTING SERVICES	PO102592	510.00	S
04/12/2019	JUS001 Just Write_Cherene Thompson	PO102593	1,050.00	G
06/12/2019	SUR001 SURE TRAVEL	PO102594	8,678.26	S
GRAND TOTAL			21,872.57	

Supply Chain Management Report December - 2019				
Range: R 30001 < R200 000(Limited Bidding (Single Source/Multiple Source/Sole Provider))				
Date	Supplier Name	Order Number	Total Cost	
N/A	N/A	N/A	N/A	N/A

The following table reflects that no contracts were awarded during the mid-year ended 31 December 2019:

LIST OF CONTRACTS AWARDED

Project Description	Department	Company Awarded the Contract	Contractually Committed (Award Amount)	Bid Process	BSC Min	BEC Min	BAC Min/Memo	Project Start Date	Contract End Date
None	Chief Executive Officer	Harvey World Travel	R189 518.30	Deviation	Deviation	Deviation	None	14/11/2019	24/11/2019
None	Finance Department	None	None	None	None	None	None	None	None
None	Governance and Legal	None	None	None	None	None	None	None	None
None	Corporate Services	None	None	None	None	None	None	None	None
None	Operations Department	None	None	None	None	None	None	None	None
None	None	None	None	None	None	None	None	None	None

SERVICE PROVIDER PERFORMANCE FOR THE MID-YEAR ENDED 31 DECEMBER 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.

A contract was awarded to Harvey World Travel during the month of October 2019, the service received from Harvey World can be rated as 55% as the customer service received was not up to standard.

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 2018/19	ADAPT IT	R189 207.49	19 July 2019	80%
CEO's Office	Procurement of Travel to Spain - Outward Mission	Harvey World Travel	R189 518.30	23 November 2019	55%

CONTRACTS TERMINATED FOR THE MID-YEAR ENDED 31 December 2019

During the mid-year ended 31 December 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 31 December 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 mid-year ended 31 December 2019.

FRUITLESS AND WASTEFUL EXPENDITURE

The register for Fruitless and Wasteful Expenditure is updated, maintained and reviewed on a monthly basis. The following table is a summary of the register for Fruitless and Wasteful Expenditure for the month ended 31 December 2019.

FINANCIAL YEAR	NATURE OF FRUITLESS AND WASTEFUL EXPENDITURE	AMOUNT DEEMED AS FRUITLESS AND WASTEFUL EXPENDITURE
2019/20	SARS Penalties and Interest	R14 073.67
TOTAL		R14 073.67

The amount reflected in the table above relates to interest and penalties incurred as a result of the delayed payment of the return for SARS PAYE contributions due to issues relating to logging onto the banking system in order to release the payment. Consequence management was initiated resulting in a verbal warning and an arrangement for the repayment of the amount. Further enhancements to the payments procedure, through the downloading of audit trails from the banking system, to ensure the release of payments has been effected, have been implemented to ensure the issue does not arise again.

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.

FINANCIAL YEAR	AMOUNT DEEMED AS IRREGULAR EXPENDITURE
2019/2020	R0
TOTAL	R0

No irregular expenditure has been incurred during the mid-term ended 31 December, however the last invoice relating to the Alice Transport Hub project implemented during the 2018/2019 financial year amounting to R417 395 was paid in July 2019.

DEVIATIONS AND BREACHES

One deviation was approved during the mid-year ended 31 December 2019 being the procurement of International Traveling & Accommodation Services for the Chairperson of the Board and the Acting Chief Executive Officer embarking on an Outward Mission to Spain.

FINANCIAL YEAR	NATURE OF DEVIATION	AMOUNT
2019/2020	Single Source Limited Bidding for the Procurement of Travel to Spain - Outward Mission	R189 518.30
TOTAL		R189 518.30

Section 12 - Asset Management Report for the Mid-Year Ended 31 December 2019

ASSET ACQUISITION FOR THE MID-YEAR ENDED 31 DECEMBER 2019

No assets were acquired during the mid-year ended 31 December 2019.

ASSET DISPOSAL FOR THE MID-YEAR ENDED 31 DECEMBER 2019

During the mid-year ended 31 December 2019, there were no asset disposals.

INSURANCE CLAIMS FOR THE MID-YEAR ENDED 31 DECEMBER 2019

No insurance claims were lodged during the mid-year ended 31 December 2019.

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. For the mid-term ended 31 December 2019, ASPIRE and ADM engaged the SAP service provider on a pricing agreement that would 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 had 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 as well as consideration of the performance of the SAP financial management system has led to ASPIRE exploring the possibility of going on a competitive bidding process to source a cost-effective financial management system that will be able to integrate with the financial management system utilised by the parent municipality. Communication in this regard will be sent to National Treasury.

MID YEAR: OPERATIONS REPORT

Target No	Quarter 2	Achieve / Not achieved	Remedial
8	Workshop held on ADM sector plans. 2. Database of stakeholders initiated	Not achieved	The target has been reviewed for the mid- term review, thereby addressing the remedial action.
9	Prepare a gap analysis report with recommendations to address gaps and shortcomings	Achieved	Nil
10	Engage LM's and stakeholders to investigate irrigation schemes	Achieved	Nil
11	Engage LM's and stakeholders to investigate crop plantation schemes	Achieved	Nil
12	1. Consult stakeholders to identify role of ASPIRE and ADM in the project and reduce to writing 2. Attend project steering committee meetings	Not Achieved	The target has been reviewed for the mid- term review, thereby addressing the remedial action.
13	Consult with stakeholders and LM'S and submit a record of identified requirements and challenges	Achieved	Nil
14	1. Draft the Brand Repositioning Strategy 2. Review the Stakeholder Engagement Strategy"	Not Achieved	Pending the outcomes of the executive management meeting.
15	"1. Profile identified projects to submit to ADM 2. Attend Summit meetings"	Not Achieved	Pending the outcomes of the executive management meeting.

16	"1. Draft a report on status quo of ASPIRE PROJECTS 2. Consult LMS for input on aligned projects"	Achieved	Nil
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Operations Mid-Term Performance Adjustment 2019/2020

Target No	Quarter3	Quarter 4	Annual
8	-	-	-
9	1. Develop a project report for quarter 3. 2. Develop report on equipment requirements of the project.	1. Submission of equipment report to the funder. 2. Develop a project report.	Annual Report of the project.
10	Draft a report on analysis conducted	Final report on the analysis conducted	A final report on the irrigation scheme.
11	Draft a report on analysis conducted	Final report on the analysis conducted	A final report on the crop plantation.
12	Meeting with ECDC on the Butterworth Industrial Park project.	Develop a report on the Butterworth Industrial Park project	A report on the Butterworth Industrial Park project
13	Draft Concept Report on SMME hub project	Final Report on SMME hub project	A final report on the SMME hub project
14	Draft brand repositioning	One activity implemented	Develop and implement a Brand Repositioning Stratgy.
15	Quarter 3 report on the summit.	Quarter 4 report on the summit.	Obtain a Report of the Summit

16	1. Identify projects in the 2058 vision which are aligned to water sector plan (WSDP).	2. Develop a report on the identified projects.	To produce a report on the identified projects.
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