



*Inspiring new ways*

**LIMPOPO TOURISM AGENCY**

**Annual Report**

**2016 - 2017**

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# ***PART A***

## **GENERAL INFORMATION**

**1. LIMPOPO TOURISM AGENCY'S GENERAL INFORMATION**

<b>REGISTERED NAME:</b>	Limpopo Tourism and Parks
<b>REGISTRATION NUMBER (if applicable):</b>	Schedule 3C PFMA
<b>PHYSICAL ADDRESS:</b>	Southern Gateway Ext. 4, N1 Main Road Polokwane 0700
<b>POSTAL ADDRESS:</b>	P. O. Box 2814  POLOKWANE  0700
<b>TELEPHONE NUMBER/S:</b>	+27 15 293 3600
<b>FAX NUMBER:</b>	+27 15 293 3655
<b>EMAIL ADDRESS:</b>	info@golimpopo.com
<b>WEBSITE ADDRESS:</b>	www.golimpopo.com
<b>EXTERNAL AUDITORS:</b>	Auditor General South Africa
<b>BANKERS:</b>	ABSA Bank Limited
<b>COMPANY SECRETARY</b>	TG Kotsedi

## 2. LIST OF ABBREVIATIONS/ACRONYMS

B-BBEE	Broad-Based Black Economic Empowerment
BEE	Black Economic Empowerment
CEO	Chief Executive Officer
COGTA	Cooperative Governance and Traditional Affairs
CSI	Corporate Social Investment
FDI	Foreign Direct Investment
LEDET	Limpopo Economic Development Environment and Tourism
LEGDP	Limpopo Employment Growth and Development Programme
LTA	Limpopo Tourism Agency
LWR	Limpopo Wildlife Resorts
MEC	Member of Executive Council
MOU	Memorandum of Understanding
NCB	National Convention Bureau
NDT	National Department of Tourism
NGO	Non-governmental organisation
NTSS	National Tourism Sector Strategy
PCB	Provincial Convention Bureau
PPP	Public-Private Partnership
SADC	Southern African Development Community
SALGA	South African Local Government Association
SAT	South African Tourism

SETA	Sector Education and Training Authority
SMEs	Small and Medium Enterprises
SMMEs	Small, Medium and Micro-Enterprises
Stats SA	Statistics South Africa
TFCA	Trans-frontier Conservation Area
TFDS	Total Foreign Direct Spend
TSA	Tourism Satellite Account
VFR	Visiting Friends and Relatives

### 3. STRATEGIC OVERVIEW

#### 3.1. Vision

To position Limpopo as a leading tourism destination in Southern Africa.

#### 3.2. Mission

To promote and offer a sustainable and diverse tourism experience through strategic marketing (destination marketing) and support and facilitate tourism development programmes, collaborations with stakeholders and sector transformation.

#### 3.3. Values

Core Value	Description
Integrity	Conduct beyond reproach will be deployed by staff and the Board Members
Respect	Display respect in dealing with all stakeholders, be they colleagues, other departments, business partners in the tourism industry or to Limpopo, which is best displayed through effective listening and communication, as well as seeking first to understand them before being understood.
Excellence	The entire LTA organisation, shall continually strive for service excellence delivery towards all our tourists
Responsibility	All tourism development, management and activities shall deliver on all areas of economic, social, environmental and personal, growth sustainability
Communication	LTA will strive to communicate effectively and efficiently within and outside the organisation



Accountability	Obligation of an individual or organisation to account for its actions (Financials, Performance and Social), accepts responsibility for their disclosed results in a transparent manner.
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### 3.4. Strategic outcome orientated goals

- Effective and efficient administrative support in the organization;
- To provide efficient and effective human resources support services;
- To provide efficient and effective finance and support services;
- To initiate product development, tourism investment, strategic partnerships and provide quality hospitality services and
- To position Limpopo as a leading tourism destination in Southern Africa.

## 4. LEGISLATIVE AND OTHER MANDATES

LTA is a Schedule 3C entity (PFMA) reporting to Limpopo Department of Economic Development, Environment and Tourism (LEDET) and its programmes and activities are guided by a number of constitutional and legislative mandates as follows:

### Constitutional mandates:

- National Tourism Sector Strategy (NTSS)
- Global Competitiveness Strategy
- Airlift Strategy
- Tourism Act 72/1993, Tourism Second Amendment Act 70/2000
- Tourism Development Strategy
- Tourism Heritage and Culture Strategy
- Rural Tourism Strategy.

The following Acts and Strategies are relevant at provincial levels:

- Limpopo Tourism Act 2/2009
- Limpopo Environmental Management Act 7/2003
- Limpopo Employment and Development Strategy
- Limpopo Marketing Strategy

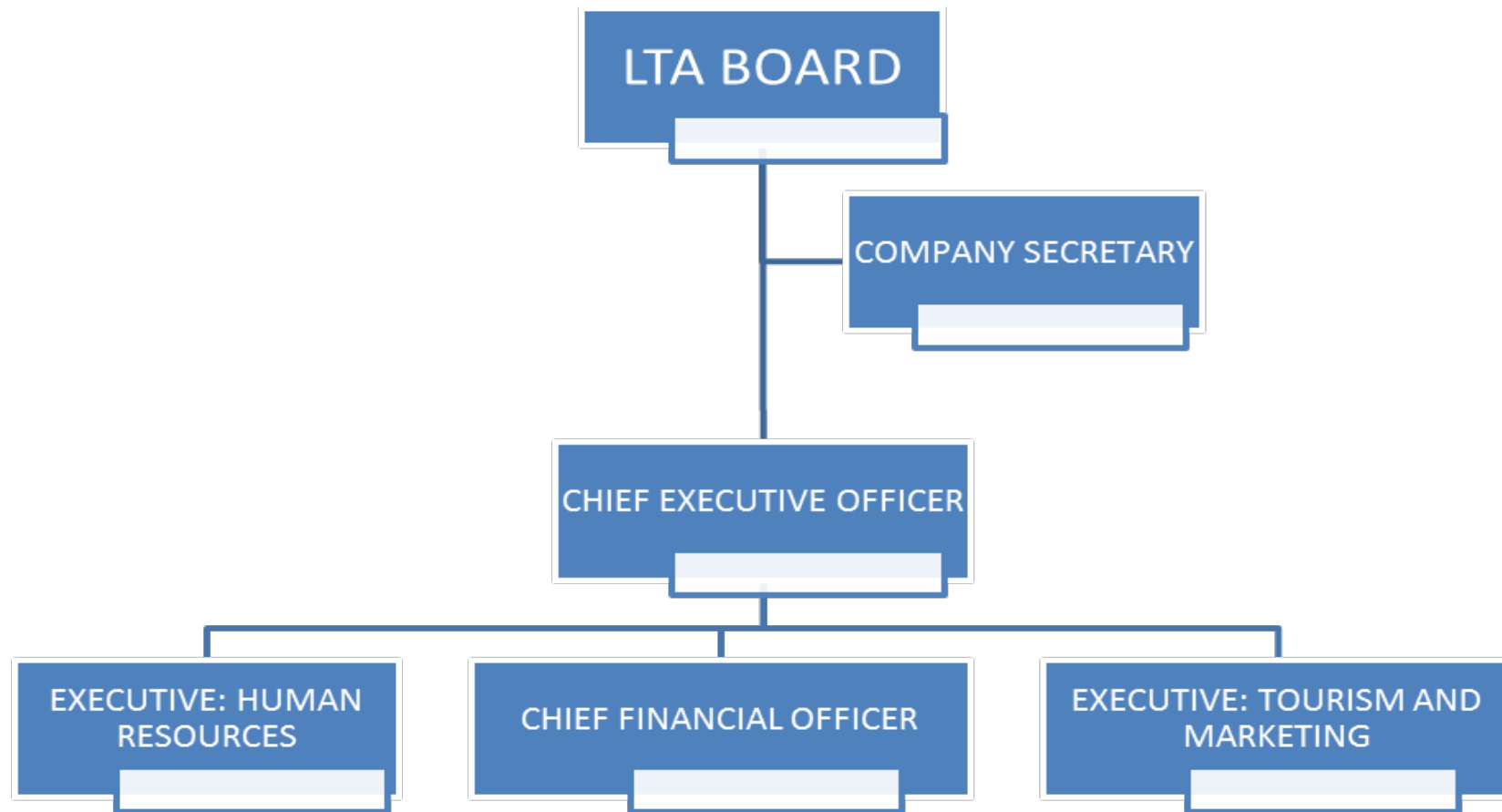
## □ Tourism Growth Strategy

### **Legislative mandates**

The functions and powers of the Limpopo Tourism Agency are:

- Develop and implement a tourism marketing strategy within the framework of the provincial tourism strategies;
- Undertake and facilitate tourism research;
- Support tourism transformation and capacity building programmes;
- Enhance and enable tourism investment opportunities on provincial nature reserves;
- Enhance the integration of tourism programmes through the establishment of formal partnerships with municipalities;
- Initiate tourism product development in provincial nature reserves;
- Subject to the PFMA and other applicable legislation, establish strategic partnerships with community co-operatives, organizations, government structures and tourism organizations for enhancing tourism marketing;
- Establish and maintain a database containing information relating to:
  - Existing tourist attractions, infrastructure, facilities, services, location and access;
  - Natural and cultural attractions that may be developed as tourist attractions in the province; and
  - New areas of tourism activity and potential sites for these activities
- Advise the MEC on any matter relating to the tourism industry; and perform any other function the MEC may assign or delegate to the Agency

5. ORGANISATIONAL STRUCTURE



## 6. MEC'S FOREWORD



**Name: Mr. Seaparo Sekoati**

**Title: Member of the Executive Council for Economic Development, Environment and Tourism**

We once again take great pleasure in reporting on the performance and activities of the Limpopo Tourism Agency (LTA) for the financial year 2016/17. Gone are the days when tourism was considered a “by the way” sector as far as its contribution to economy was concerned. To date tourism is one of the major contributors of economy as espoused by the National Development Plan and Limpopo Development Plan.

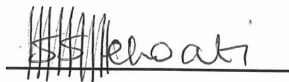
We are grateful to report that Limpopo recorded an increase in tourist arrivals to the province from 1.3 million in 2015 to 1.5 million in 2016, an increase of 0.2 million arrivals. The total number of domestic trips by source markets also increased from 4.7 million in 2015 to 6.3 million in 2016 (1.6 million increase). The province’s total number of domestic trips by destination markets also showed a massive increase from 5.6 million in 2015 to 8.3 million in 2016 (2.7 million increase).

While Limpopo has reclaimed its number one spot in respect of domestic tourism in the country, the Agency still has a daunting task of deriving value from the bigger segment of visiting friends and relatives (VFR) by ensuring that when these people are in the province, they increase their spend and length of stay, which is what tourism is all about.

I am delighted about the level of commitment from the Board, whose mandate was clearly outlined upon appointment. Key among these were, developing a new marketing strategy, which was done. The Board has developed a new structure for implementation during this current financial year and implemented the EXCO Resolution No. 7 of 2015/16 of transferring Limpopo Wildlife Resorts (LWR) to LEDET. LTA is now left with only one mandate of marketing Limpopo Province as a tourist destination of choice.

Limpopo Tourism continues to be on the growth trajectory despite the unpredictable and volatile economic situation in the world, tourism as a sector has continued to display resilience and growth nationally and Limpopo is a leader amongst all the provinces in the country.

We wish to congratulate the Board for receiving an unqualified audit opinion. In the Board's quest to receive a clean audit report, it will be prudent for it to pay attention to compliance and governance aspects as that will be critical for it to conduct its oversight and other fiduciary responsibilities to ensure further improvement on the Auditor General's opinion. Clean audit is achievable.



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**Seaparo Sekoati**

**MEC for Economic Development, Environment and Tourism**

## 7. CHAIRPERSON'S OVERVIEW



**Name: Mr. Khiba Andrew Dipela**

**Title: Board Chairperson of Limpopo Tourism Agency**

The success of Limpopo Tourism Agency Board (LTAB) lies in the effective and efficient application of the corporate governance principles and practices that successful entities adhere to. The LTAB's character can be described by three words, namely, expertise, quality and vigour.

It must be reported that 2016/17 was another eventful financial year. True to its character, the Board got the ball rolling and put its shoulder to the wheel. The Board convened a successful media breakfast to make known its marketing strategy, aligned to Limpopo Tourism Act 2/2009.

This was a critical period that saw the Board implement its singular mandate of promoting Limpopo Province without Limpopo Wildlife Resorts (LWR) as captured above. The Board's primary objective is to oversee provision of sustainable tourism development; management and promotion thereof as well stimulate investment in the Province.

It is against this background that the LTA Board continues to make concerted efforts to transform the tourism industry in the province in an endeavour to fight the triple challenges of poverty, unemployment and inequality. The Board has never been oblivious of this critical challenge. Our commitment to transform the tourism industry at the level of previously disadvantaged members of the society can be demonstrated by the fact that LTA continues to mentor and incubate emerging entrepreneurs by guiding them through among others the Lilizela Awards. The case in point in this regard is Besty Travel, which is the current overall winner of the Lilizela Award in the Emerging Tourism Entrepreneur of the Year Award (ETEYA) during the period under review.

The Board accompanied the shareholder, the Honourable Member of the Executive Council, Mr. Seaparo Sekoati during his outreach programme in all the districts of the province talking to stakeholders including the tourism industry about opportunities in the various portfolios of the department. This process emanated from the announcements in the department's budget speech by the shareholder.

One of the strategic challenges that the Board continued to be faced with was the acknowledgement of the critical importance of Cultural and Heritage Tourism aspect symbiotically related to Rural Tourism Strategy. This could be an enormous competitive advantage to the province given the rich mix of culture.

It is imperative to note that the Board has approved the top organisational structure for its implementation in the next financial year, 2017/18. Management has been directed to complete the entire structure for implementation in the next financial year.

The Board also commenced with a consultative process of engaging with stakeholders in all the districts of the province. Board members were deployed at various districts where such stakeholder engagement forums were held to interface with them.

Worth noting is the fact that the Board was implored by the Shareholder for the Telkom Supersport Golf Shootout now called BCX Supersport Shootout to be hosted in Limpopo. The Board is happy to announce that measures are explored for the event to be hosted in the Province over the next three years from 2016/17 until 2018/19 financial year. To this end, LTA Board signed an agreement with Legend Foundation to raise funds for any charity of LTA's choice during this spectacle.

Limpopo Tourism Agency will continue to protect its international market share whilst giving greater focus to marketing strategy guiding prescripts. The domestic market has given the entity much to think about hence the entity is now focusing most of its attention to domestic tourism. The statistics are well in favour of the local and regional markets.

The following policy directives still remain paramount to Limpopo Tourism Agency (LTA):-

- ✓ Clean Audit,
- ✓ Integration of all the entity's systems
- ✓ Exceptional performance
- ✓ Fighting the triple challenges,
- ✓ Strong partnership with private sector and Local Government,
- ✓ Encouraging grading of tourism facilities,
- ✓ Intensify efforts in the area of research,
- ✓ Grow tourism,
- ✓ Market intelligence.

The Board has also experienced sombre moments especially during the loss of the departed soul of Kgošigadi Maponye Edith Nchabeleng, who was a member of the LTA Board. May her soul find eternal peace!

I wish to, on behalf of LTA Board and staff, thank the shareholder, the MEC for Limpopo Economic Development, Environment and Tourism, Mr. Seaparo Sekoati, and management and staff of his department for the support, guidance and space provided for LTA Board to fulfil its mandate.

I wish to on behalf of the LTA Board and staff send our gratitude to media both local/national and international for having demonstrated unparalleled commitment to the course of promoting our beautiful province, its people with diverse cultures, icons, abundant wildlife and attractions.

We would not have done justice if we did not thank the tourism industry leaders for their support and advice as we could not have succeeded on our own. We will continue to seek wisdom on how to lead while they drive tourism and make it succeed.

It will be inept of myself not to highlight that whilst it is the ultimate goal of this entity to achieve a clean audit, the strides made in movement from a qualified audit opinion during the previous year to an unqualified audit opinion for the year under review is commendable. The Board, management, as well as the Shareholder worked together to achieve this milestone, progress which calls for more intensity in compliance to governance.

Lastly we wish to thank the Interim CEO, Mr. Gladwin Kotsedi, who stepped in upon resignation of the former CEO, Mr. Ndumiso Matlala, and his team for displaying commitment in uplifting tourism performance and standard in the province. We have again retained our number one spot as the most visited province in the country on the domestic tourism front. The team is also thanked for its tireless efforts to assist the entity to obtain an unqualified audit report from the Auditor General. We salute both our internal auditors and Auditor General, to whose professional prowess we are continually indebted, as assurance providers.



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**K.A DIPELA**  
**Board Chairperson**  
**Limpopo Tourism Agency**



## 8. CHIEF EXECUTIVE OFFICER'S OVERVIEW



**Name: Mr. Thapelo Gladwin Kotsedi**  
**Title: Interim Executive Officer**

The Member of the Executive Council (MEC) responsible for Economic Development, Environment and Tourism, the Hon Seaparo Sekoati (MPL).

The Chairperson of Limpopo Tourism Agency Board, Mr. Andrew Dipela and Members of the Board.

It is an honour for me to, on behalf of LTA management and staff, present the 2016/17 Annual Performance Report to you. Part of our responsibility to the Board and the Shareholder, Limpopo Economic Development, Environment and Tourism (LEDET), is to ensure maximum accountability in the execution of our mandate in respect of the Limpopo Tourism Act 2/2009. To this end, we wish to, as part of the fulfilment of this responsibility, submit our full account of the activities of Limpopo Tourism Agency (LTA) for the financial year 2016/17.

The 2016/17 financial year has been very exciting with a plethora of activities and events that sought to promote our province by attracting multitudes of people to the province. The financial year also marked the first year of the implementation of the marketing strategy in respect of a singular mandate of marketing the province. Limpopo Wildlife Resorts was effectively transferred to Limpopo Economic Development, Environment and Tourism (LEDET).

Based on the marketing strategy, the entity was able to formulate the Annual Performance Plan for the year under review. At the helm of the Annual Performance Plan, was the need to comply with the SMART principles, which provide for the following attributes: specific, measurable, attainable, realistic and timely goals.

The entity conducted a successful media colloquium in order for the Board to make known its intentions to fulfil its new singular mandate of marketing Limpopo Province as a leading destination.

In addition, the entity participated in Tourism INDABA where tourism entrepreneurs were supported and mentored to gain market access. The newly established tourism division of the entity (Integrated Destination Marketing) organised briefing sessions for all the delegates who attended Tourism INDABA that took place in May 2017.

LTA organised Tourism Month activities commencing with the launch as a precursor. The month long activities culminated in the World Tourism Day Celebrations that took place in Parys in the Free State Province.

Limpopo Province continues to be one of the major recipients of tourism arrivals from South Africa's core international markets given its broad tourism product offering and appeal. The province is within the top three most visited in the country on the domestic tourism front.

LTA has deliberately supported various provincial events that contribute to bringing high volumes of people into the Province on an annual basis. Major events that LTA supported include Mapungubwe Arts and Culture Heritage Festival (MACHEF), I-Rock, Balobedu Get Together Festival, Limpopo Marula Festival and BCX Supersport Shootout. The Agency further partnered with Sapa Yopa Motor Cycling Association for its rally that also drives the economy by bringing more motor cyclists and their followers to the province. LTA continued to partner with Kremetart Cycle Race organisers, which is the biggest family event and one of the biggest cycle races in the country.

The transfer of LWR Function to LEDET was completed seamlessly but required a serious review of LTA's strategic business, corporate plan and organisational design to be aligned to our new business responsibility. LTA appointed a service provider to do the organisational design and develop a structure in line with the new mandate. The entire structure will be complete and be ready for implementation during the next financial year, 2017/18.

In delivering its mandate, LTA draws its influence from national and provincial policies and strategies alike, which clearly serve to guide, promote and grow tourism in the province. It will be imperative for LTA to be differentiated from any other destination with its identifiable brand (as a differentiator). This denotes that the entity will be finalising a new focused brand journey that will help the Entity stand out in the marketing space.

It is important to note that LTA's newly revised mandate is now keenly focused on increasing tourist arrivals into and within the Limpopo Province through marketing. Our Marketing Strategy has been aligned to the strategies of Brand SA, SA Tourism, National Tourism Sector Strategy (NTSS) and Limpopo Development Plan derived from the National Development Plan.

As a matter of emphasis, the Agency is responsible for the generic marketing of the six (6) tourism clusters in the Province, namely:

- Golf and Game
- Hunting and Safari
- Family and Recreation
- Special interest
- Mega-conservation
- Meetings Incentives Conference and Events (MICE)

We wish to, on a sad note, extend our heartfelt condolences to the Royal Family of Nchabeleng on the loss of their leader, who also served as a member of the LTA Board, Kgošigadi Maponye Edith Nchabeleng, and may her soul rest in peace. We wish to also extend words of condolences to the family of our Board Chairperson, Mr. Andrew Dipela, on the loss of his son. In the same spirit, condolences are directed to all Board and staff members who lost their loved ones during the period under review.

We wish to thank everybody who contributed towards the success of LTA during the period under review.

- Our Shareholder (MEC) for the strategic support.
- Our Board for its leadership, support and guidance.
- Our Executive Management and the entire staff for giving their all during the most difficult times.
- My colleagues, CEO's of other tourism authorities in other Provinces, for their willingness to always share good practices on how best we can grow tourism in our country.
- My colleagues, CEO's of other State Owned Entities in our Province, for their unqualified support.
- Members of the media for their coverage of our Province to ensure that Limpopo does not remain in obscurity.

We present this report with pride about our successes and achievements hoping to improve our position as the most visited destination in the country on the domestic tourism front. The financials of this entity best describe the effort that has been made during the year under review, from a qualified audit opinion to unqualified audit opinion. We continue to recognize that tourism can only grow to serve the needs of our people. We enter the new financial year with more dedication, vigour, determination and resolve hoping to succeed even more.



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**TG KOTSEDI**  
Interim Chief Executive Officer  
Limpopo Tourism Agency



# ***PART B***

PERFORMANCE INFORMATION

# LIMPOPO TOURISM AGENCY EXECUTIVE MANAGEMENT COMMITTEE



**Mr. Thapelo Gladwin Kotsedi**  
Interim Chief Executive Officer



**Mr. Sammy Manamela**  
Chief Financial Officer



**Mr. Sello Maleka**  
Executive Human Resources



**Ms. Lulama Tshabalala**  
Executive Tourism Marketing



**Mr. Nkhensani Mabunda**  
Acting Company Secretary



**Mr. Mike Tauatsoala**  
Manager Corporate Communications  
& PR



**Ms. Maureen Phalala**  
Manager Legal Services



**Mr. Choene Masoga**  
Manager Risk and Compliance

## 1. Statement of Responsibility for Performance Information for the year ended 31 March 2016

The Chief Executive Officer is responsible for the preparation of the Limpopo Tourism Agency's performance information and for the judgements made in this information.

The Chief Executive Officer is responsible for establishing, and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of performance information.

In my opinion, the performance information fairly reflects the actual achievements against planned objectives, indicators and targets as per the strategic and annual performance plan of the public entity for the financial year ended 31 March 2017.

The Limpopo Tourism Agency's performance information for the year ended 31 March 2017 has been examined by the external auditors and their report is presented on page 62 to 67.

The performance information of Limpopo Tourism Agency as set out on page 25 to page 38 was approved by the board.



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**TG KOTSEDI**  
Interim Chief Executive Officer

## 2. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The AGSA/auditor currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion.

Refer to page 62 - 67 of the Auditor's Report, published as Part E: Financial Information.

## 3. OVERVIEW OF LIMPOPO TOURISM AGENCY'S PERFORMANCE

### 3.1. Service Delivery Environment

- (a) Develop and implement a tourism marketing strategy within the framework of the provincial tourism strategies;
- (b) Undertake and facilitate tourism research;
- (c) Support tourism transformation and capacity building programmes;
- (d) Enhance and enable tourism investment opportunities on provincial nature reserves;
- (e) Enhance the integration of tourism programmes through the establishment of formal partnerships with municipalities;
- (f) Initiate tourism product development in provincial nature reserves;
- (g) Provide hospitality services in provincial nature reserves;
- (h) Subject to the PFMA and other applicable legislation, establish strategic partnerships with community co-operatives, organisations, government structures and tourism organisations for enhancing tourism marketing;
  - (i) Establish and maintain a database containing information relating to -
    - (i) Existing tourist attractions, infrastructure, facilities, services, location and access;
    - (ii) Natural and cultural attractions that may be developed as tourist attractions in the province; and
    - (iii) New areas of tourism activity and potential sites for these activities;

3.2. Strategic outcome oriented goals

Programme	Strategic Goal	Progress
OFFICE OF THE CEO	<p>To contribute to the economic growth through marketing of Limpopo as a leading destination in Southern Africa.</p>	<p>Complied with all governance prescripts. Engaged stakeholders.</p>
CORPORATE SERVICES		<p>Management contributed immensely towards the review of the Records Management file plan. The entity appointed six interns for a period of twelve months to acquire workplace experience in line with the Skills Development Act No. 97 of 1998 as amended. Employee wellness programmes were implemented to create awareness on HIV/AIDS and Cancer. Members of staff were encouraged to participate in physical activities to promote a healthy lifestyle. A harmonious working relationship was maintained with organised labour and matters of mutual interest were amicably resolved.</p>
FINANCIAL MANAGEMENT		<p>Financial management was qualified.</p>
INTERGRATED DESTINATION MARKETING		<p>Focused on being present in the media space and created more awareness on the province's offerings. The entity looked at leveraging on the events from mass movements and targeting different market segments.</p>



#### 4. PERFORMANCE INFORMATION BY PROGRAMME

##### 4.1. Programme 1: Office of the Chief Executive Officer

###### Purpose

The purpose of the programmes is to ensure effective, efficient and economic management of the entity. Further that the Board and its activities are well managed. That all the identified top ten risks are mitigated and reviewed regularly. It is aimed at intensifying communication amongst the staff, industry and stakeholders at large. Imperative also will be putting in place an effective plan that would monitor and develop strategic goals of the company in line with the mandate given.

###### Sub-Programmes

- Board support
- Monitoring and Evaluation
- Internal audit and risk
- Corporate communications

###### Strategic objectives, performance indicators planned targets and actual achievements

Office of the CEO					
Strategic objectives	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
To improve organisational performance	Improved organisational performance	To improve organisational performance	Improved organisational performance	None	None

**Key performance indicators, planned targets and actual achievements**

Programme / Sub-programme 1: Office of the CEO					
Performance Indicator	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
Number of Programmes monitored in line with Performance information frameworks to ensure that 90% of planned targets are achieved	Not Measured	16	16	None	None
Number of risk management reports produced	Four (4) risk management reports submitted	4	4	None	None

**Programme Contribution**

Governance: programme was able to ensure legislative compliance in the organisation.

Stakeholder relations: organisation was able to engage and maintain relations with internal and external stakeholders.

The entity will embark on an organisational re-design programme to ensure that the new strategy is aligned to the organisational structure and functions.

**Strategy to overcome areas of under performance**

The entity has appointed the internal audit to provide assurance on the internal controls of the organisation.

### Changes to planned targets

No changes.

### Linking performance with budgets

Sub- Programme Name	2016/2017			2015/2016		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R	R	R	R	R	R
CEO	565 718	596 410	(30 692)	1 412 360	706 113	706 247ol
Board Management	3 749 954	2 906 571	843 383	2 687 640	2 535 927	151 713
Communications	0	0	0	0	0	0
Consultants and Professional fees	74 328	63 937	10 391	0	0	0
Risk and Compliance	50 000	45 674	4 326	0	0	0
Employee Compensation	5 978 956	5 754 281	390 863	5 781 893	5 696 782	85 111
Capex	60 000	33 375	26 625	160 000	81 472	78 528
<b>Total</b>	<b>10 478 956</b>	<b>9 400 248</b>	<b>1 244 896</b>	<b>10 041 893</b>	<b>9 020 294</b>	<b>1 021 599</b>

#### Notes:

- Communications activities were executed under Integrated Marketing Division's votes.
- Consultants and Professional fees were not budgeted for in the year 2015/2016.
- Risk and Compliance was not budgeted for in the year 2015/2016.

## 4.2. Programme 2: Corporate Services

### Purpose

To provide effective and efficient corporate support services in Limpopo Tourism Agency.

### Sub-Programmes

- Administration
- Human Resources
- Information Communication Technology

### Strategic objectives, performance indicators planned targets and actual achievements

Programme Name: Human Resource					
Strategic Objective	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
To ensure the effective and efficient management of the entity to achieve its mandate	Improved organisational performance	Effective and efficient corporate support services provided in Limpopo Tourism Agency	Effective and efficient corporate support services provided in Limpopo Tourism Agency	None	None

**Key performance indicators, planned targets and actual achievements**

Programme / Sub-programme 2: Corporate Services					
Performance Indicator	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
Number of Records Management file plan reviewed.	Not measured	One (1) Records Management file plan reviewed.	1	None	None
Number of Organisational Redesign strategy developed	Not measured	One (1) Organizational Redesign strategy developed.	None	1	Awaiting finalization of Organisational Design. Service Provider has been appointed to work on OD project and same is planned to be completed by end of June 2017.
Number of employment equity plan developed	Not measured	One (1) employment equity plan developed.	None	1	The employment equity plan could not be finalised due to restructuring of the entity.
Number of ICT strategy developed	Not measured	One (1) ICT strategy developed.	None	1	Procurement committee advised that the Terms Of Reference need to be beefed up. Limpopo Business Connexion was engaged to revise the TOR. The Bid for ICT strategy is reprioritised and included in the 2017/2018 procurement plan.

### Programme's contribution

The management contributed immensely towards the review of the Records Management file plan. The entity appointed six interns for a period of twelve months to acquire workplace experience in line with the Skills Development Act no. 97 of 1998 as amended. Employee Wellness Programmes were implemented to create awareness on HIV/ AIDS and Cancer. Members of staff were encouraged to participate in physical activities to promote a healthy lifestyle. A harmonious working relationship was maintained with organised labour and matters of mutual interest were amicably resolved.

### Strategy to overcome areas of under performance

Finalise the Organisational redesign process to ensure alignment to the entity's objectives and employment equity goals. To fast track the appointment of a service provider who would assist in development the ICT Strategy.

### Changes to planned targets

No changes to the planned targets

### Linking performance with budgets

Sub- Programme Name	2016/2017			2015/2016		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over) /Under Expenditure
	R	R	R	R	R	R
Human Resources Management	272 500	220 151	52 349	677 664	534 682	142 982
Human Resources Development	323 619	35 232	288 387	0	0	0
Professional fees	1 333 500	108 710	1 224 790			
Employee Wellness	65 000	26 655	38 345	35 002	0	0
Employee Relations	50 000	8 684	41 316	0	0	0
Compensation of Employees	6 819 340	5 864 528	954 812	6 599 113	6 612 619	(13 506)
Capex	29 000	23 788	5 212	20 396	10 396	10 000
<b>Total</b>	<b>8 052 575</b>	<b>6 177 511</b>	<b>1 875 064</b>	<b>7 297 173</b>	<b>7 157 697</b>	<b>139 476</b>

**Notes:**

- Human Resources Development was not budgeted for in 2015/2016
- Employee Relations was not budgeted for in the year 2015/2016

**4.3. Programme 3: Financial Management**

**Purpose**

To ensure sound financial management and accountability in Limpopo Tourism Agency.

**Sub-Programmes**

- Financial Management
- Supply Chain Management

**Strategic objectives, performance indicators planned targets and actual achievements**

<b><i>Programme Name: Financial Management</i></b>					
<b>Performance Indicator</b>	<b>Actual Achievement 2015/2016</b>	<b>Planned Target 2016/2017</b>	<b>Actual Achievement 2016/2017</b>	<b>Deviation from planned target to Actual Achievement for 2016/2017</b>	<b>Comment on deviations</b>
To ensure the effective and efficient management of the entity to achieve its mandate	Qualified audit opinion obtained.	Unqualified audit opinion.	Unqualified audit opinion.	None	

**Key performance indicators, planned targets and actual achievements**

Programme / Sub-programme 3: Financial Management					
Performance Indicator	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
Unqualified Audit opinion obtained	Qualified audit opinion obtained	1	1	None	None
Number of in year monitoring reports produced	4 in year monitoring reports produced	4	4	None	None.
% of budget spent	Break even (100%) budget management	96%	88%	8.1 %	<ul style="list-style-type: none"> <li><input type="checkbox"/> Failure to appoint service provider to develop the ICT strategy as the terms of reference had to be beefed up.</li> <li><input type="checkbox"/> Cancellation of website tender because the bid was non responsive in that it was not addressing what the objective of the bid was.</li> <li><input type="checkbox"/> Delay in the finalisation of the brand strategy by the service provider after the inputs from the board were made.</li> </ul>
Number of invoices paid within 30 days	Not measured	90 %	90%	0%	None

**Programme's contribution**



Financial management division managed to control the budget effectively. The under expenditure of 8 % was as a result of the projects that could not be implemented. The unit managed to effectively minimise irregular expenditures.

#### Strategy to overcome areas of under performance

In order to implement projects, the annual procurement plan was developed and submitted to the LPT as per the requirements. Financial Management need some improvements, continuously monitor the budget and expenditure efficiently.

#### Changes to planned targets

No changes were made to the programme.

#### Linking performance with budgets

Sub- Programme Name	2016/2017			2015/2016		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R	R	R	R	R	R
Financial Management	20 726 176	20 220 604	505 572	33 344 604	32 846 681	497 923
Supply Chain Management	2 373 657	1 443 109	930 548	0	0	0
Information and Communications Technology	525 000	404 609	120 391	0	0	0
Employee Cost	5 612 545	5 288 613	323 932	8 245 415	7 282 402	963 013
Capex	125 000	102 222	22 778	165 000	118 835	46 165
<b>Total</b>	<b>29 632 378</b>	<b>27 459 157</b>	<b>2 173 221</b>	<b>41 755 019</b>	<b>40 247 917</b>	<b>1 507 102</b>

#### Notes:

- Supply Chain Management was not budgeted for in 2015/2016 Financial year.
- Information and Communication Technology was not budgeted for in the year 2015/2016

#### 4.4. Programme 4: Integrated Destination Marketing

## Purpose

The purpose of this programme is to market the province domestically and internationally. This will be done by positioning Limpopo Province as the leading tourism destination in Southern Africa through branding, market research, customer relations management, information dissemination, tourism safety, trade relations and support tourism Small Medium Micro Enterprises (SMMEs).

## Sub-Programmes:

- Destination marketing services
- Destination promotion
- Destination information services
- Destination research

## Strategic objectives, performance indicators planned targets and actual achievements

Programme Name					
Performance Indicator	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
Increased tourist arrivals through domestic and international marketing initiatives	Participate in one(1) trade marketing activities	Increased tourist arrivals	Increased tourist arrivals	None	None

## Key performance indicators, planned targets and actual achievements

**Programme / Sub-programme 4: Integrated destination marketing**

Performance Indicator	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
Number of brand strategies developed	No Baseline	One (01) brand strategy developed.	None	1	Delay in the finalisation of the brand strategy by the service provider after the inputs from the board were made.
Number of strategic marketing partnerships concluded	No Baseline	Eleven (11) strategic partnership concluded	11	None	None.
Number of destination promotion umbrella awareness campaigns developed	No Baseline	One (01) destination promotion umbrella campaign conducted	1	None	None.
Number of business tourism strategies developed	No Baseline	One (01) business tourism strategy reviewed	None	1	Reprioritised for 2017/2018 financial year as a resuscitation plan for business tourism.
Number of Tourism entrepreneurs supported to gain market access	Supported ten (10) tourism entrepreneurs	Sixteen (16) tourism entrepreneurs supported to gain market access	16	None	None.

Programme / Sub-programme 4: Integrated destination marketing					
Performance Indicator	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
Tourism market research conducted	Four (04) market research reports produced	Four (04) tourism marketing research reports produced	4	None	None
Number of internal marketing capacity programmes	Not measured	Four (4) staff educational tours conducted	4	None	None
Number of visitor centres supported	Not measured	Five (5) visitor centres supported	4	1	The entity does not have an operational office in the Waterberg district. However, the marketing material was circulated to the Bela-Bela municipality tourism office.
Number of quality marketing information tools developed and implemented	Not measured	Three (3) quality marketing information tools developed and implemented	3	None	None.

**Programme's contribution:**

The year 2016/17 was a very fulfilling year in the sense that the focus was on registering presence in the media space and creating more awareness on the province's offerings. The entity succeeded in leveraging on the events looking at mass movements and targeting different market segments.

### Strategy to overcome areas of under performance

Business tourism needs to be given more attention and proper human capacity because of the potential it has on economic development. The activation will be that of targeted approach as such looking at hosting small conferences.

Mass tourism will progressive focusing on back to basics like targeting the schools and the pilgrimage in the next fiscal year.

### Changes to planned targets

No changes were made to the programme

### Linking performance with budgets

Sub- Programme Name	2016/2017			2015/2016		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R	R	R	R	R	R
Marketing Services	26 484 100	23 810 984	1 673 116	3 069 200	2 041 107	1 028 093
Information Services and Research	2 600 000	1 775 019	824 981	0	0	0
Transformation and Capacity building	290 900	175 453	115 447	0	0	0
Divisional Support	1 285 000	601 269	683 731	0	0	0
Employee Cost	10 358 707	10 006 297	352 410	9 717 331	9 508 662	208 669
Capex	590 000	61 233	528 767	150 000	113 833	36 167
<b>Total</b>	<b>40 608 707</b>	<b>36 361 150</b>	<b>4 247 557</b>	<b>12 936 531</b>	<b>11 663 602</b>	<b>1 272 929</b>

#### Notes:

- Information Services and Research was not budgeted for in the year 2015/2016
- Transformation and Capacity building was not budgeted for in the year 2015/2016
- Divisional Support was not budgeted for in the year 2015/2016

## SUMMARY OF FINANCIAL INFORMATION

### 5.1. Programme Expenditure

Sub- Programme Name	2016/2017			2015/2016		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R 000	R 000	R 000	R 000	R 000	R 000
Personnel Costs	29 093	25 897	3 196	57 296	53 253	4 061
Goods and Services	26 484	23 621	2 863	48 350	43 985	4 364
Board Expenses	3 750	2 907	843	2 687	2 535	151
Infrastructure Operating Expenses	0	0	0	7 891	7 004	887
Capital Expenditure	258	140	118	1 323	760	562
Capital Expenditure-Infrastructure	0	0	0	49 461	47 006	2 455
Integrated destination marketing	30 000	26 260	3 740	0	0	0
<b>Total</b>	<b>89 585</b>	<b>78 825</b>	<b>10 760</b>	<b>167 011</b>	<b>154 528</b>	<b>12 482</b>

#### Notes:

- Infrastructure Operating Expenses function has since been transferred along with LWR to LEDET
- Capital Expenditure Infrastructure function has since been transferred along with LWR to LEDET



# ***PART C***

## **GOVERNANCE**



**Mr. Andrew Khiba Dipela** Board  
Chairperson



**Mr. Moses Mabokela Chikane** Board  
Deputy Chairperson



**Ms. Mathukana Mokoka**



**Kgoshi Seshego Sekgalabjana Solly  
Sekororo**



**Dr. Tirhani Ezekiel Mabunda**



**Dr. Thidziambi Gladys Nethengwe**



**Dr. Annemie De Klerk**



**Mr. Mantsho Owen Phasha**



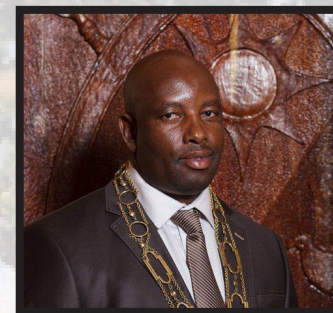
**Cllr. Hlaume Orginia Mafefe**



**Mr. Papi Motene**



**Ms. Khumbudzo Phophi Silence  
Ntshavheni**



**Cllr. Jack Maeko**



**Kgošigadi Maponye Edith  
Nchabeleng**



## 1. INTRODUCTION

Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation, the Limpopo Tourism Act 2/2009, corporate governance with regard to public entity is applied through the precepts of the Public Finance Management Act 1/1999 (PFMA) and run in tandem with the principles contained in the King's Report.

The Executive and the Accounting Authority of the public entity are responsible for corporate governance.

## 2. PORTFOLIO COMMITTEE

The entity appeared twice at the Portfolio Committee during the year under review.

## 3. EXECUTIVE AUTHORITY

Four quarterly reports were submitted to the Executive Authority on the following dates:

- First quarter on the 15<sup>th</sup> July 2016
- Second quarter on the 10<sup>th</sup> October 2016
- Third quarter on the 13<sup>th</sup> January 2017
- Fourth quarter on the 13<sup>th</sup> April 2017

## 4. THE ACCOUNTING AUTHORITY

### Introduction

The Board continues to give direction to management and executes its fiduciary duties.

The role of the Board is as follows:

Oversees that the Agency:

- (a) Develop and implement a tourism marketing strategy within the framework of the provincial tourism strategies;
- (b) Undertake and facilitate tourism research;
- (c) Support tourism transformation and capacity building programmes;
- (d) Enhance and enable tourism investment opportunities on provincial nature reserves;

(e) Enhance the integration of tourism programmes through the establishment of formal partnerships with municipalities;

- (f) Initiate tourism product development in provincial nature reserves;
- (g) Provide hospitality services in provincial nature reserves;
- (h) Subject to the PFMA and other applicable legislation, establish strategic partnerships with community co-operatives, organisations, government structures and tourism organisations for enhancing tourism marketing;
  - (i) Existing tourist attractions, infrastructure, facilities, services, location and access;
  - (ii) Natural and cultural attractions that may be developed as tourist attractions in the province; and
  - (iii) New areas of tourism activity and potential sites for these activities;
- (j) Advise the MEC on any matter relating to the tourism industry; and
- (k) Perform any other function the MEC may assign or delegate to the Agency.

#### Board Charter

The Board Charter is in place and the Board's activities find meaning from the Charter.

#### **Composition of the Board**

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned/ Terminated	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees (e.g: Audit committee)	No. of Meetings attended
Khiba Andrew Dipela	Chairperson	01 May 2015		<input type="checkbox"/> Courses passed: Private 1 &2 Constitutional Law African Law English 1 Criminal Law Interpretation of Statutes Family Law Afrikaans Political Science 1 &2 <input type="checkbox"/> Professional Sport Management Graduate Module <input type="checkbox"/> Executive Sports Management Programme FIFA Futuro 3 Graduate	Sports Human Resources	<input type="checkbox"/> Trustee of Bokamoso Investment Trust <input type="checkbox"/> Revolutionary Road Solutions <input type="checkbox"/> Rotakuwa Gaming and Leisure <input type="checkbox"/> Chairperson of Dipela Sports Events		25
Mabokela Moses Chikane	Deputy Chairperson and Chairperson: Tourism, Marketing and Communications	01 May 2015		<input type="checkbox"/> Advanced Diploma in Economic Policy <input type="checkbox"/> Diploma in Economics and Public Finance <input type="checkbox"/> B Com Honours in Economics	International Relations and Governance	<input type="checkbox"/> Eco-Bridge Builders Group	<input type="checkbox"/> Human Resources and Remunerations	22

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned/ Terminated	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees (e.g: Audit committee)	No. of Meetings attended
Annemie de Klerk	Member	01 May 2015		<input type="checkbox"/> BSC Botany and Zoology <input type="checkbox"/> Higher Education Diploma <input type="checkbox"/> BSC Honours in Botany <input type="checkbox"/> MSC Faculty of Natural and Agricultural Sciences Honorary Colours (Theme of Thesis: The Waterberg Biosphere Reserve) <input type="checkbox"/> PhD	<input type="checkbox"/> Nature Conservation Scientist <input type="checkbox"/> Environmental management	<input type="checkbox"/> Indusbel Cc	<input type="checkbox"/> Ethics and Governance <input type="checkbox"/> Finance and Procurement	15
Kgoshi Seshego Sekgalabjana Solly Sekororo	Chairperson: Ethics and Governance  Chairperson: Human Resources and Remunerations	01 May 2015  03/11/2016		<input type="checkbox"/> Traditional Leader <input type="checkbox"/> CPMD In Financial Management	Traditional authorities			13
Kgoshigadi Maponye Nchabeleng	Chairperson: Human Resources and Remunerations	01 May 2015	Passed on 04/12/2016	<input type="checkbox"/> Traditional Leader <input type="checkbox"/> B Proc Degree (not completed) <input type="checkbox"/> CPMD In Financial Management	Traditional authorities	<input type="checkbox"/> Shibu Business Enterprise	Tourism, Marketing and Communications	10
Hlaume Orginia Mafefe	Member	01 May 2015	01/11/2016	<input type="checkbox"/> BA Degree <input type="checkbox"/> BED Degree <input type="checkbox"/> MED Degree	Local government	<input type="checkbox"/> Councillor	<input type="checkbox"/> Risk and Audit <input type="checkbox"/> Tourism, Marketing and Communications	6
Papi Petrus Motene	Member	01 May 2015		<input type="checkbox"/> Diploma in Local Government Management <input type="checkbox"/> Certificate in Leadership Development <input type="checkbox"/> Certificate in Emerging Management Development <input type="checkbox"/> Introduction to Business Computing <input type="checkbox"/> Financial Management Course	Financial	<input type="checkbox"/> Santete Trading <input type="checkbox"/> Sesinjemi Projects	<input type="checkbox"/> Finance and Procurement <input type="checkbox"/> Ethics and Governance Procurement <input type="checkbox"/> Ethics and Governance	22
Mantsho Owen Phasha	Chairperson: Finance and Procurement	01 May 2015		<input type="checkbox"/> Certificate in Property Management and Administration <input type="checkbox"/> Bachelor Arts, Politics and Literature	Governance	<input type="checkbox"/> Mamolapong Trading Projects	<input type="checkbox"/> Tourism, Marketing and Communications <input type="checkbox"/> Human Resources and Remunerations	24
Tirhani Ezekiel Mabunda	Member  Chairperson: Procurement	01 May 2015  03/11/2016		<input type="checkbox"/> Diploma in Public Administration <input type="checkbox"/> BA <input type="checkbox"/> Higher Education Diploma <input type="checkbox"/> Honours in Business Administration <input type="checkbox"/> Diploma in Auctioneering	Entrepreneurship	<input type="checkbox"/> Plus 94 Research <input type="checkbox"/> Tirhani Auctioneers <input type="checkbox"/> Afrin Wildlife Solutions <input type="checkbox"/> African Training Academy and School of Auctioneering	<input type="checkbox"/> Human Resources and Remunerations <input type="checkbox"/> Finance and Procurement <input type="checkbox"/> Tourism, Marketing	13

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned/ Terminated	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees (e.g: Audit committee)	No. of Meetings attended
				<input type="checkbox"/> Accredited Auctioneer Real Estate <input type="checkbox"/> Benefit Auction Specialist <input type="checkbox"/> Chartered Institute Auctioneer <input type="checkbox"/> Chartered Practitioner in Real Estate <input type="checkbox"/> Currently studying PhD in Management of Technology and Information with Da Vinci Institute		<input type="checkbox"/> On Board Travel <input type="checkbox"/> Fhufhani Aviation	and Communications	
Mathukana Mokoka	Chairperson: Risk and Audit	01 May 2015		Chartered Accountant (CA) SA	Audit, Risk and Financial Management	<input type="checkbox"/> Autopax Passenger Services Member <input type="checkbox"/> National Lotteries Commission		10
Thidziambi Gladys Nethengwe	Chairperson: Ethics and Governance	03/11/2016		<input type="checkbox"/> BA Degree <input type="checkbox"/> BA Honours <input type="checkbox"/> Masters Degree: Female Linguistic Etiquette with reference to a Muvenda <input type="checkbox"/> PhD: Chieftainship in Venda: A case of Tshivenda Lore	Education, Traditional authorities	<input type="checkbox"/> Kara Heritage	<input type="checkbox"/> Tourism Marketing and Communications	17
Khumbudzo Phophi Silence Ntshavheni	Member	01 May 2015		<input type="checkbox"/> BA in Political Science <input type="checkbox"/> BA Honours in Development Studies <input type="checkbox"/> BA Honours in Labour Relations <input type="checkbox"/> Master in Business Administration	Political, Entrepreneurship	<input type="checkbox"/> Managing Director: Phore Farms <input type="checkbox"/> Bokamoso Ba Rena Investment Trust	<input type="checkbox"/> Tourism, Marketing and Communications <input type="checkbox"/> Human Resources and Remunerations	3

**Board Committees**

Committee	No. of meetings held	No. of members	Name of members
Board	11	12	KA Dipela Ambassador MM Chikane Dr A De Klerk Dr TG Nethengwe Kgoshi SSS Sekororo TE Mabunda MO Phasha PP Motene Cllr HO Mafefe (resigned 01/11/2016) Kgoshigadi M Nchabeleng (passed on 04/12/2016) M Mokoka KPS Ntshavheni Cllr.J Maeko (appointed 12/01/2017)
Risk and Audit	2	4	M Mokoka Cllr. HO Mafefe (resigned 01/11/2016) Y.M Mathabatha M.P Mongalo Cllr.J Maeko (appointed 12/01/2017)
Joint Risk and Audit and Finance and Procurement	6	8	M Mokoka Cllr HO Mafefe (resigned 01/11/2016) Y.M Mathabatha M.P Mongalo MO Phasha TE Mabunda PP Motene Dr A De Klerk
Finance and Procurement	0	4	MO Phasha TE Mabunda PP Motene Dr A De Klerk
Procurement	1	4	TE Mabunda PP Motene MO Phasha House of Traditional leadership (Vacant)
Ethics and Governance	2	4	Kgoshi SSS Sekororo Dr. A De Klerk PP Motene Dr TG Nethengwe
Ethics and Governance	1	4	Kgoshi SSS Sekororo (appointed 03/11/2016) Dr. A De Klerk (appointed 03/11/2016) PP Motene (appointed 03/11/2016) Dr TG Nethengwe (appointed 03/11/2016)
Human Resources and Remunerations	2	4	Kgoshigadi M Nchabeleng (passed on 04/12/2016) Ambassador MM Chikane

			TE Mabunda KPS Ntshavheni
Human Resources and Remunerations	1	4	Kgoshi SSS Sekororo (appointed 03/11/2016) Ambassador MM Chikane (appointed 03/11/2016) MO Phasha (appointed 03/11/2016) KPS Ntshavheni (appointed 03/11/2016)
Tourism, Marketing and Communications	5	4	Ambassador MM Chikane Kgoshigadi M Nchabeleng (passed on 04/12/2016) MO Phasha Cllr HO Mafefe (resigned 01/11/2016)
Tourism, Marketing and Communications	2	6	Ambassador MM Chikane (appointed 03/11/2016) HO Phasha (appointed 03/11/2016) KPS Ntshavheni (appointed 03/11/2016) TE Mabunda (appointed 03/11/2016) Dr A De Klerk (appointed 03/11/2016) Dr TG Nethengwe (appointed 03/11/2016)
Nominations	1	5	KA Dipela Ambassador MM Chikane Kgoshi SSS Sekororo Dr A D Klerk M Mokoka

### ***Remuneration of board members***

See note 18 on Board reports on the Annual Financial Statements

## **5. RISK MANAGEMENT**

LTA has adopted the Provincial Risk Management Framework in its approach to enterprise risk management. The entity has a risk management strategy in place which it is implementing.

Risks are identified through a risk assessment session held on an annual basis. The entity considers reports by internal audit and external audit, incidents reports and investigations reports to inform the risk identification process. The entity prioritises top ten (10) risks annually and allocates resources in order to manage them. The entity's strategy is to reduce the impact of high level risks on its operations in order to realise the mandate, where possible, risks are transferred or avoided.

## **6. INTERNAL CONTROL UNIT**

Although the Internal Control Unit was not established by the entity, the review of effectiveness of internal controls is currently done by internal audit however, co-ordinated by the Risk and Compliance Unit.

## 7. RISK & AUDIT COMMITTEE

The Risk and Audit Committee

Must ensure that the public entity has maintains:

- Effective, efficient and transparent systems of financial and risk management and internal control.

The Internal Audit work includes:

- Reviewing and concluding on the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- Reviewing and concluding on the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether the Limpopo Tourism Agency is in compliance;
- Reviewing and concluding on the means of safeguarding assets and, as appropriate, verifying the existence of assets.
- Reviewing and concluding on operations of programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned.

Audit work done:

- Expenditure Management
- Supply Chain Management review
- Annual Financial Statement review
- Asset Register review
- Leave Audit (LWR)

The table below discloses relevant information on the Risk and Audit committee members

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	Date Resigned	No. of Meetings attended
Mathukana Mokoka	Chartered Accountant (CA) SA	Internal	<input type="checkbox"/> Autopax Passenger Services Member <input type="checkbox"/> National Lotteries Board Member	21 May 2015		6
Hlaume Orginia Mafefe	<input type="checkbox"/> PhD Student <input type="checkbox"/> Masters: Management <input type="checkbox"/>	Internal	Council Member	21 May 2015	1 November 2016	3
Yvone Stephina Mmadikgomo Mathabatha	<input type="checkbox"/> M.Com South African and international Taxation <input type="checkbox"/> CPMD	Internal	<input type="checkbox"/> Board Member: Sekhukhune Development Agency <input type="checkbox"/> Council Member: Waterberg TVET	01 Nov 2008		7
Makgoba Percy Mongalo	<input type="checkbox"/> Diploma in Public Finance and Auditing  <input type="checkbox"/> B.Com Accounting  <input type="checkbox"/> B.Com Hons Accounting  <input type="checkbox"/> Master of Business Administration	Internal	<input type="checkbox"/> National Skills Authority <input type="checkbox"/> Limpopo Legislature Audit Committee Member <input type="checkbox"/> Molemole Municipality <input type="checkbox"/> Lepelle Nkumpi Municipality Audit Committee <input type="checkbox"/> Polokwane Municipality Audit Committee Member <input type="checkbox"/> Capricorn TVET Audit Committee Member <input type="checkbox"/> Limpopo Human Resource Development Council Member	01 Nov 2008		7
Clr Jack Maeko	<input type="checkbox"/>	Internal	<input type="checkbox"/> Lephalale Local Municipality Mayor	12 Jan 2017		0

## 8. COMPLIANCE WITH LAWS AND REGULATIONS

The founding legislation of the entity is the Limpopo Tourism Act 2/2009. The objectives of the entity are well articulated in section 2 of the Act.

Section 6 (k) provides in a nutshell that the MEC may from time to time delegate a function to the entity to execute.

## 9. FRAUD AND CORRUPTION

LTA has developed a fraud prevention plan, which is currently being implemented. The plan has three (3) key areas designed to eliminate fraud and corruption within LTA's operations. These areas focus on prevention, detection and correction.

LTA has furthermore complemented the plan in so far as detection of fraud and corruption is concerned by developing and implementing a whistleblowing policy. The policy sets out the channels and mechanisms on which to report fraud and corruption without fear of reprisals. The policy guarantees protection to all stakeholders raising genuine concerns regarding fraud and corruption.



All cases reported are investigated and where wrong doing is found to have occurred, corrective action is taken immediately.

## **10. MINIMISING CONFLICT OF INTEREST**

The LTA policies require that all employees, including those charged with Supply Chain Management, disclose all their interest. Where potential for conflict is identified, LTA recuses the employee concerned from discharging any responsibility that would give rise to such conflict of interest.

## **CODE OF CONDUCT**

The LTA Code of Conduct has been formulated in order to foster and maintain trust of the employees of the entity. The LTA Code of Conduct ensures that all employees adhere to appropriate standards of conduct in order to maintain and enhance the reputation of the entity. LTA has disciplinary rules that establish the acceptable standard of conduct required from employees which addresses specific consequences that an employee may face in contravening the policy.

## **11. HEALTH SAFETY AND ENVIRONMENTAL ISSUES**

Although health and safety are valued in every facet of operations, the term health and safety relates primarily to occupational health safety and environmental concerns. Workplace Safety is not only employees whose health is at stake, but also employers who seek to both maintain a productive healthy work force and avoid penalties or legal liability as well as the public at large which can be affected by environmental fall-out from major workplace incidents.

## **12. COMPANY SECRETARY**

- Guides the Board collectively, and each director individually, as to their duties and responsibilities and make them aware of all legislation and regulations relevant to this entity.
- Ensures proper induction and orientation of directors, including assessing the specific training needs of directors and executive management in regard to their fiduciary and other responsibilities.
- Is always available to provide comprehensive practical support and guidance to directors, with emphasis on supporting the non-executive directors and chairperson.
- Ensures unhindered access to information by all board and committee members that they can contribute to board meetings and other discussions.
- Compiles the board papers and for paginates them to ensure compliance with the required standards of good governance.
- Raises all matters that warrant the attention by the board.
- Ensures compliance with all relevant statutory and regulatory requirements, having due regard for the specific business interest of the company.
- Also assist carrying out corporate strategies by ensuring that the board's decisions and instructions are clearly communicated to the relevant persons.

## **13. SOCIAL RESPONSIBILITY**

On 18 July 2016, the entity in partnership with Energy FM and Seshego Police Station conducted a social responsibility programme or corporate social investment programme at Seshego Victim Support Centre that houses victims of violence. LTA with Energy FM spent their day at the centre as part of the 67 minutes dedicated to community work. The activities on that day included amongst others cleaning of the rooms, offices and handing over of a new wendy house to be used as an additional office.

## **14. RISK AND AUDIT COMMITTEE REPORT**

We are pleased to present our report for the financial year ended 31 March 2017.

## **RISK AND AUDIT COMMITTEE MEMBERS AND ATTENDANCE**

During the current financial year, the Board resolved that the Risk and Audit as well as the Finance and Procurement Committee should hold its meetings jointly for a period of a year. Three (3) Risk and Audit Committee meetings were held. A total of five (5) Joint Risk and Audit and Finance and Procurement Committee meetings were held during the year under review. The attendance details during the 2016/2017 financial year are indicated below:

#### Risk and Audit Committee

Name	Designation	No. of Meetings attended	Date appointed	Date Resigned
Ms. M Mokoka	Chairperson	3	01 May 2015	
Cllr. HO Mafefe	Committee member	0	01 May 2015	1 Nov 2016
Ms. YM Mathabatha	Committee member	3	01 Nov 2008	
Mr PM Mongalo	Committee member	3	01 Nov 2008	
Cllr. J Maeko	Committee member	0	12 Jan 2017	

#### Joint Risk and Audit and Finance and Procurement Committee

Name	Designation	No. of Meetings attended	Date appointed	Date Resigned
Ms. M Mokoka	Chairperson: Risk and Audit	4	01 May 2015	
Mr. MO Phasha	Chairperson: Finance and Procurement Committee	5	01 May 2015	
Cllr. HO Mafefe	Risk and Audit Committee member	1	01 May 2015	1 Nov 2016
Cllr. J Maeko	Risk and Audit Committee member	0	12 Jan 2017	
Ms. YM Mathabatha	Risk and Audit Committee member	5	01 Nov 2008	
Mr PM Mongalo	Risk and Audit Committee member	5	01 Nov 2008	
Dr. A De Klerk	Finance and Procurement Committee member	1	01 May 2015	
Mr. PP Motene	Finance and Procurement Committee member	5	01 May 2015	
Mr. TE Mabunda	Finance and Procurement Committee member	0	01 May 2015	

## **Risk and Audit Committee responsibilities**

The Risk and Audit Committee reports that it has performed its responsibilities arising from sections 51(1)(a)(ii) and 76(4)(d) of the PFMA and Regulation 27.1 (of the Treasury Regulations).

The Risk and Audit Committee also reports that it has adopted appropriate formal terms of reference as its Charter. The Committee has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

## **Effectiveness of internal controls procedures**

The system of internal controls is designed to provide cost effective assurance that assets are safeguarded with liabilities and working capital efficiently managed. It can be confirmed that the system of internal control and risk management applied by the Limpopo Tourism Agency during the financial year is effective, efficient and transparent.

The provisions of the following instruments have assisted the entity in the internal control unit: PFMA 1/1999 (as amended), King III report as well as Corporate Governance requirements. The risk management is a continuous process and action plans and mitigations are in place to respond to the hindrances in achieving the goal the entity has for itself.

Management has been instructed to have the audit action plan, which is in the form of a turn-around strategy to ensure that the deficiencies and shortcomings identified during the Audit are addressed. The Risk and Audit Committee will continue to oversee and monitor the implementation of progress in this regard.

Compliance with prescripts with regard to timely payments of creditors can only be accomplished if the budget and monthly transfers are adjusted to realistic levels. Apart from these matters, we can report that the system of internal control for the period under review was in general, effective and efficient.

## **Internal Audit**

Much can be achieved if the work of the internal audit function is improved. The strategic internal audit plan is based on key areas of risk identified and the internal and external audit reports, thereby giving effect to the risk based approach. The Committee has expressed concern with regards to non-adherence to the internal audit plan which ranges from non-submission of quarterly reports to review of internal controls within the entity. The internal audit has been directed to improve its performance while the matter is being processed by the Board.

## **The quality of in-year management and monthly/quarterly reports submitted in terms of the Public Finance Management Act and the Limpopo Tourism Act**

The Risk and Audit Committee is satisfied with the content and quality of the reports issued by Limpopo Tourism Agency during the year under review. The reports generated indicate the significant improvement from the previous financial years.

## **Evaluation of Annual Financial Statements**

The Risk and Audit Committee has:-

Afforded time to review the Annual Financial statements by the Chief Financial Officer.

Reviewed and discussed the audited annual financial statements to be included in the annual report with the Auditor General South Africa and the Accounting Officer;

Reviewed changes in accounting policies and practices;

Reviewed the Limpopo Tourism Agency's compliance with legal and regulatory provisions; and

Reviewed the Auditor General of South Africa's management report and responses thereof.

The Committee has expressed satisfaction to the tabling of the report.

We therefore concur and accept the Auditor General of South Africa's report on the annual financial statements.

### **Integrity of the Annual Report**

The Risk and Audit Committee is satisfied with the integrity of the Annual Report on the performance of the Agency. The Risk and Audit Committee, with the assistance of the Internal Audit, will continue to monitor the processes and procedures in place to ensure improvement and consistency in the quality and integrity of performance information.

### **Auditor General of South Africa**

The Audit Steering Committee meetings were held with the Auditor General and that has added value to the improvement of the audit opinion. The Audit report denotes an unqualified audit outcome; the unqualified audit opinion is accepted by the risk and audit committee. A foundation has been laid for the entity to achieve a clean audit outcome.

### **Conclusion**

The shortcomings identified will continue to impact on the successful management of the Agency to achieve and meet its predetermined objectives and obtain an improved audit opinion. Given the afore-mentioned, the Committee will continue to implore on the Board, Chief Executive Officer, Executive Management Committee and staff to continue to work tirelessly with dedication and support from this Committee to obtain a clean audit opinion.

On a personal note, as the Chairperson of the Risk and Audit, I wish to acknowledge the commitment, selflessness and dedication displayed by my colleagues in the Risk and Audit Committee, whilst acknowledging the cooperation from Board, Management and Auditor General.

  
M Mokoka (CA)  
Risk and Audit Committee Chairperson  
Limpopo Tourism Agency

### ***Remuneration of board members***

Refer to note 18 on the Annual Financial Statements

## **PART D: HUMAN RESOURCE MANAGEMENT**



# ***PART D***

## **HUMAN RESOURCE MANAGEMENT**

### Performance Rewards

Programme	Performance rewards	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top Management	None	None	None
Senior Management	None	None	None
Professional qualified	None	None	None
Skilled	None	None	None
Semi-skilled	None	None	None
Unskilled	None	None	None
TOTAL	00	00	00

### Training Costs

Directorate/ Business Unit	Personnel Expenditure (R)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost.	No. of employees trained	Avg training cost per employee
Office of the CEO	5 745 695	-	0%	0	
Corporate Services	4 934 624	35 323	0.7%	3	11 774
Financial Management	5 280 027	42 400	0.8%	5	8 480

\*129 LWR employees and 11 support staff members have been seconded to LEDET

### Employment and vacancies

Programme	2015/2016 No. of Employees	2016/2017 Approved Posts	2016/2017 No. of Employees	2016/2017 Vacancies	% of vacancies
Top Management	1	1	1	0	0%
Senior Management	5	4	4	0	0%
Professional qualified	21	19	13	6	32%
Skilled	27	26	18	8	31%
Semi-skilled	98	15	10	5	33%
Unskilled	41	8	7	1	13%
<b>TOTAL</b>	<b>193</b>	<b>73</b>	<b>53</b>	<b>20</b>	<b>27%</b>

\*129 LWR employees and 11 support staff members have been seconded to LEDET

**Employment changes**

Salary Band	Employment at beginning of period	*Appointments	Terminations	Employment at end of the period
Top Management	1	0	0	1
Senior Management	5	0	1	4
Professional qualified	21	1	9	13
Skilled	27	0	9	18
Semi-skilled	98	0	88	98
Unskilled	41	0	34	7
<b>Total</b>	<b>193</b>	<b>1</b>	<b>141</b>	<b>53</b>

**Reasons for staff leaving**

Reason	Number	% of total no. of staff leaving
Death	0	0%
Resignation	1	2%
Dismissal	0	0%
Retirement	0	0%
Ill health	0	0%
Expiry of contract	0	0%
*Other	140	262%
<b>Total</b>	<b>141</b>	<b>264%</b>

Secondment to LEDET.

**Labour Relations: Misconduct and disciplinary action**

Nature of disciplinary Action	Number
Verbal Warning	0
Written Warning	1
Final Written warning	0
Dismissal	0
Other	0

\* Abscondment

**Equity Target and Employment Equity Status**

Levels	MALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	1	0	0	0	0	0	0
Senior Management	3	3	0	0	0	0	0	0
Professional qualified	10	11	1	1	0	0	0	0
Skilled	5	8	0	1	0	0	0	0
Semi-skilled	7	8	0	0	0	0	0	0
Unskilled	1	1	0	0	0	0	0	0
<b>TOTAL</b>	<b>27</b>	<b>32</b>	<b>1</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Levels	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	0	0	0	0	0	0
Senior Management	1	1	0	0	0	0	0	0
Professional qualified	2	6	0	0	0	0	0	1
Skilled	13	16	0	0	0	0	0	1
Semi-skilled	3	7	0	0	0	0	0	0
Unskilled	6	7	0	0	0	0	0	0
<b>TOTAL</b>	<b>25</b>	<b>37</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>

Levels	Disabled Staff			
	Male		Female	
	Current	Target	Current	Target
Top Management	0	0	0	0
Senior Management	0	0	0	0
Professional qualified	0	0	0	1
Skilled	0	0	0	0
Semi-skilled	0	0	0	2
Unskilled	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>



## PART E: FINANCIAL INFORMATION

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# ***PART E***

## **FINANCIAL INFORMATION**

## 2. REPORT OF THE CHIEF EXECUTIVE OFFICER

### BUDGET ALLOCATION

During the year under review, the Agency received a budget of R89,262m including R30,0m as conditional grant for integrated destination marketing.

### REVENUE

During the year under review, the agency revenue collection amounted to R0,858m as compared to R10,481m: 2015-16 while the budget was R89,262m and R167,01m :2015-16. The cash injection of R30,0m was conditional grant for integrated destination marketing for generic marketing of the Province.

### EXPENDITURE

During the year under review, the total expenditure for the entity R77,381m including R26,259m on destination marketing, while the balance of R11,881m was committed as at the end of the reporting period. The details of the breakdown in expenditure are contained on page of 42 of the Annual Financial Statements.

### CAPACITY CONSTRAINTS AND CHALLENGES

In the year under review, the previously identified capacity constraints in the Finance and Supply Chain Management Unit. These constraints have continued to compromise internal controls and segregation of duties, which has been worsened by the transfer of support staff to the department when the LWR function was transferred.

### DISCONTINUED ACTIVITIES

The entity has discontinued the LWR function that was transferred to the department with effect from 1 April 2016.

### REQUEST FOR FUNDS ROLL OVER

No request for roll overs was made by the entity as at the reporting period.

### SUPPLY CHAIN MANAGEMENT

The Supply Chain Management Unit has been established and operates under direct supervision of the Chief Financial Officer. The Unit has embarked on the implementation of standard procedures that would guide its operations to improve the state of internal controls.

## **CHALLENGES EXPERIENCED**

Lack of capacity remains a great challenge in the Supply Chain Management Unit. Adequate Supply Chain Management capacity in the form of appropriate organisational structure and skilled supply chain management personnel are key success factors to ensure compliance to the prescripts and proper segregation of duties. Through this process of segregation of duties, greater efficiency and risk management is promoted.

## **PRIOR YEAR AUDIT ISSUES**

The audit report from the Auditor General from page 62 to 67 detailed the issues. These issues will be resolved by compilation of the audit action plan and the development of the risk register to mitigate the risks identified.

## **LOOK AND FUTURE PLANS TO ADDRESS FINANCIAL CHALLENGES**

As the new entity, there is a dire need to restructure and re-design the new organisational structure that will be aligned to the new mandate and assist in the achievement of the entity's objectives. The whole of the CFO division needs to be adequately capacitated due to the transfer of support staff to the department, which has left a huge gap in the division. This has to be effected to as a matter of urgency to ensure segregation of duties for continued maintenance of internal controls.

## **EVENTS AFTER THE REPORTING DATE**

The events that transpired after the reporting date includes the resignation of the erstwhile CEO (Mr. N Matlala) on 31 April 2017 and the issuing of the determination by the Premier to transfer LWR staff to LEDET with effect from 1 June 2017.

The entity is a non-business entity under schedule 3 (C) of the PFMA and as such it is 100% funded from government appropriations.

## **ACKNOWLEDGEMENT**

We would like to express our sincere gratitude to the Board, LTA's staff and Limpopo Tourism Industry for the support.

-----  
**TG KOTSEDI**  
**INTERIM CHIEF EXECUTIVE OFFICER**  
**LIMPOPO TOURISM AGENCY**

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*Annual Performance Report for 2016/17 LIMPOPO TOURISM AGENCY*  
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*Inspiring new ways*

## LIMPOPO TOURISM AGENCY

Annual Report

2016 - 2017

# Report of the auditor-general to the Limpopo Provincial Legislature on Limpopo Tourism Agency

## Report on the audit of the financial statements

### Opinion

1. I have audited the financial statements of the Limpopo Tourism Agency set out on pages 75 to 114 which comprises the statement of financial position as at 31 March 2017, the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, as well as the 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 Limpopo Tourism Agency as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with South African Statements of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

### Basis for opinion

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 public entity in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) together with the 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 opinion.

### Emphasis of matter

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

### Significant uncertainties

7. With reference to note 26 to the financial statements, the entity is a defendant in various lawsuits with service providers and former board members with a total possible cash outflow of R 16 501 600 (2016: R 14 329 486). The entity is opposing the claims. The ultimate outcome of the matters cannot presently be determined and no provision for any liability that may result has been made in the financial statements.

### Irregular expenditure

8. With reference to note 34 to the financial statements, the entity incurred irregular expenditure amounting to R 506 844 (2016: R 1 872 620) due to the contravention of supply chain management (SCM) regulations.

### **Restatement of corresponding figures**

9. As disclosed in note 29 to the financial statements, the corresponding figures for 31 March 2016 have been restated as a result of errors discovered in the financial statements of the entity at, and for the year ended, 31 March 2017.

### **Other matters**

10. I draw attention to the matters below. My opinion is not modified in respect of these matters.

### **Unaudited supplementary schedule**

11. The supplementary information set out on pages 72-74 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

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

12. The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with South African Statements of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
13. In preparing the financial statements, the accounting authority is responsible for assessing the Limpopo Tourism Agency'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 there is an intention to liquidate the agency or to cease operations, or there is no realistic alternative but to do so.

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

14. 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 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
15. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

### **[Report on the audit of the annual performance report](#)**

#### **Introduction and scope**

16. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

17. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to 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.

18. 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 following selected programmes objectives presented in the annual performance report of the agency for the year ended 31 March 2017:

<b>Programmes</b>	<b>Pages in the annual performance report</b>
Financial management	31 – 33
Integrated destination marketing	34 - 37

19. 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.

20. The material findings in respect of the usefulness and reliability of the selected programmes are as follows:

**Programme 3: Finance Management**

Percentage of invoices paid within 30 days

21. The systems and processes to enable reliable reporting of actual service delivery against the indicator were not adequately designed as the invoice register that was maintained to substantiate the percentage of invoices that were paid within 30 days was not maintained for the full financial year and was only maintained from November 2016. The indicator is therefore not reliable as it does cover the entire year under review, as required by the FMPPI.

22. The reported achievement for the percentage of invoices paid within 30 days was misstated as the evidence provided indicated 96% and not 90% as reported.

**Other matters**

23. I draw attention to the matter below.

Achievement of planned targets

24. Refer to the annual performance report on pages 21 to 38 for information on the achievement of planned targets for the year and explanations provided for the under/over achievement of a significant number of targets. This information should be considered in the context of the material findings expressed on the usefulness of the reported performance information in paragraph 2.3.2 of this report.



**Introduction and scope**

25. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

**Annual financial statements, performance and annual reports**

26. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1)(b) of the PFMA. Material misstatements of liabilities, revenue, reserves and disclosure items identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified audit opinion.

**Procurement and contract management**

27. Persons in the service of the public entity whose close family members, partners or associates had a private or business interest in contracts awarded by the public entity failed to disclose such interest, as required by treasury regulation 16A8.4.

**Expenditure management**

28. Effective steps were not taken to prevent irregular as well as fruitless and wasteful expenditure as required by section 51(1)(b)(ii) of the PFMA.

**Consequences management**

29. Effective and appropriate disciplinary steps were not taken against officials who incurred and permitted irregular expenditure, and fruitless and wasteful expenditure, as required by section 51(1)(e)(iii) of the PFMA.

**Other information**

30. The agency's accounting authority is responsible for the other information. The other information comprises the information included in the annual report which includes the director's report and the audit committee's report. The other information does not include the financial statements, the auditor's report thereon and those selected programmes presented in the annual performance report that have been specifically reported on in the auditor's report.

31. 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 thereon.

32. 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 programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact.

## Internal control deficiencies

33. 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 thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the findings on the performance report and the findings on compliance with legislation included in this report.

### Leadership

34. The accounting authority did not adequately review the financial statements and the annual performance report before submission for audit which resulted in a number of material misstatements that were identified.

### Financial and performance management

35. Management did not always perform the daily reconciliations and reviews required to ensure the prevention and detection of financial and performance errors and non-compliance with relevant legislations.

### Governance

36. Risk management strategy and oversight bodies were in place however, it was not sufficient to prevent and detect the non-compliance and errors in the financial information.

*Auditor-General*

Polokwane

31 July 2017



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## **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 scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected programmes and on the public entity’s compliance with respect to the selected subject matters.

### **Financial statements**

2. In addition to my responsibility for the audit of financial statements as described in the auditor’s report, I also:
  - Identified and assessed 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.
  - Obtained 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 agency’s internal control.
  - Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.
  - Concluded 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 concluded, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Limpopo Tourism Agency’s ability 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 the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor’s report. However, future events or conditions may cause the public entity to cease to continue as a going concern.
  - Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and 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 communicated 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 confirmed to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and here applicable, related safeguards.



*Inspiring new ways*

Limpopo Tourism Agency  
Annual Financial Statements  
for the year ended 31 March 2017

## Limpopo Tourism Agency

Annual Financial Statements for the year ended 31 March 2017

### General Information

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<b>Country of incorporation and domicile</b>	South Africa
<b>Legal form of entity</b>	Limpopo Tourism Agency
<b>Nature of business and principal activities</b>	Tourism and marketing
<b>Members</b>	KA Dipela (Chairperson) MM Chikane (Deputy Chairperson) OM Phasha PP Motene TE Mabunda A De Klerk (Dr) MG Mokoka KPS Ntshavheni TG Nethengwe (Dr) SSS Sekororo (Kgoshi) J Maeko (Cllr)
<b>Registered office</b>	Southern Gateway Ext 4 N1 Main Road Polokwane 0699
<b>Postal address</b>	PO Box 2814 Polokwane 0700
<b>Bankers</b>	ABSA Bank Limited
<b>Auditors</b>	Auditor General of South Africa Registered Auditors
<b>Company Secretary</b>	TG Kotsedi
<b>Preparer</b>	The annual financial statements were internally compiled by: Maila MP (Senior Finance Manager)

# **Limpopo Tourism Agency**

Annual Financial Statements for the year ended 31 March 2017

## **Index**

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The reports and statements set out below comprise the annual financial statements presented to the Provincial Legislature:

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## **Limpopo Tourism Agency**

Annual Financial Statements for the year ended 31 March 2017

### **Board's Responsibilities and Approval**

The board is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the board to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year 2016/17 and the results of its operations and cash flows for the said period. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP), the Public Financial Management Act and the Treasury Regulation including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The board acknowledges that it is ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the board to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The board is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The board has reviewed the entity's cash flow forecast for the year to 31 March 2018 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The entity is wholly dependent on the Limpopo Department of Economic Development Environment and Tourism (LEDET) for continued funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern and that The Limpopo Department of Economic Development and Tourism (LEDET) has neither the intention nor the need to liquidate or curtail materially the scale of the entity. The board is in receipt of a confirmation letter to this effect.

The board is responsible for the financial affairs of the entity.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on page 62 to 67.

The annual financial statements set out on pages 68 to 114, which have been prepared on the going concern basis, were approved by the board on 31 May 2017 and were signed on its behalf by:



**KA Dipela (Chairperson)**

**31 May 2017**

# Limpopo Tourism Agency

Annual Financial Statements for the year ended 31 March 2017

## Board's Report

The board submits their report for the year ended 31 March 2017.

### 1. Review of activities

#### Main business and operations

The entity is engaged in the promotion and development of tourism in the Limpopo Province. The operating results and state of affairs of the entity are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

### 2. Going concern

The Limpopo Department of Economic Development, Environment and Tourism (LEDET) has confirmed the funding for Limpopo Tourism Agency (LTA) for the foreseeable future and a letter of this effect has been received.

### 3. Subsequent events

Subsequent to the year end, the Provincial Executive Council (EXCO) took a decision that LWR and support staff will be transferred to the Limpopo Department of Economic Development Environment and Tourism (LEDET) during the current financial year.

### 4. Accounting policies

The annual financial statements have been prepared in accordance with the South African Statements of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board as the prescribed framework by National Treasury.

### 5. Total assets

During the year under review, Limpopo Tourism Agency (LTA) transferred Limpopo Wildlife Resorts (LWR) non-current assets amounting to R 103.8 million and inventories amounting to R168 446 to Limpopo Department of Economic Development Environment and Tourism (LEDET).

### 6. Board

The board of the entity for the year under review.

Name	Changes
KA Dipela (Chairperson)	
MM Chikane (Deputy Chairperson)	
OM Phasha	
PP Motene	
TE Mabunda	
A De Klerk (Dr)	
MG Mokoka	
OH Mafefe (Cllr)	Resigned 01 November 2016
ME Nchabeleng (Kgoshigadi)	Passed away 04 December 2016
KPS Ntshavheni	
TG Nethengwe (Dr)	
SSS Sekororo (Kgoshi)	
J Maeko (Cllr)	Appointed 12 January 2017

### 7. Company Secretary

The Company Secretary of the entity is TG Kotsedi:

Business address

Southern Gateway Ext 4  
N1 Main Road  
Polokwane  
0699



## Limpopo Tourism Agency

Annual Financial Statements for the year ended 31 March 2017

### Board's Report

#### 8. Board members emoluments

	Retainer fees	Cellphone	Reimbursive allowance	Total fee 2017	Total fee 2016
<b>Board Members</b>					
KA Dipela (Chairperson)	444,671	12,000	146,656	603,327	601,900
MM Chikane (Deputy chairperson)	444,671	9,000	99,777	553,448	489,295
OM Phasha	89,720	7,500	43,789	141,009	122,206
PP Motene	89,720	-	110,838	200,558	132,144
TE Mabunda	89,720	1,500	32,082	123,302	135,483
OH Mafele (Cllr)	-	-	4,248	4,248	18,624
ME Nchabeleng(Kgoshigadi)	60,525	6,071	7,523	74,119	115,603
KPS Ntshavheni	89,720	-	9,550	99,270	102,931
TG Nethengwe (Dr)	89,720	9,000	98,129	196,849	143,369
SSS Sekororo	89,720	9,000	51,228	149,948	120,605
MI Matsetela	-	-	-	-	45,426
TS Mathumbu	-	-	-	-	37,656
MS Dikgale (Kgoshi)	-	-	-	-	7,477
NA Dzuguda	-	-	-	-	9,735
LM Kgalema	-	-	-	-	11,470
JA Kruger	-	-	-	-	8,517
GL Maluleke	-	-	-	-	9,565
MM Mpai	-	-	-	-	7,507
NS Nethengwe (Vho-Thovhela)	-	-	-	-	7,477
	<b>1,488,187</b>	<b>54,071</b>	<b>603,820</b>	<b>2,146,078</b>	<b>2,126,990</b>

#### Risk and Audit Members

* MG Mokoka	97,188	9,000	17,279	123,467	126,031
MP Mongalo	54,117	-	5,042	59,159	59,954
	<b>151,305</b>	<b>9,000</b>	<b>22,321</b>	<b>182,626</b>	<b>185,985</b>
	<b>1,639,492</b>	<b>63,071</b>	<b>626,141</b>	<b>2,328,704</b>	<b>2,312,975</b>

Board expenses, excluding reimbursive allowance, as separately disclosed in Note 18 in the Statement of Financial Performance for 2017 is R 1 702 564 ( R 1 725 111 in 2016) and the net cash effect of R 2 906 571 in the Statement of Comparison of Budget and Actual Amounts.

\*Board member

# Limpopo Tourism Agency

Annual Financial Statements for the year ended 31 March 2017

## Board's Report

### Remuneration of executive management

	Basic Salary	Allowances	Company Contribution	13th Cheque	Long service award	Acting Allowance	Total package 2017	Total package 2016
<b>Chief Executive Officer</b>								
TG Kotsedi (Acting) **	-	-	-	-	-	-	-	11,605
SF Hlungwani**	-	-	-	-	-	-	-	59,003
TP Maleka (Acting) *	-	-	-	-	-	21,278	21,278	-
NM Matlala	1,186,461	150,000	107,205	75,888	-	-	1,519,554	804,845
	<b>1,186,461</b>	<b>150,000</b>	<b>107,205</b>	<b>75,888</b>	<b>-</b>	<b>21,278</b>	<b>1,540,832</b>	<b>875,453</b>
<b>Chief Financial Officer</b>								
MS Manamela	1,053,321	156,000	61,917	66,813	-	-	1,338,051	1,250,631
<b>Executive Managers</b>								
SM Tlaka (Acting COO)	-	-	-	-	-	-	-	432,045
TG Kotsedi (CS)	1,015,720	55,800	55,065	59,200	-	-	1,185,785	1,108,326
SF Hlungwani (EDCO)	-	-	-	-	-	-	-	1,219,482
LR Tshabalala (Tourism Exec)	1,005,959	93,828	124,223	64,238	8,586	-	1,296,834	1,204,178
TP Maleka (HR Exec)	921,244	96,000	86,826	58,015	-	-	1,162,085	1,086,178
P Mayimela (Acting EDCO***)	-	-	-	-	-	-	-	6,548
	<b>2,942,923</b>	<b>245,628</b>	<b>266,114</b>	<b>181,453</b>	<b>8,586</b>	<b>-</b>	<b>3,644,704</b>	<b>5,056,757</b>
	<b>5,182,705</b>	<b>551,628</b>	<b>435,236</b>	<b>324,154</b>	<b>8,586</b>	<b>21,278</b>	<b>6,523,587</b>	<b>7,182,841</b>

\* These executives acted as CEO during the year.

\*\* Acted as CEO in the prior year

## Limpopo Tourism Agency

Annual Financial Statements for the year ended 31 March 2017

### Statement of Financial Position as at 31 March 2017

Figures in Rand	Note(s)	2017	2016 Restated*
<b>Assets</b>			
Current Assets			
Inventories	4	84,158	252,418
Receivables from exchange and non-exchange transactions	5	4,733,261	639,255
Receivables from non-exchange transactions	6	540,117	-
Prepayments		329,233	47,406
Cash and cash equivalents	7	8,408,094	18,286,284
		<b>14,094,863</b>	<b>19,225,363</b>
Non-Current Assets			
Property, plant and equipment	3	12,807,547	120,772,672
<b>Total Assets</b>		<b>26,902,410</b>	<b>139,998,035</b>
<b>Liabilities</b>			
Current Liabilities			
Special funding-DEA	8	499,082	469,892
Finance lease obligation	9	5,615,542	3,063,931
Payables from exchange transactions	13	8,398,650	17,828,173
Revenue payable to Provincial Fund	14	217,824	857,178
Conditional grant-Marketing	10	3,740,310	-
Provisions	11	108,466	464,000
Income received in advance		-	284,586
Unearned revenue		6,000	22,056
Deffered income -Infrastructure	12	-	10,586,717
		<b>18,585,874</b>	<b>33,576,533</b>
Non-Current Liabilities			
Finance lease obligation	9	30,540,482	36,156,024
Provisions	11	244,455	1,592,000
		<b>30,784,937</b>	<b>37,748,024</b>
<b>Total Liabilities</b>		<b>49,370,811</b>	<b>71,324,557</b>
<b>Net Assets</b>		<b>(22,468,401)</b>	<b>68,673,478</b>
Accumulated surplus		(22,468,401)	68,673,478

# Limpopo Tourism Agency

Annual Financial Statements for the year ended 31 March 2017

## Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Parks revenue		-	8,639,562
Concessions		-	233,996
Tourism revenue		53,995	63,132
Other income		96,452	587,009
Interest received	16	708,435	958,014
<b>Total revenue from exchange transactions</b>		<b>858,882</b>	<b>10,481,713</b>
<b>Revenue from non-exchange transactions</b>			
<b>Transfer revenue</b>			
Government grants and subsidies	15	59,262,000	101,295,000
Reimbursement-Tourism revenue		-	15,000
Conditional grant income-Infrastructure	15	-	50,113,046
Grant revenue	15	-	5,016,237
Conditional grant income-Marketing		26,259,690	-
<b>Total revenue from non-exchange transactions</b>		<b>85,521,690</b>	<b>156,439,283</b>
<b>Total revenue</b>	15	<b>86,380,572</b>	<b>166,920,996</b>
<b>Expenditure</b>			
Board expenditure	18	(1,702,564)	(1,725,111)
Debt impairment	20	2,186,925	(2,208,531)
Depreciation and amortisation	3	(4,167,089)	(5,651,697)
Personnel costs	17	(25,897,957)	(53,235,696)
Finance costs	19	(10,418,846)	(11,022,302)
General expenses	21	(37,237,363)	(33,228,836)
Impairment loss		(94,946)	(226,454)
Office rental		-	(50,048)
Repairs and maintenance		(49,071)	(1,967,898)
<b>Total expenditure</b>		<b>(77,380,911)</b>	<b>(109,316,573)</b>
<b>Operating surplus</b>	23	<b>8,999,661</b>	<b>57,604,423</b>
Write offs/scraping of assets		(38,902)	(164,077)
Transfer of assets and liabilities to LEDET		(99,305,514)	-
<b>(Deficit) surplus for the year</b>		<b>(99,344,416)</b>	<b>(164,077)</b>
		<b>(90,344,755)</b>	<b>57,440,346</b>

## Limpopo Tourism Agency

Annual Financial Statements for the year ended 31 March 2017

### Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	79,777,423	(4,751,460)	75,025,963
Adjustments			
Prior year adjustments	(79,777,423)	26,275,621	(53,501,802)
<b>Balance at 01 April 2015 as restated*</b>	-	<b>21,524,161</b>	<b>21,524,161</b>
Changes in net assets			
Surplus for the year	-	57,440,346	57,440,346
Transfer to provincial revenue fund (PRF)	-	(10,291,029)	(10,291,029)
Total changes	-	47,149,317	47,149,317
<b>Restated* Balance at 01 April 2016</b>	-	<b>68,673,478</b>	<b>68,673,478</b>
Changes in net assets			
Deficit for the year	-	(90,344,755)	(90,344,755)
Transfer to provincial revenue fund (PRF)	-	(797,124)	(797,124)
Total changes	-	(91,141,879)	(91,141,879)
<b>Balance as at 31 March 2017</b>	-	<b>(22,468,401)</b>	<b>(22,468,401)</b>

**Limpopo Tourism Agency**  
Annual Financial Statements for the year ended 31 March 2017

**Cash Flow Statement**

Figures in Rand	Note(s)	2017	2016 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Grants		89,262,000	167,011,000
Interest income		708,435	958,014
Other receipts		150,447	7,967,499
		<u>90,120,882</u>	<u>175,936,513</u>
<b>Payments</b>			
Employee costs		(26,780,963)	(54,817,213)
Suppliers		(47,303,003)	(48,986,108)
Finance costs		(9,122)	(11,926)
Board expenses		(1,705,316)	(1,729,910)
		<u>(75,798,404)</u>	<u>(105,545,157)</u>
	24	<b>14,322,478</b>	<b>70,391,356</b>
<b>Net cash flows from operating activities</b>			
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(140,296)	(55,261,262)
<b>Cash flows from financing activities</b>			
Finance lease payments		(13,473,655)	(12,251,103)
Unspent grant surrendered		(10,586,717)	(14,768,549)
		<u>(24,060,372)</u>	<u>(27,019,652)</u>
<b>Net (decrease) in cash and cash equivalents</b>		<b>(9,878,190)</b>	<b>(11,889,558)</b>
Cash and cash equivalents at the beginning of the year		18,286,284	30,175,842
<b>Cash and cash equivalents as at the end of the year</b>	7	<b>8,408,094</b>	<b>18,286,284</b>

## Limpopo Tourism Agency

Annual Financial Statements for the year ended 31 March 2017

### Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

#### Statement of Financial Performance

<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Other income- receipts	-	-	-	150,447	150,447	
Interest received	-	-	-	708,435	708,435	
<b>Total revenue from exchange transactions</b>	-	-	-	<b>858,882</b>	<b>858,882</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government grants & subsidies	67,507,000	(8,244,000)	59,263,000	59,262,000	(1,000)	
Conditional grant income- Infrastructure	30,000,000	-	30,000,000	30,000,000	-	
<b>Total revenue from non-exchange transactions</b>	<b>97,507,000</b>	<b>(8,244,000)</b>	<b>89,263,000</b>	<b>89,262,000</b>	<b>(1,000)</b>	
<b>Total revenue</b>	<b>97,507,000</b>	<b>(8,244,000)</b>	<b>89,263,000</b>	<b>90,120,882</b>	<b>857,882</b>	
<b>Expenditure</b>						
Personnel costs	(37,337,167)	8,244,000	(29,093,167)	(25,897,957)	3,195,210	36
Board fees	(4,000,000)	250,046	(3,749,954)	(2,906,571)	843,383	36
Finance costs	(13,473,811)	-	(13,473,811)	(13,473,655)	156	
General Expenses	(12,446,022)	(564,665)	(13,010,687)	(10,147,469)	2,863,218	36
Conditional grant-Marketing	(30,000,000)	-	(30,000,000)	(26,259,690)	3,740,310	36
<b>Total expenditure</b>	<b>(97,257,000)</b>	<b>7,929,381</b>	<b>(89,327,619)</b>	<b>(78,685,342)</b>	<b>10,642,277</b>	
<b>Operating surplus</b>	<b>250,000</b>	<b>(314,619)</b>	<b>(64,619)</b>	<b>11,435,540</b>	<b>11,500,159</b>	
<b>Surplus for the year</b>	<b>250,000</b>	<b>(314,619)</b>	<b>(64,619)</b>	<b>11,435,540</b>	<b>11,500,159</b>	

**Limpopo Tourism Agency**  
Annual Financial Statements for the year ended 31 March 2017

**Statement of Comparison of Budget and Actual Amounts**

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

**Statement of Financial Position**

**Assets**

**Non-Current Assets**

Capital expenditure

(250,000) (9,000) **(259,000)** (140,296) **118,704** 36

**Total Assets**

**(250,000)** **(9,000)** **(259,000)** **(140,296)** **118,704**

**Net Assets**

**(250,000)** **(9,000)** **(259,000)** **(140,296)** **118,704**



## **Accounting Policies**

### **1. Presentation of Annual Financial Statements**

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

#### **1.1 Presentation currency**

These annual financial statements are presented in South African Rand, which is the functional currency of the entity.

#### **1.2 Going concern assumption**

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

#### **1.3 Significant judgements and sources of estimation uncertainty**

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

#### **Trade receivables, loans and other receivables**

The entity assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

#### **Fair value estimation**

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The short term receivables and payables are not discounted.

#### **Impairment testing**

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

#### **Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 11 - Provisions.

#### **Allowance for doubtful debts**

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

# Limpopo Tourism Agency

Annual Financial Statements for the year ended 31 March 2017

## Accounting Policies

### 1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Communication equipment	5-8 years
Leasehold property	10-20 years
Machinery, Plant and Equipment	5-15 years
Furniture and fixtures	5-15 years
Motor vehicles	5-10 years
Office equipment	5-12 years
IT equipment	5-10 years
Mobile offices	10-15 years
Sundry equipment	5-12 years
Water management equipment	5-10 years

## **Accounting Policies**

### **1.4 Property, plant and equipment (continued)**

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

### **1.5 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

#### **Classification**

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

<b>Class</b>	<b>Category</b>
Loans and receivables	Financial asset measured at amortised cost
Financial liabilities measured at amortised cost	Financial liability measured at amortised cost

#### **Initial recognition**

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

#### **Initial measurement of financial assets and financial liabilities**

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

## **Accounting Policies**

### **1.5 Financial instruments (continued)**

#### **Subsequent measurement of financial assets and financial liabilities**

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

#### **Fair value measurement considerations**

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

#### **Presentation**

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

### **1.6 Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

## **Accounting Policies**

### **1.6 Leases (continued)**

#### **Finance leases - lessee**

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

#### **Operating leases - lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### **1.7 Inventories**

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the entity incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### **1.8 Impairment of non-cash-generating assets**

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Non-cash-generating assets are assets other than cash-generating assets.

# Limpopo Tourism Agency

Annual Financial Statements for the year ended 31 March 2017

## Accounting Policies

### 1.8 Impairment of non-cash-generating assets (continued)

#### Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable service amount of the asset.

#### Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

#### Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

#### Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

#### Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

#### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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## **Accounting Policies**

### **1.8 Impairment of non-cash-generating assets (continued)**

#### **Reversal of an impairment loss**

The entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### **Redesignation**

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### **1.9 Revenue payable to Provincial Revenue Fund**

All revenue collected not appropriated by the legislation in terms of PFMA should be transferred to the Provincial Revenue Fund in terms of treasury instruction note 3 of 2014 which reads that 'Schedule 3C public entities must transfer the revenue collected to the Provincial Revenue Fund on monthly basis through the respective line department.'

### **1.10 Employee benefits**

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

# Limpopo Tourism Agency

Annual Financial Statements for the year ended 31 March 2017

## Accounting Policies

### 1.10 Employee benefits (continued)

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

#### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

Long service award obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the agreement (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under the long service agreement, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.



## **Accounting Policies**

### **1.11 Provisions and contingencies**

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the entity

No obligation arises as a consequence of the sale or transfer of an operation until the entity is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 26.

### **1.12 Commitments**

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

## **Accounting Policies**

### **1.12 Commitments (continued)**

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### **1.13 Revenue from exchange transactions**

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

### **Measurement**

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

### **Sale of goods**

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

### **Rendering of services**

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

### **1.14 Revenue from non-exchange transactions**

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

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## **Accounting Policies**

### **1.14 Revenue from non-exchange transactions (continued)**

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

#### **Recognition**

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

#### **Measurement**

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

#### **Transfers**

Apart from Services in kind, which are not recognised, the entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

### **1.15 Borrowing costs**

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### **1.16 Fruitless and wasteful expenditure**

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### **1.17 Irregular expenditure**

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

## **Accounting Policies**

### **1.17 Irregular expenditure (continued)**

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

### **1.18 Budget information**

Entities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual financial statements and the budget are not on the same basis of accounting. The actual financial statement information is therefore presented on comparable basis to the budget information. The comparison and the reconciliation between the statement of financial performance and the budget for the reporting period have been included in the Statement of comparison of budget and actual amounts.

### **1.19 Related parties**

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

### **1.20 Events after reporting date**

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

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## **Accounting Policies**

### **1.20 Events after reporting date (continued)**

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

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## Notes to the Annual Financial Statements

### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

##### **GRAP 17 (as amended 2015): Property, Plant and Equipment**

Based on the feedback received as part of the post-implementation review, the Board agreed to reconsider certain principles in GRAP 16 and GRAP 17. In particular, the Board agreed to:

- Consider whether an indicator-based assessment of useful lives of assets could be introduced.
- Clarify the wording related to the use of external valuers.
- Introduce more specific presentation and disclosure requirements for capital work-in-progress.
- Review the encouraged disclosures and assess whether any should be made mandatory or deleted.
- Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements.

The effective date of the standard is for years beginning on or after 01 April 2016.

The entity has adopted the standard for the first time in the 2017 annual financial statements.

#### 2.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2017 or later periods:

<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>	<b>Expected impact:</b>
<ul style="list-style-type: none"><li>• GRAP 18: Segment Reporting</li></ul>	01 April 2017	The adoption of this amendment is not expected to have a material impact on the disclosure adopted by the entity.
<ul style="list-style-type: none"><li>• GRAP 20: Related parties</li><li>• GRAP 21 (as amended 2015): Impairment of non-cash-generating assets</li></ul>	01 April 2017 01 April 2017	

##### **GRAP 108: Statutory Receivables**

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The entity expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

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**3. Property, plant and equipment**

	2017		2016			
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
Leasehold property	36,704,395	(26,363,133)	10,341,262	36,704,395	(22,692,694)	14,011,701
Plant and machinery	62,473	(46,339)	16,134	4,572,731	(942,182)	3,630,549
Furniture and fixtures	2,338,553	(1,571,623)	766,930	7,125,751	(4,136,051)	2,989,700
Motor vehicles	361,419	(80,295)	281,124	4,543,017	(1,793,939)	2,749,078
Office equipment	1,193,630	(656,880)	536,750	2,429,530	(1,112,143)	1,317,387
IT equipment	2,206,939	(1,386,037)	820,902	3,045,344	(1,523,902)	1,521,442
Mobile offices	114,754	(82,494)	32,260	2,430,973	(1,273,348)	1,157,625
Capital work in progress	-	-	-	92,717,731	-	92,717,731
Communication equipment	113,151	(104,558)	8,593	435,953	(298,656)	137,297
Water network	71,633	(68,041)	3,592	920,943	(380,781)	540,162
<b>Total</b>	<b>43,166,947</b>	<b>(30,359,400)</b>	<b>12,807,547</b>	<b>154,926,368</b>	<b>(34,153,696)</b>	<b>120,772,672</b>

# Limpopo Tourism Agency

Annual Financial Statements for the year ended 31 March 2017

## Notes to the Annual Financial Statements

Figures in Rand

### 3. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposal/write offs	Transfers	Impairment loss	Depreciation	Total
Leasehold property	14,011,701	-	-	-	-	(3,670,439)	10,341,262
Plant and machinery	3,630,549	-	-	(3,610,259)	-	(4,156)	16,134
Furniture and fixtures	2,989,700	1,399	(3,716)	(2,039,793)	(25,877)	(154,783)	766,930
Motor vehicles	2,749,078	-	-	(2,437,233)	-	(30,721)	281,124
Office equipment	1,317,387	38,176	(12,484)	(696,688)	(11,576)	(98,065)	536,750
IT equipment	1,521,442	100,721	(21,086)	(538,305)	(57,493)	(184,377)	820,902
Mobile offices	1,157,625	-	-	(1,116,563)	-	(8,802)	32,260
Capital work in progress	92,717,731	-	-	(92,717,731)	-	-	-
Communication equipment	137,297	-	(1,635)	(113,205)	-	(13,864)	8,593
Water network	540,162	-	-	(534,688)	-	(1,882)	3,592
	<b>120,772,672</b>	<b>140,296</b>	<b>(38,921)</b>	<b>(103,804,465)</b>	<b>(94,946)</b>	<b>(4,167,089)</b>	<b>12,807,547</b>



# Limpopo Tourism Agency

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## Notes to the Annual Financial Statements

Figures in Rand

### 3. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Impairment loss	Write offs/scraping	Depreciation	Total
Leasehold property	17,682,141	-	-	-	(3,670,440)	14,011,701
Plant and machinery	3,858,618	225,737	(22,805)	(80,030)	(350,971)	3,630,549
Furniture and fixtures	3,502,002	11,985	(25,228)	(21,058)	(478,001)	2,989,700
Motor vehicles	3,105,109	-	-	-	(356,031)	2,749,078
Office equipment	1,211,123	336,426	(16,638)	-	(213,524)	1,317,387
IT equipment	1,570,205	408,845	(124,096)	(43,423)	(290,089)	1,521,442
Mobile offices	1,320,839	-	-	-	(163,214)	1,157,625
Capital work in progress	38,616,422	54,101,309	-	-	-	92,717,731
Communication equipment	188,456	2,993	-	-	(54,152)	137,297
Water network	498,744	173,967	(37,688)	(19,566)	(75,295)	540,162
	<b>71,553,659</b>	<b>55,261,262</b>	<b>(226,455)</b>	<b>(164,077)</b>	<b>(5,651,717)</b>	<b>120,772,672</b>

# Limpopo Tourism Agency

## Annual Financial Statements for the year ended 31 March 2017

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Figures in Rand	2017	2016
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#### 3. Property, plant and equipment (continued)

##### Assets subject to finance lease (Net carrying amount)

Leasehold property	10,341,262	14,011,701
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Finance lease payments represent rental payable by the entity for its office building. The lease term is 10 years with an average effective borrowing rate of 28%.

Interest rate is linked to prime at the contract date. The lease escalates at a fixed percentage per annum and no arrangements have been entered into for contingent rent. The entity's obligations under the finance lease is secured by the lessor's charge over the leased asset.

#### 4. Inventories

Merchandise	-	168,446
Consumable stores	84,158	83,972
	<b>84,158</b>	<b>252,418</b>

##### Reconciliation of inventories expensed during the year

Opening balance	252,418	374,137
Purchases	73,108	684,393
Inventory expensed during the year	(72,922)	(806,112)
Inventory transferred to LEDET	(168,446)	-
	<b>84,158</b>	<b>252,418</b>

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#### 5. Receivables from exchange and non-exchange transactions

Trade debtors	4,932,837	2,733,076
Employee costs in advance	7,315	5,757
Deposits	60,333	60,333
Other receivables	57,798	360,468
Study assistance	-	11,183
Allowance for doubtful debt	(329,033)	(2,531,562)
Accrued income	4,011	-
	<b>4,733,261</b>	<b>639,255</b>

##### Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

##### Trade receivables

##### Counterparties with external credit rating

Trade receivable outstanding for less than 6 months	-	206,181
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# Limpopo Tourism Agency

Annual Financial Statements for the year ended 31 March 2017

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### 5. Receivables from exchange and non-exchange transactions (continued)

#### Reconciliation of provision for impairment of trade and other receivables

Opening balance	2,531,562	365,681
Provision for impairment	189	2,208,531
Amounts written off as uncollectible	(15,604)	(42,650)
Reversal of impairment	(2,187,114)	-
	<b>329,033</b>	<b>2,531,562</b>

#### Ageing of receivables from non-exchange transactions Government debtors

Current	2,622,379	6,857
30 days	1,981,425	-
180 days	-	2,193,116
	<b>4,603,804</b>	<b>2,199,973</b>

#### Ageing of receivables from exchange transactions

Other debtors		
Current	-	172,723
30 days	-	14,255
60 days	-	4,294
90 days	-	2,684
120 days	-	2,684
150 days	-	2,684
180 days	329,033	333,778
	<b>329,033</b>	<b>533,102</b>

### 6. Receivables from non-exchange transactions

LEDET	540,117	-
-------	---------	---

### 7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	409	5,441
Bank balances	8,407,685	18,280,843
	<b>8,408,094</b>	<b>18,286,284</b>

### 8. Special funding-DEA

Special funding consists of the following:

Opening balance	469,892	675,507
Interest received	33,236	52,099
Less expenditure during the year	(5,078)	(257,714)
Plus advance reversed	1,032	-
	<b>499,082</b>	<b>469,892</b>

Current liabilities

	499,082	469,892
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## Limpopo Tourism Agency

### Annual Financial Statements for the year ended 31 March 2017

# Notes to the Annual Financial Statements

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	2017	2016
<b>9. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	14,821,021	13,473,655
- in second to fifth year inclusive	42,003,006	56,824,027
less: future finance charges	56,824,027	70,297,682
<b>Present value of minimum lease payments</b>	<b>(20,668,002)</b>	<b>(31,077,727)</b>
	<b>36,156,025</b>	<b>39,219,955</b>
<b>Present value of minimum lease payments due</b>		
- within one year	5,615,542	3,063,931
- in second to fifth year inclusive	30,540,483	36,156,025
	<b>36,156,025</b>	<b>39,219,956</b>
Non-current liabilities	30,540,482	36,156,024
Current liabilities	5,615,542	3,063,931
	<b>36,156,024</b>	<b>39,219,955</b>

Finance lease payments represent rentals payable by the entity for its office building. The lease term is 10 years with an average effective borrowing rate of 28%.

The lease escalate at fixed percentage per annum and no arrangements have been entered into for contingent rent.

The entity's obligation under finance lease is secured by the lessor's charge over the leased assets.

## 10. Conditional grant-Marketing

The marketing grant a conditional grant received for marketing of the province generically as a tourism destination and development of tourism products.

### Conditional grant marketing comprises of:

#### Conditional grant-Marketing

	3,740,310	-
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#### Movement during the year

Grant received during the year	-	-
Less: expenditure recognised during the year	(26,259,690)	-
	<b>3,740,310</b>	<b>-</b>

The grant is initially recognised as a liability in the statement of financial position and subsequently as revenue when is expensed in the statement of financial performance.

The grant is ring-fenced for marketing and any unspent amount will be surrendered to the Limpopo Provincial Treasury through Limpopo Department of Economic Development, Environment and Tourism (LEDET).

# Limpopo Tourism Agency

## Annual Financial Statements for the year ended 31 March 2017

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#### 11. Provisions

##### Reconciliation of provisions - 2017

	Opening Balance	Provision adjustment	Utilised during the year	Total
Provision for long service	2,056,000	(1,600,048)	(103,031)	352,921

##### Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Total
Provision for long service	2,103,000	332,978	(379,978)	2,056,000
Non-current liabilities			244,455	1,592,000
Current liabilities			108,466	464,000
			<b>352,921</b>	<b>2,056,000</b>

The long service awards and leave provision represents estimates of the entity's liability as valued by professional valuers with an effective valuation date of 31 March 2017.

The entity values long service awards and leave accruals annually using a professional valuer. One Pangaea Financial has been appointed to estimate the present value of long service awards and leave accruals in the financial year under review.

##### Methodology:

The projected unit credit funding of method has been applied to determine the present value of the long service awards liability and the related current service cost and interest.

The leave accrual liabilities have been valued on a similar method, although benefits are fully accrued at the valuation date.

##### Key assumptions:

The assumptions used as at 31 March 2017 are based on the following factors:

	31 March 2017	31 March 2016
Consumer price index (CPI).	6.29%	6.88%
Salary inflation.	7.29%	7.88%
Discount rate.	9.09%	9.33%
Net discount rate (CPI).	2.63%	2.29%
Net discount rate (salary).	1.68%	1.34%
Mortality.	69.21% of SA85-90 (light)	69.21% of SA85-90 (light)
Normal retirement age.	65	65

The methodology of setting the financial assumption has been updated to be more duration specific. At the previous valuation date, 31 March 2016, the duration liabilities were 9.48 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve and as at 31 March 2017 the duration liabilities is 9.09% per annum. The assumed discount rate used at the previous valuation 31 March 2016, was 9.33% per annum.

The duration of liabilities was estimated to be 9.48 years at the previous valuation date of 31 March 2016. At 31 March 2017 the yield on inflation-linked bonds of similar term was about 2.16% per annum. This implies an underlying expectation of inflation of 6.29% per annum.

However, it is the relative levels of the discount rate and salary inflation to one another that are important rather than the nominal values. It is assumed that the salary inflation would exceed general inflation by 1.0% per annum, i.e. 7.29% per annum.

# Limpopo Tourism Agency

## Annual Financial Statements for the year ended 31 March 2017

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#### 11. Provisions (continued)

However, it is the relative levels of the discount rate and salary inflation, the discount rate and CPI, to one another that are important rather than the nominal values. It thus assumed a discount factor (salary inflation) of 1.68% per annum and net discount factor (CPI) of 2.63% per annum.

#### Sensitivity analysis

The valuation bases assume that the salary inflation rate (which manifests itself as the annual increase in employees' salaries which determine the leave accrual payable) will be 1.68% less than the corresponding discount rate in the long term. If a 1% increase in the salary cost inflation assumption will result roughly a 15.4% increase in the accrued liability. Similarly, a 1% decrease in the salary inflation assumption will result in roughly a 13.0% decrease in the accrued liability.

#### 12. Deferred income -Infrastructure

##### Movement during the year

Balance at the beginning of the year	10,586,717	14,768,549
Amount surrendered to Provincial Treasury	(10,586,717)	(14,768,549)
Grant received during the year	-	65,716,000
Less expenditure-revenue enhancement	-	(5,016,237)
Less -operational expenditure-Infrastructure	-	(7,004,148)
Less -capital expenditure-Infrastructure	-	(43,108,898)
	-	<b>10,586,717</b>

The deferred income-infrastructure is a conditional grant received for the upgrading of resorts. The grant is initially recognised as a liability in the statement of financial position and subsequently as revenue when expensed in the statement of financial performance.

#### 13. Payables from exchange transactions

Trade payables	3,768,208	9,112,421
Retention	-	4,667,418
Workmans compensation	291,415	292,846
Staff S&T Control Account	46,459	76,456
Accrued-13th Cheque	1,003,041	954,968
Leave accrual	3,285,000	2,713,000
Salary Control Account	-	3,785
Board Payments Control Account	4,527	7,279
	<b>8,398,650</b>	<b>17,828,173</b>

#### 14. Revenue payable to Provincial Revenue Fund

Revenue payable	217,824	857,178
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#### Revenue collected on behalf of Department

Balance at the beginning of the year	857,178	614,726
Revenue collected	2,715,329	10,291,026
Less revenue transferred to Provincial Revenue Fund	(3,501,204)	(10,048,574)
Plus unknown deposits	126,560	-
Plus concession fee payable reversed	19,961	-
	<b>217,824</b>	<b>857,178</b>

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	2017	2016
<b>15. Revenue</b>		
Parks revenue	-	8,639,562
Concessions	-	233,996
Tourism revenue	53,995	63,132
Other income	96,452	587,009
Interest received	708,435	958,014
Government grants & subsidies	59,262,000	101,295,000
Reimbursement-Tourism revenue	-	15,000
Conditional grant income-Infrastructure	-	50,113,046
Grant-revenue enhancement	-	5,016,237
Grant Marketing-Conditional	26,259,690	-
	<b>86,380,572</b>	<b>166,920,996</b>

**The amount included in revenue arising from exchanges of goods or services are as follows:**

Parks revenue	-	8,639,562
Concessions	-	233,996
Tourism revenue	53,995	63,132
Other income	96,452	587,009
Interest received	708,435	958,014
	<b>858,882</b>	<b>10,481,713</b>

**The amount included in revenue arising from non-exchange transactions is as follows:**

<b>Transfer revenue</b>		
Government grants & subsidies	59,262,000	101,295,000
Reimbursement-Tourism revenue	-	15,000
Conditional grant income-Infrastructure	-	50,113,046
Grant-revenue enhancement	-	5,016,237
Conditional grant-Marketing	26,259,690	-
	<b>85,521,690</b>	<b>156,439,283</b>

**16. Interest received**

<b>Interest revenue</b>		
Bank	708,435	958,014

# Limpopo Tourism Agency

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#### 17. Employee related costs

Basic salary	15,207,251	35,784,952
Medical aid - company contributions	636,578	1,858,252
UIF	78,545	259,382
WCA	291,445	271,315
Leave provision charge	678,731	(1,297,252)
Provident fund contribution	1,500,356	3,508,582
Long-service awards	(1,600,048)	332,978
13th cheque	1,145,412	2,685,905
Housing benefits and allowances	1,228,531	2,467,520
Internship stipend	207,472	181,220
	<b>19,374,273</b>	<b>46,052,854</b>

#### Remuneration of Chief Executive Officer

Basic salary	1,207,739	731,959
Allowances	150,000	87,500
13th cheque Bonuses	75,888	17,731
Contributions to UIF, Medical and Pension Funds	107,205	38,263
	<b>1,540,832</b>	<b>875,453</b>

#### Remuneration of Chief Finance Officer

Basic salary	1,053,321	974,277
Allowances	156,000	156,000
13th cheques	66,813	62,442
Contributions to UIF, Medical and Pension Funds	61,917	57,913
	<b>1,338,051</b>	<b>1,250,632</b>

#### Remuneration of Executive Managers

Basic salary	2,942,923	4,154,393
Allowances	245,628	326,952
13th cheque	181,543	230,551
Contributions to UIF, Medical and Pension Funds	266,121	321,791
Leave gratuity	-	23,070
Long service awards	8,586	-
	<b>3,644,801</b>	<b>5,056,757</b>

#### Total employee related costs

**25,897,957 53,235,696**

#### 18. Remuneration of Board members

Board fees	1,639,493	1,661,211
Cell phone allowances	63,071	63,900
	<b>1,702,564</b>	<b>1,725,111</b>

#### 19. Finance costs

Finance leases	10,409,724	11,010,376
Other interest paid	9,122	11,926
	<b>10,418,846</b>	<b>11,022,302</b>



# Limpopo Tourism Agency

## Annual Financial Statements for the year ended 31 March 2017

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#### 20. Debt impairment

Bad debts written off/ (Reversal) (2,186,925) 2,208,531

The debt impairment charge for the year represents management's best estimate of amounts which are doubtful.

#### 21. General expenses

Advertising	78,222	6,270
Auditors remuneration	2,982,459	4,302,059
Bank charges	105,627	207,125
Cleaning	376,481	342,557
Computer expenses	433,881	497,757
Consulting and professional fees	172,647	2,749,751
Supplies and consumables	5,940	1,692,319
Equipment & machinery rentals	-	127,590
Insurance	642,206	648,512
Accommodation, conferences and workshops	969,836	636,829
Fleet management	81,243	1,310,218
Marketing research	6,108,745	1,602,847
Marketing campaigns and branding	18,614,452	1,037,373
Promotions and sponsorships	175,453	-
Recruitment cost	36,557	138,861
Postage and courier	-	261
Printing and stationery	420,146	642,475
Road regravelling	-	7,059,518
Security	1,222,077	3,258,736
Staff welfare	11,486	-
Subscriptions and membership fees	202,541	578,860
Telephone and fax	1,311,955	2,106,107
Staff training	91,932	58,381
S&T payments	1,340,785	1,448,658
Reservation system rental	-	141,805
Electricity	918,872	1,788,649
Staff uniform	7,156	11,700
Entrepreneur support	862,807	84,481
Study assistance	-	10,050
Employee wellness	9,499	-
Risk management	45,674	43,420
Obsolete stock	-	43,861
Public relations and communications	-	149,526
Labour relation	8,684	17,100
Cost of sales	-	466,750
Quality assurance	-	18,430
	<b>37,237,363</b>	<b>33,228,836</b>

#### 22. Auditors' remuneration

Internal audit fees 160,512 445,191  
 External audit fees 2,821,947 3,856,869  
**2,982,459 4,302,060**

#### 23. Operating surplus

Operating surplus for the year is stated after accounting for the following:

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### 23. Operating surplus (continued)

#### Operating lease charges

Premises	(38,902)	(164,077)
• Contractual amounts	94,946	226,454
	99,305,514	-
Write-off / scrapping of property, plant and equipment	4,167,089	5,651,697
Impairment on property, plant and equipment	25,897,957	53,235,696
Assets transfer		
Depreciation on property, plant and equipment		
Employee costs		
	-	50,048

### 24. Cash generated from operations

(Deficit) surplus	(90,344,755)	57,440,346
<b>Adjustments for:</b>		
Depreciation and amortisation	4,167,089	5,651,697
Scrapping of property, plant and equipment	38,902	164,077
Transfer of assets-LEDET	103,804,465	-
Transfer to provincial revenue fund (PRF)	(797,105)	-
Finance costs - Finance leases	10,409,724	11,010,376
Impairment deficit	94,946	226,454
Debt impairment/ (Reversal)	(2,186,925)	2,208,531
Movements in provisions	(1,703,079)	(47,000)
<b>Changes in working capital:</b>		
Inventories	168,260	121,719
Receivables from exchange and non-exchange transactions	(4,094,006)	1,095,032
(Debt impairment)/ Reversal	2,186,925	(2,208,531)
Payables for 13th cheque LEDET	(540,117)	-
Prepayments	(281,827)	63,581
Payables from exchange transactions	(9,429,522)	(5,430,360)
Change in revenue funding	(639,354)	-
Movement special funding-DEA	29,189	(205,615)
Conditional grant-Marketing	3,740,310	-
Conditional grant-Infrastructure	-	538,162
Income received in advance	(284,586)	(223,549)
Unearned revenue	(16,056)	(13,564)
	<b>14,322,478</b>	<b>70,391,356</b>

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<b>25. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Capital Commitments already contracted for but not provided for</b>		
• Outstanding purchasing orders	-	10,835,598
<b>Operating Commitments already contracted for but not provided for</b>		
• Security	-	751,916
• I Bower and Associates	1,162,658	-
• Call save system	111,407	215,386
• Professional consultants	-	1,328,705
• Outstanding orders	1,675,780	543,699
• KPMG-Hotline service	20,452	65,809
• KPMG internal audit	21,713	736,369
• Tracker	9,025	71,671
• Steiner services	-	135,928
• Mapheto Business Services	3,848,831	-
• Lekoko consulting (Pty) Ltd	170,316	-
	<b>7,020,182</b>	<b>3,849,483</b>
<b>Total Capital Commitments</b>		
Already contracted for but not provided for	-	10,835,598
Not yet contracted for and authorised by members	7,020,182	3,849,483
	<b>7,020,182</b>	<b>14,685,081</b>

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#### 26. Contingencies

The entity has contingent liabilities regarding disputes with three (3) service providers and its former board members with the total possible cash outflow of R 16,501,600 (2016: R 14,329,486)

#### Contingent liabilities

Status quo on cases relating to contingent liabilities as at the reporting period is as follows:

1. Mmazwi Civil and Construction.
  - The entity has been waiting with bated breath for the matter to be placed on the roll by the registrar of the court for adjudication.
2. Nkadimeng and 7 others / Limpopo Tourism Agency and the MEC for Eceonomic Development, Evironment and Tourism Limpopo.
  - The matter was scheduled for trial on 31 August 2016 but was postponed at the behest of the plaintiff and the new trial date is still to be set.
3. Edmax
  - The representatives of both parties reached an agreement in principle declaring that the matter in respect of the merits of the case is finalized and settled. The entity is anticipating for the settlement agreement to be signed not later than 30 June 2017.
  - The entity's contingent liabilities are disclosed individually as per the table below.

#### Details

Mmazwi civil and construction	416,099	360,259	
PH Selahle	-	42,386	
Nkadimeng and 7 other former Board members	15,847,123	13,720,453	
Edmax	238,378	206,388	
	<b>16,501,600</b>	<b>14,329,486</b>	

#### Contingent assets

The entity has contingent asset regarding the defaulted customer with the possible cash inflow of R 549 158 ( R 475 461 ) (2015/16). The matter is handled by the state attorney office in Pretoria.

On or about April 2017, the sheriff has filed a return of no service with state attorney as he was unable to find the company at the registered address of business. The State attorney has since issued another instruction to the sheriff to go and serve the company with summons at the address for legal service.

#### Details

Leisurecon consortium Pty (Ltd)	549,158	475,461	
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## Limpopo Tourism Agency

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#### 27. Related parties

##### Relationships

Parent Department

Members of key management

Limpopo Department of Economic Development,  
Environment and Tourism  
NM Matlala-Chief Executive Officer  
MS Manamela-Chief Financial Officer  
TG Kotsedi-Company Secretary  
LR Tshabalala-Executive Tourism and Marketing

Board members

TP Maleka-Executive Human Resources  
KA Dipela-(Chairperson)  
MM Chikane-(Deputy Chairperson)  
OM Phasha  
PP Motene  
TE Mabunda  
A De Klerk-(Dr)  
OH Mafeke-Resigned (Cllr)  
ME Nchabeleng-(Kgoshigadi)-Deceased  
KPS Ntshavheni  
TG Nethengwe-(Dr)  
J Maeko (Cllr)  
MG Mokoka  
MP Mongalo  
YM Mathabatha

Risk and Audit committee

##### Related party transactions

##### Grants received from Limpopo Economic Development Environment and Tourism (LEDET)

Government grant and subsidies  
Conditional grant-infrastructure  
Conditional grant-marketing  
Grant received-revenue enhancement

(59,262,000) (101,295,000)  
- (50,816,000)  
(30,000,000) -  
- (14,900,000)

##### Receivables (excluding provision) from Limpopo Economic Development Environment and Tourism (LEDET)

Receivables from LEDET

4,603,803 2,199,973

##### Payables (excluding provision) to Limpopo Economic Development Environment and Tourism (LEDET)

Unspent grant surrendered to LEDET

(3,740,310) (10,586,717)

# Limpopo Tourism Agency

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### 28. Members' emoluments

#### Non-executive

#### 2017

	Retainer fees	Cellphone allowances	Reimbursable allowances	Total
KA Dipela (Chairperson)	444,671	12,000	146,656	603,327
MM Chikane (Deputy Chairperson)	444,671	9,000	99,777	553,448
OM Phasha	89,720	7,500	43,789	141,009
PP Motene	89,720	-	110,838	200,558
TE Mabunda	89,720	1,500	32,082	123,302
MG Mokoka	97,188	9,000	17,279	123,467
OH Mafele (Cllr)	-	-	4,248	4,248
ME Nchabeleng (Kgoshigadi)	60,525	6,071	7,523	74,119
KPS Nishavheni	89,720	-	9,550	99,270
TG Nethengwe (Dr)	89,720	9,000	98,129	196,849
SSS Sekororo (Kgoshi)	89,720	9,000	51,228	149,948
MP Mongalo	54,117	-	5,042	59,159
	<b>1,639,492</b>	<b>63,071</b>	<b>626,141</b>	<b>2,328,704</b>

#### 2016

	Retainer fees	Cellphone allowances	Reimbursable allowances	Total
KA Dipela (Chairperson)	407,615	11,000	183,285	601,900
MM Chikane (Deputy Chairperson)	407,615	8,250	73,430	489,295
OM Phasha	82,243	8,250	31,713	122,206
PP Motene	82,243	-	49,901	132,144
TE Mabunda	82,243	-	53,240	135,483
MG Mokoka	89,089	8,250	28,692	126,031
OH Mafele (Cllr)	-	-	18,624	18,624
ME Nchabeleng (Kgoshigadi)	82,243	8,250	25,110	115,603
KPS Nishavheni	82,243	-	20,688	102,931
TG Nethengwe (Dr)	82,243	8,250	52,876	143,369
SSS Sekororo (Kgoshi)	82,243	8,250	30,112	120,605
MI Matsetela	37,056	1,000	7,370	45,426
TS Mathumbu	37,056	600	-	37,656
MS Dikgale	7,477	-	-	7,477
NA Dzuguda	8,099	600	1,036	9,735
LM Kgalema	7,477	600	3,393	11,470
JA Kruger	7,477	-	1,040	8,517
GL Maluleka	7,477	600	1,488	9,565
MM Mpai	7,477	-	30	7,507
NS Nethengwe	7,477	-	-	7,477
MP Mongalo	54,117	-	5,837	59,954
	<b>1,661,210</b>	<b>63,900</b>	<b>587,865</b>	<b>2,312,975</b>

### 29. Prior period errors

Useful lives and residual values of assets were inappropriately assessed in the prior year(s).

Diminishing balance was used as a depreciation method, instead of the straight line method as per accounting policy.

Retention fees, and work in progress were both understated.

Commitments were overstated

Buildings worth R 55,6 million were recognised in both LTA and Department of Public Works' AFS.

# Limpopo Tourism Agency

## Annual Financial Statements for the year ended 31 March 2017

### Notes to the Annual Financial Statements

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#### 29. Prior period errors (continued)

Therefore, those buildings were derecognised retrospectively.

Payables from exchange transactions and provisions:

- Invoices not accounted for in the prior year and reversal of duplicated invoices;
- Leave accrual was incorrectly classified as provision instead of payables from exchange transactions.

Other income:

- Discount received and insurance income.

Finance cost:

- Interest paid on late payment.

Related party transaction and balances were not disclosed (LEDET).

Cash flow statement

- Grant received incorrectly classified under financing activities instead of operating activities.

#### Statement of Financial Position

Decrease in Property, plant and equipment	-	(48,148,798)
Increase in Payables from exchange transactions	-	(7,438,954)
Decrease in provision	-	2,713,000
Decrease in revaluation reserve	-	79,777,423
Increase in Accumulated surplus	-	(26,275,622)
	-	<b>627,049</b>

#### Statement of Financial Performance

Increase in Other income	-	(14,024)
Decrease in Depreciation and amortisation	-	(768,357)
Increase in Finance cost	-	2,648
Increase in General expenses	-	101,415
Decrease in Repairs and maintenance	-	(6,306)
Decrease in loss on sale of assets	-	(168,879)
Increase in Impairment loss	-	226,454
	-	<b>(627,049)</b>

#### 30. Risk management

##### Financial risk management

The organisation's activities exposes it to a variety of financial risks: liquidity and credit risks.

# Limpopo Tourism Agency

## Annual Financial Statements for the year ended 31 March 2017

### Notes to the Annual Financial Statements

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#### 30. Risk management (continued)

##### Liquidity risk

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	<b>At 31 March 2017</b>	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>
Finance lease Payables from exchange transactions	14,821,021	16,303,123	25,699,883	-	-
	8,398,650	-	-	-	-
	<b>At 31 March 2016</b>	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>
Finance lease Payables from exchange transactions	13,473,655	14,821,021	42,003,006	-	-
	17,828,173	-	-	-	-

##### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.

Financial assets exposed to credit risk at year end were as follows:

	<b>2017</b>	<b>2016</b>
<b>Financial instrument</b>		
Cash and cash equivalents	8,408,094	18,286,284
Receivables from exchange transactions	4,733,261	639,255
Receivables from non-exchange transactions	540,117	-

#### 31. Going concern

The Limpopo Department of Economic Development, Environment and Tourism has confirmed the funding for Limpopo Tourism Agency for the foreseeable future. A letter to this effect has been received.

#### 32. Events after the reporting date

During the year under review, Limpopo Tourism Agency (LTA) transferred Limpopo Wildlife Resorts (LWR) non current assets amounting to R 103.8 million and inventories amounting to R 168 446 to Limpopo Department of Economic Development Environment and Tourism (LEDET).



## Limpopo Tourism Agency

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### Notes to the Annual Financial Statements

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#### 33. Fruitless and wasteful expenditure

Opening balance	1,746,247	1,368,095
Interest on late payment-Eskom and Telkom	1,114	5,166
Penalties SABC	15,715	-
Penalties on motor vehicles licenses-Polokwane municipality	4,061	-
Image travel & tour-Invoice amount exceed order amount	495	-
Reservation booking system not fully implemented	-	99,112
KPMG-overruns	-	273,874
	<b>1,767,632</b>	<b>1,746,247</b>

#### 34. Irregular expenditure

Opening balance	4,370,120	11,862,078
Add: Irregular Expenditure - current year	506,844	1,872,620
Less: Amounts condoned	-	(5,438,096)
Less: Adjustment to prior year balance	-	(3,926,482)
	<b>4,876,964</b>	<b>4,370,120</b>

#### Details of irregular expenditure – current year

Xilalelo - Service provided only with an appointment letter and without SLA  
Image Travel and Tours - The service was rendered without a purchase order

494,349
12,495
<b>506,844</b>

#### 35. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

Net (deficit) surplus per the statement of financial performance	(90,344,755)	57,440,346
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#### 36. Reconciliation between budget and cash flow statement

Reconciliation of budget surplus/deficit with the net cash generated from operating, investing and financing activities:

<b>Operating activities</b>		
Actual amount as presented in the budget statement	11,760,274	-
Finance lease payments	13,473,655	-
Amounts Surrendered	(10,586,717)	-
Other Movements	(324,734)	-
<b>Net cash flows from operating activities</b>	<b>14,322,478</b>	-
<b>Investing activities</b>		
Actual amount as presented in the budget statement	(140,296)	-
<b>Financing activities</b>		
Finance lease payments	(13,473,655)	-
Amounts surrendered	(10,586,717)	-
<b>Net cash flows from financing activities</b>	<b>(24,060,372)</b>	-
<b>Net cash generated from operating, investing and financing activities</b>	<b>(9,878,190)</b>	-

# Limpopo Tourism Agency

## Annual Financial Statements for the year ended 31 March 2017

### Notes to the Annual Financial Statements

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#### 37. Budget differences

##### Material differences between budget and actual amounts

The information below explains the material variance between final budget and actual amounts as presented on the statement of comparison between budget and actual amounts.

Personnel Costs:

The underspending of R 3 195 210 is due to outstanding Performance Assessments for the year under review.

Board fees:

The underspending of R 843 383 is as a result of disapproved increase in Board fees.

Conditional grant-Marketing:

The underspending of R 3 740 310 is as a result of the following projects:

- Brand journey not yet finalised.
- Business tourism strategy have not been reviewed.

General expenditure:

The underspending of R 2 863 218 is as a result of the following projects:

- Design and development of the Website: A tender was issued but subsequently cancelled due to it been regarded as non-responsive
- Development and Implementation of ICT Strategy: A tender was cancelled due to incorrect specification.
- Organisational Re-design: The delay in the appointment and implementation of the organisational redesign process resulting in underspending.

##### Differences between budget and actual amounts basis of preparation and presentation

The budget and the accounting bases differ. The annual financial statements for the entity are prepared on the accrual basis using a classification based on the nature of expenses in the statement of financial performance. The annual financial statements differ from the budget, which is approved on the cash basis.

The amounts in the annual financial statements were recast from the accrual basis to the cash basis and reclassified by functional classification to be on the same basis as the final approved budget. In addition, adjustments to amounts in the annual financial statements for timing differences associated with the continuing appropriation were made to express the actual amounts on a comparable basis to the final approved budget.

#### 38. Transfer of assets

As effective from the 1st of April 2016 the entity has transferred the functions relating to Limpopo Wildlife Resorts (LWR) to LEDET. For details of assets and liabilities transferred refer to note 3.

##### Assets and payables transferred

Property, plant and equipment	(103,804,465)
Retention fees	4,667,418
Inventory	(168,446)
	<b>(99,305,493)</b>



