



2017-2018

QUARTER 4 REPORT

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1. EXECUTIVE SUMMARY

In overall ASPIRE 's performance stands at 93% of the targets being achieved for 2017/2018.

A summarised update of ASPIRE 2017-2018 achievements for Q4 is as follows:

Business Unit	Projects	Progress	Achieved / Partially Achieved / Not Achieved
Operations - Small Town Regeneration	Project Management	The current projects have been planned and implemented according to project management principles.	Achieved
	Hand Over Projects	<p>1. Emthonjeni Arts - Achieved</p> <p>2. Sikhulisa iCathcart - Achieved NPO confirmed receipt of letter and that disestablishment would not be paid for.</p> <p>3. Alice CBD - Achieved Handover letter submitted to the local municipality.</p> <p>4. Blue Berry Out growers - Achieved Close out report has been compiled and close out letter has been sent to the Department.</p> <p>5. Siyazama Aquaculture - Achieved Close out report has been compiled and letter has been submitted.</p>	Achieved
	Projects Implemented - Alice Transport Hub	Project implemented according to scope. The project is at 60% in terms of expenditure.	Achieved
	Business Proposals	Proposals submitted to : * DRDAR x4, EEP Trust Fund x3, DPSA x1, Jobs Fund x1, Sanlam, SAA, ETC Solutions, Sanlam Glacier, National Heritage Council	Achieved
	Feasibility studies	Feasibility studies finalised: * Desalination feasibility concept * Commercialization of Timber Feasibility * Hydro Power Station Feasibility	Achieved

Business Unit	Projects	Progress	Achieved / Partially Achieved / Not Achieved
	Special Projects - Natural Resource Management	Annual financial statements for year ended 31 March 2018 were prepared. A service provider was appointed to conduct an audit of the annual financial statements, both of which were submitted to DEA. Final handover outstanding.	Partially achieved
	Special Projects - Adopt A Spot	Annual Financial Statements were prepared until 31 March 2018 which was then audited by an external service provider. These have been handed over to DEA. The performance management report was submitted together with the relevant information relating to the beneficiaries employed during the project. Close out activities were concluded with the pay over to DEA of the balance in the Adopt A Spot bank account which was subsequently closed.	Achieved
Corporate Services	Organisational Development	The rollout of the organogram was completed. Amended job profiles and/or terms of employment were signed by the affected parties.	Achieved
	OHSA	The evacuation procedure was drafted and workplace health and safety assessment completed. Maintenance of the buildings by the landlord were completed.	Achieved
	Recruitment and retention	SCM Manager recruitment was initiated, but this was halted by the Board. The company secretary position was advertised, shortlisted and interviews were conducted.	Achieved
	Training and development	Procurement of training in respect of health and safety, first aid, emotional intelligence, business proposal writing and finance for non-financial managers was secured. The full budget was not however spent.	Partially achieved
	Performance Management	The quarterly performance report was submitted to the Board	Achieved
	Risk Management	The risk register for the current year was reviewed and the severity of the risks has reduced.	Achieved
	Information and Communication Technology	An IT governance framework has been drafted, together with terms of reference for an ICT Charter. An IT strategy has been drafted. The replacement of IT hardware will take place in the new financial year as part of the rollout of mSCOA	Achieved
	Office Administration	Document management project was finalised.	Achieved

Business Unit	Projects	Progress	Achieved / Partially Achieved / Not Achieved
	Stakeholder Management	An ASPIRE brand repositioning strategy has been drafted.	Achieved
Finance	Budgets	Annual Budget for 2018/19 approved by the Board	Achieved
	Annual Financial Statements	Quarterly management accounts were drafted	Achieved
	Supply Chain Management	Submission of Quarterly SCM Report to Board including Irregular; Fruitless and wasteful; and Unauthorised Expenditure.	Achieved
	Contract Management	Consolidated report on Contractual Commitments and performance of service providers finalised	Achieved
	Funding	Financial Recovery Plan Implemented and monitored	Achieved
	Audit Action Plan	Internal Audit are busy with audits	Achieved
	mSCOA implementation	Approval from NT not yet received. ADM to provide relevant information to NT to finalise approval.	Partially achieved
	Asset Management and Tracking	A quarterly fixed assets verification was undertaken and the fixed assets register was updated with new asset acquisitions	Achieved
Governance And Legal Support	Board Support and Reporting	Q4 Board & Committee meetings held as follows: Board - Special meeting held on 29 June 2018, Ordinary held on 18 May 2018 Finance Committee: Ordinary meeting held on 13 April 2018 SEC held on 26 April 2018 ARC held on 11 May 2018	Achieved
	Compliance	Compliance checklist not submitted to Board during quarter. 100% compliance with legislation not achieved. Internal Audit Report and tracking document presented to ARC on 11 May 2018.	Partially achieved

2. REVENUE

1. Revenue by Source

The table below depicts management accounts as at 30 June 2018 in line with the adjusted budget as approved by the Board in January. This report further attempts to provide detailed explanations on variances between the approved adjusted budget and actual collections as at quarter 4.

AMATHOLE ECONOMIC DEVELOPMENT AGENCY SOC LTD (ASPIRE)					
MANAGEMENT ACCOUNTS - JUNE 2018					
DESCRIPTION	ADJUSTED BUDGET 2017/18	Annual Budget JUNE 2018	Actual Revenue/Exp. - 30 June 2018	VARIANCE	%Variances
REVENUE					
- ADM Funding	13 500 000	13 500 000	13 500 000	-	-
- ADM FUNDING:MSCOA SUPPORT	6 000 000	6 000 000	-	(6 000 000)	(100)
- Third Party Grant - Special Projects(Adopt)	978 563	978 563	978 702	139	0
- Third Party Grant - Environmental Affairs(NRM)	2 799 055	2 799 055	496 510	(2 302 545)	(82)
Roll over from DEA projects - BCMM	10 190	10 190	11 129	939	9
NDPG Capital Grant	8 000 000	8 000 000	8 083 001	83 001	1
- Income Tender Documents	40 000	40 000	49 800	9 800	25
- Interest Received	150 000	150 000	181 053	31 053	21
- Proceeds on Disposal of Assets	20 000	20 000	13 213	(6 787)	(34)
Project Management Fee	225 000	225 000	-	(225 000)	(100)
TOTAL INCOME	31 722 808	31 722 808	23 313 407	(8 409 401)	(27)

Budgeted revenue for the entity comprises the following categories: -

- ADM Funding - Operations
- ADM Funding: mSCOA
- Third Party Grants (Adopt a Spot; NRM and BCMM)
- NDPG Grant
- Sundry Income including Project Implementation Fees; Interest Received etc.

ADM Funding - Operations

In line with the adjusted budget figures, annual revenue totals R13.5 million. Receipts to date from ADM towards our annual allocation total R13.5 million resulting in a 100% collection.

ADM Funding - mSCOA

ADM has allocated R6 million to assist ASPIRE towards both the mSCOA roll-out and upgrade of our financial management system. No draw-downs were effected during the year as the appointment of a service provider for the roll-out has not been finalized. This matter has been escalated to the ADM as the national treasury awaits certain information from them prior granting ASPIRE final approval on the utilization of the RT25 contract.

Third Party Grants

The total adjusted budget towards third party grants totals R3.8 million (Adopt a Spot: R978k; NRM: R2.8 million and BCMM: R10k). Actual collections for the year totals to R1.5 million resulting in an under-collection of 61% (R2.3 million).

Current projects that ASPIRE are busy implementing are the following; viz:

1. Adopt a Spot - this project has been wound up and the remaining funds on the bank account have been transferred back to DEA. We await a payment of the retention amount of R225k by DEA.
2. Natural Resources Management (Project was Extended to March 2018) and is currently being wound up with AFS having been already submitted to the department. This project depicts an under-collection of 83% (R2.3 million) as actual collections to date total R496k. Except for prior year payments that were made in July, there have not been any major operations during the year on this projects. We await DEA confirmation to transfer back the remaining funds on this project.
3. BCM Waste Management - This project has been wound-up and transferred back to DEA. Funds remaining on the bank account have also been transferred back to DEA.

NDPG Grant

The Neighborhood Development Partnership Grant is budgeted for the construction of the Alice Transport Hub (Taxi Rank). Procurement towards this project was finalized and work commenced on site from November 2017. Whilst the initial gazetted budget totaled R17 million, however due to challenges relating to late implementation, national treasury (NT) has revised the current year allocation downwards to R8 million.

As at the reporting period, the entire current year budgeted receipts have been recognized resulting in a 100% collection rate.

Sundry income and Project Implementation Fees

Sundry income realized to date relates interest received from the operating call account (R181k); income from tender fees (R49.8k) as well as proceeds from the disposal of assets totaling R13 thousand.

Whilst we also budgeted for project implementation fees, no receipts on this category have been realized.

Processes of recouping the R225k relating to project implementation fees on Adopt a Spot are underway as we have already submitted an invoice to DEA.

3. 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

AMATHOLE ECONOMIC DEVELOPMENT AGENCY SOC LTD (ASPIRE)

MANAGEMENT ACCOUNTS - JUNE 2018

DESCRIPTION	ADJUSTED BUDGET 2017/18	Annual Budget JUNE 2018	Actual Revenue/Exp. - 30 June 2018	VARIANCE	%Variances
EXPENDITURE					
GOVERNANCE/LEGAL/COMPLIANCE	1 149 913	1 149 913	891 977	(257 936)	(22)
CEO & STRATEGIC SERVICES	172 500	172 500	65 638	(106 862)	(62)
OPERATIONS DEPARTMENT	11 817 808	11 817 808	8 478 151	(3 339 657)	(28)
CORPORATE SERVICES	11 487 022	11 487 022	10 756 235	(730 787)	(6)
FINANCE AND SCM	7 095 565	7 095 565	1 006 205	(6 089 360)	(86)
TOTAL OPERATING EXPENDITURE	31 722 808	31 722 808	21 198 206	(10 524 602)	(33)
TOTAL EXPENDITURE	31 722 808	31 722 808	21 198 206	(10 524 602)	(33)

As at reporting period, the entity has under-spent the approved budget by 33% (R10.4 million). This is mainly as a result of a 28% under-expenditure on projects as well as 86% under-expenditure on the finance department due to failure to implement the mSCOA project.

2.1 Governance/Legal/Compliance

AMATHOLE ECONOMIC DEVELOPMENT AGENCY SOC LTD (ASPIRE)					
MANAGEMENT ACCOUNTS - JUNE 2018					
DESCRIPTION	ADJUSTED BUDGET 2017/18	Annual Budget JUNE 2018	Actual Revenue/Exp. - 30 June 2018	VARIANCE	%Variances
EXPENDITURE					
GOVERNANCE/LEGAL/COMPLIANCE	1 149 913	1 149 913	891 977	(257 936)	(22)
- Board Expenses	744 313	744 313	716 610	(27 703)	(4)
- Legal Fees	300 000	300 000	155 816	(144 185)	(48)
- Secretarial Support	5 600	5 600	5 600	-	-
- Travelling and Accommodation	80 000	80 000	13 952	(66 049)	(83)
- Refreshments/Catering - Board Activities	20 000	20 000	-	(20 000)	(100)

Included as major items in the budget for this vote are board expenses; legal fees as well as travelling and accommodation. As at the reporting period, board expenditure has been under-spent by 22% (R257 thousand).

- Board expenses have been underspent by 4% (R27 thousand)
- Legal fees has also been underspent by 48% (R144 thousand).
- Travelling and accommodation depict under expenditure by 83% (R66 thousand).

2.2 CEO & Strategic Services

DESCRIPTION	ADJUSTED BUDGET 2017/18	Annual Budget JUNE 2018	Actual Revenue/Exp. - 30 June 2018	VARIANCE	%Variances
EXPENDITURE					
CEO & STRATEGIC SERVICES	172 500	172 500	65 638	(106 862)	(62)
- Travelling and Accommodation	162 500	162 500	64 429	(98 071)	(60)
- Refreshments / Catering	5 000	5 000	1 208	(3 792)	(76)
- Entertainment	5 000	5 000	-	(5 000)	(100)

The pro-rata budget has been underspent by 62% (R106 thousand). This is as a result of planned travelling to be undertaken not fully realised.

2.3 Operations Department

DESCRIPTION	ADJUSTED BUDGET 2017/18	Annual Budget JUNE 2018	Actual Revenue/Exp. - 30 June 2018	VARIANCE	%Variances
EXPENDITURE					
OPERATIONS DEPARTMENT	11 817 808	11 817 808	8 478 151	(3 339 657)	(28)
- Direct Programs (Projects)	11 787 808	11 787 808	8 451 399	(3 336 409)	(28)
- Travelling and Accommodation	30 000	30 000	26 751	(3 249)	(11)

Included as major items in the budget for this vote is direct programs (NDPG, NRM, Adopt a spot and BCM waste) expenditure. As explained under the revenue component, projects currently under implementation are only the NDPG project that only commenced during November 2017. As at the reporting period, pro-rata budgeted expenditure on direct programs has been under-spent by 28% (R3.3 million).

Current expenditure has been incurred as follows: -

- 3.3.1 Adopt a Spot - this project has been wound up and the remaining funds on the bank account have been transferred back to DEA. We await a payment of the retention amount of R225k by DEA.
- 3.3.2 Natural Resources Management (Project was Extended to March 2018). DEA was informed that we are pulling out of this project. Except for prior year payments that were made in July, there have not been any major operations during the year on this projects. We await DEA confirmation to transfer back the remaining funds on this project.
- 3.3.3 BCM Waste Management - This project has been wound-up and transferred back to DEA. Funds remaining on the bank account have also been transferred back to DEA.

1.4 Corporate Services

DESCRIPTION	ADJUSTED BUDGET 2017/18	Annual Budget JUNE 2018	Actual Revenue/Exp. - 30 June 2018	VARIANCE	%Variances
EXPENDITURE					
CORPORATE SERVICES	11 487 022	11 487 022	10 756 235	(730 787)	(6)
- Staffing (Cost to Company)	9 235 935	9 235 935	9 385 623	149 688	2
- Recruitment	10 000	10 000	4 688	(5 312)	(53)
- Staff Development and Training	382 000	382 000	5 663	(376 337)	(99)
- Staff Wellness & Gifts	30 000	30 000	34 658	4 658	16
- Rental/Rates - Offices	585 900	585 900	576 056	(9 844)	(2)
- Photocopier Rental	36 133	36 133	36 133	0	0
- Rental of Equipment (alarm)	-	-	5 155	5 155	100
- Electricity & Water	55 705	55 705	59 150	3 445	6
- Security	25 560	25 560	26 870	1 310	5
- Stores and Materials	10 789	10 789	17 705	6 916	64
- Printing, Stationery and Consumables	80 000	80 000	63 539	(16 461)	(21)
- Website Maintenance & Usage	100 000	100 000	-	(100 000)	(100)
- IT Governance and Support	75 000	75 000	121 273	46 273	62
- Advertising and marketing	400 000	400 000	9 007	(390 993)	(98)
- Maintenance- Computers	75 000	75 000	55 197	(19 803)	(26)
- Telephone	238 000	238 000	220 512	(17 488)	(7)
- Postage/Courier	2 000	2 000	473	(1 527)	(76)
- Repairs and Maintenance - Office & Furniture	10 000	10 000	15 854	5 854	59
- Insurance	135 000	135 000	118 680	(16 320)	(12)

Personnel costs

As at the reporting period, personnel costs have been overspent by 2% (R149 thousand). This is mainly due to leave pay to three employees that resigned. An adjustment will be made when finalizing the AFS.

Staff Development and Training

This item depicts an under-expenditure of 99% (R376 thousand). A greater portion of this budget has been committed as at year end and training is planned during July and August.

Procurement of the following training has been finalised during the quarter:

First Aid Level 1 - x4 staff members

OHSA Introduction - x12 staff members

Business Proposal/Concept and Feasibility Study Writing - x6 staff members

Emotional Intelligence - x12 staff members

Finance for Non-Financial Managers - x2 staff members

Website maintenance and usage

This item has been underspent by 100% (R100 thousand). This is due to ADM offering to support ASPIRE in all website related matters including the design and hosting thereof.

Advertising and marketing

Also, this category of expenditure has been underspent by 98% (R390 thousand). However, as at year end, there are already commitments towards spending this budget.

IT Governance and Support

Included in costs incurred under IT governance are costs for IT support on a day to day basis. This category has been overspent by 62% (R46 thousand) as at the reporting period. This is as a result of ad-hoc support required to fix our e-mail and server related problems.

Maintenance - Computers

This category has been underspent by 26% (R19 thousand) as at the reporting period. This is as a result of ad-hoc support required to fix our fully depreciated computers.

2.5 Finance and SCM

DESCRIPTION	ADJUSTED BUDGET 2017/18	Annual Budget JUNE 2018	Actual Revenue/Exp. - 30 June 2018	VARIANCE	%Variances
EXPENDITURE					
FINANCE AND SCM	7 095 565	7 095 565	1 006 205	(6 089 360)	(86)
- Audit Fees	650 000	650 000	577 189	(72 811)	(11)
- Interest Paid	-	-	71 342	71 342	100
- Accounting Fees	170 000	170 000	81 460	(88 540)	(52)
- Bank Charges	60 565	60 565	32 813	(27 752)	(46)
- Impairment Loss-Hamburg Assets	-	-	73 785	73 785	100
- Depreciation & Impairment	120 000	120 000	87 389	(32 612)	(27)
- Travelling and Accommodation	75 000	75 000	64 107	(10 893)	(15)
- MSCOA Implementation	6 000 000	6 000 000	-	(6 000 000)	(100)
- Advertising	20 000	20 000	18 120	(1 880)	(9)

Audit Fees

The 2017 audit has been finalized. Current expenditure to date depicts an under-expenditure of 11% (R72 thousand).

Interest Paid

This is interest paid to SARS in lieu VAT submissions. This emanates from a protracted dispute we had with them dating back from the 2016/17 financial year that was only resolved in March 2018. During October 2016, ASPIRE raised an invoice to ADM for the operational grant. However, this invoice was ultimately paid by ADM in December 2017. Due to cash flow constraints at the time, ASPIRE only declared and paid output VAT on this invoice during December when funds to effect payment were available. When SARS audited ASPIRE during October 2017, they further raised this invoice back to the October 2016 period when it was raised and levied ASPIRE interest and penalties from that period to February 2018.

Accounting Fees

Accounting fees depict an under-expenditure of 52% (R88 thousand). This is due to limited external support sourced externally during the year.

mSCOA Implementation

There has not been a formal appointment for a service provider on the roll-out of mSCOA. A detailed report has however been prepared as part of these management accounts.

4. Statement of Financial Performance - 30 June 2018

Amathole Economic Development Agency (SOC) Limited

(Registration number 2005/030812/07)

Trading as ASPIRE

Annual Financial Statements for the period ended 30 June 2018

Statement of Financial Performance as at 30 June 2018

	2018 UNAUDITED QUARTER 4 R	2017 AUDITED FULL YEAR R
Note(s)		
Revenue		
Revenue from exchange transactions		
Interest Received	181 053	57 651
Other Income	49 800	347 129
Total Revenue from Exchange Transactions	230 853	404 780
Revenue from non-exchange transactions		
Government grants and subsidies	13 500 000	18 558 192
NDPG Capital grant	8 083 001	10 256 759
Other grant income	1 486 341	7 427 540
Services in kind	-	959 939
Total Revenue from Non-Exchange Transactions	23 069 342	37 202 430
Total Revenue	23 300 195	37 607 210
Expenditure		
Contracted expenses	(7 003 217)	(10 667 968)
Depreciation	(87 389)	(183 898)
Employee related costs	(9 385 623)	(14 989 161)
Finance costs	(71 342)	(3 446)
General expenses	(2 554 123)	(3 658 758)
Impairment costs	-	(403 229)
Lease rentals	(615 600)	(866 950)
Project expenditure	(1 465 058)	(6 254 810)
Repairs and maintenance	(15 854)	(13 635)
Total expenditure	(21 198 206)	(37 041 855)
Operating surplus	2 101 989	565 355
Gain on disposal of property, plant and equipment	13 213	2 681
Surplus before taxation	2 115 202	568 036
Taxation	-	-
Surplus for the period	2 115 202	568 036

5. Statement of Financial Position - 30 June 2018

Amathole Economic Development Agency (SOC) Limited

(Registration number 2005/030812/07)

Trading as ASPIRE

Annual Financial Statements for the period ended 30 June 2018

Statement of Financial Position as at 30 June 2018

	Note(s)	2018 UNAUDITED QUARTER 4 R	2017 AUDITED FULL YEAR R
Assets			
Current Assets			
Cash and cash equivalents		9 715 670	9 228 611
Receivables from non-exchange transactions		234 859	134 708
VAT receivable		842 351	-
Current Tax receivable		0	-
		10 792 879	9 363 319
Non-Current Assets			
Property, plant and equipment		55 045	211 386
Intangible assets		0	2 122
		55 045	213 508
Total Assets		10 847 925	9 576 827
Liabilities			
Current Liabilities			
Payables from exchange transactions		3 560 766	1 172 485
VAT Payable		-	45 626
Unspent conditional grants		4 539 410	7 728 529
Operating lease liability		47 673	47 673
		8 147 849	8 994 313
Non-Current Liabilities			
Operating lease liability		-	-
Total Liabilities		-	-
Net Assets		2 700 076	582 514
Contributed capital		1 000	1 000
Accumulated surplus		2 699 075	581 514
Total Net Assets		2 700 075	582 514

6. Cash-flow Statement - 30 June 2018

Amathole Economic Development Agency (SOC) Limited

(Registration number 2005/030812/30)

Trading as ASPIRE

Annual Financial Statements for the period ended 30 June 2018

Cash Flow Statement

	2018 UNAUDITED R	2017 AUDITED R
	Note(s)	
Cash flows from operating activities		
Receipts		
Government Grants, subsidies and other grants	20 881 154	22 574 212
Other Income	49 800	731 176
Interest Income	181 053	132 244
Tax/VAT Receipts Receipts	852 892	291 620
	21 964 899	23 729 252
Payments		
Employee Costs	(9 385 623)	(10 930 383)
Suppliers	(10 199 439)	(9 334 578)
Finance costs	(71 342)	(73 128)
Grant Returns	(1 834 649)	(10 461 707)
	(21 491 053)	(30 799 796)
Net cash flows/outflows from operating activities	473 846	(7 070 544)
Cash flows from investing activities		
Purchase of property, plant and equipment	-	(11 421)
Proceeds from sale of property, plant and equipment	13 213	-
Purchase of other intangible assets	-	-
Non cash acquisition of Hamburg assets	-	-
Net cash flows from investing activities	13 213	(11 421)
Net increase/(decrease) in cash and cash equivalents	487 059	(7 081 965)
Cash and cash equivalents at the beginning of the year	9 228 611	16 310 576
Cash and cash equivalents at the end of the year	9 715 670	9 228 611

7. Cash and Cash Equivalents - 30 June 2018

Amathole Economic Development Agency (SOC) Limited

(Registration number 2005/030812/07)

Trading as ASPIRE

Cash and Cash Equivalents as at 30 June 2018

	2018 UNAUDITED QUARTER 4 R	2017 AUDITED FULL YEAR R
ABSA Cheque Account	-	
Petty Cash	186	1 577
AEDA - STD Bank Cheque Acc 271076550	159 449	79 899
Aspire - EC - Adopt a Spot Project	-	1 141 370
EC-BCM Waste Mangement	-	53 191
Aspire - Natural Resources Management	2 783 066	3 279 576
AEDA - STD Bank Call Acc 388810769001	3 837 150	2 627 097
HAR - STD Bank Cheque Acc 302012818	7 838	9 745
NDPG - STD Bank Call Acc 388810769003	2 917 307	2 023 577
Bwattle STD Bank Call 388810769 004	6 226	6 226
EA - Operations (Bank)	4 447	6 353
Total Cash and Cash Equivalents	9 715 670	9 228 611

Included in cash and cash equivalents are conditional grants call accounts totaling to R5.7 million (NDPG and NRM) as at the reporting period. The rest of the cash (R4 million) being available to finance the on-going operations of ASPIRE.

8. Report on SCM Implementation

In line with the requirements of the municipal supply chain management regulations, the ADM SCM unit continues to provide support to ASPIRE as we do not have personnel within this unit. Staff members have been formally seconded to serve on ASPIRE bid committees.

SUPPLY CHAIN MANAGEMENT REPORT : APRIL - JUNE 2018				
RANGE : >R 0 <R30 000 (FORMAL WRITTEN PRICE QUOTATIONS)				
<u>Date</u>	<u>Doc No</u>	<u>Name of Supplier</u>	<u>Vote Number</u>	<u>Total Cost</u>
16/04/2018	PO102395	Harvery World Travel	4650/000	18 088.21
23/04/2018	PO102401	Yellow Dot Office Depot	4200/000	1 200.00
24/04/2018	PO102402	SURE TRAVEL	4650/000	2 078.14
26/04/2018	PO102403	INTENGU PUBLISHING	3050/00	1 150.00
TOTAL				22 516.35
<u>Date</u>	<u>Doc No</u>	<u>Name of Supplier</u>	<u>Vote Number</u>	<u>Total Cost</u>
03/05/2018	PO102404	COMPUSYS	3910/000	2 143.48
07/05/2018	PO102406	Aloe Trav el	4650/000	1 474.78
09/05/2018	PO102407	GDL Promotions	3050/000	12 919.01
09/05/2018	PO102408	Gem Print (PTY) LTD	3050/000	15 811.30
10/05/2018	PO102409	SURE TRAVEL	4650/000	4 766.71
23/05/2018	PO102412	Harvery World Travel	4650/000	9 898.02
25/05/2018	PO102413	Harvery World Travel	4650/000	6 630.43
25/05/2018	PO102414	SURE TRAVEL	4650/000	3 522.37
28/05/2018	PO102415	DKNA Regist Acc & Auditors	4291/010	13 043.48
15/05/2018	ASPIRE 005 - 2018	Smith Tabata Inc R1725(Hourl rate)		25 875.00
TOTAL				70 209.58

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SUPPLY CHAIN MANAGEMENT REPORT : APRIL - JUNE 2018
RANGE : >R 0 <R30 000 (FORMAL WRITTEN PRICE QUOTATIONS)

<u>Date</u>	<u>Doc No</u>	<u>Name of Supplier</u>	<u>Vote Number</u>	<u>Total Cost</u>
05/06/2018	PO102416	Daily Dispatch	4280/070	2 241.00
12/06/2018	PO102422	Mayedwa Attorneys	4000/000	8 400.00
13/06/2018	PO102423	SURE TRAVEL	4650/000	15 342.16
13/06/2018	PO102424	IKHAYA TRAINING CC	4450/000	25 300.00
25/06/2018	PO102426	Abantu Staffing Solutions	4310/000	1 987.01
25/06/2018	PO102427	Avis Rent a Car	4650/000	1 050.30
26/06/2018	PO102428	SURE TRAVEL	4650/000	3 235.10
27/06/2018	PO102429	COMPUSYS	4350/020	406.52
29/06/2018	PO102430	NOSA	4450/000	18 626.16
29/06/2018	PO102431	Univ of Fort hare Trading Solut	4450/000	19 069.57
29/06/2018	PO102432	St Johns	4450/000	2 240.00
29/06/2018	PO102433	Staff Training	4450/000	11 200.00
29/06/2018	PO102434	M-COTCorporation Upbeatprops 177 Pty Ltd	4450/000	24 878.26
	TOTAL			133 976.08
	GRAND TOTAL			226 702.01

Register of Fruitless & Wasteful

Expenditure 17/18

Name of Municipal Entity : AMATHOLE ECONOMIC DEVELOPMENT AGENCY SOC LTD

No	Date of discovery	Date Reported to Accounting Officer	Transaction details		Type of Prohibited Expenditure	Status										
			Date of Payment	Person Liable (Official or Political Office Bearer)		Amount	Description of Incident	Department	UI	DP	CC	TR	P	WO	General comments	
1	2017/09	2017/10	2018/03	1	R50,888-94	VAT Penalties	Finance	Fruitless & Wasteful						X		ASPIRE raised an invoice to ADM during October 2016. The invoice was only paid by ADM in December 2016 resulting in it being declared for the 2016/12 period and paid accordingly to SARS (Output VAT). During September 2017 SARS reviewed our account and further raised the same invoice for the October 2016 period as well as interest and penalties effective from that period 2016/10 to February 2018 when the matter was finally resolved.
2	2017/09	2017/10	2018/03	1	R8 905.56	VAT: Interest	Finance	Fruitless & Wasteful					X			
3	2017/09	2017/10	2018/03	1	R5 481.09	VAT: Interest	Finance	Fruitless & Wasteful					X			
4	2017/09	2017/10	2018/03	1	R2 972.00	VAT: Interest	Finance	Fruitless & Wasteful					X			
5	2017/09	2017/10	2018/03	1	R558.87	VAT: Interest	Finance	Fruitless & Wasteful					X			
6	2018/01	2018/06	2018/02		R2 329.21										In communication with SARS regarding this interest as all payments during this period were made promptly.	
TOTAL FOR 2017-2018					R 71 135-67											

Abbreviations: UI: Irregular expenditure Under Investigation DP: Disciplinary process initiated against responsible person CC: Criminal charges laid with SAPS

TR: Transferred to receivables for recovery P:Paid or in process of paying in installments WO: Written-off by council as irrecoverable

9. Report on Sage/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 require that all municipalities and their entities needs 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 needed to ensure that their financial management systems have the ability to handle the reporting requirements linked to mSCOA. The Amathole District Municipality then embarked on a project of implementing a new financial management system (SAP) during the 2015/16 financial year and the ADM municipal council further resolved to support ASPIRE in both the roll-out of SAP and mSCOA so as to ensure full compliance with these regulations.

Whilst the regulations require municipalities and their entities to comply with the implementation date of 01 July 2017, ASPIRE was unable to meet this deadline. This was due to non-availability of a budget to appoint a service provider for both the roll-out/upgrade of the current financial management system (Pastel) to a system suitable to host the mSCOA reforms. ADM subsequently appropriated a budget of R6mln for the 2017/18 financial year to assist ASPIRE towards compliance. ASPIRE further wrote to National Treasury (NT) requesting a consideration for an extension to 01 July 2018 for complying with the mSCOA implementation. NT however rejected this request and further maintained that the parent municipality (ADM) should for future communication directly communicate with NT.

Currently, ASPIRE is in the process of procuring a service provider to provide support in migrating/upgrading the current system to a system suitable for hosting the mSCOA reforms. Also, submissions have been made on 23 January 2018 to the National Treasury (NT) in line with the requirements of mSCOA Circulars 5 & 6 where we submitted the following:

- a) Due diligence report on the ICT Environment
- b) Workstation assessment report
- c) A detailed mSCOA proposal; and
- d) Fully costed Proposal for mSCOA roll-out.

National Treasury only responded with correspondence dated 27 March 2018 (refer to the attached correspondence) where they stipulate the following: -

- “The National Treasury is unable to provide informed comment without the parent municipality having provided the minimum documentation to support its request as it pertains to the entity as set out in Municipal SCOA Circular 6 (Annexure B). Please urgently provide the National Treasury and Provincial Treasury with the following additional minimum information: -
 1. The municipality’s completed system(s) functionality assessment (ICT due diligence completed using the Municipal SCOA circular 5 - Annexure C) **that covers the entire existing package of systems used by the municipality**, including the cost for any additional functionality the municipality will have to procure to enable minimum mSCOA transacting for its category by 01 July 2017;
 2. The municipality’s **mSCOA project steering committee’s decision and recommendations** on whether the municipality should (a) remain with its current package of system(s) as is’ or (b) change the system(s) or (c) upgrade its existing system(s) or (d) procure additional components of functionality for its existing package of systems, clearly setting-out its findings.

We have escalated this correspondence received from the national treasury to the ADM for them to provide to required additional information as it relates to their compliance as required by NT. However, as at end of the quarter, the required information had not yet been submitted.

The budget of R6 million for both mSCOA and SAGE roll-out has been rolled-forward to the 2018/19 financial year by both the ADM and ASPIRE.

10. OPERATIONS - PROJECTS

The period under review has been characterized by unavailability of funds to implement identified projects. The report presents progress against the Annual Performance Plan (APP) for the quarter. Reference is also made to key highlights, and challenges.

KEY HIGHLIGHTS

The following are the most notable highlights for ASPIRE Operations for quarter 4;

- Alice transport hub project is in implementation
- Fourteen (14) Proposals submitted to a number of institutions (Public and Private)

CHALLENGES

Lack of funding to implement strategy is a major challenges:

PLANNING FOR PROJECTS

Planning involves the drafting and preparation of feasibility studies and business proposals for submission to potential funders. During the fourth quarter, business proposals were submitted to The Jobs Fund, Department of Rural Development and Agrarian Reform, Energy and Environmental Partnership Trust Fund, Department of Public Service and Administration, Astana Civil Service Hub.

To date, the following has been prepared and / or submitted:

Feasibility Prepared	Studies	<ol style="list-style-type: none">1. Water Desalination2. Peddie CBD/Taxi Rank3. Revitalisation of Irrigation Schemes in Amathole4. Hydropower Station Pre-Feasibility
Business Prepared	Proposals	<ol style="list-style-type: none">1. Authentic Amathole GIS Portal2. ASPIRE Rural Enterprise Programme3. Aloe Ferox Commercialization4. Citrus Mechanisation in Raymond Mhlaba LM

		<ul style="list-style-type: none"> 5. Revitalisation of Zanyokwe Irrigation Schemes 6. Citrus commercialisation in Peddie 7. Commercialisation of Timber (Alien Vegetation)
Business Submitted	Proposals	<ul style="list-style-type: none"> 1. Authentic Amathole GIS portal - National Heritage Council - R2,000,000 2. Authentic Amathole GIS portal - AfriGIS 3. ASPIRE Rural Enterprise Programme - DRDAR - R88,663,800 (3 year project) 4. Commercialization of Citrus Development in Peddie - DRDAR - R163,953,879 (3 year project) 5. Raymond Mhlaba District Citrus Project - DRDAR - R20,084,750 (3 year project) 6. Commercialization of Timber (Alien Vegetation) - DRDAR - R61,591,700 (3 year project) 7. Amathole Rural Enterprise Program - Sanlam - R88,663,800 8. Amathole Rural Enterprise Program - South African Airways - R88,663,800 9. Hydropower Station Feasibility - EEP Trust Fund - R69,000,000 10. Amathole Rural Enterprise Program - Sanlam Glacier - R88,663,800 11. Commercialisation of Timber Feasibility - EEP Trust Fund - R3,000,000 12. Amathole Rural Enterprise Program - ETC Solutions - R88,663,800 13. Digital Investment Portal - DPSA - R4,000,000 14. Amathole Rural Enterprise Program - The Jobs Fund - R88,000,000 15. Authentic Amatole GIS Portal - Astana Civil Hub - R3,000,000

IMPLEMENTATION OF PROJECTS

ALICE TRANSPORT HUB

The project continues to be implemented according to scope. As at the end of the fourth quarter, expenditure was at 60% of the total value. Issues relating to the high water table were resolved and work continued during the quarter.

HANDOVER OF PROJECTS

A number of projects are in the process of being handed over.

Alice CBD Projects

Alice CBD and Bridge projects have not been handed over in the current financial year as initially envisaged. The project will be handed over once the Alice Transport Hub is completed. The three projects will be handed over as part of ASPIRE handing over the Regeneration programme to Raymond Mhlaba Local Municipality in the 2018/19 financial year. A letter informing the stakeholders of the handover has been sent to relevant stakeholders such as the LM and the Development Agency.

Siyazama Aquaculture

A response letter explaining ASPIRE's role and accountability in respect of the issues raised in the letter from the stakeholder was submitted.

Adopt A Spot

Annual Financial Statements were prepared until 31 March 2018 which was then audited by an external service provider. These have been handed over to DEA. The performance management report was submitted together with the relevant information relating to the beneficiaries employed during the project. Close out activities were concluded with the pay over to DEA of the balance in the Adopt A Spot bank account which was subsequently closed.

Natural Resource Management

Annual financial statements for year ended 31 March 2018 were prepared. A service provider was appointed to conduct an audit of the annual financial statements, both of which were submitted to DEA.

BCM Waste

Close out activities were concluded with the balance of funds in the BCM Waste Management bank account being paid over to DEA (R41,530.02) and the account was closed.

11. CORPORATE SERVICES

ENVIRONMENT, HEALTH AND SAFETY

The relevant No Smoking signs were installed at various points around the office. The landlord also completed the renovation of the outside of the building. Certain staff have volunteered to assist as first aiders. Training in this regard will be conducted by the relevant authority in the new financial year.

LABOUR AND EMPLOYMENT

Organisational Structure

The staff complement at the end of June 2018 consisted of 11 staff members.

Staff Headcount as at 30 June 2018	Male				FEMALE				Total		
	W	C	I	B	Male	W	C	I		B	Female
Executive Management				1	1	1			1	2	3
Senior Management					0					0	0
Managers				3	3					0	3
Support Staff				1	1				4	4	5
Interns					0					0	0
	0	0	0	5	5	1	0	0	5	6	11

Staff movement: There were three resignations during the period under review, namely a project manager, the corporate services administrator and the company secretary. Staff turnover for the quarter ended June 2018 was 21.43% (quarter 3 of 2017-18 was 0%). This seems

high due to the limited number of staff that the agency does have. Reasons for resignations include alternative employment, relocation of the family to Gauteng and personal reasons. The project manager and administrator positions will not be filled at present.

Staff Labour Turnover for the quarter ending June 2018											Table 2	
	Male					FEMALE					Total	
	W	C	I	B	Male	W	C	I	B	Female		
Staff as at 1 April 2018				6	6	1			7	8	14	
Terminations				1	1				2	2	3	
Sub Total	0	0	0	5	5	1	0	0	5	6	11	
Engagements					0					0	0	
Totals - end March 2018	0	0	0	5	5	1	0	0	5	6	11	
LTO %					Male	17%					Female	25%
										Total LTO	21.43%	

Engagements & Terminations - Quarter 4 : April to June 2018											Table 3
	Male					FEMALE					Total
	W	C	I	B	Male	W	C	I	B	Female	
Beginning of the quarter				6	6	1			7	8	14
Terminations - Resignations				1	1				2	2	3
- Dismissals					0					0	0
Sub Total	0	0	0	5	5	1	0	0	5	6	11
Engagements					0					0	0
Totals - End of Quarter 4	0	0	0	5	5	1	0	0	5	6	11

Recruitment / Vacancies

The following positions are vacant as at the end of quarter 4:

- SCM Manager
- Executive Manager: Operations
- Stakeholder Manager
- Company Secretary
- Corporate Services Administrator
- Project Manager

Shortlisting of the SCM Manager position was completed, but the process was halted upon instruction from the Board.

The company secretary position was advertised, shortlisted and interviews were concluded shortly before the end of the quarter. Vetting of the preferred candidate was underway at the close of the quarter.

Training and Development

The SCM administrator received confirmation of his competency in the SCM training that he had attended, as did the CEO in respect of the MFMA training.

Procurement of the following training was finalised during the quarter:

First Aid Level 1 - x4

OHSA Introduction - x12

Business Proposal/Concept and Feasibility Study Writing - x6

Emotional Intelligence - x12

Finance for Non-Financial Managers - x2

The Services Seta confirmed that the request for transfer to the LG Seta would be considered by the relevant committees during July 2018. They have indicated that there should not be any reason for the transfer not to be approved.

Employee Wellness

During the rollout of the new organogram all staff were offered Employee Wellness assistance in collaboration with ADM, if they felt this was required. None of the staff members indicated a need to initiate this assistance.

Re-engineering

A labour consultant was appointed after a third request for quotations. The process was initiated during May 2018 with a staff session where the labour consultant was introduced and the process to be followed was explained. Affected employees were advised of the proposed changes to their terms of employment or job profiles.

Thereafter, one on one sessions were held with the affected employees. As a result of these sessions, certain amendments were made to job profiles in order to reach a consensual agreement. As part of the process, the project manager job profile was re-graded upon the recommendation of the labour consultant, the outcome of which was the same TASK grade.

The process was concluded with all affected employees signing off the amended job descriptions and/or amended terms of employment. The final close out report is awaited from the labour consultant.

INFORMATION AND COMMUNICATION TECHNOLOGY

IT Infrastructure and network

An RFQ was issued to procure the services of an IT service provider to provide IT support and maintenance services. By the end of the quarter, the process of determining compliance with the RFQ was being assessed before the RFQ's could be evaluated.

The current IT platform continues to experience problems with a concomitant increase in expenditure. When the platform is upgraded as part of the mSCOA rollout, the relevant support infrastructure will also need to be replaced, such as routers, network points and Wi-Fi extenders. This is in addition to the servers which will be required to run the SAGE Evolution software.

Website

The current website continues to experience problems which are then resolved by the ADM team. These problems relate to hacking which renders the website unavailable or phishing which results in a vast number of emails being sent, which can lead to blacklisting.

During the quarter, the approved budget and APP for the 2018-2019 financial year were uploaded to the website, as well as the relevant monthly management accounts.

A link to the new website has been provided in order that the site can be viewed and tested before going live.

Advertising and marketing

Branded promotional items were procured during the quarter which may be used at marketing event in the future. These included a wall banner, a gazebo, flags and tablecloths.

The annual report will be professionally designed in order to be distributed to stakeholders. The process was delayed due to a poor response from bidders during the RFQ process.

SCM challenges in the form of non-responsiveness from service providers have delayed the procurement of the marketing material.

Communication

An ASPIRE brand repositioning document has been drafted. This will define the best method of positioning the brand in order to garner much needed positive coverage in an attempt to regain the good name of the ASPIRE brand.

A service provider was appointed to finalise the design, layout and printing of the annual report.

Staff meetings continue to be held each Monday morning where staff are kept abreast of the current developments.

Archiving and record management

The document management project was completed during the quarter and all excessive documentation was identified in order that it can be destroyed. Records and documents have been sorted into the various business units with specific storage areas being allocated to each department.

PERFORMANCE MANAGEMENT

Performance appraisals were conducted for all staff during April 2018 for quarter 3. Outcomes of this indicated that on average staff performance has improved since quarter 2. Performance contracting of staff for the new financial year commenced towards the end of June 2018 and staff are expected to sign their performance agreements within the 1st week of the new quarter.

OFFICE PREMISES

Options in respect of new premises for ASPIRE were presented to the Board during the quarter. The Board resolved that ASPIRE should purchase their own office accommodation. Investigations in this regard indicate that the financial intuitions will require a Council resolution in support of

this decision by the Board, as ASPIRE is 100% owned by ADM. The Board and management will engage with relevant parties at ADM in this regard.

RISK MANAGEMENT

The current risk register was monitored on a quarterly basis and the initiatives to reduce the severity of the risks were implemented. This has resulted in an overall reduction in the residual severity of risks for the period under review.

Internal audit provided risk training and assistance during the quarter. This concluded with the drafting of the updated strategic risk register for the 2018-2019 financial year.

Staff in the business units were also trained in order that they could provide input into the development of the operational risk registers for the various business units. This process also ensures that the reduction of risk becomes the responsibility of all in the organisation.

12. GOVERNANCE AND LEGAL SUPPORT

The highlights for the financial year 2017/2018 are as follows:

- **Appointment of Company Secretary**
 - The Company Secretary resigned on 30 June 2018.
- **Director Appointment/ Resignation/ Removal**
 - No Directors have resigned or have been removed during the financial year.
 - Five new members of the Audit and Risk Committee were appointed on 1 December 2017 for a period of three years. One of the members, resigned in March 2018, creating a vacancy, which the ADM is in the process of filling.
- **Board and Committee meetings**
 - All the ordinary scheduled Board and Committee meetings have met their quorum which resulted in no meeting being cancelled or postponed as a result of not meeting a quorum.

- All the scheduled Board and Committee meetings have convened according to Board plan.
- **Legal**
 - The matter wherein criminal charges against the 3 ASPIRE Executives, was withdrawn on 27 March 2018.
 - The parties the proceedings have subsequently instituted civil proceedings against the State, and have advised the Board in a letter dated 28 March 2018, that they will advise the Board of the outcome of the civil proceedings and reimburse (on success of the pending civil case) ASPIRE of any legal fees paid as a result of defending the case.

GOVERNANCE AND EFFECTIVENESS OF THE BOARD

Board Composition

The ASPIRE Board term ends on 31 December 2018. The recruitment and selection of the new Board members will be conducted by ADM in accordance with section 93E of the MSA.

Board Committees

Audit and Risk Committee (ARC):

The period July to November 2018, ASPIRE comprised of 3 members, whose term of office ended 30 November 2018.

The ARC comprises of 5 members, who were appointed on 1 December 2017 for a period of three years. One out of the five members was retained from the previous term.

In March 2018, one of the members resigned, creating a vacancy, which the ADM is in the process of filling.

Board and Board Committee Attendance

The table below indicates the Directors attendance for quarter 4

DIRECTOR	ORDINARY BOARD MEETING (8 May 2018)	SPECIAL BOARD MEETING (29 June 2018)	(FINCOM) (13 April 2018)	SEC (26 April 2018)
Mr. Mbende	1 OF 1	1 OF 1	N/A	N/A
Mr. July	1 OF 1	1 OF 1	1 OF 1	N/A
Mrs. Mushohwe	1 OF 1	1 OF 1	1 OF 1	N/A
Mr Qunta	1 OF 1	1 OF 1	N/A	1 OF 1
Ms Buswana	1 OF 1	1 OF 1	1 OF 1	N/A
Ms Mosehana	1 OF 1	1 OF 1	N/A	1 OF 1
Mr Nkwentsha	1 OF 1	1 OF 1	N/A	1 OF 1
Cllr Zuka	0 OF 1	0 OF 1	N/A	N/A

Audit and Risk Committee Attendance:

One ARC meeting was held in quarter 4, on 11 May 2018. The meeting was attended by all 5 members.

Declaration of Interest

The Declaration of Interest Policy provides that every director must within 60days of his/ her appointment and thereafter not later than 30 June of each financial year, disclose to the Accounting Officer, on the form included therein, particulars of his/her registerable interests as detailed in the Board Code of Conduct and Schedule 1 of the MSA.

All directors have duly complied with the provisions of the policy.

At each Board and Committee meeting, directors are requested to disclose and declare any interests relating to meeting agenda items, and as at date of this report, no director has declared any interest during such meetings.

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 quarter 4 Management Accounts.

Board Training

The Board training for the current financial year on Corporate Governance and Board Effectiveness in the public sector has been scheduled for September 2018.

Company Secretary

The Company Secretary resigned 30 June 2018, and the Board is in the process of filling the vacancy.

COMPLIANCE

Legislative Compliance Checklist

The Board had at its Board meeting of 18 May 2018 reviewed and approved the quarterly legislative compliance checklist for the company. Overall the company is fairly compliant with the above legislations.

Internal Audit

ASPIRE makes use of the ADM Internal Audit Department as provided in the SLA between ADM and ASPIRE. During quarter 4 Internal Audit has performed legislative compliance review audit. It is anticipated that the report will be presented to the ARC in quarter 1 of the new financial year.

Policies

During quarter 4, the Board at its 11 May 2018 meeting reviewed and approved the following policies:

- Recruitment, Selection and Placement Policy;
- Information Technology Policy;
- Cellphone and Landline Policy; and
- Risk Management Policy

LEGAL

Below is a table of the legal register:

Item No.	Date Reported	Nature	Initiated /Defended	Summary of Details	Liability	Comments	Status
1.	24 May 2016	Criminal Charges against 3 ASPIRE Executives	Defended	The three executives are charged with fraud and/or forger and/ or money laundering which was a as a result of implementing a Council resolution for the payment of R309,000 in legal fees for the former CEO	Amount paid to date is	Through a deviation process, a defence attorney was appointed to represent all three of Executives after failed attempts to get ADM legal support	The matter was withdrawn on 27 March 2018. A letter dated 28 March 2018 from the 3 Executives, provides amongst others that a civil claim process has been instituted, and will inform the Board of the outcome of the civil proceedings and would reimburse (on success of the pending civil claim) ASPIRE of any legal fees paid as a result of defending the case.
2.	19 October 2016	Letter of Demand	Initiated	Former CEO has claimed payment for the period she resumed duties at ASPIRE and interest thereon for the period August - November 2015	Amount demanded is R 1 570 355,69	The matter has been referred to ADM for consideration as the reappointment of former CEO was made by ADM	As at 28 June 2018, ADM had sourced legal opinion from legal service provider. Refer to the legal opinion

13. CONCLUSION

By the end of Q4 ASPIRE has shown a great improvement from previous years in areas of governance, leadership stability, stabilizing the institution financial management and project planning, implementation, close-out and handover.