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ACEO	Acting Chief Executive Officer
ADA	Agri-Business Development Agency
AFS	Annual Financial Statements
AG	Auditor General
APP	Annual Performance Plan
BAC	Bid Adjudication Committee
BEC	Bid Evaluation Committee
BSC	Bid Specification Committee
BBBEE	Broad Based Black Empowerment
BEE	Black Economic Empowerment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COGTA	Cooperative Governance & Traditional Affairs
COO	Chief Operations Officer
COVID-19	Corona Virus Pandemic
DOE	Department of Education
DOA	Department of Agriculture
DTP	Dube Trade Port
EDTEA	Economic Development, Tourism & Environmental Affairs
EI	Enterprise iLembe
GDP	Gross Domestic Product
GRAP	Generally Recognised Accounting Practices
GVA	Gross Value Added
HR	Human Resources
IAS	International Accounting Standards
IBCI	iLembe Business Confidence Index
ICT	Information Communications Technology
King (IV)	Report of Corporate Governance
KPA	Key Performance Area
KPI	Key Performance Indicator
KSIA	King Shaka International Airport
KZN	Province of KwaZulu Natal
IDM	iLembe District Municipality

# 1 INTRODUCTION & OVERVIEW

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## 1.1 Report Profile

Enterprise iLembe's Annual Report complies with statutory disclosure requirements of the Municipal Finance Management Act (Act 56 of 2003) and the Companies Act 71 of 2008, as well as relevant regulations, practice notes and circulars as would be issued by National and Provincial Treasury from time to time and is aligned to the shareholder's requirements. In addition, this Annual Report seeks to provide a wholistic account of the Entity's performance against set targets as agreed-to with the sole shareholder, the iLembe District Municipality.

Enterprise iLembe is, in terms of the law, expected to prepare Annual Reports every year and publish such to its stakeholders as an indication of accountability. This report covers the twelve (12) month period from 1 July 2020 to 30 June 2021. The performance content of this Annual Report shows Enterprise iLembe's progress with meeting predetermined objectives and performance indicators against the approved budget planning processes and Shareholder Compact and it contains an audited performance scorecard for 2020/2021. The financial content of the Annual Report further contains the audited financial statements for 2021/2021.

The assurance of the annual report for both financial and performance information is provided by various phases and reporting systems which are tested by Internal Audit and reported on to the Independent Audit Committee. In addition, as a municipal entity, Enterprise iLembe is audited by the Auditor-General of South Africa for financial, compliance and performance information.

Further information on the scope covered by Internal and External Auditors is provided in the Corporate Governance chapter of this report as well as in the Audit Committee and External Auditor's reports. The Annual Report content is structured to provide sufficient information to all stakeholders, from political authorities, regulatory bodies, investors, partners, employees and civil society, regarding Enterprise iLembe's annual performance and on-going progress towards achieving its core mandate.

Additional information concerning all aspects of the report and its contents can be obtained from Enterprise iLembe offices on:

Sangweni Tourism Center

Cnr. Leonora & Ballito Drive

Ballito

4420

Tel: +27 (0) 32 946-1256

e-mail: [receptionei@enterpriseilembe.co.za](mailto:receptionei@enterpriseilembe.co.za) / [info@enterpriseilembe.co.za](mailto:info@enterpriseilembe.co.za)

## **1.2 Overview of iLembe District Municipality**

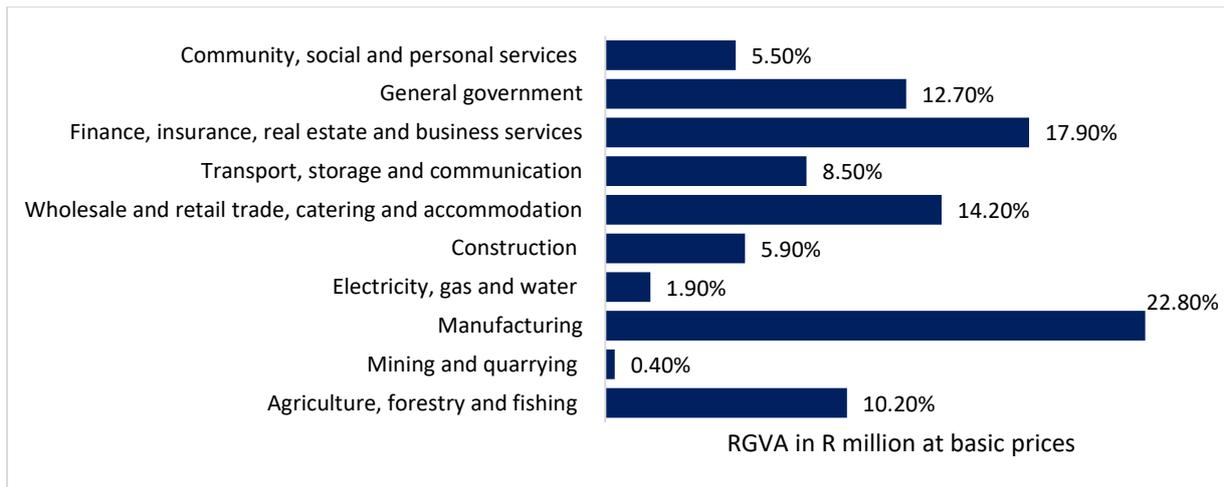
The iLembe District is located just north of the KZN economic powerhouse, the eThekweni Metropolitan Municipality and is the 4<sup>th</sup> largest District economy in KZN, contributing at least 4.9% to the province's economy, but is rapidly growing in its economic contribution. The district is constituted of four local municipalities of Mandeni, Kwa-Dukuza, Ndwedwe and Maphumulo.

Strategically located between two of the country's major ports, Durban and Richards Bay, the District is also dissected by the N2 national highway connecting the two major ports, and the province to Eswatini and Mozambique to the north. The District is situated within 10km of King Shaka International Airport (KSIA) and the Dube TradePort (DTP). It is fast developing as the premier lifestyle destination for residents of KZN and inland provinces, such as Gauteng, a trend which is transforming the economic structure of the District.

### **Key Economic Drivers**

The economy of iLembe is mainly based on four economic sectors: agriculture, tourism, manufacturing, and construction and property development. This by no means underplays the importance of the other economic sectors (transport and logistics, trade and retail and the services sectors) as a local economy can only be successful when all the sectors operate optimally.

The figure below shows that manufacturing and finance (insurance, real estate and business services) are the major sectors that contribute to the GDP of the District Municipality with 22.8% and 17.9% respectively. However, wholesale trade, the general government services and agriculture (forestry and fishing contribute also significantly to the District GVA with 14.2%, 12.7% and 10.2% respectively. It should however be noted that this data is pre-Covid-19 and the real extent of the pandemic's impact on the District economy is yet to be accurately extrapolated.



Source: Quantec: Regional Standardised, 2019

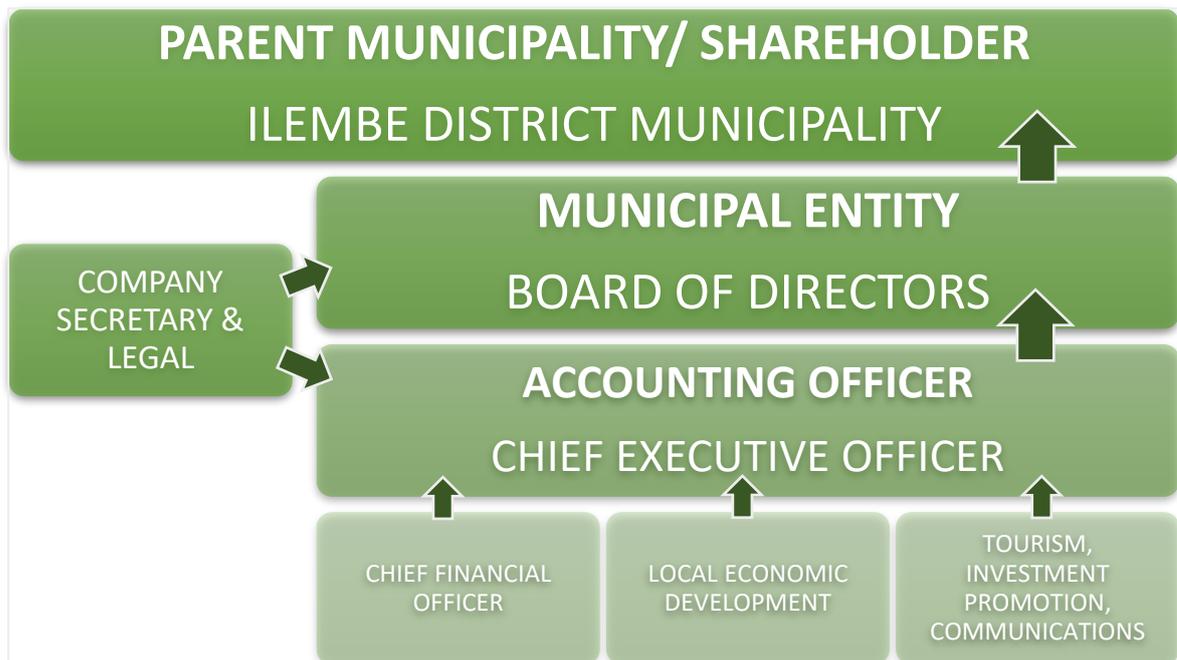
### 1.3 Organisational Profile

iLembe Management Development Enterprise (Pty) Ltd, trading as "Enterprise iLembe", is a Municipal Entity wholly owned by the iLembe District Municipality (IDM). It was incorporated on 27 October 2008 and replaced the iLembe Development Foundation which was incorporated on 8 November 2002 and commenced business operations on 1 July 2006. Enterprise iLembe has been formed as a local economic development agency of the iLembe District Municipality with a primary mandate to promote economic growth within the iLembe District and constituted in terms of the Municipal Systems Act No. 32 of 2000 and the Municipal Finance Management Act No. 56 of 2003 (MFMA) and is obligated to comply with the prescripts of the Companies Act 71 of 2008.

The Chief Executive Officer of Enterprise iLembe is, in terms of section 93 of the Municipal Finance Management Act, read together with section 93J of the Municipal Systems Act 32 of 2000, the Accounting Officer. The Chief Executive Officer, working with the management collective making up the Executive Committee, guides the day-to-day activities of the Entity and accountable to the Board of Directors. The Chief Executive Officer's powers and functions are properly defined in the Municipal Finance Management Act (section 94) and specifically delegated to him/her by the Board of Directors through a delegations of authority framework of the Board. The non-executive Board is vest with the responsibility to provide strategic oversight on the management's execution of their powers and functions and is collectively accountable to the shareholder. The appointment process of Board of Directors is appropriately defined in the constitution documents of the Entity and/or in the shareholder's protocol for the appointment of directors of the Entity.

As at 30 June 2021, Enterprise iLembe's approved structure comprised of a head count of 26 employees.

Revenue for the year was at R55 755 133 and expenditure of R54 485 255 with R1 269 878 net surplus generated; and Balance-sheet asset value of R44 416 833 with reserves totaling R29 431 777; with an overall organisational performance of 94%. The Entity cash balance as at 30 June 2021 was R13 474 495 which translates to 67 days cash on hand (norm is 30 days) and a cost coverage of 2.25:1.



#### **1.4 Foreword by the Chairman**

It gives me great pleasure to present this, my maiden, annual report foreword on behalf of the Board of Directors amidst the difficulties experienced by all during the reporting year. The year under review was a particularly difficult period; the devastation of the Covid-19 pandemic was, and continues to be, brutal and persistent. The tragic loss of lives and livelihoods for the world at large and our region, in particular, is difficult to exaggerate. It is also amidst this juncture that the shareholder of Enterprise iLembe appointed a new Board of Directors in January 2021, one which I am privileged and humbled to lead as its Chairperson.

We are grateful to the diligence of the previous Board and thank them for their well-articulated strategic direction that preceded our tenure. In charting our course as a new Board, we held our strategic planning session in March 2021, which provided us with an opportunity to re-assess the imperatives and impact of the organization's 5 Year Plan;

As mentioned, these have undoubtedly been extra-ordinary times but it has been comforting to see the positivity and resilience of South Africans come to the fore once again. The resilience of our local economy is best exemplified by the improved Activity Index in the first half of the reporting period which immediately benefitted from less severe restrictions. I am confident we can count on this pragmatic characteristic again when a similar opportunity arises. The tourism impact survey showed that the sector managed to recover somewhat from the first half of 2020 where an 86% decrease in the number of tourists to the region was recorded. In the second half of the reporting period, occupancy levels for the easter period (2021) was recorded at an average of 80% in comparison to the 0% in 2020 occasioned by the lockdown restrictions in the prior year.

The performance of the organisation continues to give hope that notwithstanding the resource limitations in our operating environment, the organisation continues to strive to improve on its primary mandate to promote economic growth within the iLembe District.

In its endeavours to improve organisational capacity and capability, the Board has made some key observations and decisions which are aimed at enhancing governance and improving performance, e.g. reviewed its governance charter, identified areas of improvement in its key terms of references, approved the organisational structure and mandated management ensure that the organisation is supported by a functional structure that responds to the expectations of our stakeholders and improve on

accountability. I have no doubt that the next annual report will show the positive impact that these enhancements will make for the organisation in the medium to long term.

#### Appreciation

Notwithstanding that these are early stages of our journey, my sincere gratitude goes to my fellow board members for the professional manner in which they discharge their fiduciary and other duties to the organisation. They each bring individual experience and expertise in their respective fields. A special gratitude goes to the Members of the Audit Committee whose robust engagements and quality advice is appreciated.

I would also like to also share my appreciation to the management of Enterprise iLembe which was well-led by the Acting CEO Ms. Cheryl Peters (until the end of the reporting period) and the entire staff; particularly for the manner in which they have exemplarily stepped-up-to-the-plate following the sudden exit of the former CEO in November 2020. I also welcome the new members of the executive team and look forward to their positive contribution, their contribution to the success of this organisation cannot be understated.

On behalf of the Board of Directors of Enterprise iLembe we would like to thank our shareholder, iLembe District Municipality from the Mayor, Councillor S Gumede and his fellow Councillors to the Municipal Manager, Mr G Kumalo and his officials for their ongoing support, leadership and guidance and to all our partners and stakeholders without whom we will not be able to implement the mandate of driving effective and sustainable change within our communities.

With our collective commitment and palpable action to creating a brighter future for this and future generations, we shall, we will, we MUST succeed.

Nkosi Sikel' iAfrika

Xolani Gumede

Chairperson of the Board of Directors

## **1.5 Report by the Chief Executive Officer**

South Africa's economy took a huge hit from the COVID-19 pandemic and subsequent national lockdown levels. Needless to say the iLembe District has not been immune to the devastation of this global pandemic as it continues to unearth the stark socio and economic differences that currently exist in the region.

During the course of the 2020/2021 financial year, the Entity together with the family of local municipalities implemented the Covid-19 Economic Recovery Strategy which was approved by the District Command Council. The implementation of the iLembe Economic Recovery Strategy was aimed at mitigating some of this impact by providing support, access to market, procurement opportunities to local businesses. The Entity continued to focus on the promotion of tourism and investment using digital platforms as the new norm of doing business emerged over the past year.

The focus was on Business Recovery & Support which incorporated;

- The coordination of the Covid-19 National Economic Stimulus Support
- Support to local businesses through the iLembe Business Incubator for assistance with applications to various Relief Schemes
- SMME support programs (access to stimulus support, markets, etc.)
- Local business relief support packages

The following reflects the number of businesses that received funding support with assistance from the Entity from the various National Funding Schemes

- SMME Debt Relief Scheme - 43
- Tourism Relief Fund - 32
- Small Scale Farmer Assistance Fund - 55
- Spaza Shop Assistance - 3

During the latter part of the financial year, an assessment was conducted by Enterprise iLembe and the Vuthela LED Programme Managers on the impact and current relevance of the Economic Recovery Plan with the aim to consider a longer term strategic approach to address the challenges brought on by the COVID-19 pandemic.

### **Investment & Business Confidence**

The business sentiment in the iLembe District at the end of the financial year, as measured through the iBCI Survey Index, plummeted to its lowest level since the inception of the Business Confidence Index – it is the 2nd successive survey period recording record lows,

confirming the downward spiral of economic sentiment. The Covid-19 crisis, combined with the civil unrest in the iLembe District, ravaged business sentiment and created significant uncertainty within the regional economy.

The Construction, Property Development, Property Sales sector was the most confident economic sector and the Tourism, Catering, Accommodation, Property Management was the most pessimistic sector which is understandable given the impact of the lockdown restrictions on this sector. The diminishing confidence in the Manufacturing and Assembly sector was largely driven by a variety of factors including load shedding/load curtailment, power failures as well as industrial and community unrest.

The Entity continued its efforts to engage with various investors to maintain and improve business and investor confidence in the region. The four key growth sectors that are promoted by the Entity continues to contribute meaningfully to the economic growth of the district and present considerable opportunities for investment. The Entity finalised the 2021/2022 iLembe Investor Prospectus which seeks to showcase the sectoral investment opportunities which will not only support investment returns, but also continue to grow the economy and create continuous improvements in the socio-economic realities of the people and businesses who are proud to call iLembe home.

#### Local Economic Development

Over two hundred and fifty (250) SMMEs have been supported over the past year with access to market, finance, procurement opportunities, training, mentorship and professional workspace infrastructure through the iLembe Business Incubator Programme. The SMMEs are from the sectors of agriculture, construction manufacturing, engineering, services and tourism. Eighteen (18) SMMEs in the incubator were also assisted with access to grant funding through the AVON Peaking Power Supplier Development Programme.

Other opportunities included access to enterprise and supplier development opportunities with SAB, Kick Start Programme, Transnet ESD, Avon Peaking Power, Phumelela ESD and the Spar Group. In addition, more than one hundred [100] SMMEs were also assisted to access the COVID-19 Relief funding schemes.

The Entity's contract for the implementation of the National Schools Nutrition Programme was not renewed by the Department of Education in June 2020. This was a major setback for the Entity but more so for the many farmers and transporters who directly benefitted from the programme, and even more devastating was the fact that this happened in the middle of the pandemic.

The agricultural team through the Open Fields Project, with support from RASET and the Department of Agriculture worked tirelessly to source alternative markets for the local farmers. During this past financial year a total of 412 835kg of fresh produce was sourced from sixty-five (65) local farmers and supplied to markets such as Food Lover's Market, Durban Fresh Produce Market, Boxer stores to name a few.

As part of the Change Management Plan adopted by the Entity in March 2020 and implementation of the Ownership Model; the iLembe Vineyards project in Mandeni Local Municipality was re-purposed into open fields sites for vegetable production.

The UIF Learner Activation Programme (LAP) was concluded in November 2020 and learners received all stipends owing to them by 24 December 2021. At the end of the financial year however, the learners did not receive their certificates due to delays with the various SETAs who are responsible for the verification and handover of certificates,

The Youth Enterprise Park (YEP) in Mandeni Municipality, a project funded by the Department of Cooperative Governance and Traditional Affairs, experienced delays with the completion of the construction phase because of lockdown restrictions amongst other challenges. The project is aimed to be completed within the next financial year.

## Tourism

This sector experienced a major decline, resulting in many business closures and job losses. The Entity worked closely with provincial partners and the private sector to implement the Tourism Recovery Campaign. The focus was to ensure that the destination remained 'top of mind' during the hard lockdown by using digital social media platforms and hashtag campaigns such as #seeyousoon and #supportlocal. Virtual exhibitions and tours replaced the traditional physical platforms. Various webinars were also held with local SMMEs to assist them with access to information and guidance in terms of adhering to the COVID-19 protocols for operations.

The construction of the Seventeen87 Wine Cellar and Tasting Room was completed in August 2020 and the cellar was launched in October 2020. Despite the impact of the lockdown regulations on operations, the cellar has progressed well and was announced as the winner of the KZN Top Business Awards in the Small Business Start-Up Category in June 2021.

## Strategy Planning

The Board Strategy Session was held in March 2021 where the Entity's Five Year Strategy and Change Management Framework which was developed in 2019 was reviewed and approved by the new Board. As part of the review, it was agreed that there was a need to refine the identified interventions that is contained in the Five Year Strategic Plan; this includes further defining the Entity's role within the priority sectors of Manufacturing, Agriculture, Tourism, and Property and Construction, aligning the strategy to the Entity's mandate and fostering greater partnerships with Local Municipality's LED units and other stakeholders.

A seven-point action plan which is informed by the priority sectors is listed as follows:

1. Isithebe industrial estate revitalization
2. Destination marketing
3. Best practice digital internet marketing
4. Small business support
5. Fresh produce market/s
6. Market study for food and beverage products
7. Active business attraction

The Entity is also being assisted by the Vuthela iLembe LED programme to implement the following projects in the next financial year;

- 1) Human resource development and performance management,
- 2) Financial management system, and
- 3) Project management system.

## Conclusion

In consideration of the ever changing micro and macro-economic conditions that we find ourselves in; the position of the Entity is that the Strategy be viewed as a dynamic plan that can be modified accordingly but not losing focus on the emphasis of the core mandate and business of Entity being; information sharing, promotion, service delivery, advocacy, and development.

The road ahead is one of uncharted territories; as an Economic Development Agency, agility and partnerships are key to ensuring that economies not only recover but comes out stronger and more resilient on the other side of the negative impact of the COVID-19 pandemic.

On behalf of the management team, I would like to convey my sincere thanks and appreciation to the previous Board led by the Chairperson Mr Khanyisani Shandu and the new Board led by the Chairperson Mr Xolani Gumede for all their support, direction and guidance during the reporting period.

It goes without saying that the continued support received from our shareholder, iLembe District Municipality, led by His Worship Cllr SS Gumede, the family of local municipalities as well as from our stakeholders and partners is much appreciated.

The hard work of Ms Cheryl Peters during her tenure as the Acting Chief Executive Officer, and the collective leadership of management, has also not gone unnoticed and I am extremely grateful to each and every staff member for the dedication and willingness to go the extra mile to serve the communities we work in.

Linda Mncube  
Chief Executive Officer

# 2 CORPORATE GOVERNANCE

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## 2.1 Corporate Governance

Clearly constituted governance frameworks and structures enable Enterprise iLembe to operate within defined parameters. The Chairperson of the Board and all other Non-Executive Directors / Board Members (with the exclusion of the Chief Executive Officer), are classified as Non-Executive Directors. There is a clear distinction of powers, functions and roles of the non-executive members (which include the Chairperson) and those conferred on the Chief Executive Officer by law and through delegation. All Directors are enjoined to execute their legal duties in a professional manner, with integrity and utmost good faith. The Board of Directors is collectively accountable for the leadership and oversight control of management actions in Enterprise iLembe. Its responsibilities include the development, review and monitoring of strategic objectives, the approval of budget expenditure, risk management and monitoring of operational and financial performance.

The iLembe District Municipality is the sole Shareholder of Enterprise iLembe. The Board of Directors contracts with the Shareholder, through an annually approved Shareholder Compact. The Chief Executive Officer, as the Accounting Officer, is accountable to the Board for the successful implementation of this compact and the overall performance of the Entity and is also required by law to account to various other stakeholders on behalf of the Entity.

One of the first key areas of interest for the new Board of Directors was to ensure that the entity's Board Charter clearly defines the role of Directors in alignment with the law and best practice principles. This exercise was completed after the end of the reporting period, but gives a firm foundation for a clear definition of roles at the helm of governance structures of the organisation. The charter provides a framework for fiduciary duties, responsibilities and overall functioning of the Board.

The Board is required to meet at least 4 times per annum. Board Members and their meetings attendances for the period 01 July 2020 to 31 December 2020 is reflected as follows:

NAME	BOARD MEETING	LED INVESTMENT AND SUB-COMMITTEE	HR AND FINANCE SUB-COMMITTEE
Mr Khanyisani Shandu	5	1	N/A
Mr Cobus Oelofse	4	2	2
Prof Thandi Nzama	4	2	N/A
Ms Dumisile Nene	5	N/A	2
Ms Noluthando Mngadi	4	N/A	2
Mr Zakhele Gumede	5	2	N/A
Mr Patrick Mgnadi	5	N/A	2

The term of office of this Board came to an end in December 2020 and a new Board was appointed for the period effective from January 2021. The new Board Members comprised of the following members and their meetings attendances for the period January 2021 to June 2021 is reflected as follows:

Name	Board	LED and Investment Sub-Committee	HR, Finance & Remuneration (HRFR) Sub-Committee
Mr Xolani Gumede (Chair)	6	N/A	1
Ms Ntokozo Mlaba (Dep Chair & Chair HRFR Sub-Com)	6	N/A	1
Ms Noluthando Dlamini	6	1	1
Dr Thami Mbonambi	6	1	1
Mr Ian Deetlefs (Chair LED & Investment Sub-Com)	6	1	N/A
Mr Ridwaan Raheem*	4	1	N/A

\* Mr Ridwaan Raheem resigned from the Board effective May 2021

At the Inaugural Board meeting held on 15 January 2021, the Shareholder Compact Agreement was signed between the Chairperson and Mayor of iLembe District Municipality. Management was charged with the responsibility to implement the Entity's response to the expectations of this compact.

The Board of Directors has constituted two sub-committees i.e. the Local Economic Development and Investment Committee; and the HR, Finance and Remuneration Committee. The schedule above further indicates the committee meetings held during the 2020/2021 financial year and attendance of both the previous Board and the current Board.

The Members of the Board have skills that were put to good use in providing leadership, guidance and directing strategy during the period. Overall, the Board functioned at a strategic level and delivered outputs in line with its mandate. Non-Executive Board of Directors receive remunerative benefits and fees in line with their terms of appointment. Therefore, no Board Member is involved in determining his/her own remuneration. Board Members' remuneration is fully disclosed in the financial statements component of this report.

PHOTO	NAME AND SURNAME	ROLE	GENDER	BRIEF PROFILE
Photo	Mr Xolani Gumede	Chairperson of the Board	Male	<p>Property Administration &amp; Management (Technikon Natal)</p> <p>Dip. Industrial Relations &amp; Labour Law (IRR)</p> <p>AMP International Business &amp; Management (CDG, Germany)</p> <p>Adv Project Management (UNISA)</p> <p>Post-Grad in Project Management (USQ, Australia)</p> <p>Masters in Project Management (USQ, Australia)</p> <p>He is a Member of the South African Council for the Project and Construction Management Professions (SACPCMP).</p> <p>A businessman and former Director at Turner &amp; Townsend (2020-2021), President of iLembe</p>

				Chamber of Commerce Industry & Tourism (2017-2019), Board-member of iLembe Chamber of Commerce Industry & Tourism (2016-2017).
<b>Photo</b>	<b>Ms Ntokozo Mlaba</b>	<b>Deputy Chairperson</b> Chair: HR Finance & Remuneration Committee	<b>Female</b>	B. Comm Hons (Accounting) UKZN; Master's in business leadership UNISA  She is an auditor by profession and has served in various audit roles in both the private and public sectors.  She is a member of the Institute of Directors and a Member of the  Institute of Internal Auditors SA.
<b>Photo</b>	<b>Major General (Rtd) Ian Deetlefs SSAS PG SM JCD</b>	<b>Chairperson: LED &amp; Investment</b>	<b>Male</b>	Bachelor of Economics (UKZN)  He is a businessman and a director in private entities. He is a retired Chief of Defence Reserves, SANDF.  Previously served as a Director of Enterprise iLembe and Chairman of Denel.
<b>Photo</b>	<b>Dr Thami Mbonambi</b>	<b>Member: HR Finance &amp; Remuneration</b>  Member: LED & Investment	<b>Male</b>	Degree in Business Administration (UZ);  Postgrad Diploma in Finance & Marketing, MCom, LL.M, PhD in Business Administration (UKZN)  He is a financial, business and legal expert; and an experienced businessman with interests in property development, venture capital transactions across various sectors including start-ups.
<b>Photo</b>	<b>Ms Noluthando Dlamini</b>	<b>Member: HR Finance &amp; Remuneration</b>	<b>Female</b>	Diploma in Business Management,  Bcom Economics,

		Member: LED & Investment		<p>Masters Business Administration</p> <p>She a businesswoman and is the CEO of Ngcebo Yethu Holdings.</p> <p>Her previous assignments include being the Marketing and Stakeholder Relations Manager for National Construction Incubator, Area Manager SEDA Construction Incubator – Gauteng.</p>
<b>Photo</b>	<b>Ms Zodwa Msimang</b>	<b>Member: LED &amp; Investment</b>	<b>Female</b>	<p>BA Communications , Higher Diploma in Education (UZ)  Certificate in Public Relations, Certificate in Human Resources (Damelin College)  Certificate Social Entrepreneurship Program (Gordon Institute of Business Science)</p> <p>She is a member of the South African Association for the Conferencing Industry and Durban Chamber of Commerce and Industries.</p> <p>She is a businesswoman, founder and current Group Chairman and Managing Director of Ikhono Thrive Global. She is currently a board member of Omame Investments.</p> <p>She has previously served on the boards of Tourism KZN and the Durban International Convention Centre, the South African Association for the Conferencing Industry and Hlahlindlela Investments.</p>
<b>Photo</b>	<b>Mr Linda Mncube</b>	<b>Accounting Officer</b>	<b>Male</b>	<p>Degree in Town and Regional Planning (DUT)</p> <p>PG dip in Urban Management (Erasmus University Rotterdam, Netherlands)</p> <p>He is a registered Professional Planner with the South African Council for Planners (SACPLAN)</p> <p>He was previously responsible for Strategy, Planning, and Risk Management within Enterprise iLembe. He has held various roles in Local Government</p>

				including Land Use Management, Spatial Planning, and Strategic Planning.
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#### Audit and Risk Committee

The Audit and Risk Committee comprises of Independent Members who are directly appointed by the shareholder. As at the beginning of the reporting period, this Committee comprised four (4) Members who were appointed in line with section 166 of the MFMA. Their meeting engagements are as reflected below:

Name	Number of Meetings Attended
S. Hlophe - Chairperson	4
S. Gertze	4
B. Zulu	3
S.L Ndlovu	3

Mr S.L Ndlovu's term of office / appointment ended on 31 January 2021.

#### Company Secretariat

During the year under review the entity did not have a permanent in-house company secretary in its organizational structure, however this anomaly was resolved before the end of the reporting period with the Board of Directors resolving to incorporate this role within the Entity's organizational structure going forward. Notwithstanding this, the Board of Directors is satisfied with the way the Entity put measures in place to ensure overall compliance with laws and regulatory requirements and in the manner in which support was provided to the Board of Directors in the discharge of their fiduciary duties over the period. The next annual report will further include a report of the Company Secretary on Corporate Governance and the Entity's compliance with its regulatory requirements as per the provisions of the Companies Act.

## **2.2 Strategic Objectives & Functions**

### 2.2.1 Entity Mandate

From a strategy assessment and implementation point of view, the Entity's mandate can be broken down into the following pillars:

- Develop, review and strengthen the local economic development strategy on behalf of the district and family of municipalities;
- Champion a wide range of activities which emerge as important from the family of IDPs and LED Strategies;
- Co-ordinate LED activities to ensure alignment and integration;
- District marketing and promotion of tourism and investment promotion;
- Facilitate the identification, packaging and implementation of catalytic projects in the four key sectors and new sectors;
- Provide professional and multi-skilled support and networking services to major investors who wish to invest in the region;
- Work with local government to facilitate a business enabling environment;
- Implement business, retention and expansion (BR&E) programmes in partnership with local business;
- Build twinning relationships with developed regions nationally and internationally;
- Social Risk Management.

## 2.2.2 Key Strategic Goals & Objectives

The key strategic goals and objectives can be summarized as follows:



Facilitate the packaging & implementation of projects in existing & new sectors



Market & Promote the iLembe District as an Investment, Tourism & Business Destination



Research other potential growth sectors in addition to the current four sectors of main focus



Identify, build and co-ordinate partnerships among socio economic stakeholders

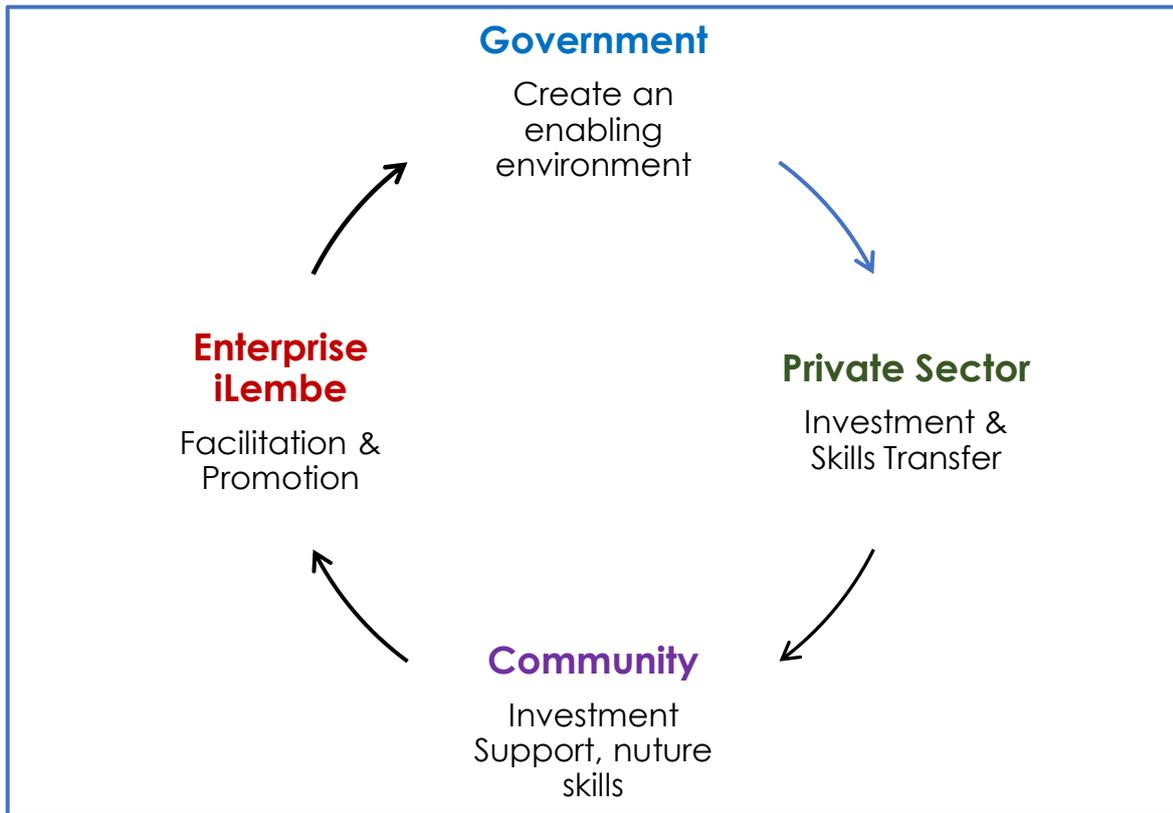


Facilitate research that assists with Policy Development and formulation that impacts the mandate of the Agency



Influence policy and the regulatory environment for socio economic development an investment

### 2.2.3 Roles & Responsibilities



It is the role of Enterprise iLembe to facilitate and promote socio economic development in the region. The role of Enterprise iLembe can be further defined as follows;

- Nurture new ideas which have commercial potential and have high impact potential in regards to poverty alleviation, jobs and empowerment.
- Build partnerships between public sector, support institutions, private sector and the community.
- Build partnerships within each locality and support one another in service delivery.
- Collectively bridge the gap between 1st & 2nd economies through catalytic & high-impact projects.

### 2.3 Service Level Agreement

Enterprise iLembe has a Service Level Agreement (SLA) with iLembe District Municipality. The SLA guides the mandate of the Entity and sets out the function and services to be delivered as follows:

- a. Project Management Unit: Using the Project Management Unit for developing and implementing detailed service delivery plans within the framework of the municipality's IDP;

- b. Promotion of Social and Economic Development: To promote integrated and equitable social and economic development within the district as a whole by taking appropriate steps to enhance such development;
- c. Tourism: Promotion of local tourism for the area of the district municipality;
- d. Markets: The establishment, conduct and control of fresh produce markets serving the area of a major portion of the municipalities in the district;
- e. Abattoirs: The establishment, conduct and control of abattoirs serving the area of a major portion of the municipalities in the district;
- f. Airports: Municipal airports serving the area of the district municipality as a whole
- g. Incidental Powers: The right to exercise any power concerning a matter reasonably necessary or incidental to the effective performance of the functions, the exercise of the power and the provision of the services in the paragraph 1 to 7 above.

#### Reporting protocols

The Chief Executive Officer as the Accounting Officer has been mandated by the Board of Directors, and is enjoined by legislation, to report to the shareholder, iLembe District Municipality, and any other relevant structures on behalf of the Entity and is accountable to the Board of Directors in relation to such reporting mechanisms. In addition to the various Intergovernmental (IGR) structures, regular meetings are held between the Board of Enterprise iLembe and principals of the District. The Chief Executive Officer and various other functionaries of management of the Entity also participate and report into the following structures;

- Quarterly Executive Committee Meetings
- Economic Development Portfolio Committee
- Finance Portfolio Committee
- District Development Model Hub
- Local Municipality IGR
- Provincial Forums

#### **2.4 Performance Reporting**

In terms of section 93B of the Municipal Systems Act, the parent municipality must ensure that the performance objectives and indicators for the municipal Entity are established by

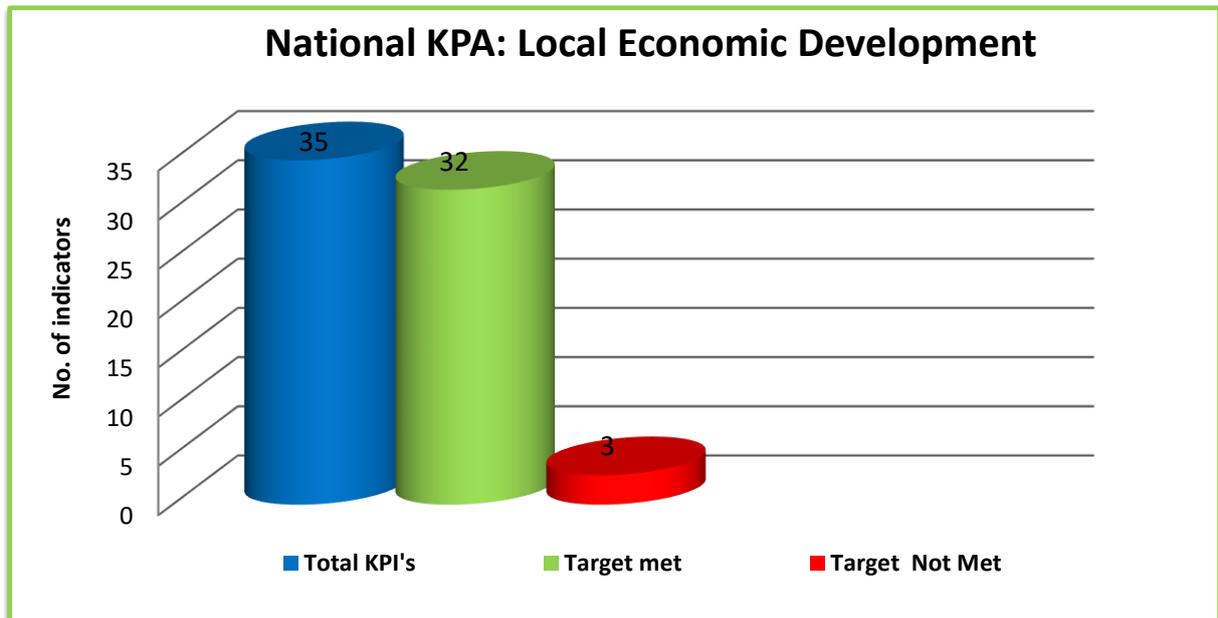
agreement with the Entity and included in the municipal Entity's multi-year business plan in accordance with section 87 (5) (d) of the MFMA. It is for this reason that the report for the Enterprise iLembe has been included in the Annual Performance Report.

**2.4.1 Organisational Scorecard – Service Delivery Budget Implementation Plan (SDBIP) 2020/2021**

Attached hereto as **APPENDIX A**

NATIONAL KPA's	TOTAL KPI's EXCLUDING N/A	TARGET MET	TOTAL TARGET MET %
LOCAL ECONOMIC DEVELOPMENT	35	32	91%

**2.4.2 Highlights on Actual Performance by iLembe District PMU**



Enterprise iLembe continues to improve co-ordination of Local Economic Development in the District; Implements and ensures sustainability of projects to upscale agriculture development in the District; Capitalises on tourism potential to increase visitor numbers in the District. Increases manufacturing output in the District to attract interest in investment; And ensures job creation by identifying and packaging new projects in existing sectors.

Quarterly LED forum meetings were held, Enterprise District LED Forum is reported as District Economic Cluster meeting as these are duplicated meetings since it requires the attendance of the same members, similar reports; and the cluster meetings are seen to be more effective and have more fruitful outcomes due to the attendance of Mayors and MMs in these meetings which ensures that decisions are taken. In terms of open fields 20 new and existing farmers are being supported by the Entity. A total of 16 new markets were secured for capacitated farmers. The hydroponic tunnels are currently not operational. The Mandeni vineyards site has been repurposed into open fields.

A progress report has been prepared on the wine tasting room. Tourism marketing and development, 3 virtual exhibitions were attended, 10 adverts/advertorials were in relevant publications, 1 official tourism travel guide for 2021/2022 was developed and 2 tourism industry research performance reports were prepared. The entity supported 1 event to increase visitors to the District. Two tourism training sessions were held for SMMEs. The iLembe District Tourism Forum has been established. A total of 4 trade engagements session were held virtually, 2 business confidence indexes were developed, and 7 engagements with potential investors for investment attraction & facilitation was done. Investor prospectus developed, in terms of the investment promotion strategy bi-annual reports were prepared, 5 stakeholder engagements were hosted/attended, in terms of participation in the iLembe Entrepreneur Competition, a progress report was prepared.

Co-operative development is on track to date, 8 new co-operatives were assisted with registration, 106 co-operatives/SMMEs have been trained on basic business management skills and 61 co-ops and SMME's assisted with bankable business plans. In terms of capacity building and mentorship support for small enterprises, 3 programmes have been implemented. To encourage local businesses to take advantage of government programmes, 22 engagements sessions with local businesses were held. Quarterly reports were prepared on the functionality/sustainability of the business incubator.

CHALLENGES	MEASURES TO IMPROVE PERFORMANCE/ CORRECTIVE MEASURES
Ref TL 49/EI 08 – Number of projects handed over to co-operatives - target is 1, actual - One [1] project is in the process of being handed over; which is the Mandeni vineyards project. The Mandeni vineyard	Official handover will be completed in the coming financial year due to the fact the entity is awaiting approval on the disposal of assets.

<p>workers are in the process of being registered as a Co-operative as they have accepted the ownership of the vineyard assets for the conversion of the vineyard site into an open field. Minutes and registers of ownership model discussion meeting with the Mandeni Vineyard workers are kept for record purposes.</p>	
<p>Ref TL 65/EI 29 - Broadband project Technical assessments and off take agreements completed – target not met</p>	<p>No reason for variance and corrective measure provided.</p>

### **2.4.3 Conclusion**

In order for the Entity to continue to fulfil its mandate, both the Board of Directors and Management are committed to address the pressing weaknesses and threats that the Entity has faced during the past financial year and remain focused to ensure stability, reputation management and economic growth will set the tone of how the Entity plans and leads local economic development in the district from the start of the 2021/2022 year.

# 3 SERVICE DELIVERY & PERFORMANCE HIGHLIGHTS

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## 3.1 Key Successes & Challenges

- Business sentiment in the iLembe District, plummeted to its lowest level since the inception of the iLembe Business Confidence Index confirming the downward spiral of economic sentiment. The Covid-19 crisis has played a major role in creating this business sentiment the significant uncertainty within the regional economy.
- The non-renewal of the National Schools Nutrition Programme had a negative impact on the funding revenue for the Entity and for local farmers and transporters who lost a steady income stream
- New and alternative markets were sourced for local famers
- The Seventeen87 Wine Cellar was announced as the winner of the KZN Top Business Awards in the Small Business Start-up category
- The assistance provided through the iLembe Business Incubator to local businesses to apply for the various COVID-19 funding relief schemes resulted in over one hundred local SMMEs receiving funding approvals
- The implementation of the Change Management Plan saw the closure and re-purposing of the iLembe Vineyards sites in Maphumulo and Mandeni. The site in Mandeni has been re-purposed into Open Fields for vegetable production
- Over 250 SMMEs were assisted during the year with training, capacity building, mentorship, access to market and procurement opportunities through the iLembe Business Incubator.

## 3.2 Projects Undertaken

### 3.2.1 Multi-Year Funded Project/s

PROJECT NAME	PROJECT DESCRIPTION & STATUS QUO
Mandeni Youth Enterprise Park	<p><b>CoGTA Grant Funded Project Budget 20/21: R 6 000 000</b></p> <ul style="list-style-type: none"> <li>- The project entails the construction of a park that will accommodate Youth Enterprises in a structured marketplace, with an objective to stimulate entrepreneurship opportunities for Youth within Mandeni Local Municipality. The Project Management Team and Project Steering Committee structures are in place and they play a technical and an oversight role in the implementation of the project.</li> <li>- Phase one of the project which included the operational plan and detailed designs was completed and the construction of the project commenced in 2020, however a request for extension of the project was submitted to KZN CoGTA from the initial deadline 31st of March 2021 to 30 of June 2021; due to delays experienced because of theft of containers.</li> <li>- An additional extension was granted until September 2021 due to construction delays caused by additional scope of works.</li> </ul>

### 3.2.2 LED Projects

Other projects that were completed/finalised but which still required oversight and monitoring and evaluation included the following:

NO	NAME	LOCATION	STATUS
1	Biomass Conversion Combination Plant	Isithebe Industrial Estate	Managed and operated by Phambili Energy
2	Public Wifi	Mandeni & Maphumulo LM	Operational
3	RASET	District Wide	Local Farmer Cooperative Support - Ongoing
4	iLembe Open Fields	District Wide	Local Farmer Cooperative Support – Ongoing
5	iLembe Business Incubator	KwaDukuza LM – District Wide	SMME and Entrepreneurship Support
6	KwaShuShu & Ntunjambili Tourism Sites	Maphumulo LM	Feasibility, Business Plan & Concept Designs completed. Investment Prospectus completed

### 3.3 Capital Used

REVENUE	Actual	Budget	Variance
	2021	2021	2021
	R	R	%
Opening accumulated surplus	28 557 931	33 106 250	-15%
Operating income for the year	55 755 131	65 096 612	-15%
Total	83 937 911	98 202 862	
EXPENDITURE			
Operating expenditure for the year	54 485 251	57 659 235	-6%
Closing accumulated surplus	28 160 420	40 543 627	-31%
Total	82 645 671	98 202 862	

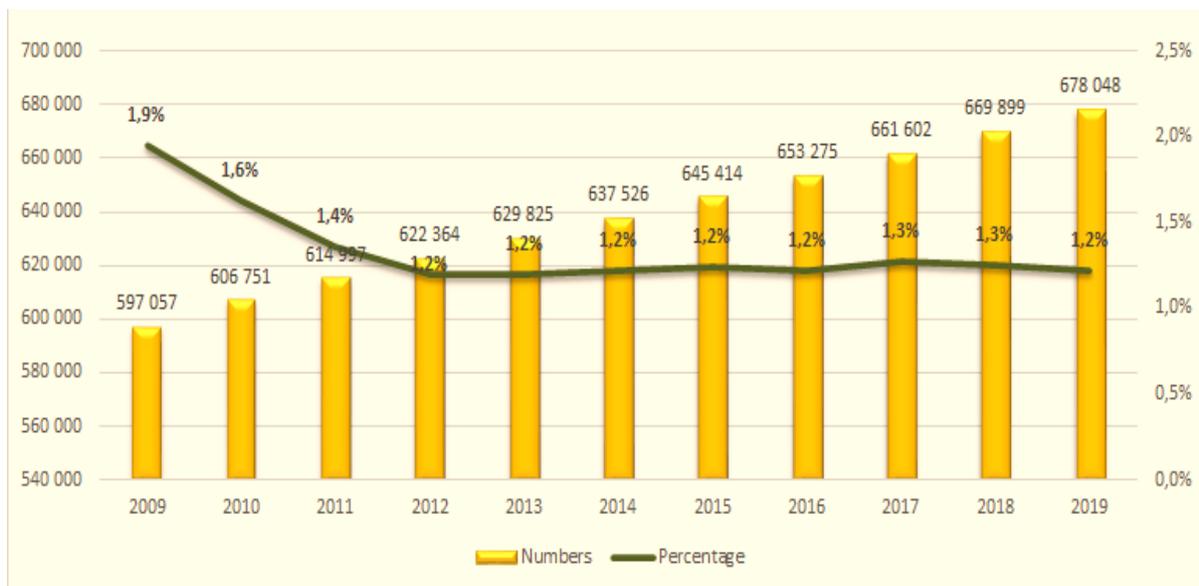
Project details are set out in the table below

Project Name	Unspent grants 30 June 2021
UIF Grant	1 706 765
COGTA RASET Grant/LED Project	1 810 568
COGTA BIOMASS Grant	14 605
COGTA YEP Grant	1274 749
Tourism - IDM	652 093
COGTA Public Wi Fi Grant	33 298
COGTA Mini Factories Grant	2 173 913
MICT SETA Grant	1 689 413
District Growth Summit	131 369
Development of SMMEs - IDM	255 573
LED Project - IDM	447 782
<b>Totals</b>	<b>10 190 127</b>

### 3.4 Job Creation & Skills Development

#### 3.4.1 Demographics & Unemployment Rate

Between 2007 and 2016, the District had the fastest population growth in KZN. According to the 2019 community survey the population of iLembe has grown to 669 748 people. According to global insights, from 2009 to 2019, the population experienced compound annual growth of 1.5%, 0.7% higher than the South African average growth over the same period. The 2018 KZN Citizens Satisfaction Survey indicates that the accelerated growth in population contributed at least 15.7% to the province's population changes.



#### 3.4.2 Employment and Skill levels

Despite its strategic location to significant economic activities, iLembe is not immune to the challenges facing the country. The District has a Gini Coefficient Index of 0.6, which is considered a significant income disparity. However, with the South African and KZN coefficient sitting at 0.7, iLembe's society is comparatively more equal.

The labour force within iLembe District is mainly semi-skilled to low skilled: an estimated 48.8% of the labour force is semi-skilled, 32.3% considered low skilled, and 18.9% considered skilled.

The agriculture, forestry and fisheries sector are dominated by a low skilled labour force. The graph below shows that an estimated 60.6% of the labour force is low skilled, about 35.4% is semi-skilled, and only 4% is skilled labour. The agriculture, forestry and fisheries sector labour force skill levels are illustrated in the graph below.

The manufacturing sector is dominated by a semi-skilled labour force accounting for at least 67.6%, low skilled labour accounting for 20.8%, and skilled labour accounts for 11.6%.

The services sector, the dominant sector in terms of Gross Value Added (GVA) contribution within the District, has a comparatively high skilled labour force, with 25.7% of those employed in the sector considered skilled, 43.9% considered semi-skilled, and 30.4% considered low skilled.

### 3.4.3 Jobs Created

PROJECT NAME	2019/2020	2020/2021
Tunnels	69	11
iLembe Vineyards	46 [Before Lockdown July-March 2020] 27 [After Lockdown April-June 2020]	43 Site closed 30 June 2021
iLembe Open Fields	1240	2870 within co-ops
<b>TOTAL</b>	<b>Before Lockdown: 1 370</b> <b>After Lockdown: 1 351</b>	<b>2924</b>

### 3.4.4 Number of new co-operatives registered by Enterprise iLembe

NO	NAME OF CO-OPERATIVE	MUNICIPALITY	REGISTRATION NUMBER
1.	Ezifresh Primary Cooperative Limited	KwaDukuza	2020/003573/24
2.	The Art Agricultural Cooperative	KwaDukuza	2020/004166/24
3.	Gidasibhekane Primary Cooperative	KwaDukuza	2020/004180/24
4.	Emkhathini Primary Cooperative	Maphumulo	2020/004855/24
5.	Isivuno Primary Cooperative	Maphumulo	2021/300707/24
6.	Amabhedu Primary Cooperative	Maphumulo	2021/300859/24
7.	Emvuzo Farming Cooperative	KwaDukuza	2021/300875/24
8.	Sicela Usizo Primary Cooperative	Ndwedwe	2021/301269/24

### **3.5 Performance Management**

The Entity utilises the Service Delivery Budget Implementation Plan (SDBIP) as a performance management tool for the Entity as an organisation. Reporting using this performance plan is conducted on a monthly and quarterly basis to the shareholder; iLembe District Municipality and includes portfolio of evidence. The performance management unit of iLembe District Municipality and the internal auditors (appointed by Enterprise iLembe) conduct a review and audit of the reports; this is then followed with coaching sessions held with the Chief Executive Officer of the Entity and the Municipal Manager of the District.

In respect of individual staff members, the Job Descriptions of employees have been reviewed to be in line with the actual tasks and duties being performed by each person. Review sessions are held between staff members and managers. Individual performance plans are aligned to the Entity's SDBIP.

#### **2020/2021 Budget Performance**

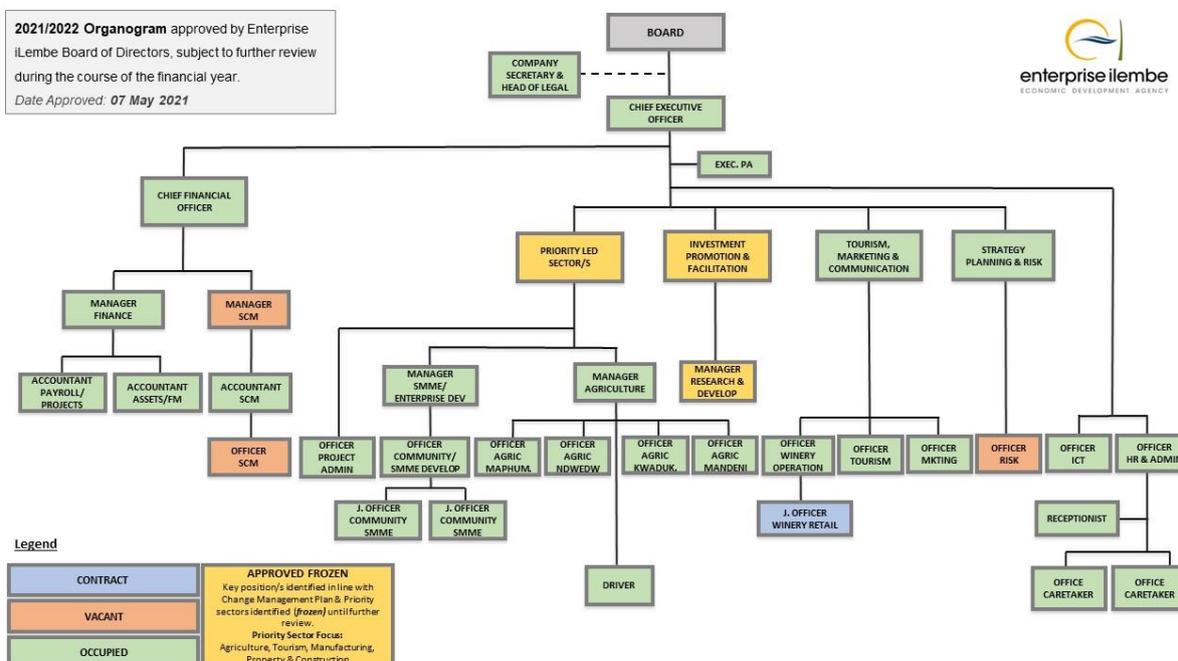
The total annual budget for 2020/2021 financial year for Enterprise iLembe amounted to R65, 1 million of which R34, 8 million was allocated for projects and R30, 3 million was allocated for operational costs. Since the supply of fruits and vegetables (NSNP project) is no longer implemented by the Entity, there is now heavy reliance on the district for funding. The Entity also gets allocations from other spheres of government for projects that have been identified for implementation within the district.

The Entity spent their allocation from the district with just minimal amounts unspent for LED, Tourism and the business incubator due to some projects that couldn't be implemented in full because of restrictions.

# 4 HUMAN RESOURCES & ORGANISATIONAL MANAGEMENT

## 4.1 Organisational Structure 2020/2021

2021/2022 Organogram approved by Enterprise iLembe Board of Directors, subject to further review during the course of the financial year.  
Date Approved: 07 May 2021



### Appointments in the 2020/2021 financial year

NO	JOB DESIGNATION	TYPE	START DATE
1	UIF LAP Administrator	Contract	01/07/2020
2	Chief Executive Officer	Acting	06/11/2020
3	Project Accountant	Contract	01/12/2020
5	Risk Officer	Contract	01/03/2021
6	SCM Officer	Contract	01/03/2021

### Resignations/Contract End during 2020/2021 financial year

NO	JOB DESIGNATION	REASON	END DATE
1	Chief Executive Officer	Dismissed	06/11/2020
2	Chief Operations Officer	Resigned	17/11/2020

3	UIF LAP Administrator	Contract End	31/12/2020
4	Manager: SCM	Contract End	31/12/2020
5	Stakeholder Engagement Officer	Contract End	31/12/2020
6	Project Accountant	Contract End	30/04/2021
7	Risk Officer	Contract End	30/06/2021

#### **4.2 Institutional Transformation & Employment Equity as at 30 June 2021**

In compliance with the Employment Equity Act, 55/1998, the Enterprise iLembe's Employment Equity Plan has been crafted with the aim to remedy any form of discrimination in the workplace by removing all barriers in the employment policies, practices. Affirmative Action has been defined as the tool to implement immediate positive remedial action. Programs and procedures to address both historic and existing inequalities and imbalances of the past are being implemented.

The Entity acknowledges the value of retaining staff especially employees with scarce skills and those who possess experience that is required for the Entity to fulfill its objectives. The Entity recognises that in order for it to be able to retain staff, it is very important to create an environment that encourages staff not only to succeed in their jobs but also to grow and achieve their personal development goals and aspirations.

<b>DESIGNATION</b>	<b>NUMBER</b>	<b>MALE</b>	<b>FEMALE</b>	<b>BLACK</b>	<b>WHITE</b>	<b>INDIAN</b>
Board	5	3	2	4	1	-
Acting CEO	1	-	1	-	-	1
CFO	1	-	1	1	-	-
Managers	2	1	1	1	-	1
Contracts	2	2	-	2	-	-
Total Staff	26	9	17	14	2	1

# 5 FINANCIAL PERFORMANCE & RELATED INFORMATION

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## 5.1 Chief Financial Officer's Report

### 5.1.1 Introduction

iLembe Management Development Enterprise (Pty) Ltd, trading as Enterprise iLembe, as an Entity of iLembe District Municipality (IDM), relies heavily on the operational grant that it receives from the district in order to run its daily operations. With the limited resources the Entity has, some of the objectives as set for the year ended 30 June 2021 have been met, but of course not without challenges. The Entity has managed, to a certain extent, to fulfil its objective and mandate as given, which is the provision of the Local Economic Development within the iLembe District, which includes the promotion of tourism and investment, this through several sectors where impact has been made. Whilst the above is the case, the impact of COVID-19 has interfered with the execution of projects, especially where tourism projects are concerned, with the district rich in tourism activities and establishment. There have been initiatives undertaken to assist in this regard, however, for as long as COVID-19 exists and the observation of safety protocols, business as we know it will continue to be affected and businesses will not be able to function at optimal levels. The funding sources currently available for the Entity includes allocations from IDM, government grants for various projects and interest earned from investments. These grants (COGTA, UIF and MICT SETA) were in relation to previous financial year rollovers, which were completed in the 2020/2021 financial year.

During the 2020/21 financial year, the Entity continued with the implementation of the UIF LAP and MICT SETA projects, where learners were recruited in the previous financial year. The close out reports are currently being drafted in this regard with a 10% retention amount being withheld until the certificates are issued to all learners.

The COVID-19 pandemic, as with most institutions, also affected programs as well as the cash flows of the Entity. Whilst the Entity no longer manages the National Schools Nutrition Programme (NSNP) on behalf of the Department of Education, the Entity continues to support local farmers by looking for alternative markets for the farmers in order to assist them during this difficult time.

The Entity continues to monitor the situation and strives to offer our services to the

communities that we serve, the best way it can under the circumstances.

### 5.1.2 Operating Results

Details of the operating results are included in the annual financial statements, which are part of this Annual Report. A summary of the results is as follows

REVENUE	Actual	Budget	Variance
	2021 R	2021 R	2021 %
Opening accumulated surplus	28 557 931	33 106 250	-15%
Operating income for the year	55 755 131	65 096 612	-15%
Total	83 937 911	98 202 862	
EXPENDITURE			
Operating expenditure for the year	54 485 251	57 659 235	-6%
Closing accumulated surplus	28 160 420	40 543 627	-31%
Total	82 645 671	98 202 862	

The variances for the 2020/2021 financial year in relation to the revenue anticipated and expenditure that was planned for are because of grant expenditure that was budgeted for but could not be expended on as approvals were not received from the funder (COGTA). The application for roll over process will be submitted in this regard.

An amount of R 24 995 722 was spent on projects during the 2020/21 financial year as follows:

Project Name	Expenditure 2020/21
UIF Grant	13 818 474
COGTA RASET Grant/LED Project	131 677
COGTA YEP Grant	3 012 823
Tourism Ex IDM	1 017 865
LED IDM Grant	1 022 218
MICT SETA Grant	2 087 651

Development of SMMEs	3481 507
EDTEA KwaShushu Project	10 365
SASA Grant	22 224
Maphumulo KwaShushu Project	391 304
<b>Totals</b>	<b>24 995 722</b>

One of the challenges that Enterprise iLembe faced during the 2020/2021 financial year, which has been recurring over the last three financial years, is the budget cut by IDM. This triggers the Entity to reduce on some operational expenses, which does hamper with meeting all the objectives as set out at budgeting period as most programmes would have been started by the time the adjustments budget is finalized. For as long as IDM has challenges with their revenue collection and increasing debtors' book, the Entity will remain affected by this. An amount of R1, 4 million was not paid by the district as at year end.

During the reporting period (financial year, 2020/2021), the Department of Education (DOE) did not renew the contract for the implementation of the NSNP project. This has negatively impacted on the revenue and operations of the Entity, especially as some of the operations covered through this programme included fixed costs. An amount of R0, 6 million remains outstanding and this pertains to previously financial years.

### 5.1.3 Unspent conditional grants

The following amounts with regards to conditional grants were unspent as at 30 June 2021:

<b>Project Name</b>	<b>Unspent grants 30 June 2021</b>
UIF Grant	1 706 765
COGTA RASET Grant/LED Project	1 810 568
COGTA BIOMASS Grant	14 605
COGTA YEP Grant	1274 749
Tourism - IDM	652 093

COGTA Public Wi Fi Grant	33 298
COGTA Mini Factories Grant	2 173 913
MICT SETA Grant	1 689 413
District Growth Summit	131 369
Development of SMMEs - IDM	255 573
LED Project - IDM	447 782
<b>Totals</b>	<b>10 190 127</b>

The application for the roll-over will be submitted to the respective departments and figures will be confirmed as soon as unspent amounts are audited by Auditor General.

#### 5.1.4 Accumulated surplus

The accumulated surplus as at 30 June 2021 was R 28 160 420 (30 June 2020 was 27 880 898)

#### 5.1.5 Cash and cash equivalents

As at 30 June 2021 the cash and cash equivalents balance was as follows:

Details	R
Cash at bank	2 452 928
Current Investments	11 021 568.
<b>TOTAL</b>	<b>13 474 496</b>

#### 5.1.6 Expression of appreciation

A successful year is never a one man's victory, but a collective effort from all other stakeholders involved in the running of the Entity, working together towards a common goal.

It is in this spirit that I would like to extend heart-felt appreciation to the Chairman of the Board, the Board Members, the Audit Committee, Internal Audit, the Acting Chief Executive Officer, the Heads of Departments within the Entity, the finance staff and the rest of staff within the Entity for their support and assistance. Special appreciation is also

given to the Office of the Auditor-General for their support and assistance in resolving issues that arise during our interactions.

I would also like to extend my appreciation to our shareholder, iLembe District Municipality, for their continued support and working together with us to fulfil our mandate as Enterprise iLembe.

**S.N. Mthembu**

Chief Financial Officer

## **5.2 Report of the Audit Committee**

The mandate of the Audit Committee is legislated in terms of section 166 of the Municipal Finance Management Act, 2003 (MFMA) which requires the Audit Committee to advise the Accounting Officer and the Board of Directors on matters relating to: Internal financial control and internal audits; risk management; adequacy, reliability and accuracy of financial reporting and information; accounting policies; performance management and evaluation; effective governance; Compliance with the MFMA and any other applicable legislation and / or policies and any other issues referred to it by the Entity.

The Audit Committee is also required to fulfil the functions of a Performance Management Committee constituted in terms of Regulation 14(2) of the Local Government: Municipal Planning and Performance Management Regulations, 2001. The MFMA also requires the Audit Committee to review the annual financial statements, respond to the Board on matters raised by the Auditor-General and carry out investigations into the financial affairs of the Entity.

### **Audit Committee Composition and Attendance**

The Entity has constituted an Audit and Risk Committee that is appointed in line with section 166 of the MFMA. The Committee comprised of four independent members, including the chairperson of the Committee. The members have diverse skills and experience which enables the diversity of views and opinions as well as ensures that there are sufficient checks and balances in the Committee's deliberations.

Both the Internal and External Auditors have unrestricted access to the Committee.

The term of office for one of the members of the Committee came to an end midway through the reporting period.

The table below sets forth the membership and attendance at meetings of the committee for the period under review. There were three meetings held for the period under review.

<u>Names</u>	<u>Role</u>	<u>No of Meetings Attended</u>	<u>09 Sep 2020</u>	<u>19 Oct 2020</u>	<u>27 Jan 2021</u>	<u>22 Apr 2021</u>
Mr S L Ndlovu	Member	3	Yes	Yes	Yes	N/A
Ms C Gertze	Member	4	Yes	Yes	Yes	Yes
Ms B Zulu	Member	3	Yes	Yes	No	Yes
Mr S Hlophe	Chairperson	4	Yes	Yes	Yes	Yes

Mr S.L Ndlovu's term of office / appointment ended on 31 January 2021.

The following are standing invitees to the Committee Meetings and they are always welcome to join scheduled meetings to enrich deliberations of the Committee:

- Representative from Auditor-General (AG)
- Representatives from Provincial Treasury and COGTA
- Internal Audit
- The Risk Management Committee Chairperson

### **Audit And Risk Committee's Responsibility**

The Committee operates under written terms of reference, the audit committee charter which is approved by the Board annually. These terms of reference are in line with the requirements of section 166 of the MFMA and Treasury Regulation 27.1.

In this report, under relevant headings, we have summarized the activities and progress the Committee has have undertaken in executing its mandate:

### **Internal Audit and Internal Control**

In line with the requirements of the MFMA, the Internal Audit provides the Committee and Management with assurance as to whether the internal controls are appropriate and effective. This is achieved by means of the risk based internal audit plan which is approved by the Committee annually.

The internal audit function of the Entity is currently outsourced to ASI Incorporated who took over from Nexia SAB & T during the reporting period.

The Committee did approve the Internal Audit Plan for 2020/21 financial year. Internal Audit reports were presented to the Committee during this period and it was noted that the audit plan was executed in full. There were various issues and concerns raised by the audit committee with regards to certain sections of audit which predates the reporting period and these are being monitored continuously to ensure that such concerns are considered and addressed by management. During the reporting period, the Committee further noted the sudden departure of the Chief Executive Officer and followed by the Chief Operations Officer, both whilst there were still investigations underway to deal with alleged irregularities. The Committee notes that these investigations have been completed within the reporting period and the recommendations of the investigations have been referred to law enforcement agencies for further action.

On the audit of the 2020/2021 annual financial statements (AFS), the Audit Committee noted the report presented by external audit which indicated that the Entity produced AFS that are free from material misstatements, where there were areas of clarity or correction to be made, those were attended to and corrected accordingly. The Committee further noted the findings raised by the external audit team. Management was urged ensure that the action plan to resolve all the findings is put in place and monitored for clearing within reasonable timelines. and.

### **Risk Management**

The Committee is responsible for oversight of the internal and external auditors as well as financial reporting. Because the assessment of internal controls over financial reporting is risk-based, the Committee is responsible for overseeing management's risk policies and discussing the key risk exposures with management.

The Entity conducted a risk assessment during the start of the financial year and the top key risks were identified, measured and prioritised and the updated risk register as reviewed and approved by the Audit Committee was adopted on 30 October 2019

by the Board. Risk management reports are presented to the Committee during its meetings.

In the previous report, the Committee noted the challenge regarding the functionality of the Risk Management Committee due to the absence of the Risk Management Committee Chairperson, as the former chairperson had resigned, the Committee is pleased to note that a new Independent Risk Management Committee Chairperson has been appointed and will be a permanent invitee to all the meetings of the Committee to report on the activities of the Risk Management Committee as well as to give her input on risk management interventions of the Entity.

Strategic risk assessment sessions were held with Management on 06 July and 13 July 2020 and the 2020/2021 Risk register was done based on the outcome of the strategy sessions. It was noted that 27 risks were identified along with 60 action items to be implemented by the Entity. It was also noted that pro-bono support was granted by SAICA and the appointed service provider (ISIBANI) has assisted with addressing Risk Management issues and provided inputs/comments to the Risk Register. Minor refinements linking risks identified with the Strategy, IDP of the shareholder (IDM) and risk ratings were also done.

The Committee continues to observe the advise on the Entity's responses to Covid-19 impact and is comfortable that due care is observed in that operations are not adversely impacted, notwithstanding the challenges that have been brought by Covid-19.

The Committee is comfortable with the level at which risk is managed by the Entity but observed that the absence of the Risk Management Chairperson hindered performance to a certain extent. The appointment of a new Risk Management Committee Chairperson gives hope that all the challenges and areas of concern will be addressed during the 2021/2022 financial year.

### **ICT Governance and ICT Operations**

ICT is the integral part of the organization. There has been improvements within the ICT function with the Entity resolving to have this function in-house and the

appointment of an ICT Officer who is currently assessing the infrastructure and other ICT related resources that the Entity will need going forward. Management is enjoined to ensure that ICT governance and operations are prioritised to ensure business continuity and to ensure efficient operations. The Committee will be monitoring these closely in during the 2021/2022 financial year and going forward.

### **Evaluation of Financial Reports and Annual Financial Statements**

For the reporting period under review, the Committee was able to evaluate the following:

- The quarterly Annual Financial Statements (AFS) were presented by management, which is commendable as it assists in eliminating issues being raises at the financial year end and addressed at the earliest convenience.
- With regards to external audit action plan, management confirmed that the issues raised by external auditors are being attended to and will be cleared within reasonable timelines. We evaluated this through an Action Plan progress report submitted to the Committee. We are satisfied that these matters are addressed adequately.
- We are comfortable that MSCOA compliance has progressed adequately and through engagement with the District Municipality we are satisfied with the support provided to the Enterprise. During the review of AFS we noted that the AFS were in accordance with MSCOA and that the Enterprise is able to transact and process entries using the MSCOA system. The Entity currently has a signed agreement (SLA) with Munsoft – the financial system service provider which is assisting in queries being promptly attended to.
- Compliance issues were also noted and reviewed through the SCM report presented by the CFO quarterly to the committee. This includes, deviations, irregular, fruitless and wasteful expenditure. There were no issues of irregular expenditure picked up and report during the current financial year. There were deviations noted, which were presented and approved as they were in terms of legislation. The fruitless and wasteful expenditure incurred as a result of interest and penalties imposed were

recorded. The same was reported to the Board together with the outcome of investigations by the Chief Executive Officer on some instances. Management is urged to put proper control measures in place to ensure that these are not repeated and are avoided in the future.

### **Performance information**

The Committee also serves as the Performance Committee for the Entity. The legal responsibilities of the Committee in this regard are set out in terms of the Local Government: Municipal Planning and Performance Management Regulations 2001.

With regards to APR this was reviewed through scrutiny and engagement with management. We are satisfied of the progress made at an organizational level, currently sitting at 83% of targets met. Progress in some instances was hindered by the lockdown.

### **Recommendations**

- The Board and management at all levels should continue with commitment to optimally use scarce resources, cash-flow and sustainability plans and regular monitoring and evaluation to ensure that the Enterprise iLembe continues as a going concern.
- The Board and management need to continuously monitor and review internal controls. The Chief Executive Officer must ensure that there are consequences for non-adherence with internal controls.
- The Chief Executive Officer and management should ensure that credible, reliable and accurate financial and performance information is submitted quarterly for review by the Board and the Committee.
- The Chief Executive Officer should ensure that recommendations of internal and external audits are implemented as per the action plans and report progress on a quarterly basis. This should assist to prevent irregular, fruitless and wasteful expenditure as well as non-compliance with laws and regulations.

### **Conclusion**

The implementation and maintenance of proper systems of internal controls, risk management, the prevention of fraud and errors, safeguarding of the assets of the

enterprise and compliance with relevant laws and regulations, are the responsibility of the Board. The role of the Audit and Risk Committee is to monitor the efficiency of the procedures and mechanism which the Board has put in place in order to ensure that its policies and procedures are adhered to.

The Audit and Risk Committee remains committed in assisting and supporting the Board in the execution of its mandate and towards managing the financial affairs in accordance with the law.

On behalf of the Audit Committee, I hereby submit this report for inclusion on the 2020/2021 Annual Report.

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Silas Hlophe  
Chairperson of the Audit Committee  
02 December 2021

## **5.3 Report of the Auditor-General**

### **Report of the Auditor-General to Kwa-Zulu Natal Provincial Legislature and the council on iLembe Management Development Enterprise (Pty) Ltd**

#### **Report on the audit of the financial statements**

##### **Opinion**

1. I have audited the financial statements of the iLembe Management Development Enterprise (Pty) Ltd set out on pages x to x, which comprise the statement of financial position as at 30 June 2021, the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget information with actual information for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the iLembe Management Development Enterprise (Pty) Ltd as at 30 June 2021, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa 56 of 2003 (MFMA) and the Divisions of Revenue Act of South Africa 16 of 2019 (DORA)
3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the municipal entity in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my unqualified opinion.

##### **Emphasis of matter**

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

**Irregular expenditure**

7. As disclosed in note 23.2 to the financial statements, the entity incurred irregular expenditure of R2,6 million (2019-20 : R7,0 million), as it did not follow a proper tender process.

**Other matter**

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

**Unaudited disclosure notes (MFMA125)**

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

**Responsibilities of the accounting authority for the financial statements**

10. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and Dora, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
11. In preparing the financial statements, the accounting authority is responsible for assessing the municipal entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

**Auditor-general's responsibilities for the audit of the financial statements**

12. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to

influence the economic decisions of users taken on the basis of these financial statements.

13. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

## **Report on the audit of the annual performance report**

### **Introduction and scope**

14. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
15. My procedures address the usefulness and reliability of the reported performance information, which must be based on the entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the entity's enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
16. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the Local economic development objective presented in the entity's annual performance report on pages x to x for the year ended 30 June 2021.
17. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
18. The material findings on the usefulness and reliability of the performance information of the selected objective are as follows:

## **KPA 1 – Local Economic Development**

Key performance indicator: Broadband project technical assessments and off take agreements completed

19. Target 'Broadband project technical assessments and off take agreements' for this indicator is not specific in clearly identifying the nature and required level of performance.

### **Other matter**

20. I draw attention to the matter below.

### **Achievement of planned targets**

21. The annual performance report on pages x to x for information on the achievement of planned targets for the year and management's explanations provided for the under achievement of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraph 19 of this report.

### **Adjustment of material misstatements**

22. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of local economic development. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

## **Report on the audit of compliance with legislation**

### **Introduction and scope**

23. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the municipal entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
24. The material findings on compliance with specific matters in key legislation are as follows:

### **Annual financial statements**

25. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of current assets and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified opinion.

### **Other information**

26. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.
27. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
28. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objective presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
29. When I do receive and read the other outstanding information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

### **Internal control deficiencies**

30. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.

31. Management did not prepare accurate and complete financial statements and annual performance report, that were supported by reliable information as material misstatements were identified in the annual financial statements and annual performance report.
32. I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
33. An independent consultant investigated an allegation of possible fraud and financial misconduct into the UIF and MICT SETA Programme, which covered the period November 2020. The investigation was concluded on December 2020 and resulted in criminal proceedings against two former employees, further investigations of other projects and lifestyle audits of employees. These proceedings were in progress at the date of this auditor's report.

**Pietermaritzburg**

**30 November 2021**

## **Annexure – Auditor-general's responsibility for the audit**

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional skepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected objectives and on the entity's compliance with respect to the selected subject matters.

### **Financial statements**

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
  - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
  - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority
  - conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the iLembe Management Development Enterprise (Pty) Ltd to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a entity to cease operating as a going concern
  - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

### **Communication with those charged with governance**

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

### **5.4 Audit Action Plan**

The audit action plan for the 2020/2021 audited financial year has been updated and is attached **Appendix B**

### **Part II – Audited Annual Financial Statements 2020/2021**

The audited annual financial statements are attached as **Appendix C**