



19

20

ANNUAL
REPORT

PART A

GENERAL INFORMATION

ECSECC'S GENERAL INFORMATION.....	8
ABBREVIATIONS AND ACRONYMS.....	9
FOREWORD BY THE CHAIRPERSON.....	10
01 CHIEF EXECUTIVE OFFICER'S OVERVIEW.....	11
02 STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT.....	12
03 STRATEGIC OVERVIEW.....	13
04 ECSECC MANDATE.....	14
05 ORGANISATIONAL STRUCTURE.....	15

PART B

PERFORMANCE INFORMATION

01 AUDITOR'S REPORT: PRE-DETERMINED OBJECTIVES.....	18
02 SITUATIONAL ANALYSIS.....	18
03 PERFORMANCE INFORMATION BY PROGRAMME.....	24
<i>Programme 1: Operations, Finance, Corporate Services and Knowledge Management</i>	
<i>Programme 2: Economic Governance and Human Resource Development</i>	
<i>Programme 3: Strategic Planning and Governance</i>	
<i>Programme 4: HIV/AIDS</i>	
04 REVENUE COLLECTION.....	43

CONTENTS

PART C

GOVERNANCE

01	INTRODUCTION.....	46
02	PORTFOLIO COMMITTEE MEETINGS ATTENDED.....	46
03	EXECUTIVE AUTHORITY.....	47
04	THE ACCOUNTING AUTHORITY / BOARD.....	47
05	RISK MANAGEMENT.....	50
06	INTERNAL CONTROL UNIT.....	50
07	INTERNAL AUDIT AND AUDIT COMMITTEES.....	51
08	COMPLIANCE WITH LAWS AND REGULATIONS.....	52
09	FRAUD AND CORRUPTION.....	52
10	MINIMISING CONFLICT OF INTEREST.....	52
11	CODE OF CONDUCT.....	52
12	HEALTH, SAFETY AND ENVIRONMENTAL ISSUES.....	53
13	BOARD SECRETARY.....	53
14	SOCIAL RESPONSIBILITY.....	53
15	AUDIT, RISK AND ICT COMMITTEE REPORT.....	54

PART D

HUMAN RESOURCE MANAGEMENT

01	INTRODUCTION.....	58
02	HUMAN RESOURCE OVERSIGHT STATISTICS.....	60

PART E

FINANCIAL INFORMATION

01	REPORT OF THE AUDITOR-GENERAL..... <i>Annexure – Auditor-General's Responsibility for the Audit</i>	66
02	ANNUAL FINANCIAL STATEMENTS.....	70



PART A

GENERAL INFORMATION

ECSECC'S GENERAL INFORMATION

REGISTERED NAME:	Eastern Cape Socio-Economic Consultative Council
REGISTRATION NUMBER:	1999/024315/08
PHYSICAL ADDRESS:	12 Gloucester Road Vincent East London 5217
POSTAL ADDRESS:	Postnet Vincent Private Bag X 9063 Suite No. 302 Vincent 5247
TELEPHONE NUMBER:	(043) 701 3400
FAX NUMBER:	(043) 701 3415
EMAIL ADDRESS:	info@ecsecc.org
WEBSITE ADDRESS:	www.ecsecc.org
EXTERNAL AUDITORS:	The Auditor-General of South Africa
BANKERS:	First National Bank
BOARD SECRETARY:	Ms Nozuko Somniso
TAX EXEMPTION:	Reference Number: 930031288 under section 30(3) of the Income Tax Act No. 58 of 1962 (the Act).

ABBREVIATIONS AND ACRONYMS

ADM	Amathole District Municipality	IPCO	Infrastructure Planning Co-ordination Office
AIDS	Acquired Immune Deficiency Syndrome	LGBTI	Lesbian, Gay, Bisexual, Transgender, Intersex
ANDM	Alfred Nzo District Municipality	MerSETA	Manufacturing, Engineering and Related Services Sector and Training Authority
ART	Anti-Retroviral Treatment	MTEF	Medium-term Expenditure Framework
BCC	Buffalo City College	MOU	Memorandum of Understanding
BCMM	Buffalo City Metropolitan Municipality	NGO	Non-governmental Organisation
BI	Business Intelligence	MEC	Member of the Executive Council
CDC	Coega Development Corporation	NACI	National Advisory Council on Innovation
CHC	Community Health Centre	NHLS	National Health Laboratory Services
COGTA	Cooperative Governance and Traditional Affairs	NPC	Non-profit Company
DDM	District Development Model	NSP	National Strategic Plan
DoH	Department of Health	ORTDM	OR Tambo District Municipality
EC	Eastern Cape	OTP	Office of the Premier
ECAC	Eastern Cape AIDS Council	PDP	Provincial Development Plan
ECDoH	Eastern Cape Department of Health	PICC	Presidential Infrastructure Co-ordinating Commission
ECIP	Eastern Cape Infrastructure Plan	PIP	Provincial Implementation Plan
ECNGOC	Eastern Cape NGO Coalition	PFMA	Public Finance Management Act
ECPC	Eastern Cape Planning Commission	PLHIV	People Living with HIV
ECPDP	Eastern Cape Provincial Development Plan	PMO	Project Management Office
ECPICC	Eastern Cape Infrastructure Co-ordination Team	POC	Political Oversight Committee
ECPT	Eastern Cape Provincial Treasury	PSJLM	Port St Johns Local Municipality
ECSECC	Eastern Cape Socio Economic Consultative Council	PSP	Provincial Strategic Plan
ELIDZ	East London Industrial Development Zone	RDP	Rural Development Plan
EXCO	Executive Council	SIP	Strategic Infrastructure Project
GDP	Growth Domestic Product	SLA	Service Level Agreement
GIZ	German Development Corporation (Gesellschaft für Internationale Zusammenarbeit)	STEEP	Social, Technology, Economic, Environment & Politics
GRAP	Generally Recognised Accounting Practice	STI	Sexually Transmitted Disease
HIV	Human Immunodeficiency Virus	TARDI	Tsolo Agriculture and Rural Development Institute
HRDC	Human Resource Development Council	TB	Tuberculosis
HRD	Human Resource Development	TVET	Technical Vocational Education and Training
HTS	HIV Testing Services	VMMC	Voluntary Medical Male Circumcision
ICT	Information Communication Technology	UFH	University of Fort Hare
IDP	Integrated Development Plan	WAD	World AIDS Day
IESBA	International Ethics Standards Board for Accounts	YOLO	You Only Live Once
IGR	Intergovernmental Relations		

FOREWORD BY THE CHAIRPERSON

It is with pleasure that I table this Annual Report for the financial year 2019/20. The year 2019/20 marked the end of a strategy period, and over this five-year period, ECSECC achieved its objectives of enhancing and strengthening governance thanks to the work and commitment of the Board of Directors and the CEO. We also thank the Office of the Premier and the Eastern Cape Provincial Legislature for the effective oversight and unwavering support to the entity.

Over the strategy period, ECSECC also made strides towards its objective of supporting economic development policy, strategy and planning in the Eastern Cape province. The entity developed a common provincial infrastructure agenda and provided strategic leadership in its implementation. Further, ECSECC has supported strategic and long-term planning across provincial and local government and served as a backbone to the Eastern Cape Planning Commission. The entity led the HRD Council to conceptualise and facilitate measures to improve quality in education and training in the Eastern Cape. Finally, the entity worked over the five years to reduce the rate of new HIV and TB infections using a range of prevention and treatment methods and a multi-sectorial approach.

I would like to highlight some of the achievements of the entity for the year 2019/20 below:

- The Eastern Cape HRD Strategy was developed through a partnership between ECSECC and Coega Human Capital Solutions. Research and stakeholder consultations were conducted.
- A Digital Skills Environmental Scan Report and Plan was finalised in partnership with the NEMISA E-Skills CoLab at WSU.
- ECSECC hosted an Agriculture Education and Skills summit in September, in collaboration with the Department of Rural Development and Agrarian Reform and the University of Fort Hare.
- With the support of ECSECC and OTP, the ECPC conducted and finalised a review of the Provincial Development Plan. An updated Vision 2030 PDP was finalised and launched.
- All provincial government departments were supported by ECSECC with strategic content and facilitation as they developed their 2020-2025 Strategic Plans and Annual Performance Plans for 2020/21.
- Strategic planning support was provided to Alfred Nzo District Municipality, OR Tambo District, Port St Johns Local Municipality, Nyandeni Local Municipality, Ntabankulu Local Municipality and Ingquza Hill Local Municipality; and
- Eastern Cape AIDS Council has driven advocacy, stakeholder mobilisation and monitoring of the HIV/AIDS and TB response. The focus was on prevention of new infections among vulnerable groups, treatment access and adherence. Policy and intervention design took place in collaboration with stakeholders.

At the time of writing, we are facing much uncertainty and a context where many developmental gains of the past two decades stand to regress. The Covid-19 pandemic that engulfed the world arrived in South Africa in March 2020. Unlike business continuity disruptions that take the form of an event, Covid-19 creates an entirely new operating environment. Locally, the pandemic and the resultant lockdown affects all of ECSECC's stakeholders and constituencies. The changing contextual environment will continue to alter demands, priorities and operating conditions. In this period ECSECC has shown an ability to respond with speed and agility and has refocused all its work to support the response to the pandemic. The year ahead will further test the agility of the Council, the stakeholder constituencies, and the strength of ECSECC as a stakeholder council and compact.

In the year ahead, ECSECC will support the Office of the Premier in stabilising and implementing the strategic agenda for recovery and re-building from the pandemic. As a multi-stakeholder council, ECSECC works to connect people and institutions and facilitate development action, and the work is centred on our value proposition of providing strategic advice for development action across the Eastern Cape. As the world is changing rapidly, ECSECC seeks to be a socio-economic compass that navigates uncertainty; co-creates visions; and puts strategic information to work.



Chairperson of the ECSECC Board

MEC Nomakhosazana Meth

Date: 29.10.2020

In this overview we provide a report on the performance of the entity, the status of governance, human resources and the financial performance of the entity. This Annual Report includes the Auditor-General's Report on the Financial Statements and the Annual Performance Report. The Auditor-General has found no matters of emphasis and as such, ECSECC this year received its eighth consecutive unqualified audit.

Overall, ECSECC achieved 203 targets against 202 planned targets (101%). There was some underperformance, however this was offset by higher than planned performance due to support to all departments in the 2020-2025 and 2020/21 planning cycle. Activities and milestones that were planned for the final weeks of the financial year were not possible to be completed due to the national state of disaster that was invoked on the 15 March 2020.

Each programme has their performance areas and targets, and highlights of the performance is outlined in this report. It must be noted that at mid-year ECSECC received an instruction to set up and incubate the Khawuleza Programme Management Office (PMO). The desired outcome of the Khawuleza PMO is to increase the capability of the province to execute and deliver successful projects through standardising systems and processes for project management. The immediate purpose of the PMO is to track management data and standardise project management systems and methods, commencing with five portfolios. Initial work was conducted to establish the PMO. In the final weeks of the financial year, the Khawuleza PMO has been redirected to focus on the Covid-19 pandemic. With high speed, ECSECC, through the PMO set up a data workstream and a set of online Covid-19 dashboards. Further details are provided in this report.

General Financial Review of ECSECC, Outlook and Plans

Spending Trends of ECSECC

ECSECC has been under enormous financial constraints over the past number of years due to fiscal environment constriction. The Entity has had to employ innovative measures in managing its budget and spending. The organisation has been able to do so successfully by employing a diversified funding strategy and leveraging on stakeholder partnerships in delivering on its mandate.

In 2019/20, a decision was taken to fully capacitate ECSECC when it comes to research as well as the decision for the establishment of PMO Khawuleza, which was processed as part of the mid-year budget adjustments.

Of the total adjusted revenue of R52 369 000 budgeted for 2019/20, ECSECC has spent R47 576 000 which amounts to 91% of total revenue. Refer to the Statement of Comparison of Budget and Actual per the Annual Financial Statements for more details.

Requests for Roll Over of Funds

A roll over application has been lodged with the Provincial Treasury. ECSECC has requested to roll over a portion of the cash balance as at 31 March 2020. The application includes amounts for accruals, third party funds as well as commitments at year end amounting to R2 978 951. For the detailed application, refer to note 13 of the Annual Financial Statements.

Supply Chain Management

ECSECC prides itself on its compliant supply chain management systems, processes and practices. There

have been no significant issues identified by our internal assurance providers. This is a result of a robust system of internal controls and a culture of accountability and integrity advocated by the Entity. ECSECC always ensures due process is followed and there have consequently been no unsolicited bid proposals received during the financial year.

Previous Year's Findings

There were no significant matters raised by the Auditor-General in the previous financial year.

Partnerships

As a stakeholder-based organisation, ECSECC's work is carried out through strategic partnerships. Our main partners are those that make up the Board of Directors: The Office of the Premier; business; labour; higher education and the NGO sector; the South African Local Government Association (SALGA); and municipalities.

In addition to these sector leaders, ECSECC has close relationships and partnerships with a range of organisations. In the year under review, ECSECC had service level agreements with OR Tambo District, Alfred Nzo District, Ingquza Hill Local Municipality and Ntabankulu Local Municipality for long term municipal development planning. ECSECC finalised the work under the service level agreement with the eSkills CoLab at Walter Sisulu University for the development of a Digital Skills Plan. New relationships were formed as a result of this work, for example with the national Council on Innovation. The partnership with Nelson Mandela University was further cemented based on work already commenced in the areas of Ocean Economy and econometric modelling.

The Eastern Cape AIDS Council works with a wide range of international and domestic partners, including UNAIDS, UNFPA, NACOSA, Khethimpilo, Small Projects Foundation, DG Murray Trust, TB/HIV Care Foundation, HEAIDS, Restless Development, Beyond Zero, PEPFAR, GIZ, AIDC and the South African National AIDS Council. Without the support of these partners, ECAC's work could not have been executed in the year under review.

The HRD Council is made up of universities, TVET colleges, SETAs and other skills development actors in the province. We would however like to particularly highlight our partnership with Coega Development Corporation Human Capital Solutions, without which we would not have made progress in the development of the HRD Strategy for the province.

Acknowledgements and Appreciation

I would like to thank the Chairperson and members of the Board of Directors and the Audit, Risk and ICT Committee of ECSECC for the support and leadership in the year under review. I thank employees and management for their contribution to the organisation and the strides we have made in our projects.



Chief Executive Officer

Mr Luvuyo Mosana

Date: 29.10.2020

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed in the annual report is consistent with the annual financial statements submitted for audit by the Auditor-General.

The annual report is complete, accurate and is free from any omissions.

The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury in April 2017.

The annual financial statements have been prepared in accordance with the General Recognised Accounting Practices (GRAP). The accounting authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.

The accounting authority is responsible for establishing and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

External auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2020.



Chief Executive Officer

Mr Luvuyo Mosana

Date: 29.10.2020



Chairperson of the ECSECC Board

MEC Nomakhosazana Meth

Date: 29.10.2020

03

STRATEGIC OVERVIEW

VISION

A poverty-free Eastern Cape where everyone benefits equitably from the economy and realises their human potential.

MISSION

To be a multi-stakeholder centre of excellence in applied policy research, development planning and facilitation.

VALUES AND PRINCIPLES

ECSECC continues to be driven by a combination of values that derive from the liberation struggle in our country together with that of internationally competitive, cutting-edge socio-economic policy research institutes. Core values and principles include:

- Non-racialism
- Non-sexism
- Human dignity
- Democracy
- Accountability
- Transparency
- Professionalism
- Innovation
- Organisational learning
- Constructive criticism
- Creating conditions for people to realise their full human potential

04 ECSECC MANDATE

ECSECC's legislative mandate is derived from its status as a Schedule 3C Public Entity in terms of the Public Finance Management Act (PFMA) (No. 1 of 1999) as well as from its legal status as a non-profit company (NPC).

In terms of its non-profit company status, ECSECC's Memorandum and Articles of Association describe the main business of the company as being: "To play a consultative and advisory role (primarily socially and economically) to the Eastern Cape government." The Memorandum and Articles of Association outline the proceedings for annual general meetings, through which the Board of Directors is elected.

ECSECC was established in April 1995 as a joint body of government, non-governmental institutions, labour, and business, at a summit for economic reconstruction and growth. ECSECC was expected to play a critical facilitation and development role to turn the Reconstruction and Development Programme (RDP) and provincial vision into reality. ECSECC's founding document describes its functional mandate as that of fostering "a new relationship between the key stakeholders of the province. The labour movement, organised business, developmental non-governmental organisations and the government will be the key components of the council. Through this body the parties will strive to jointly promote the goals of economic growth and increased participation in decision-making on the implementation of the RDP.

"The principal objective of the council will be to advise and assist the provincial government to achieve an integrated development strategy for the province and its constituent regions, in order to address the economic development of the province in terms of the RDP and, in particular, the needs of deprived communities and underdeveloped areas. The council will achieve this through a planning and development process which can give effect to both strategy and operational issues."¹

More specifically, the founding document sets out the following six goals for ECSECC:

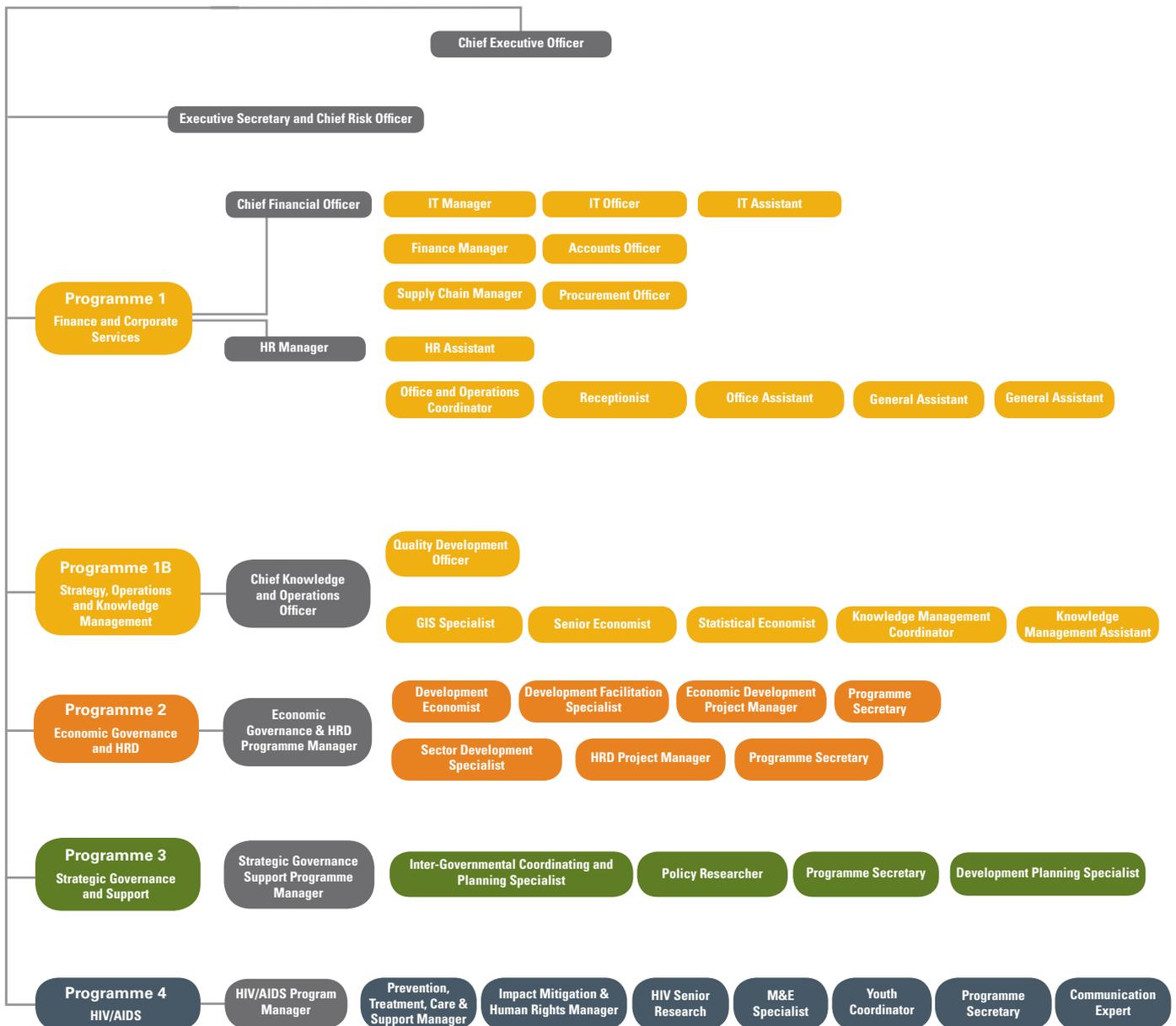
1. Advise and assist provincial government to achieve an integrated development strategy for the province and its constituent regions, and to address the economic development of the province, particularly the needs of deprived communities and underdeveloped areas.
2. Facilitate and co-ordinate the implementation of development programmes between all key stakeholders in the province of the Eastern Cape.
3. Facilitate development by providing an avenue for formal inputs into the policy-making process of government.
4. Support government in advancing efficient service delivery.
5. Empower communities and the grassroots structures of civil society to engage in development; and,
6. Assist the provincial government in developing policies and strategies that will facilitate the growth of the provincial economy.

¹ ECSECC Founding Document (1995).

05

ORGANISATIONAL STRUCTURE

Organisational structure as per 31.03.2020 below.







PART B

PERFORMANCE INFORMATION



01

AUDITOR'S REPORT: PRE-DETERMINED OBJECTIVES

The AGSA currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against pre-determined objectives is included in the report to management, with material findings being reported under the Pre-determined Objectives heading in the report on other legal and regulatory requirements section of the auditor's report. Refer to page 66 onwards of the Auditor's Report, published as Financial Information.

02

SITUATIONAL ANALYSIS

2.1. Performance Delivery Environment

The Eastern Cape province is located on the eastern seaboard of South Africa and is home to 6.73 million people. The Eastern Cape has an 800km coastline, comprises all of South Africa's eight biomes, has areas of high wind power potential, and areas where rainfall is projected to increase with changing climate patterns. Conversely, desertification is projected in other regions. While large parts of the province have poor infrastructure networks and facilities the urban regions have two seaports, two major airports, four universities and eight technical and vocational education colleges (TVET). Government services, wages and expenditure are the main contributors to economic growth and employment, however the province does have pockets of internationally competitive export industries, notably in the automotive manufacturing industry, agriculture and vibrant local innovators and entrepreneurs serving local and global markets. The natural resources, base infrastructure and institutional capacity does create some opportunity for both traditional and new industries and economic sectors. The Eastern Cape, however, ranks the lowest of South Africa's nine provinces, or among the lowest, on social, economic and development indices. The province has high levels of income- and multi-dimensional poverty, low labour force participation, high youth and adult unemployment and high net-out migration.

As a public entity charged with regional strategy and planning and as a multi-stakeholder council, ECSECC's operating context is interconnected with the political, economic, socio-cultural, technology, and resources context. ECSECC's institutional context is made up of structures and institutionalised actors that form the stakeholders of the organisation and the regulatory environment as well as the internal organisational environment. There are drivers of change working inwards from the macro context to the organisational context based on trends, issues and changes. Feedback loops are also at play as the organisation seeks to impact on the institutional environment and some influence on the micro-environment through its work.

The current context is one of turbulence, unpredictable uncertainty, novelty, and ambiguity, both in the Eastern Cape and globally. An external environmental analysis has been conducted using a STEEP framework, where social, technological, economic, environment and political factors are analysed. The STEEP analysis raises a range of trends and issues that create the macro- and operating context for ECSECC and all its constituencies. In this analysis, the emphasis is on structural factors and drivers of change for socio-economic development that had and continues to have an impact over the reporting period. Some of these are relatively stable, and others are highly uncertain. Stable and predetermined factors can be planned for with greater precision while factors with higher uncertainty lead us to consider multiple alternatives. A summary of the STEEP analysis is outlined below.

Social factors: The main demographic dynamics in the Eastern Cape is an overall stagnant population growth and out-migration, rapid urbanisation and settlement densification. While urbanisation is rapid, people remain trans-local, based on cultural belonging and livelihoods strategy. Fertility is declining; however, the child and youth populations are large and growing. There is a continued large youth population that is not being absorbed by the labour market. While there has been improvement in main socio-economic indicators over the review period, there is also growing inequalities along traditional lines of race, gender, occupation, earnings, location, and education. Further, there is evidence of growing social discord and tension. There is universal access to primary education, however, inequalities and weaknesses remain in the system and education is not a sufficient condition for social mobility.

Technology factors: Digital transformation is speeding up globally and in South Africa. This leads to new opportunities, and both winners and losers. The extent to which digital divides will be deepened or widened will largely depend on speed of broadband and 5G roll out, release of spectrum and cost of data. Affordable data access is essential for digital transformation as well as for young people to access new and traditional work opportunities. There is evidence that the recent release of spectrum by the South African government, launch of 5G and outcomes of the Competition Commissions enquiry into data prices will enable improved data speed at lower costs in a short space of time. The speed with which government acts will be determining for South Africa's ability to remain competitive.

The extent of impact depends on the extent and speed of automation on job creating sectors. At the same time, businesses that do not 'go digital' will lose (global and local) competitiveness. Other implications of the rapid pace of digital transformation means increased disruptions in online service and increased threats due to malicious software, hacking, invasion of privacy etc. This requires building new capabilities both in the state and the private sector. Digital transformation is having an impact on labour demand and ECSECC's research shows that automation and technologies such as artificial intelligence, augmented and virtual reality, 3D printing, remote sensing and computer vision are changing skills requirements, impacting on labour demand and that education and training institutions and the frameworks governing skills development is lagging behind industry demand.

Economic factors: The Eastern Cape and South Africa are in a prolonged period of slow growth and high economic volatility. In 2019, the Eastern Cape Province achieved an annual growth rate of 0.29% which is a very similar growth rate than the of South Africa as a whole, where the 2019 GDP growth rate was 0.15%. Contrary to the short-term growth rate of 2019, the longer-term average growth rate for the Eastern Cape (1.37%) is slightly lower than that of South Africa (1.68%). The economic growth in the Eastern Cape peaked in 2011 at 3.72%. With a GDP of R390 billion in 2019 (up from R191 billion in 2009), the Eastern Cape Province contributed 7.68% to the South Africa GDP of R5.08 trillion in 2019, increasing in the share of the national total from 7.63% in 2009. Its contribution to the national economy stayed similar in importance from 2009 when it contributed 7.63% to South Africa, but it is lower than the peak of 7.81% in 2015. The Eastern Cape Province had a total GDP of R390 billion and in terms of total contribution towards South Africa the Eastern Cape Province ranked fourth relative to all the regional economies to total South Africa GDP. This ranking in terms of size compared to other regions has remained the same since 2009. In terms of its share, it was in 2019 (7.7%) very similar compared to what it was in 2009 (7.6%). For the period 2009 to 2019, the average annual growth rate of 1.4% of Eastern Cape was the sixth relative to its peers in terms of growth in constant 2010 prices.

A prolonged recession seems inevitable at present. South Africa has already recorded negative growth for four quarters, and analysts expect negative growth for up to another four to six quarters. The structure of the economy has remained stable over a long period. For the period 2019 and 2009, the GVA in the finance sector had the highest average annual growth rate in Eastern Cape at 1.80%. The industry with the second highest average annual growth rate is the transport sector averaging at 1.51% per year. The agriculture sector had an average annual growth rate of -0.32%, while the electricity sector had the lowest average annual growth of -0.59%. Overall, there was positive growth for all the industries in 2019 with an annual growth rate of 0.23% since 2018. See the table below for further detail.

Table 1: Contribution and growth per sector

	2009	2014	2019	Average Annual growth
Agriculture	3.1	3.8	3.0	-0.32%
Mining	0.6	0.7	0.6	1.19%
Manufacturing	26.2	28.9	28.7	0.94%
Electricity	2.6	2.5	2.5	-0.59%
Construction	7.6	8.2	8.0	0.52%
Trade	36.1	41.0	41.7	1.45%
Transport	16.3	18.2	19.0	1.51%
Finance	37.4	41.9	44.7	1.80%
Community services	58.0	63.0	66.3	1.34%
Total Industries	187.8	208.2	214.4	1.33%

Environment and resources: Rising greenhouse gas emissions are causing climate change and driving a complex mix of unpredictable changes to the environment while further taxing the resilience of natural and built systems. Models indicate that the Eastern Cape will experience higher temperatures (by between 1.5 to 2.5 degrees Celsius), changed rainfall patterns, more frequent, and extreme weather events such as storms, rising sea-levels, tidal surges, heat waves and droughts. This could intensify over the next decade leading to greater soil erosion, crop losses and other challenges. Responses are required in the form of greater infrastructure resilience, innovative approaches to environmental protection and water planning and management. Down-scaled models show the highest temperature increases are expected towards the north-west interior, and the lowest along the coast, higher future precipitation levels likely to the east and lower precipitation to the west of the province. Persistent drought is compounding vulnerability and rural poverty and unemployment, as agriculture and some industries are impacted. Improved infrastructure is a solution in some respects; however, resource management needs to receive greater attention.

The Eastern Cape is the only South African province with eight of the nine South African biomes, including twenty-eight distinct vegetation types and five centres of endemism. DEDEAT states that threats to biodiversity come from habitat loss, invasive species, pollution, human population and overharvesting. While the creation and good management of a representative set of protected areas form the essential bastion against biodiversity loss, in most cases these areas are insufficient to ensure the long-term persistence of biodiversity, ecosystem processes and ecosystem services, thus the number of threatened ecosystems, vegetation types and species are increasing (DEDEAT, 2018). There is significant wind

energy potential in the province, and independent power producers exist, notably in the west of the province, on private land. There is also prospecting for fossil fuels, both shale gas and offshore oil and gas. Network infrastructure such as energy grids are well developed in urban areas but limited in rural areas.

Politics, governance and institutional factors: Institutions of governance at the provincial and local level have stabilised over the period since 1994 and significant progress has been achieved. However, factors that threaten to erode progress include: Reliability, maintenance and pace of delivery of infrastructure; financial and fiscal challenges, especially in local government; and sectoral planning and implementation has not supported integrated service delivery and spatial planning. Policies are well intended but have not yielded the intended benefit. For example, decentralisation of administration has taken place, but systems are not sufficiently mature to cope with change. In terms of local government, District Municipalities are in some cases inadequately resourced to play an effective role in providing support to Local Municipalities. Local government performance is uneven and some municipalities remain in a state of political and administrative crisis despite repeated support and intervention measures. This further beleaguers efficient and effective delivery of services and result in ongoing protests. Arresting municipal dysfunctionality remains a priority.

The 2019 elections showed declining voter turn-out, larger diversity in terms of the number of parties, yet fewer votes for smaller parties. Voter participation is particularly low among youth. Declining voter turn-out is consistent with global trends, however the Eastern Cape and South Africa are below the global and African average. These trends indicate lack of interest in electoral politics and mistrust in the formal institutions of government. Low levels of trust in the political system is also a global trend. For the coming decade questions that arise are how urbanisation, access to information and technology as well as rising levels of long term unemployed among young adults will affect politics trends.

2.2. Organisational Environment

The organisation has enjoyed stable governance arrangements over a long period and the governance structures continue to function well, as demonstrated in section C of this report.

ECSECC services its stakeholders and achieves its mandate through providing four core sets of services: Stakeholder management and support services; research and knowledge management services; strategy and decision support services; and project design and management services. Given the external environment, there is a steady increase of demand for ECSECC's services from across its constituencies, and particularly provincial and local government. Similarly, there is increasing expectations and demand for ECSECC to conduct in-depth diagnosis and design sustainable solutions. In response to increasing demand, there is need to use the entity's human and financial resources efficiently and effectively, strengthen staff capabilities and develop systems and practices that enables the organisation to work at higher levels of maturity.

The 2019/20 financial year marked the final year of the 2014-2020 Strategic Plan. In the section below we highlight areas of improvement to ensure that ECSECC remains relevant, responsive, a centre of excellence and is able to show demonstrable impact. Assessment of the internal environment highlights the following:

- Systems and processes across governance, finance, risk management, HR and operations in the organisation are manual, and many are not documented. Systems ensure compliance, however operate at a low or medium level of maturity.
- ICT platforms and systems are not used optimally, and digital capability is low.
- Human capabilities and skills need to be aligned with the strategy, and policy and systems are not fully enabling mobile and flexible work.
- There is need to increase the focus on organisational learning to enable ongoing organisational and personal transformation.
- Capabilities and systems need to be expanded across ECSECC's areas of service, to reach the level where ECSECC is 'expert' and highly competitive at providing policy advice, and make use of a cutting-edge suite of tools across its service offerings.

ECSECC will devise strategies and mechanisms to strengthen its policies, systems, processes and capabilities in the 2020-25 strategy period.

2.3. Key Policy Developments and Legislative Changes

There were no major policy development and legislative changes that had bearing on the Annual Performance Plan.

2.4. Strategic Outcome-oriented Goals

Programme 1: Operations, Finance, Corporate Services and Knowledge Management

The purpose of the programme is the development and implementation of effective and efficient ECSECC governance, finance, corporate services and operational systems and procedures. The programme seeks to ensure that ECSECC strengthens its position as a socio-economic knowledge hub for the province.

Programme 2: Economic Governance and HRD

The aim of this programme is to support the development and implementation of economic policy and strategy to shift the economic development path of the Eastern Cape. The peripheral nature of our economy and its relative under-performance is well understood. The programme seeks to set out clear priorities for the province over the planning period, and what can realistically be achieved to improve economic development in the province. The programme also aims to conceptualise and facilitate measures to improve quality in education and training. The programme provides strategic and technical support to the Eastern Cape Human Resource Development (HRD) Council and its members.

Programme 3: Strategic Planning and Governance

The aim of this programme is to support the Office of the Premier, provincial government departments and local government in the field of development planning. This includes providing support to the centre of government in advancing a capable developmental state across spheres, buttressed by a strong integrating, planning and executing centre. This also includes transitioning provincial municipalities from the lower levels of the local government maturity model to becoming developmental local government.

Further, this programme aims to respond to ECSECC's mandate to mobilise and co-ordinate stakeholders to drive a common provincial infrastructure agenda in the Eastern Cape. This is done to improve integration of infrastructure planning across sectors and spheres of government.

Programme 4: Eastern Cape AIDS Council

The purpose of this programme is to effectively manage the province's multi-sectoral response to HIV/AIDS, TB and STIs. The programme runs the Eastern Cape AIDS Council (ECAC), a multi-sectoral body representing government departments and civil society formations. This programme provides strategic and technical support to ECAC's members and co-ordinates HIV/AIDS-related programmes and donor funding.

PROGRAMME 1A FINANCE AND CORPORATE SERVICES



Andisa Zinja
Chief Financial Officer



Nothando Shenxane
HR Manager



Nozuko Somniso
Executive Secretary &
Chief Risk Officer



Janice Ewers
Finance Manager



Nokuzola Mshumpela
Supply Chain Manager



Clinton Krause
IT Manager



Natasha August
Office and Operations
Coordinator



Veliswa Tima
Accounts Officer



Sibongile Ndubaza
Procurement Officer



Lithemba Ntlokankulu
IT Officer



Zuzeka Kwanga
HR Assistant



Sinethemba Mqayi
IT Assistant



Nompumelelo Sithole
Receptionist



Nozuko Nkundla
Office Assistant



Ntombendla Ntini
General Assistant



Veliswa Kandile
General Assistant

PROGRAMME 1B STRATEGY, OPERATIONS AND KNOWLEDGE MANAGEMENT



Siv Hesjedal
Chief Knowledge and
Operations Officer



Sive Kamte
Quality Development
Officer



Bulelwa Lubelwana
GIS Specialist



Kambale Kavese
Senior Economist



Andiswa Mbali
Statistical Economist



Nomabhele Mandaba
Knowledge Management
Coordinator



Esethu Magwentshu
Knowledge Management
Assistant

PROGRAMME 2 ECONOMIC GOVERNANCE AND HRD



Mike Lewis
Development Economist



Viwe Booi
Programme Secretary



Teboho Qholosha
Sector Development
Specialist



Nomonde Hlatshaneni
HRD Project Manager



Noyise Semane
Programme Secretary

PROGRAMME 3 STRATEGIC GOVERNANCE AND SUPPORT



Baphelele Mhlaba
Strategic Governance
Support Programme
Manager



Chris Motsilili
Inter-Governmental
Coordinating and Planning
Specialist



Libhongo Ntlokankulu
Policy Researcher



Lungiswa Dubula
Programme Secretary



Ian Assam
Development Planning
Specialist

PROGRAMME 4 HIV/AIDS



Vuyisa Dayile
HIV/AIDS Program Manager



Nophiwe Ludidi
Prevention, Treatment Care
& Support Manager



Pelisa Dana
HIV Senior Research



Zeodor Arends
M&E Specialist



Lulama Mpahla
Youth Coordinator



Bulelwa Mhlontlo
Programme Secretary

03

PERFORMANCE INFORMATION BY PROGRAMME

Programme 1: Operations, Finance, Corporate Services and Knowledge Management

Purpose of the Programme

The purpose of the programme is the development and implementation of effective and efficient ECSECC management and governance systems and procedures.

Programme Objectives

The programme contributes to the attainment of the ECSECC goals through focussing on the following objectives:

- 1.1. An effective, efficient and development-oriented governance and management.
- 1.2. Effective and efficient operations and knowledge management.

Strategic Objectives, Performance Indicators, Planned Targets and Actual Achievements

Programme 1: Operations, Finance, Corporate Services and Knowledge Management

Strategic objective 1.1.: Effective, efficient and development-oriented governance and management	Actual Achievement 2018/19	Planned Target 2019/20	Actual Performance 2019/20	Deviation from Planned Target to Actual Achievement for 2019/20	Comment on Deviations
	48	49	47	2	<i>Special Audit, Risk and ICT Committee (ARICT) meeting did not sit due to Covid-19 lockdown in the last week of the financial year.</i>
	48	54	55	1	<i>ICT policy has subsequently been siegned off in the 2020/21 financial year</i> <i>Research related target exceeded in Q1 due to additional demand from stakeholders.</i>

Key Performance Indicators, Planned Targets and Actual Achievements

Strategic Objective 1.1.: Effective, efficient and development-oriented governance and management

Performance Indicator	Actual Achievement 2018/2019	Planned Target 2019/2020	Actual Performance 2019/2020	Deviation from Planned Target to Actual Achievement for 2019/2020	Comment on Deviations
1.1.1. Number of meetings of functioning governance structures that meet all systems requirements	20	19	18	1	Special Audit, Risk and ICT Committee (ARICT) meeting did not sit due to Covid-19 lockdown.
1.1.2. Number of integrated risk management strategies implemented to manage strategic and operational risk	7	9	9	-	-
1.1.3. Number of monthly cash flow management reports to manage liquidity risk	12	12	12	-	-
1.1.4. An unqualified audit outcome with no matters of emphasis in pursuit of good corporate governance	1	1	1	-	-
1.1.5. Number of interventions implemented to improve HR system	2	2	2	-	-
1.1.6. Percentage of employees above level 4 with signed Performance Management and Development Agreements before 01 April	100%	100%	100%	-	-
1.1.7. Percentage of employee resignations per year	<10%	<10%	0%	-	-
1.1.8. Number of ICT system interventions	4	4	3	1	ICT policy has subsequently been siegned off in the 2020/21 financial year

Strategic Objective 1.2.: Effective and efficient operations and knowledge management

Performance Indicator	Actual Achievement 2018/2019	Planned Target 2019/2020	Actual Performance 2019/2020	Deviation from Planned Target to Actual Achievement for 2019/2020	Comment on Deviations
1.2.1. Number of management reports on implementation of ECSECC projects to monitor the performance of the entity	6	6	6	-	-
1.2.2. % achievement of planned targets	-	100%	100%	-	-
1.2.3. Number of tools developed to strengthen implementation of the ECSECC Excellence Model	1	1	1	-	-
1.2.4. Number of communication tools utilised to communicate ECSECC mandate, achievements, services, and products	-	8	8	-	-
1.2.5. Number of stakeholder policy dialogues held	-	4	4	-	-
1.2.6. Number of knowledge products (GIS and spatial analysis)	16	16	16	-	-
1.2.7. Number of knowledge products (publications)	12	12	12	-	-
1.2.8. Number of knowledge product (research)	-	4	5	-	Target exceeded in Q1 due to additional demand from stakeholders.
1.2.9. Number of research partnerships facilitated	1	2	2	-	-

Programme Performance against Objectives

All governance, corporate services, HR and finance requirements were met, as outlined in Part C, D and E of this Annual Report.

In the 2019/2020 financial year the entity was concerned with closing out its five-year strategy and developing the new strategy for the period 2020-2025. This included extensive stakeholder consultation and resulted in the development of a value proposition and a new five-year strategy. A service delivery model was developed to support the 2020-2025 strategy and long-term value proposition. Further, the following strategies were approved by the Board in order to enable implementation of the five-year strategy:

- ICT governance framework charter
- Five-year ICT Strategy (2020-2025)
- Five-year Funding Strategy (2020-2025)

Information and Knowledge Management

In terms of research, knowledge products and publications the following have been produced and released by the organisation:

- Quarterly reports on the economy and the labour market were developed, with new information and analysis included.
- A Ntabankulu Socio-Economic Profile was developed to inform integrated planning in the municipality.
- A detailed demographic analysis of OR Tambo District was conducted as part of ECSECC's contribution to the District Development Model (DDM). The report offers an analysis of demographic status and change in the OR Tambo district, including population structure and population change. The report assesses the effects of these demographic changes, their impact in the district and offers options for modifying future policies. Findings indicate that the district is still at early stage of demographic dividend, as it lags in key human development indicators and has a high fertility rate. The district's high dependency ratio is expected to decline as the fertility transition proceeds.
- A Research report titled: "Sectoral Approach to Skills Development. Key Factors in the Employability of Workers". This report seeks to assess the skills available in the Eastern Cape labour market, and to determine the role that education plays in economic development. The study shows that the labour absorption rate of specific fields of study, such as engineering, has remained relatively high compared to fields such as commerce and computer science. It also shows that only 14% of the labour force have tertiary qualifications which might pose a challenge given the fact that South Africa is gradually becoming a knowledge-based economy that requires more highly skilled labour.
- Research conducted on: "Labour Market Polarization: An empirical analysis of skill and wage biased technological change in the Eastern Cape Province". This research focussed on understanding the relationship between technology and employment as well as how technology affects employment and wages at different skills levels. The research concludes that among low-skilled workers, ICT technology investment has a positive effect on the number of workers hired in an industry and that ICT investments reduces wage inequality.
- Research conducted on: "Eastern Cape Labour Market and Skills Development". The presentation focusses on challenges facing the Eastern Cape labour market, the Eastern Cape Human Capital Index, sectoral analysis, and changes in earnings in the Eastern Cape.
- A research paper on Covid-19 models for the Eastern Cape by Prof. D. Pollney of Rhodes University produced and used for discussion over the Covid-19 pandemic.
- A research paper on Economic Implications of Covid-19 by Prof. Mishi and Prof. Ncwadi of Nelson Mandela University was produced and used for discussion on the Covid-19 pandemic into quarter 1 of 2020-2021.
- Development of a GIS Portal for the Human Resource Development Strategy and prototype development for a provincial planning business intelligence system.

Khawuleza PMO

The desired outcome of the Khawuleza PMO is to increase the capability of the province to execute and deliver successful projects through standardising systems and processes for project management. Further, the PMO is intended to enable strategic risk management through development of early-warning capabilities; and provide better decision-making capability through data integration and business intelligence. The immediate purpose of the PMO is to track management data and standardise project management systems and methods, commencing with five portfolios (ICT Integration, Infrastructure and Service Delivery, Clean Audit, District Development and Economic Stimulus and Investment).

However, the first phase of the implementation of the Khawuleza PMO has been redirected to focus on the Covid-19 pandemic. In this first phase, the mission of the PMO is to enable effective and efficient decision-making by the relevant command structures in response to the Covid-19 pandemic through providing accurate and reliable data to guide decision-making, planning and risk mitigation. Lessons learned and systems will be customised for future implementation and systems development.

Budget was allocated to the establishment of the Khawuleza PMO during the mid-year adjustments. Deliverables for the 2019/20 financial year included: Detailed concept design and establishment of PMO; and development of BI system prototype. The following was achieved:

- Concept document and draft design for PMO (including job descriptions and specialist terms of reference for portfolios earmarked for establishment phase) were completed.
- ICT and office, architecture and design needs analyses were conducted. Specifications developed and commencement of procurement for secure and enabling IT infrastructure, hardware and software for PMO.
- Design of EXCO Resolution Tracking Dashboard.
- Benchmarking, user needs analysis and architecture for BI system prototype. The prototype has been built on the Or Tambo District Development Model, and subsequently pivoted to the Covid-19 response.
- Covid-19 dashboards developed and consolidated on single access platform and updated daily with latest available Covid-19 infection and patient data. Dashboards are adjusted and re-designed in line with the phases of the provincial and national campaign. Based on the dashboard data, reporting, data briefings and GIS mapping pertaining to emerging clusters of infections and other issues were provided to PDOC, PCC and EXCO.
- One project manager was employed in March 2020, other team members were not in place by year end. Recruitment was in progress at year-end for the PMP Portfolio Manager and BI Project Manager. Due to not having dedicated employees hired for the PMO at the project initiation stage, existing ECSECC employees formed a team in order to initiate and execute the work of the PMO. The focus of this team however was on the execution of the deliverables and work to be performed which left the physical office set-up behind schedule.

Programme Performance against Budget

Budget Performance						
Operations, Finance, Corporate Services and Knowledge Management	2019/2020			2018/2019		
	Budget	Actual Expenditure per AFS	(Over)/ Under Expenditure	Budget	Actual Expenditure per AFS	(Over)/ Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Goods and services	13,694	10,820	2,874	9,658	9,610	48
COE	19,127	19,208	(81)	17,768	17,839	(71)
Capital	2,195	157	2,038	796	1,396	(600)
TOTAL	35,016	30,185	4,831	28,222	28,845	(623)

Note: As per the National Treasury Annual Report Guide – expenditure as presented above agrees to the annual financial statements which are presented on the accrual basis of accounting. These figures exclude commitments against budget until they are expensed. Accounting entries that do not have a cash flow effect are also included in the expenditure figures above. The budget figures are based on the modified cash basis therefore there are differences between the two reporting methods.

Underspending is mainly on the PMO project. ECSECC requested funds for the PMO Khawuleza as part of the mid-year adjustments for 2019/20. Due to not having dedicated employees hired for the PMO at the project initiation, existing ECSECC employees formed a team in order to initiate and execute the work of the PMO. The focus of this team however was on the execution of the deliverables and work to be performed which left the set-up of the physically office falling behind schedule.

Programme 2: Economic Governance and Human Resource Development

Purpose of the Programme

The aim of this programme is to shift the economic development path of the Eastern Cape so that poverty is progressively reduced and ECSECC's vision is achieved.

The broad strategy of this programme is to strengthen provincial and sub-provincial economic planning and execution and sharpen economic policy interventions where there is clear under-performance. The programme will respond to the economic and financial crisis through facilitating provincial and district/metro priority initiatives; remove constraints; unlock opportunities for economic growth; and leverage on existing opportunities. Research and knowledge generation underpin the work of the programme.

The programme also aims to conceptualise and facilitate measures to improve quality in education and training. The programme provides strategic and technical support to the EC HRD Council and aims to enhance the Provincial Human Resource Development Council's mandate to support the training of appropriately skilled people for the economy. The HRD Strategy will be finalised and the council secretariat will focus on co-ordinating implementation.

The programme will focus on knowledge generation, partnership facilitation and resource leveraging for education and skills development interventions in support of provincial priorities. This is done through the HRD Council and its work streams: Post-schooling and skills for economy; public sector; research and innovation; and foundational learning.

Programme Objectives

The programme contributes to the attainment of the ECSECC goals through focussing on the following objectives:

- 2.1. To support economic development policy, strategy, and planning in the Eastern Cape Province.
- 2.2. To conceptualise and facilitate measures to improve quality in education and training in the Eastern Cape

Strategic Objectives, Planned Targets and Actual Achievements

Programme 2: Economic Governance and Human Resource Development					
Strategic Objective 2.1.:	Actual Achievement	Planned Target	Actual Performance	Deviation from Planned Target to Actual Achievement for	Comment on Deviations
	2018/2019	2019/2020	2019/2020	2019/2020	
To support economic development policy, strategy and planning in the Eastern Cape Province	22	16	13	3	<i>Ocean Economy stakeholder engagement did not take place in quarter 3. Dialogues scheduled for quarter 4 did not take place due to Covid-19 lockdown.</i>
Strategic Objective 2.2.:	-	19	17	2	
To conceptualise and facilitate measures to improve quality in education and training in the Eastern Cape					<i>Council plenary meeting planned for quarter 4 did not take place due to Covid-19 lockdown. The Foundational Learning Working Group scheduled for quarter 4 did not take place due to unavailability of key stakeholders.</i>

Key Performance Indicators, Planned Targets and Actual Achievements

Strategic Objective 2.1.: To support economic development policy, strategy and planning in the Eastern Cape Province

Performance Indicator	Actual Achievement 2018/2019	Planned Target 2019/2020	Actual Performance 2019/2020	Deviations from Planned Target to Actual Achievement for 2019/2020	Comment on Deviations
2.1.1. Facilitate stakeholder forums to improve co-ordination and solve project blockages	4	8	6	2	Ocean Economy stakeholder engagement did not take place in quarter 3 and was reduced in quarter 4.
2.1.2. Facilitate stakeholder forums to foster dialogue	2	4	3	1	Dialogues scheduled for the quarter 4 did not take place due to Covid-19 lockdown.
2.1.3. No. of knowledge products developed (research)	1	4	4	-	-

Strategic Objective 2.2.: To conceptualise and facilitate measures to improve quality in education and training in the Eastern Cape

Performance Indicator	Actual Achievement 2018/2019	Planned Target 2019/2020	Actual Performance 2019/2020	Deviations from Planned Target to Actual Achievement for 2019/2020	Comment on Deviations
2.2.1. Number of HRD Council meetings held	Quarterly	4	3	1	Council plenary meeting planned for quarter 4 did not take place due to Covid-19 lockdown.
2.2.2. Number of EC HRD Council Working Groups convened	Quarterly	12	11	1	The Foundational Learning Working Group scheduled for quarter 4 did not take place due to unavailability of key stakeholders.
2.2.3. Number of strategies developed	Quarterly	1	1	-	
2.2.4. Number of knowledge products developed (research)	Quarterly	2	2	-	

Programme Performance against Objectives

Economic Governance

In this area of work, ECSECC aims to provide advice on provincial sector-based economic development strategy and highlight key human capabilities required to increase output and create jobs for an inclusive economy. Further, ECSECC aims to provide platforms for dialogue and strategic engagements between stakeholders to generate multi-stakeholder perspectives on socio-economic development and development practice.

Achievements in the 2019/20 financial year include:

- Finalisation of environmental scan of digital skills demand and supply in the Eastern Cape, and development of a Digital Skills Plan.
- The Ocean Economy Project was being funded by the National Department of Environment, Forestry and Fisheries, in support of advancing the implementation of the Ocean Economy in the Eastern Cape. The purpose of the project was to produce a baseline study, a research agenda and a Strategic Ocean Economy Roadmap. The project was implemented by Nelson Mandela University, with secretarial and institutional support by ECSECC.
- Hosting of Provincial Science, Technology and Innovation roadshows in partnership with National Advisory Council on Innovation (NACI). A partnership between NACI and ECSECC has emerged as a result.

The programme aims to produce practical policy analysis knowledge products. Achievements in this regard included:

- Analysis of the National Treasury paper on "Economic transformation, inclusive growth, and competitiveness: Towards an Economic Strategy for South Africa" and a statement on its relevance for the Eastern Cape. This was submitted as part of provincial submissions on the paper.
- A policy discussion document titled "Cannabis in the Eastern Cape."

- A research paper on the “Informal Enterprises in the Eastern Cape” was developed. This paper seeks a more detailed understanding of informal economic activity in our province and tries to identify how the potential of the sector could be better supported and unlocked.

Human Resource Development Council

Purpose and Mandate of the Council

The programme provides strategic and technical support to the EC HRD Council and aims to enhance the provincial Human Resource Development Council's mandate to support the training of appropriately skilled people for the economy.

The HRD Council remains functional and stakeholders are participating in its affairs. Three of four planned plenary sittings took place in the year. The three working groups of the Council are functional and execute the business of the Council: Foundational Learning; Skills for Economy; and Research and Innovation.

Achievements in the year include:

- ECSECC hosted an Agriculture Education and Skills summit in September 2019, in collaboration with Department of Rural Development and Agrarian Reform and University of Fort Hare. The purpose of the summit was to develop a comprehensive Agriculture Education and Skills Plan to enable agriculture growth and employment creation for the unemployed, especially the youth. Presentations were made by a wide range of stakeholders and the summit made recommendations in terms of the legislative arrangements for agriculture education and training, priorities for the sector and how curriculum, pedagogy and placement practices can be improved to ensure greater alignment between skills supply and demand, in the context of the future of agriculture. The action plan from the summit will form part of the HRD Strategy.
- The HRD Strategy has been developed through a partnership between ECSECC and Coega Human Capital Solutions. The document is currently being taken through stakeholder consultations and submissions are being made by a range of stakeholders.
- Strategic planning support was provided to Tsolo Agriculture and Rural Development Institute (TARDI) and Fort Cox College as part of the follow up.
- Two partnerships for skills development are currently being developed: (i) Corteva/ECSECC partnership on agricultural skills in TVET Colleges; (ii) MerSeta/ECSECC partnership on engineering.

Programme Performance against Budget

Budget Performance

Economic Governance and Human Resources Development	2019/2020			2018/2019		
	Budget	Actual Expenditure per AFS	(Over)/ Under Expenditure	Budget	Actual Expenditure per AFS	(Over)/ Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Goods and services	870	457	413	1,130	674	456
COE	4,825	4,880	(55)	5,460	5,451	9
Capital	-	-	-	-	-	-
TOTAL	5,695	5,337	358	6,590	6,125	465

Note: As per the National Treasury Annual Report Guide – expenditure as presented above agrees to the annual financial statements which are presented on the accrual basis of accounting. These figures exclude commitments against budget until they are expensed. Accounting entries that do not have a cash flow effect are also included in the expenditure figures above. The budget figures are based on the modified cash basis therefore there are differences between the two reporting methods.

Variance is due to SLA funds being received in advance, however the work is continuing into the next financial year. The budget related to it must roll over to next year to complete the contracted work.

Programme 3: Strategic Planning and Governance

Purpose of the Programme

The aim of this programme is to support provincial and local government in the Eastern Cape Province in the field of strategy, development planning and co-ordination.

The PDP forms the basis for strategic and integrated planning in local government to ensure that all institutions in the province are pursuing a common vision and development programme. To achieve this, ECSECC provides technical content support to the provincial government departments, public entities and the local government co-ordination nucleus made up of OTP, COGTA and Provincial Treasury. ECSECC also engages directly with district and metropolitan municipalities in support interventions for development planning and institutional maturity.

Infrastructure is considered catalytic for economic and social development in the Eastern Cape and remains one of the key priorities of the province. Thus, ECSECC has a specific focus on strategic infrastructure co-ordination, governance and planning. In this regard, ECSECC aims to mobilise and co-ordinate stakeholders to drive a common provincial infrastructure agenda in the Eastern Cape. This is done to improve integration of infrastructure planning across sectors and spheres of government. More specifically, ECSECC's focus remains on supporting the OTP with the co-ordination of the Eastern Cape Infrastructure Plan and associated strategic infrastructure projects.

Programme Objectives

The programme contributes to the attainment of the ECSECC's goals through focussing on the following objective:

- 3.1. Support the building of a capable developmental state
- 3.2. Develop and drive a common provincial infrastructure agenda to support socio-economic development

Strategic Objectives, Planned Targets and Actual Achievements

Programme 3: Strategic Planning and Governance					
Strategic Objective	Actual Achievement 2018/2019	Planned Target 2019/2020	Actual Performance 2019/2020	Deviation from Planned Target to Actual Achievement for 2019/2020	Comment on Deviations
Strategic Objective 3.1.: Support the building of a capable developmental state	-	15	24	9	Over performance due to directive from Executive Council for ECSECC to facilitate all departmental Strategic Plans.
Strategic Objective 3.2.: Develop and drive a common provincial infrastructure agenda to support socio-economic development	16	16	16	-	-

Key Performance Indicators, Planned Targets and Actual Achievements

Strategic Objective 3.1.: Develop and drive a common provincial infrastructure agenda to support socio-economic development

Performance Indicator	Actual Achievement 2018/2019	Planned Target 2019/2020	Actual Performance 2019/2020	Deviation from Planned Target to Actual Achievement for 2019/2020	Comment on Deviations
3.1.1. Number of provincial strategic plans and/or 5-year implementation plans developed	2	2	2	-	-
3.1.2. Number of knowledge products	2	2	2	-	-
3.1.3. Number of institutions supported with strategic planning	9	9	18	9	Over performance due to directive from Executive for ECSECC to facilitate all departmental Strategic Plans.
3.1.4. Number of inter-governmental co-operation tools developed	2	2	2	-	-

Strategic Objective 3.1.: Develop and drive a common provincial infrastructure agenda to support socio-economic development

Performance Indicator	Actual Achievement 2018/2019	Planned Target 2019/2020	Actual Performance 2019/2020	Deviation from Planned Target to Actual Achievement for 2019/2020	Comment on Deviations
3.2.1. No. of integrated reports to track progress on priority projects and interventions	4	4	4	-	-
3.2.2. Facilitate stakeholder forums to improve co-ordination and solve project blockages	12	12	12	-	-

Programme Performance against Objectives

Review of the EC Provincial Development Plan

With the support of ECSECC, the ECPC has conducted and finalised its review of the Eastern Cape Provincial Development Plan. The Commissioners, supported by the Secretariat and OTP and ECSECC technical support, conducted a review, based on four main components:

- A diagnostic review: This included quantitative and qualitative analyses of new data and knowledge available since the original diagnostic was done in 2013; identification of new trends and issues that should be considered; and identification of new opportunities to consider.
- A policy review: This identified changes in the national or Eastern Cape policy environment (legislation, policy, strategy).
- A performance overview: An overview of implementation and performance in terms of the PDP, based on provincial government annual performance reports and the 2019 End of Term Report and lessons learned from PDP implementation in the period following 2014.
- A strategy review: This identified revisions to overall strategy, goals and objectives; revisions to strategic actions; and priority interventions (these will be the interventions forming the basis for the provincial government's next five-year implementation plan reinforcing inter alia the implementation of the EC PDP).

The Vision 2030 EC PDP was updated in the context of new analysis and emerging issues in the province, South Africa and the rest of the world. This included the growing financial constraints, emerging citizen dissatisfaction, corruption, fraud, maladministration and concerns about the image and work of government. Statistics South Africa reports showed a rise in unemployment, inequality and rural poverty. Further, spatial development challenges remain and there are growing concerns about crime, gender-based violence, substance abuse and its impact on communities. There is also growing recognition of climate change and the need for a just transition to an economy less driven by fossil fuels. Sectors such as agriculture, the Ocean Economy, ICT, renewable energy, modern manufacturing, tourism and construction have the

potential for economic growth and transformation of regions, towns, and most importantly, people's lives. While the effective functioning of the public sector and effective provision of services remain of utmost importance, there is a large scope for social entrepreneurship and social activism in enabling people to meet their potential.

The essence of the updated EC PDP remains as per the 2014 document, and it remains a provincial plan rooted in the NDP and a vision for a just society. The integrated framework for human development that provided the basis for the 2014 PDP remains intact. However, the following revisions have been made:

- Updated situational analysis, even though the analysis of regional opportunities remains as per the 2014 PDP.
- Re-articulation of the vision statement and the inclusion of a mission and commitment statement.
- Re-organisation of the goals and objectives: In this re-organisation, infrastructure has been made a stand-alone goal/impact area (Goal/Impact Area 2: An enabling infrastructure network) due to its potential catalytic effect on social and economic development. Likewise, rural development and agriculture have been elevated to goal level (Goal/Impact Area 3: Rural development and an innovative and high-value agriculture sector). One new goal has been added, namely Goal/Impact Area 5: Environmental sustainability. All key facets in the social sector have been included in Goal/Impact Area 4: Human development. Other goals/impact areas have been re-named and the range of objectives has been broadened in response to key needs and opportunities.
- Development of a set of APEX indicators for the EC PDP. Preliminary targets for 2024/2025 and 2030 have been set for these indicators; and,
- A set of interventions for each strategic focus area. These interventions are contained in a separate five-year implementation plan, EC Provincial Medium-Term Strategic Framework (PMTSF) for 2020-2025, to strengthen the implementation of the EC PDP and to provide clear guidance to implementing, co-ordinating and funding institutions on the priority actions for the province towards 2030. A more rigorous programme-planning methodology has been followed for selected interventions. These will form the flagship programmes for implementation in the 2020-2025 period.

Engagement with stakeholders and relevant government departments ensued to further develop the goals, objectives and implementation programmes.

The EC PDP was launched by Premier of the Eastern Cape, Hon. Oscar Mabuyane, on 17 October 2019 and it was released in various long and short formats.

Box 1: Vision 2030

The approved vision for the province is as follows:

“By 2030, Eastern Cape will be an enterprising and connected province where its people reach their potential.”

This three-part vision can be broken down and further explained as follows:

- An enterprising province is a province where people are active in their own region's social and economic development; a province where people are taking the initiative to develop their communities based on existing and potential resources and capabilities. An enterprising province is also a province of entrepreneurs, across scales, sectors and space, including social entrepreneurs.
- A connected province is a province that has a strong infrastructure network connecting the rural and urban areas of the province; connecting people to services and opportunities; and connecting the province to the economic hubs of South Africa, Africa and the world - via land, air and sea; ensures that all are connected to each other and the world via broadband internet; but where people remain strongly connected to their origins, history and each other.
- A province where its people reach their potential is a province where birthplace, gender, race, disability, sexual orientation or age does not determine and limit a person's future, potential and opportunities. It is a province that endeavours to offer equal opportunities for all.

Strategic Facilitation for 14 Departments and Various Entities: 2020/21 Planning Cycle

Following on key statements made by the Premier, the Honourable LO Mabuyane, in his June 2019 SOPA and subsequent 2019 OTP Policy Speech, the Premier on 3 August 2019 issued instructions to ensure that ECSECC plays a leading facilitation support role in the departments' development of 2020-2025 Strategic Plans (SPs) and Annual Performance Plans (APPs). Based on this, and subsequent processes to further unpack and consult, ECSECC provided the lead role of strategic planning facilitation to all the departments during that financial year based on the following approach, which covered three broad pillars, namely 1) content and facilitation support, 2) form/structure of SPs and APPs (the structure/

form of the SPs and APPs are as prescribed in the Revised Framework and Guidelines for SPs and APPs), and 3) process.

The GPS Programme led the project and relevant ECSECC staff from other programmes were involved in the strategic planning facilitation based on current planning work, previous facilitation support tasks in departments, entities and municipalities, previous exposure to strategic planning facilitation training, involvement in key provincial projects and work packages in ECSECC, and other tasks. The relevant ECSECC staff were divided per cluster to undertake the relevant strategic facilitation support work for departments in their allocated cluster. ECSECC's strategic facilitation support work per cluster were convened and led as follows:

- Governance and Administration cluster departments: Mr I Assam;
- Economic Development cluster departments: T Qholosha; and
- Social Transformation cluster departments: V Dayile.

On average ECSECC provided strategic facilitation services to at least 2-3 planning sessions per department over the period July 2019 until end January 2020.

ECSECC was not primarily responsible for the write up of the strategic planning sessions nor the drafting of the strategic and annual performance plans, but largely supported and provided overall but limited guidance to the departmental writers of these reports.

ECSECC completed the facilitation of all 14 provincial departments as well as several public entities strategic planning sessions through the above mentioned three cluster-oriented teams. This led to the development and submission of various drafts and final versions of their draft 2020-25 Strategic Plans and 2020/21 Annual Performance Plans to the OTP, Provincial Treasury, National Treasury and Department of Planning Monitoring and Evaluation.

Box 2: Lessons learned from strategic planning

An assessment and lessons learned report was developed and presented to Provincial Management and EXCO, making recommendations for strengthening strategic and institutional capacity for planning. Various key lessons learnt were registered including the following:

- The paradigm shift as contained in the new framework reinforcing the result-based model was not fully embraced by departments and entities. National School of Government/Department of Planning, Monitoring and Evaluation training on the new planning framework and tools were not ideal, were provided too late in the planning cycle, and all programme managers in departments and entities were not taken through them timeously. Accordingly, the new modern approaches and tools (Theory of Change, scenarios, trends, root cause analysis, etc.) contained in the new framework were not fully utilised. New and relevant concepts to better manage integrated service delivery such as, for example, 'Mobility', were also not yet fully appreciated and embraced.
- The National MTSF (with impact and outcomes, indicators and targets) was not yet officially completed until very late in the 2018/2019 financial year and was not timeously available and utilised in a coherent manner across the spheres to fully influence the credible development of the 2020/21 plans. Other key plans and frameworks were at that time not yet completed – such as the NSDF, PSDF, NT economic strategy for country, land reform, etc.
- The overall design and structure of the strategic planning sessions were not always co-developed by ECSECC and in most instances ECSECC was merely requested to facilitate sessions according to already developed programmes/planning session agendas that were inefficient, not well co-ordinated and not reinforcing a cluster position, they tended to reinforce too many presentations and too little time for substantive reflections and discussions, management were not always fully prepared for strategic discussions, there was a general lack of external stakeholder inputs/participation into 2020/21 strategic planning cycle, key external resources were not included and optimally used to inform and fund the implementation of plans, baseline data was not always available and was not being used to inform strategic planning, key spatial elements and information from IDPs were not used and reflected in the 2020 plans, and change management was not reinforced in the planning sessions to ensure implementation. Thus, the sessions tended to occur with the recycling of previous solutions, too much litany, not enough integrated solutions across departments, and there was under-appreciation on how key managers are contributing to problems. Existing systems, practices, capacity and standard operating procedures (SOPs) were generally not reviewed to ensure high levels of functionality.
- Before the 2020 plans were finalised, OTP and DPME did at least one joint, formal assessment of the draft plans in December 2019 and January 2020, and there was broad agreement that there was still room for much improvement in the credibility of the draft plans. Also, PT, COGTA and ECSECC were not involved in the assessment of the draft plans as originally agreed.

Local government support and development planning

ECSECC provides technical and strategic support to integrated planning in two main forms: direct planning support to District and Local municipalities and strategic support to COGTA and the co-ordinating departments.

Strategic support to co-ordinating departments included:

- Stakeholder dialogue, consultation, and development of tools to strengthen the provincial local government co-ordination and support architecture.
- Development of an Intergovernmental Relations (IGR) tool to enhance the participation and contributions of provincial government departments and agencies during integrated development planning processes.
- Design and technical support to the annual Integrated Development Plan (IDP) assessments for metropolitan, district and local municipalities in the province that are conducted by the COGTA and sector departments to ensure that IDPs meet the required quality standards in terms of section 31 and 32 of the Municipal Systems Act (MSA) No. 32 of 2000.

In addition, ECSECC co-facilitated the Eastern Cape NGO Coalition (ECNGOC) and German Development Corporation (GIZ) 'Game Changer' Leadership Training intervention on citizens engagement on Municipal IDP Processes at Inxuba Yethemba Local Municipality in April, aimed at building the capacity of a helix of partners for social compacting during the delivery of services to communities within municipal boundaries.

Direct support to municipalities included:

- Strategic planning support to the Port St Johns Local Municipality (PSJLM), including strategic inputs and focussed reviews on the 2019/2020 Municipal IDP.
- Strategic planning support to the Alfred Nzo Development Agency, was aimed at re-crafting the strategic direction of the organisation, to enable the Entity to effectively and efficiently deliver on its mandate of driving the implementation of some of the powers and function of the parent municipality (ANDM). The inputs from the session ultimately fed into a reviewed 2019/2024 Multi-Year Business Plan and Medium-Term Expenditure Framework (MTEF) Budget, which business plan would serve as a performance management tool for the Entity's Board of Directors.
- Provided technical content advice and guidance to OR Tambo District Planners Forum.
- ECSECC signed an SLA with Ntabakulu Local Municipality for support with research and development planning.

ECSECC assisted OR Tambo District Municipality in finalising their Presidency-led District Development Model (DDM) 'One Plan' as it is one of the national pilots of the roll-out of the Model. ECSECC supported OR Tambo District Municipality with a commonly agreed diagnostic of the demographic analysis and provided a deeper understanding of the population profile and development dynamics in the District. It also provided a deeper understanding of economic positioning by exploring the competitive edge with a view of supporting local economic development in the District. Both of these were supported within the core framework pillars of DDM towards the development of the Single Joined Up One Plan for OR Tambo District Municipality, as Presidentially pronounced during the Launch of the Model in the provincial DDM Pilot Site.

The work was done to contribute towards the successful roll-out of the OR Tambo District Municipality DDM Pilot in the Province, and to further assist national, provincial and local government with an inter-governmental understanding of the key development trends, issues, challenges and development opportunities facing the district in order to guide strategies and actions to be planned and implemented by all these spheres of government in the district in the short, medium and long term. The deliverables contributed towards strengthening coherency and integration in planning, budgeting and implementation of services between and across national, provincial and local government within the principles of the IGR Framework in the Province.

Infrastructure Stakeholder Management and Co-ordination

- The Infrastructure Planning and Co-ordination Team (IPCO) was established by OTP and ECSECC and serves as the catalyst and secretariat for the EC Premier's Infrastructure Co-ordinating Committee (EC PICC). IPCO performed reviews, stakeholder engagements and ensured the formal setting up of the PSP Steering Committees.
- Quarterly update reports on the Eastern Cape Infrastructure Plan and National Strategic Infrastructure Projects (SIPs) that have a footprint in the Eastern Cape was compiled quarterly and formed part of the Premier's report to key governance platforms. The updates focus on the N2 Wild Coast project, the Mzumvubu project and ICT projects.
- Catalytic projects: A comprehensive presentation was made to the EXCO Legkotla in February 2020. The report confirmed that the N2 Wild Coast Road project represents one of the most significant projects to achieve implementation phase in the Eastern Cape and it is part of the SIP 3 (South East Corridor Development) of the National Infrastructure Plan. The Ngqura Trans-shipment Hub and the Mthatha Airport Upgrade were complete projects, whilst the Mzimvubu Multi-purpose Projects and Mthombo Refinery did not record progress. The Ngqura Port upgrade and the rail link from Hotazel to Ngqura were discontinued due to the revision by Transnet to export manganese utilising many channels in South Africa rather than the Ngqura Port only. A sizeable number of other projects were either at planning or at concept stage.
- Wild Coast Development: As ECSECC we developed the Wild Coast Development Governance Framework that has since been approved in September 2019 by the EC Executive Council. The strategic focus of the framework is to

maximise socio-economic development in the Wild Coast Corridor utilising the N2 Wild Coast Road as a catalyst. The Framework provides for the Wild Coast Development Political Oversight Committee (POC) that is convened by the MEC for Transport on behalf of the Premier and comprised of the other four MEC's of the Economic Development Cabinet Committee, Executive Mayors of O.R. Tambo and Alfred Nzo District Municipalities, the Mayors of Port St Johns, Ingquza Hill and Mbizana; and the Chairperson of the SANRAL Board. The mandate of the POC is to collectively champion the Wild Coast Development, review progress on the N2 Wild Coast Road and provide regular reports to the EC Premier and the Executive Council.

- The Wild Coast Development POC has since held its first sitting post the approval of the Framework wherein it considered the progress on the project. The Highway project has two mega bridge projects at Mtentu and Msikaba, and seven road packages. The POC also considered a progress report on the implementation of the resolutions of the engagement with stakeholders and community members that was held on 14 January 2019 at Jama village. The POC held a follow-up session with the Amadiba community on 21 September 2019 where a report back on the resolutions of the previous session was provided.
- **Resource mobilisation:** As ECSECC together with the Office of the Premier and EC Treasury, we co-ordinated the submission of applications for infrastructure funding from the Budget Facility for Infrastructure (BFI) that is located at National Treasury. We also convened a Provincial Review Committee which screened all Eastern Cape applications. Out of the 13 applications from Eastern Cape institutions, two projects submitted by the Coega Development Corporation (CDC) were funded, three projects (i.e. Wild Coast Meander Road, Ndlambe Water and Sanitation and the Dimbaza Agri and Eco Industrial Park) were recommended for project preparation support from National Treasury by the BFI whilst other applications did not proceed from the first stage of assessment. A major lesson that was learnt was that many Eastern Cape projects are at idea and concept stage, with few properly packaged. Therefore, it is a priority for the Province to invest in project preparation so as to increase our chances of receiving funding from various national funding opportunities.

Programme Performance against Budget

Budget Performance

Strategic Planning and Governance	2019/2020			2018/2019		
	Budget	Actual Expenditure per AFS	(Over)/ Under Expenditure	Budget	Actual Expenditure per AFS	(Over)/ Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Goods and services	495	476	19	1,095	494	601
COE	5,165	5,255	(90)	4,942	4,963	(21)
Capital			-			
TOTAL	5,660	5,731	(71)	6,037	5,457	580

Note: As per the National Treasury Annual Report Guide – expenditure as presented above agrees to the annual financial statements which are presented on the accrual basis of accounting. These figures exclude commitments against budget until they are expensed. Accounting entries that do not have a cash flow effect are also included in the expenditure figures above. The budget figures are based on the modified cash basis therefore there are differences between the two reporting methods.

Variance is considered reasonable.

Programme 4: HIV/AIDS

Purpose of the Programme

The purpose of this programme is to assist the province to effectively manage its response to HIV/AIDS, TB and STIs. This programme also focusses on acting as secretariat for the Eastern Cape AIDS Council (ECAC). The work of ECAC is carried out in support of the goal of improving the health profile of the province. Its community-based response is aimed at improving integration of health care-related and health promoting services at community level.

Programme Objectives

The programme contributes to the attainment of the ECSECC goals through focussing on the following objectives:

- 4.1. Reduce the rate of new HIV and TB infections using combination prevention methods and a multi-sectoral approach
- 4.2. Ensure functionality of AIDS councils in the Eastern Cape

Strategic Objectives, Planned Targets and Actual Achievements

Programme 4: HIV/AIDS					
Strategic Objective	Actual Achievement 2018/2019	Planned Target 2019/2020	Actual Performance 2019/2020	Deviation from Planned Target to Actual Achievement for 2019/2020	Comment on Deviations
Strategic Objective 4.1.: Reduce the rate of new HIV and TB infections using combination prevention methods and a multi-sectorial approach	10	10	10	-	-
Strategic Objective 4.2.: Ensure functionality of AIDS councils in the Eastern Cape	27	23	23	-	-

Key Performance Indicators, Planned Targets and Actual Achievements

Strategic Objective 4.1.: Reduce the rate of new HIV and TB infections using combination prevention methods and a multi-sectorial approach					
Performance Indicator	Actual Achievement 2018/2019	Planned Target 2019/2020	Actual Performance 2019/2020	Deviation from Planned Target to Actual Achievement for 2019/2020	Comment on Deviations
4.1.1. No. of dialogues conducted for young women		4	4	-	-
4.1.2. No. of interventions aimed at preventing the spread of HIV and TB in the Eastern Cape province developed – WAD and WTBD		2	2	-	-
4.1.3. No. of interventions designed to improve treatment adherence in the Eastern Cape		4	4	-	-

Strategic Objective 4.2.: Functionality of AIDS Councils in the Eastern Cape

Performance Indicator	Actual Achievement 2018/2019	Planned Target 2019/2020	Actual Performance 2019/2020	Deviation from Planned Target to Actual Achievement for 2019/2020	Comment on Deviations
4.2.1. Number of knowledge products developed (research)	2	2	2	-	-
4.2.2. No. of integrated monitoring reports (PSP)	4	4	4	-	-
4.2.3. Number of district AIDS councils supported with implementation of PIP	4	4	4	-	-
4.2.4. No. of civil society structures supported with implementation of PIP	4	4	4	-	-
4.2.5. Number of ECAC structures that are co-ordinated and functional	8	8	8	-	-
4.2.6. Number of partnership or funding agreements facilitated for the execution of PSP	1	1	1	-	-

Programme Performance against Objectives

The programme in the period under review focussed on co-ordinating the implementation of the Provincial Implementation for HIV, TB and STIs 2017-2022; support for district AIDS councils; providing government departments and civil society sectors with strategic information; and facilitating resource leveraging for the provincial response to HIV/AIDS, TB and STIs. Activities in achievement of the planned APP targets are listed below.

Council Functionality and District AIDS Council Support

- The provincial AIDS Council and its structures met as per its planned schedule and remained functional during the year.
- District AIDS councils were supported with implementation of PIP in terms of information, planning and strategic information.
- The Joe Gqabi District AIDS Council was supported to discuss the findings on the fact-finding exercise that was carried out prior to the meeting. Recommendations were made for the implementation by stakeholders.
- Buffalo City Metropolitan Municipality and Amathole District Municipality was supported to improve district performance in terms of the provincial PIP.

Prevention and Treatment

- The HRSC 2017 Behaviour Survey results show that new HIV infections are reducing at a slower rate and if the slow trend continues the PIP 2017-2022 prevention targets will not be met. A Prevention Social Lab Dialogue was held with all Development Partners participating in HIV prevention response and the Departments of Education, Health and Social Development to ensure review of implementation plans.
- The province is currently lagging in the 90/90/90 targets. The main challenge for the Eastern Cape Province is viral load uptake and suppression. Many clients present at public health facilities are outside of the Viral Load Uptake Cohort thus their results cannot be reported on resulting in the province under performance on the indicator. Of clients who have Viral Load tests conducted, below 90% are virally suppressed, indicating that they are not adhering to their HIV treatment. Treatment Social Labs were held to discuss progress of the provinces 90/90/90 strategy as well as TB infections and outcomes and plans were revised accordingly.
- Reports are indicating that the Joe Gqabi district has challenges initiating new clients onto ART, treatment adherence is low, and the district is further a reporting a low uptake of viral load testing. ECAC thus arranged a Treatment Social Lab for stakeholders to co-create solutions for implementation.
- Data from the District Health Information System (DHIS) is indicating that the Eastern Cape is exhibiting low HIV positivity yield. This could mean that HIV testing is not reaching the target population, or that the same patients are re-testing. An investigation was done by ECAC on the possible reasons for the low positivity yield that is reported in

the province. The EC Department of Health (DoH) data showed that although the numbers of individuals who test for HIV is on the rise, the positivity rate in the Eastern Cape is far below the target mark of 10%. In an effort to find first-hand information on how to increase HIV positivity yield, the Eastern Cape AIDS Council visited Engcobo Community Healthcare Centre (CHC) in the Chris Hani District because of its high rates of HIV positivity to learn their best practices. This health facility had a positivity rate of 15%, which was calculated from DHIS data for the period April 2017 to March 2018. In-depth interviews conducted with the service provider (health clinician) revealed that all HIV positive clients are initiated on ART immediately after testing HIV positive, unless they are TB suspects. High levels of treatment adherence are due to proper counselling by health care professionals, i.e., nurses and lay counsellors. The facility has four well-trained lay counsellors. During consultation, the health care provider gives proper counselling, making it easy for clients to accept and undergo HIV testing. Outreach teams and lay counsellors go out and do health talks, which encourage community members to take up HIV testing services (HTS). Development partners like Kheth'Impilo and Health Systems Trust (HST) also assist in providing HTS and advocacy, respectively. The turn-around time for bloods is quite fast as the courier for bloods comes in daily and takes them to All Saints NHLS lab. The recommendations made from the research were that:

- o The “correct people” needed to test are the most-at-risk populations in civil society sectors. As such, civil society’s participation is highly needed.
 - o Provide male-friendly health centres manned by male clinicians.
 - o Increase and intensify community outreach, especially in areas with high key population numbers.
 - o Use snow-ball technique to identify hard to reach key populations; and,
 - o Fully implement Index Case Finding to track and trace at risk sexual partners.
- Reports are indicating that people are not using condoms and as much as there is an increase in condom distribution reported there are indications that condom use is decreasing as we are reporting high number of new STI treatment. Research was conducted on the reasons why people are not wanting to use condoms. Studies show that women used condoms less and less frequently in their first year of tertiary schooling, and this decline in condom use is associated with binge drinking, lower socio-economic status and lower high school grades. Although uptake of contraceptive pills increases, it unfortunately does not protect one from STIs and HIV infections. In a Higher Education and Training HIV/AIDS Programme (HEAIDS) study conducted at South African institutions of higher learning, 60% of the participants reported condom use in their last sexual encounter. A study conducted amongst WSU students in 2010, found that students used a condom a few times with their “new” partner before they stopped using it because they felt that they knew them enough, and so they could trust them. In that study, it also appeared that students mostly used condoms with one-night stands and flings but not with those they regarded as their steady partners. A focus group discussion (FGD) conducted by ECAC in partnership with DG Murray Trust (DGMT) amongst Buffalo City College (BCC) TVET female students confirmed the vulnerability of young women, caused mostly by their financial dependence on men. Below are some of the reasons given by the students for not using condoms. Lack of love from parents or family members was also cited as another reason for low self-esteem amongst young women, which may lead to them being unable to make proper decisions for themselves and stand by them. Competition and yearning for material things amongst peers is another reason why young women go for older men who can provide them with those things. In focus group discussions led by HEAIDS in partnership with BCC Peer Educators, ECAC, DSD, DOH and Bumbungomso, male students said that:
 - o Pleasure of sex is not the same with a condom;
 - o Putting on a condom is too much work;
 - o Condom use is only important when you have multiple partners, and as such, they are not using a condom with main girlfriends as a symbol of love and trust;
 - o Male sexual partners prefer not to use a condom;
 - o Males want to start making babies at a young age;
 - o Traditional men do not use a condom as they associate them with urban males;
 - o Sometimes they run out of condoms; and
 - o It is easier to use condom only on the first round of a sexual encounter.

Some of the recommendations were:

- Develop interventions that focus on different contexts (schools, TVETS, colleges, workplaces, communities).
- Sensitise men in general on how to treat and respect women’s sexuality.
- Create awareness to women about their sexual rights, and to take responsibility.
- Develop culturally sensitive sexual and reproductive health programmes for adolescents focussing on modification of

sexual behaviour with the hope that it will prevent HIV transmission amongst young people.

- Involvement of male adolescents in prevention of risky sexual behaviour, improvement of communication with their partners, their attitudes towards condom use and change in gender dynamics may lead to safer sex practises, reduction in STI infections and unplanned pregnancies.
- Provide platforms for young women to freely talk about sex.
- Encourage use of a female condom.
- Create platforms for parents to empower them on how to tackle sexuality issues with their children; and
- Have dedicated personnel at primary and secondary distribution sites who will monitor and track the supplies to guard against condom stock-outs.

Provincial Implementation Plan

- PIP Annual Report was developed measuring the provincial progress towards the Provincial Implementation Plan on HIV/AIDS (PIP) 2017-2022 targets. Of the indicators reported, 53% were on track and have met their annual targets, 20% achieved just below their targets and 25% were not achieved thus threatening the province's overall achievement of not meeting the PIP targets.
- The quarterly monitoring of the PIP further indicates that reporting in the key populations is still challenging, however estimations of new HIV infections and mortality is reducing.
- A provincial verification of funding was conducted, along with development of a catch-up plan for the remaining two years of the PIP for the indicators.
- ECAC supported the development of sectoral implementation plans for The Traditional Health Practitioners Sector and the Civil Society Forum.
- The ECAC conducted consultation on the National Strategic Plan to review successes and challenges each of the NSP/ PIP goals pose and to develop strategies on how these goals can to be achieved by 2022.
- ECAC has worked to influence the geographical location for the implementation of priority programmes in the HIV response through promoting the use of the Focus for Impact Methodology.
- Currently there are indications that only two (2) districts are likely to reach their targets before December 2020. Consultations with development partners, district municipalities and the EC DoH were held to develop district plans to meet the 90/90/90 targets.

Programme Performance against Budget

Budget Performance

HIV/AIDS	2019/2020			2018/2019		
	Budget	Actual Expenditure per AFS	(Over)/ Under Expenditure	Budget	Actual Expenditure per AFS	(Over)/ Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Goods and services	300	305	(5)	500	492	8
COE	5,697	5,824	(127)	5 461	5 483	(22)
Capital			-			
TOTAL	5,997	6,129	(132)	5 961	5 975	(14)

Note: As per the National Treasury Annual Report Guide – expenditure as presented above agrees to the annual financial statements which are presented on the accrual basis of accounting. These figures exclude commitments against budget until they are expensed. Accounting entries that do not have a cash flow effect are also included in the expenditure figures above. The budget figures are based on the modified cash basis therefore there are differences between the two reporting methods.

Variance is considered reasonable.

Box 3: 2019 World AIDS Day

The provincial World AIDS Day 2019 event was held in Addo in the Sundays River Valley Municipality. The theme for World AIDS day 2019 was **“Working with Communities We Can Achieve The 90-90-90 Targets”**.

To ensure sustainable impact from the event, the World AIDS Day 2019 event was modelled on the Eshowe model. The Eshowe Model is a community-based service delivery model, with HIV at its centre that has been internationally recognised for showing results. The Eshowe Model is based on community involvement, especially political and traditional leadership involvement. In the model, services are provided at community level, targeting hard to reach populations, including:

- The Community Health Agents Programme door-to-door exercise made it possible for people who would not ordinarily do an HIV test to test.
- Men-friendly clinics were situated at taxi ranks and were used by both males and females due to its efficiency and ease of access.
- Referral management of clients who test positive at an out-of-health facility site are not done only by letter, but there is follow up, and targeted clients are given priority at the clinic.
- Community ART groups made of family or community members on ART who take turns to collect medication for the whole group; and,
- Education and information sessions provided to male school learners about the importance of voluntary medical male circumcision (VMMC) in the HIV response.

ECAC and its partners led a range of provincial and local activities on World AIDS Day 2019, as outlined below:

- Dialogues were facilitated by Department of Social Development in partnership with the ECAC to address risky behaviour by young women and men aged 15 to 24 years old based on the You Only Live Once (YOLO) evidence-based methodology curriculum for HIV prevention.
- All districts were engaged to embark on conducting build-up activities in line with the targets for 90-90-90 with focus on finding new HIV positive cases, initiate the newly diagnosed, improve retention and viral load suppression.
- One adherence club was established in Paterson by the PLHIV Sector.
- The Sarah Baartman district was supported with the development and implementation of the their 90/90/90 catch-up plan. The district was also the hosting district for the provincial WAD and was supported for the execution of the provincial event.
- The LGBTI Sector held a round table discussion as part of the WAD build up programmes and held a Gay Pride Parade which was held in Port Elizabeth.
- In preparation for the Provincial World TB Day main event, a build-up programme was developed and implemented in order to raise awareness around TB and to educate communities on the dangers of not screening for TB and not adhering to TB treatment. The focus for the 2020 TB Day was also to find missing TB cases, to improve our TB Lost to Follow and to increase our case findings. A provincial build up programme based on the findings was implemented and people were screened for TB. Even though the main programme was cancelled due to the President’s pronouncements, impact was reached on the build-up activities.
- A consultation with development partners, district municipalities and the EC DoH was held to discuss and develop districts 90/90/90 performance as the country and the Eastern Cape must reach and develop its 90/90/90 targets. Currently there are indications that only two (2) districts are likely to reach their targets before December 2020.

04 REVENUE COLLECTION

4.1. ECSECC Revenue

ECSECC is mainly financially supported by the Office of the Premier through voted funds. ECSECC also receives some funding from donor funders and municipalities for work as agreed upon on the service level agreement with each of these parties.

Sources of Revenue	2019/2020			2018/2019		
	Estimate	Actual Amount Collected	(Over)/Under Collection	Estimate	Actual Amount Collected	(Over)/Under Collection
	R'000	R'000	R'000	R'000	R'000	R'000
Office of the Premier	50,045	50,045	-	41,429	41,429	-
Services Rendered	951	675	276	4,319	4,575	(256)
Other Income	1,373	1,383	(10)	1,061	1,069	(8)
Total	52,369	52,103	266	46,809	47,073	(264)

Services Rendered

These are funds received from service level agreements with various municipalities as part of ECSECC diversified funding strategy. Under collection is due to funds received in advance in the previous financial year for work to be performed in the current financial year.

Other Income

Other income consists of interest, insurance claims and dividends.

Additional interest was collected due to increased tranche received.

4.2. Capital Investment, Maintenance and Asset Management

4.2.1. Capital investment: ECSECC capital investment includes computers, furniture and fittings and intangible assets.

4.2.2. Maintenance: There was no major maintenance done during the 2019/20. No repairs and maintenance amount was expended during the year.

4.2.3. Asset management: The purpose of asset management is to enable ECSECC to meet its service delivery objectives efficiently and effectively by achieving the best possible match of assets with programme delivery strategies. Acquisition and disposal were dealt with per relevant sections in this policy. All assets were recorded in the asset register which was used in planning and budgeting and to record the information as a basis for the preparation of reports to Treasury, including annual financial statements.





PART C

GOVERNANCE



ECSECC BOARD MEMEBERS



MEC N. Meth
Board Chairperson



Mr Z. Tini



Ms R. Moodley



Mr L. Holbrook



Mr S. Gqeqqe



Mr L. Jack



Mr P. Ndendela



Mr D. Xotyeni



Mr M. Maleki



Ms N. Mona



Mr M. Koyo



Mr T. Kunene



Prof N. Monde

01 INTRODUCTION

Corporate governance embodies the processes and systems by which ECSECC is directed, controlled and held to account. In addition to legislative requirements based on the Companies Act, corporate governance in ECSECC is applied through the prescripts of the Public Finance Management Act (PFMA) together with the principles contained in the King Report on Corporate Governance.

The Provincial Legislature, the Executive and the Accounting Authority of ECSECC are responsible for corporate governance.

02 PORTFOLIO COMMITTEE MEETINGS ATTENDED

In the period under review the ECSECC Board and Management, attended the OTP Portfolio Committee meetings on the following dates:

- 09 July 2019
- 31 October 2019

03

EXECUTIVE AUTHORITY

The relationship between ECSECC and the Office of The Premier is governed by a Service Level Agreement (SLA) signed at the start of every financial year. ECSECC engages with the Office of the Premier on its plans in order to understand the expectation of the OTP. The OTP is invited to the annual strategic review session of the Board. ECSECC reports on a quarterly, mid-term and annual basis to the OTP.

ECSECC management meets quarterly with the Premier to present quarterly performance results.

ECSECC has complied with the SLA stipulations and has submitted quarterly reports and plans, mid-term reports, the strategic plan and annual performance plan and annual report in line with the legislative prescripts as well.

04

THE ACCOUNTING AUTHORITY/BOARD

4.1. Introduction

The Eastern Cape Socio Economic Consultative Council is governed by a multi-stakeholder Board of Directors who account to the Premier as the Executive Authority. The Premier has delegated MEC Xolile Nqatha, later replaced by MEC Nomakhosazana Meth, to be the Chairperson of the ECSECC Board. The Board of Directors are proposed by the six (6) stakeholder constituencies that make up ECSECC in terms of ECSECC's Memorandum of Incorporation. These stakeholder representatives are elected at an Annual General Meeting and serve for two (2) years, after which they become eligible for re-election if nominated by their stakeholder constituencies.

Each stakeholder constituency has two (2) representatives on the Board of Directors. A maximum of two additional Board members may be recruited onto the Board of Directors at the Annual General Meeting.

The Board meets four times a year to consider reports from management and its sub-committees. The committees also meet four times a year to consider reports from management and perform such duties as delegated to it by the Board.

4.2. The Role of the Board

The Board of ECSECC meets four times a year. Its role is to provide strategic leadership to the organisation and ensure that corporate governance principles are adhered to. It also considers quarterly reports from management and oversees the overall performance of the organisation in line with its mandate and strategic plan.

4.3. Board Charter

The ECSECC Board Charter is incorporated into the organisation's Memorandum of Incorporation and stipulates the nature and powers of the company; directors' disqualification, removal and rotation of directors; authority of the Board of Directors; meetings – proceedings, minutes and annual general meetings; indemnification and remuneration of directors; officer and committees; notices; distribution of income; deregistration; financial year end; and accounting records and financial statements and donations.

The Board and its sub-committees completed its performance assessment. The assessment also considered the requirements set out in the charter(s) of the Board and its sub-committees. Overall, the Board and its sub-committees complied with the requirements of the charters.

4.4. Composition of the Board

The Premier has delegated MEC Xolile Nqatha, later replaced by MEC Nomakhosazana Meth, to be the Chairperson of the ECSECC Board. The Board of Directors are proposed by the six (6) stakeholder constituencies that make up ECSECC in terms of ECSECC's Memorandum of Incorporation. These stakeholder representatives are elected at an annual general meeting.

Name	Designation (in terms of the Public Entity Board structure)	Date Appointed	Date Resigned	Qualifications / Area of Expertise	Board Directorships (List of Entities) ¹	Other Committees or Task Teams (e.g.: Audit Committee / Ministerial Task Team)	No. of Meetings Attended ²
MEC X. Nqatha	Chairperson & Provincial Government	May 2018	May 2019	Constituency based		None	0
MEC N. Meth	Chairperson & Provincial Government	August 2019	Current	Constituency based		None	6
Mr M. Matutu	Provincial Government	August 2016	February 2020	Constituency based		None	0
Mr Z. Tini	Deputy Chairperson & Independent	2007	Current	Constituency based		Finance & Admin.	13
Mr L. Jack	Higher Education	August 2016	Current	Constituency based		Finance & Admin.	10
Prof N. Monde	Higher Education	August 2016	Current	Constituency based		Planning & Programmes	9
Mr X. Malamlela	Organised Labour	August 2015	May 2019	Constituency based		Planning & Programmes	1
Mr T. Kunene	Organised Labour	August 2018	Current	Constituency based		None	6
Mr M. Maleki	Organised Labour	August 2019	Current	Constituency based		Planning & Programmes	6
Ms R. Moodley	Non-governmental Organisations	November 2011	Current	Constituency based		Audit, Risk & ICT and Finance & Admin.	20
Mr D. Xotyeni	Non-governmental Organisations	October 2018	Current	Constituency based		Planning & Programmes	12
Mr M. Koyo	Local Government	August 2016	Current	Constituency based		None	5
Mr S. Gqeqqe	Local Government	May 2019	Current	Constituency based		Planning & Programmes and Finance & Admin.	16
Mr P. Ndendela	Organised Business	November 2010	Current	Constituency based		Planning & Programmes	13
Mr L. Holbrook	Organised Business	November 2011	Current	Constituency based		Finance & Admin	11
Ms N. Mona3	Organised Business	August 2019	Current	Constituency based		None	2

¹ It is noted that for the disclosure on Board Directorship (List of Entities) the information is still being collected from Board members.

² These meetings include Induction, Training, Board of Directors, AGM, Sub-committee (planned and special), Portfolio Committee, Strategic Planning, Task Team and Risk Assessment meetings. Ms N. Mona was elected a Director, sharing a vote with Mr L. Holbrook.

4.5. Board Committees

Committee	No. of Meetings	No. of Members	Name of Members
Finance and Admin Sub-Committee	4	5	Mr Z. Tini (Chairperson); Ms R. Moodley; Mr L. Holbrook; Mr S. Gqegqe; Mr L. Jack
Planning and Programmes Sub-Committee	4	5	Mr P. Ndendela (Chairperson); Mr S. Gqegqe; Mr D. Xotyeni; Mr X. Malamlela replaced by Mr M. Maleki Prof N. Monde
Audit, Risk and ICT Committee	4	6	Ms L. Smith (Chairperson); Ms R. Moodley (Board Representative); Mr N. Ravgee; Ms W. Dukuza; Mr C. Sparg; Mr B. Bothma

4.6. Remuneration of Board Members

The Board remuneration is discussed in the annual financial statements section. The remuneration of the Board has been determined through benchmarking with other entities in the province. Going forward these benchmarks will be reviewed in line with Treasury Regulations and in consultation with the Executive Authority.

Name	Remuneration	Other allowance	Other re-imbursements (mainly travel)	Total
MEC X. Nqatha	NIL	NIL	NIL	NIL
MEC N. Meth	NIL	NIL	NIL	NIL
Mr M. Matutu	NIL	NIL	NIL	NIL
Mr Z. Tini	R50,400	NIL	R1,351.44	R51,751.44
Mr L. Jack	R38,000	NIL	NIL	R38,000
Prof N. Monde	R34,200	NIL	R7,632.44	R41,832.44
Mr X. Malamlela	R3,800	NIL	NIL	R3,800.00
Mr T. Kunene	R22,800	NIL	R9,957.10	R32,757.10
Mr M. Maleki	R22,800	NIL	R97.63	R22,897.63
Ms R. Moodley	R76,000	NIL	R845.52	R76,845.52
Mr D. Xotyeni	R45,600	NIL	R860.88	R46,460.88
Mr M. Koyo	R19,000	NIL	R7,765.08	R26,765.08
Mr S. Gqegqe	R60,800	NIL	R680.13	R61,480.13
Mr P. Ndendela	R50,200	NIL	R1,694.18	R51,894.18
Mr L. Holbrook	R41,800	NIL	R568.16	R42,368.16
Ms N. Mona	R7,600	NIL	NIL	R7,600

05 RISK MANAGEMENT

The scope of the internal audit is in line with the Treasury Regulations, and limited to the extent that only samples of transactions are selected to determine whether the network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to determine whether management processes exist to ensure that:

- Risks are appropriately identified and managed;
- Interaction with the various governance structures occurs as needed;
- Significant financial, managerial, and operating information is accurate, reliable and timely;
- Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations;
- Resources are acquired economically, used efficiently and adequately protected;
- Programmes, plans and objectives are achieved;
- Quality and continuous improvement are fostered in the entity's control processes; and,
- Significant legislative or regulatory issues impacting the entity are recognised and addressed appropriately.

Risk management is embedded in ECSECC activities, considered in the annual performance plan and operational plan and all project plans. Risk management is included in all manager's performance agreements and performance is managed. Risk management is also discussed at management committee meetings and is monitored and reported on a quarterly basis.

The Audit, Risk and ICT Committee is an integral component of the risk management process. The committee considers the overall risk management processes in the Council, specifically overseeing financial reporting risks and fraud risks associated to internal financial controls.

06 INTERNAL CONTROL UNIT

The role of the Internal Control Unit is played by the internal audit and the oversight role by the Audit, Risk and ICT Committee. The detailed discussion is expressed in section 7 below.

07

INTERNAL AUDIT AND AUDIT COMMITTEES

7.1. The Audit Function at ECSECC

The internal controls, finances and performance information of ECSECC were reviewed and audited by the internal auditors. ECSECC's internal audit function is outsourced. The summary of audit work performed in the year under review includes:

- Facilitation of organisation risk assessment;
- Review of half-year performance reports
- Procurement and contract management;
- Review of Audit of Pre-determined Objectives (AOPO) for 2020/2021;
- Budgeting and forecasting process;
- IT governance audit;
- Update of charters; and,
- Attendance to Risk and Audit Committee meetings.

The Audit, Risk and ICT Committee consists of the members listed hereunder and meets at least four (4) times per annum as per its approved charter. During the current year, in total five (5) meetings were held.

ECSECC Audit, Risk and ICT Committee Members	Number of Meetings Attended
Ms L. Smith (Chairperson)	5
Mr N. Ravgee	2
Ms W. Dukuza	5
Mr C. Sparg	3
Mr B. Bothma	5
Ms R. Moodley (Board Representative)	5

The table below discloses relevant information on the Audit, Risk and ICT Committee members:

Name	Highest Qualification	Internal or External	If internal, position in the public entity	Date Appointed	Date Resigned	No. of Meetings Attended
Ms L. Smith	Chartered Accountant	External		September 2016	Current	5
Mr N. Ravgee	Chartered Accountant	External		September 2016	Current	2
Ms W. Dukuza	BProc Admission Exams as an Attorney Certificate in Labour Relations Management	External		September 2016	Current	5
Mr C. Sparg	Chartered Accountant	External		September 2016	Current	3
Mr B. Bothma	BCom Business Commerce Information Systems and Management CISA (Certified Information Systems Auditor) GIBS Leadership Development Programme	External		September 2018	January 2018	5
Ms R. Moodley	Honours in Human and Social Studies	Board Representative	Board Member	August 2016	Current	5

08

COMPLIANCE WITH LAWS AND REGULATIONS

ECSECC has a compliance policy which regulates the state of compliance within the entity. Further, there are policies and procedures that employees abide by which are made available to each individual. Provincial Treasury makes available to the Entity any changes to regulations that might have an impact on the Entity. Lastly, ECSECC obtains some level of comfort from internal and external audits when it comes to compliance.

09

FRAUD AND CORRUPTION

ECSECC has a Fraud Prevention Policy, a strategy and a plan in place. All these documents are communicated to employees and individuals are required to comply. Employees and other stakeholders can make use of the Whistleblowing Hotline administered by the Office of the Premier. ECSECC receives quarterly reports confirming any whistleblowing from the Office of the Premier. These are communicated to the Audit, Risk and ICT Committee. Further, employees are encouraged to make confidential disclosures should they suspect any instances of fraud within the organisation.

There have been no reports of fraudulent activities in the current financial year.

10

MINIMISING CONFLICT OF INTEREST

ECSECC makes every available effort to minimise the risk of conflict of interest in all its business dealings. The entity has policies and procedures that assist in managing the risk. Further, the Board and employees are required to complete a disclosure of interest annually, including supply chain practitioners. All Bid Adjudication and Evaluation Committee members also disclose their interest at every sitting. Members that are conflicted are excused from that specific seating.

11

CODE OF CONDUCT

ECSECC has a Code of Conduct that is signed by the employees on an annual basis. Each employee signs acknowledgement at the beginning of each financial year. We also conduct an information session once a year. Where there is a breach of the Code of Conduct the organisation deals with it within the prescripts of its disciplinary procedures and applicable legislation.

12

HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

The organisation strives towards keeping a welcoming, safe and healthy working environment and has not experienced any health challenges or injury on duty in the period under review.

The Covid-19 pandemic and resultant lockdown took effect in the last weeks of the financial year. A response plan for the entity was developed in response to the declaration of a National State of Disaster, declared on 15 March 2020 and the Regulations to Prevent the Spread of Covid-19, issued 18 March 2020.

ECSECC's services are not classified as essential services but are of a transversal nature and requires contact with members of the public and small to large gatherings. The response plan outlined guidelines and actions in terms of official channels of communication; Occupational Health and Safety; travel policy; remote work policy; business continuity measures; and the role ECSECC is expected to play in the Covid-19 response. The response plan was adjusted on an ongoing basis in response to the national Disaster Management Act.

13

BOARD SECRETARY

ECSECC has not appointed a company secretary. The Executive Secretary and Chief Risk Officer plays the role of the Board Secretary and is responsible for driving the functionality governance and providing administrative support to the Board.

14

SOCIAL RESPONSIBILITY

ECSECC is a public entity responsible for advising government on socio-economic development policy choices. In addition, ECSECC is a non-profit entity and integral in its work is to provide advice that will ultimately lead to the qualitative change in the lives of the people of the Eastern Cape. Consequently, ECSECC has no specific social responsibility programmes as this is integral to all its work.

The Committee is pleased to present our report for the financial year ended 31 March 2020. The table below discloses relevant information on the Audit, Risk and ICT Committee members:

ECSECC Audit, Risk & ICT Committee

Ms L. Smith

Mr N. Ravgee

Ms W. Dukuza

Mr C. Sparg

Mr B. Bothma

Ms R. Moodley (Board Representative)

15.1. *Audit, Risk and ICT Committee Responsibility*

The Audit, Risk and ICT Committee (hereinafter referred to as the Committee) is a sub-committee of the Eastern Cape Socio Economic Consultative Council (hereinafter referred to as the Council), established to assist it in fulfilling its oversight responsibilities in terms of section 51 of the Public Finance Management Act (PFMA), (No. 1 of 1999), read together with Treasury Regulation 27.1. The Committee's mandate is to assist the Council specifically in matters relating to statutory and internal audits; internal controls; financial control and reporting; statutory compliance relative to the financial statements; performance; risk management; ICT and corporate governance.

The Committee reports that it has complied with its responsibilities arising from the sections as stated above, has adopted appropriate formal terms of reference as its charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

15.2. *The Effectiveness of Internal Control*

The system of internal control applied by the entity over financial risk, risk management and ICT is effective, efficient and transparent.

In line with the PFMA and Companies Act (No. 71 of 2008) requirements, Internal Audit provides the Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of risk management process, as well as identification of corrective actions and suggested enhancements to the controls and processes.

From the reports of the Internal Auditors no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal controls was effective for the period under review.

15.3. *In-year Management and Monthly/Quarterly Report*

The public entity has submitted quarterly reports to the Accounting and Executive Authority.

15.4. *Evaluation of Financial Statements and Annual Report*

The Committee has:

- Reviewed and discussed the financial statements to be included in the annual report;
- Reviewed accounting policies and practices; and
- Reviewed the entity's compliance with legal and regulatory provisions.

The Committee has recommended to the Accounting Authority, for their approval, that the financial statements and annual report be submitted for audit by the 31 July 2020.

15.5. Internal Audit

The internal audit function is outsourced. The Committee is satisfied that the internal audit function operated effectively and that it has addressed the risks pertinent to the entity in its audits. The Committee appreciates the good working relations between ECSECC and its internal auditors.

15.6. Auditor's Report

The Committee is pleased with and accepts the Auditor-General's report for the year ended 31 March 2020.



L Smith CA(SA), RA

Chairperson of the Audit, Risk & ICT Committee

Date: 06 October 2020

AUDIT, RISK AND ICT COMMITTEE



Ms L. Smith
Chairperson



Ms R. Moodley
Board Representative



Mr N. Ravgee



Ms W. Dukuza



Mr C. Sparg



Mr B. Bothma





PART D

HUMAN RESOURCE MANAGEMENT

1.1. Overview of ECSECC HR Matters

ECSECC implemented several human resource development programmes in the period under review. The required submissions to the Department of Labour were made in time, examples given are the submissions according to the Compensation for Occupational Injuries and Diseases Act and Employment Equity Act.

This financial year has also seen the Disaster Recovery Policy developed and the Plan being amended in to ensure proper measures are in place in the event of a disaster.

The performance management and development system was implemented during the financial year under review. Following are other HR-related matters and achievements.

1.2. HR Priorities for 2019-2020 Financial Year and the Impact of These Priorities

The main priorities for the financial year were to assess the alignment of ECSECC human resources policies with the amendments in labour legislation, meeting employment equity targets and assessing employee wellness.

1.3. Workforce Planning Framework and Key Strategies to Attract and Recruit a Skilled and Capable Labour Workforce

ECSECC identifies the key capabilities required to achieve the organisation's five-year strategic plan and its service excellence model. Based on the identified priorities, the agreed service excellence model and identified capabilities, the organisational design implications are then identified. The programmes that are needed to achieve the objectives are identified and together they form an organisational structure. This organisational structure is reviewed on an annual basis, as part of the annual planning process. It is then approved by the Board of Directors for implementation at the beginning of the financial year. ECSECC management fills the positions based on the approved organogram.

1.4. Employee Performance Management Framework

ECSECC uses a performance management and development system to manage the performance of employees. The performance management system that is used does not only seek to assess and enhance performance of employees but also seeks to create motivated employees who are resilient, take initiative, are innovative and are effective self-leaders. The performance management system is structured such that it encourages employees to practice the organisational values that are reflected in the organisation's five-year strategic plan.

Performance reviews are done twice a year. The first review covers the first six months and the second review covers the whole financial year. Managers are encouraged to give feedback on employee performance throughout the financial year.

1.5. Employee Wellness Programmes

ECSECC is in the process of aligning its wellness programme to the Public Service Employee Health and Wellness Strategic Framework to create a healthy and an enabling environment for the ECSECC workforce. The annual Wellness Day was held during the period under review.

1.6. Policy Development

The policies of ECSECC are approved by the Board of Directors. This final approval is preceded by consultations with management and employees of the organisation. There were no new human resource-related policies developed during the period under review.

1.7. Highlight of Achievements

ECSECC submitted the amended Employment Equity Plan as per the requirements of the Department of Labour.

1.8. Challenges Faced by ECSECC

A reduced budget necessitated that the funds allocated for the capacity building of staff members were also reduced. This may affect delivery and staff morale in the long run because employees are supposed to be continuously capacitated in order to ensure effective and quality delivery.

1.9. Future Human Resources Plans and Goals

ECSECC is going to be placing emphasis on capacity development of staff by implementing a staff development plan that will assist the organisation to focus on professional efforts and identify individual work goals.

There is also going to be a strong emphasis on employee health and wellness programmes that focusses on the physical and emotional well-being of employees.

02

HUMAN RESOURCE OVERSIGHT
STATISTICS

2.1. Expenditure

Programme	Total Expenditure (R)	Personnel Expenditure (R)	Personnel Cost as a Percent of Total Expenditure	No. of Employees	Average Personnel Cost Per Employee (R)
Finance, Corporate Affairs, Strategic Operations and Knowledge Management	30,012,865	19,208,357	64%	24	800,348
Economic Governance	5,337,350	4,880,379	91%	5	976,076
Strategic Governance Support	5,733,274	5,254,636	92%	5	1,050,927
HIV/AIDS	6,118,928	5,824,278	95%	6	970,713
Total	47,202,417	35,167,650	75%	40	879,191

Salary Bands	Personnel Expenditure (R)	% of Total Personnel Cost	No. of Employees	Average Personnel Cost Per Employee (R)
Lower skilled (Grade A – B)	3,264,405	9%	10	326,441
Skilled (Grade C)	7,464,023	21%	11	678,548
Highly skilled (Grade D & S)	18,334,230	52%	13	1,410,325
Highly skilled with supervision (Grade D3)	2,416,653	7%	4	604,163
Chief executive officer and chief financial officer (Grade E)	3,688,339	10%	2	1,844,170
Total	35,167,650	100%	40	879,191

2.2. Performance Rewards

Programme/Activity/Objective	Performance Rewards (R)	Personnel Expenditure (R)	% of Performance Rewards to Total Personnel Cost
Lower skilled (Grade A-B)	239,347	3,264,405	7%
Skilled (Grade C)	444,967	7,464,023	6%
Highly skilled (Grade D & S)	1,137,785	18,334,230	6%
Highly skilled with supervision (Grade D3)	97,545	2,416,653	4%
Chief executive officer (Grade E)	270,358	3,688,339	7%
Total	2,190,002	35,167,650	6%

2.3. Training Costs

Programme/Activity/Objective	Personnel Expenditure (R)	Training Expenditure (R)	Training Expenditure as a % of Personnel Cost	No. of Employees Trained	Avg. Training Cost Per Employee (R)
Finance, Corporate Affairs, Strategic, Operations and Knowledge Management	19,208,357	159,731		10	15,973
Human Resource Development	4,880,379	34,500		2	17,250
Economic Governance		20,000		1	20,000
Infrastructure Governance	5,254,636	20,000		1	20,000
Strategic Governance Support		20,000		1	20,000
HIV/AIDS	5,824,278	60,000		3	20,000
Total	35,167,650	314,231		18	17,457

2.4. Employment and Vacancies

Programme	2019/2020 Number of Employees (01 April 2019)	Number of Posts Approved	Number of Employees (31 March 2020)	2019/2020 Vacancies (31 March 2020)	% of Vacancy **
Administration and Finance	17	17	17	0	0%
Strategy, Operations and Knowledge Management	7	7	7	0	0%
Economic Governance	2	4.5	2	2.5	38%
Strategic Governance and Infrastructure Support Programme	5	5	5	0	0%
Eastern Cape Aids Council	6	8	6	2	25%
Total	40	45	40	5	11%

* Note: Only four posts were vacant (unfunded) for the full financial year. There was one vacant funded post.

Programme/Activity/Objective	2018/2019 No. of Employees	2019/2020 Approved Posts	2019/2020 No. of Employees	2019/2020 Vacancies	% of Vacancies
Top management		2	2	0	0%
Senior management		4	5	1	20%
Professional qualified		13	16	3	19%
Skilled		11	12	1	8%
Semi-skilled		8	8	0	0%
Unskilled		2	2	0	0%
Total		40	45	45	11%

2.5. Employment Changes

Salary Band	Employment at Beginning of Period	Appointments	Terminations	Employment at End of the Period
Top management	2	0	0	2
Senior management	4	0	0	4
Professional qualified	13	0	0	13
Skilled	11	0	0	11
Semi-skilled	8	0	0	8
Unskilled	2	0	0	2
Total	40	0	0	40

During this period two part-time appointments were made. The Town Planner and the Short-Term Expert PMO.

2.6. Reasons for Staff Leaving

Reason	Number	% of Total No. of Staff Leaving
Death	0	0
Resignation	0	0
Dismissal	0	0
Retirement	0	0
Ill health	0	0
Expiry of contract	0	0
Other	0	0
Total	0	0

There was one part-time end of contract.

2.7. Labour Relations: Misconduct and Disciplinary Action

Nature of Disciplinary Action	Number
Verbal warning	0
Written warning	0
Final written warning	0
Dismissal	0

2.8. 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	2	2	0	0	0	0	0	0
Professional qualified	3	6	1	1	0	0	2	1
Skilled	3	3	0	0	0	0	0	0
Semi-skilled	0	0	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
Total	9	12	1	1	0	0	2	1

Levels	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	1	1	0	0	0	0	0	0
Senior management	1	2	0	0	0	0	1	1
Professional qualified	6	7	1	1	0	1	1	1
Skilled	7	7	0	0	1	1	0	0
Semi-skilled	9	8	0	0	0	0	0	0
Unskilled	2	2	0	0	0	0	0	0
TOTAL	26	27	1	1	1	2	2	2

Levels	Disabled Staff					
	Current	Male		Current	Female	
		Target	Current		Target	
Top Management		0	0	0	0	0
Senior Management		0	0	0	0	1
Professional qualified		0	1	0	0	0
Skilled		0	0	0	0	0
Semi-skilled		0	0	0	0	0
Unskilled		0	0	0	0	0
Total		0	1	0	0	1

Overall, the organisation has performed beyond provincial employment equity targets. However, due to the small size of the organisation and non-filling of posts in the year under review, not all targets for sub-categories were met. All targets will be met in the 2020/2021 financial year.



PART E

FINANCIAL INFORMATION

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Report of the Auditor-General to the Eastern Cape Provincial Legislature on the Eastern Cape Socio Economic Consultative Council

Opinion

1. I have audited the financial statements of the Eastern Cape Socio Economic Consultative Council set out on pages xxx to xxx, which comprise the statement of financial position as at 31 March 2020, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amount 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 Eastern Cape Socio Economic Consultative Council as at 31 March 2020, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act of South Africa (No. 1 of 1999).

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 this auditor's report.
4. I am independent of the entity in accordance with sections 290 and 291 of the Code of Ethics for Professional Accountants and parts 1 and 3 of the International Code of Ethics for Professional Accountants (Including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA codes) as well as 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 codes.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Accounting Authority for the Financial Statements

6. The Board of Directors, which constitutes the Accounting Authority, is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act of South Africa (No. 1 of 1999), 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.
7. In preparing the financial statements, the Accounting Authority is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor-General's Responsibilities for the Audit of the Financial Statements

8. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
9. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

Introduction and Scope

10. In accordance with the Public Audit Act of South Africa (No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against pre-determined objectives for selected programmes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
11. My procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators/measures included in the planning documents. My procedures do not examine whether the actions taken by the entity enabled service delivery. My procedures also do 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.
12. 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 programme presented in the annual performance report of the entity for the year ended 31 March 2020:

Programme	Pages in the annual performance report
Programme 3 – Strategic Planning and Governance.	32 - 37

13. 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.
14. I did not identify any material findings on the usefulness and reliability of the reported performance information for this programme:
- Strategic Planning and Governance

Other Matter

15. I draw attention to the matter below.

Achievement of planned targets

Refer to the annual performance report on pages xx to xx for information on the achievement of planned targets for the year and explanations provided for the under-/overachievement of a number of targets.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and Scope

16. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
17. I did not raise any material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

Other Information

18. The Accounting Authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.
19. 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.
20. 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 programme presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
21. I did not receive the other information prior to the date of auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal Control Deficiencies

22. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. I did not identify any significant deficiencies in internal control.

AUDITOR GENERAL

East London

30 September 2020



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 programme and on the entity's compliance with respect to the selected subject matters.

Financial Statements

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

Communication with Those Charged with Governance

3. I communicate with the Accounting Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm 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, where applicable, actions taken to eliminate threats or safeguards applied.

INDEX

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Statement of Financial Position.....	71
Statement of Financial Performance.....	72
Statement of Changes in Net Assets.....	73
Cash Flow Statement.....	74
Statement of Comparison of Budget and Actual Amounts.....	75
Accounting Policies.....	77
Notes to the Annual Financial Statements.....	87
Detailed Income Statement.....	109

STATEMENT OF FINANCIAL POSITION

Figures in Rand	Note(s)	2020	2019
ASSETS			
Current Assets			
Receivables from exchange transactions	3	79,557	5,364
Pre-payments	4	1,209,976	1,208,413
Rental deposit	5	-	402,746
Cash and cash equivalents	6	7,446,208	3,193,128
		8,735,741	4,809,651
Non-current Assets			
Property, plant and equipment	7	1,744,806	2,512,870
Intangible assets	8	770,732	757,840
Other financial assets	9	109,792	158,510
Pre-payments	4	16,242	48,995
Rental deposit	5	422,772	-
		3,064,344	3,478,215
Total Assets		11,800,085	8,287,866
LIABILITIES			
Current Liabilities			
Finance lease obligation	10	108,205	92,380
Operating lease liability	11	-	261,723
Payables from exchange transactions	12	3,205,583	3,648,249
Funds to be surrendered	13	6,473,997	1,664,280
		9,787,785	5,666,632
Non-current Liabilities			
Finance lease obligation	10	19,756	127,961
Operating lease liability	11	133,117	-
		152,873	127,961
Total Liabilities		9,940,658	5,794,593
Net Assets		1,859,427	2,493,273
Accumulated surplus		1,859,427	2,493,273

STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand	Note(s)	2020	2019
Revenue	14	46,180,213	45,995,010
Other income	15	23,810	-
Operating expenses	16	(47,147,469)	(44,945,448)
Operating (deficit) surplus		(943,446)	1,049,562
Investment revenue	17	386,841	512,387
Fair value adjustments		(48,718)	(24,799)
Finance costs	18	(28,523)	(34,300)
(Deficit) surplus for the year		(633,846)	1,502,850

The deficit reflected above is not a true reflection of the state of affairs at ECSECC. The deficit is created by accounting entries processed in terms of the accounting standards and other regulations. It can be attributable to the provision for Funds to be Surrendered entry that is required and resulted in a decrease in revenue recognised for the year - refer to note 13.

STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand	Accumulated Surplus	Total Net Assets
Opening balance as previously reported	990,423	990,423
Balance at 01 April 2018	990,423	990,423
Changes in net assets Surplus for the year	1,502,850	1,502,850
Total changes	1,502,850	1,502,850
Balance at 01 April 2019	2,493,273	2,493,273
Changes in net assets Deficit for the year	(633,846)	(633,846)
Total changes	(633,846)	(633,846)
Balance at 31 March 2020	1,859,427	1,859,427

CASH FLOW STATEMENT

Figures in Rand	Note(s)	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Rendering of services		675,000	3,224,798
Grants		50,045,000	41,010,477
Interest income		381,099	507,024
Dividends received		5,742	5,363
		51,106,841	44,747,662
Payments			
Employee costs		(34,857,564)	(33,584,372)
Suppliers		(11,751,135)	(10,136,352)
Finance costs		(28,523)	(34,300)
		(46,637,222)	(43,755,024)
Net cash flows from operating activities	19	4,469,619	992,638
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	7	(144,174)	(722,993)
Proceeds from disposal of property, plant and equipment	7	32,905	16,084
Purchase of intangible assets	8	(12,892)	(386,039)
Net cash flows from investing activities		(124,161)	(1,092,948)
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance lease obligation		(92,378)	(76,392)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS		4,253,080	(176,702)
Cash and cash equivalents at the beginning of the year		3,193,128	3,369,830
Cash and cash equivalents at the end of the year	6	7,446,208	3,193,128

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Cash Basis

Figures in Rand	Approved Budget	Adjustments	Final Budget	Actual Amounts on Comparable Basis	Difference between Final Budget and Actual	Reference
Statement of Financial Performance						
REVENUE						
Revenue from exchange transactions						
Rendering of services						
	-	950,882	950,882	950,882	-	1.
Other income	-	1,022,741	1,022,741	1,022,741	-	2.
Interest received	350,000	-	350,000	381,099	31,099	3.
Dividends received	-	-	-	5,742	5,742	2.
Total revenue from exchange transactions	350,000	1,973,623	2,323,623	2,360,464	36,841	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants	43,749,000	6,296,000	50,045,000	50,045,000	-	4.
Total revenue	44,099,000	8,269,623	52,368,623	52,405,464	36,841	
EXPENDITURE						
Employee related costs	(35,033,086)	219,151	(34,813,935)	(34,502,790)	311,145	5.
General expenses	(9,065,914)	(6,293,369)	(15,359,283)	(12,566,777)	2,792,506	6.
Total expenditure	(44,099,000)	(6,074,218)	(50,173,218)	(47,069,567)	3,103,651	
Operating surplus	-	2,195,405	2,195,405	5,335,897	3,140,492	
Capital expenditure	-	(2,195,405)	(2,195,405)	(506,256)	1,689,149	7.
Surplus	-	-	-	4,829,641	4,829,641	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-	-	-	4,829,641	4,829,641	
RECONCILIATION						
Basis difference adjustments:						
Employee related costs				(664,860)		5.
General expenses				1,461,578		6.
Government grants				(4,809,717)		4.
Other income				(998,931)		2.
Capital expenditure				506,256		7.
Depreciation and amortisation				(903,143)		
Fair value adjustment				(48,718)		
Rendering of services				(5,952)		1.
Actual Amount in the Statement of Financial Performance				(633,846)		

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Cash Basis

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

The ECSECC budget adjustments as well as material variances are explained as follows:

1. The rendering of services includes service level agreements entered into between ECSECC and third parties for the delivery of professional services as agreed. The agreed payment for these services is allocated to the budget in line with the anticipated outflow of costs. The budget adjustments include funds received to be utilised in the current year. It is important to note that the budget allocation of funds for expenditure does not align with the GRAP requirements for the recognition of revenue. Therefore, revenue will be recognised in accordance with GRAP but budget is allocated when expenditure is expected to be incurred which causes the recognised revenue and the allocation of budget not to align in the financial statements.
2. Other income includes an adjusted budget allocated for insurance payouts that were received during the year as well as funds for the prior year commitments that were rolled over into the current year. The variance is due to dividends received after year end relating to the current year that were not budgeted for.
3. Interest received during the year exceeded budget based on the fact that the first tranche from OTP was higher than cash flow demands for quarter one in order to ensure cashflow for salaries in the first month of quarter two was sufficiently covered. These funds earned more interest lying in the bank account for a longer period of time.
4. The OTP budget allocation for the year was adjusted at mid-year to include additional funds for additional projects that ECSECC was granted. These include R1 296 000 for research collaboration and R5 000 000 for the establishment of the Khawuleza Project Management Office (PMO).
5. Employee-related costs budget adjustments relate to the shifting of funds to fund cost pressures identified during the year. The variance is due to vacancies during the year.
- 6.-7. Budget adjustments to general and capital expenditure were mainly due to the allocation of the additional funds received during the year. Underspending on general and capital expenditure is mainly as a result of the PMO work. ECSECC requested funds for the PMO Khawuleza as part of the mid-year adjustments for 2019/20. Due to not having dedicated employees hired for the PMO at the project initiation, existing ECSECC employees formed a team in order to initiate and execute the work of the PMO. The focus of this team however was on the execution of the deliverables and work to be performed which left the set-up of the physical office falling behind schedule. The underspent funds are funds that are still required for the physical set up, office space, equipment, furniture and system configurations for ECSECC to effectively house and execute the work of the PMO.

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).

The Eastern Cape Socio Economic Consultative Council (ECSECC) is an entity domiciled in South Africa. The address of ECSECC's registered office is 12 Gloucester Road, Vincent, East London, 5201. ECSECC is involved in policy, planning and development facilitation support to provincial government and other stakeholders in the Eastern Cape. ECSECC is a Schedule 3C Public Entity as defined in the Public Finance Management Act 1 of 1999 (PFMA) reporting to the Eastern Cape Office of the Premier.

The annual financial statements were authorised on 25 June 2020 by the Board of Directors for issue on 31 July 2020.

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. They are presented in South African Rand, which is the entity's functional currency.

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 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.

1.2 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:

Provisions

Provisions were raised and management determined an estimate based on the information available.

Motor vehicle residual value

The entity's management determines the estimated residual value for the entity's motor vehicle which affects the related depreciation charges. This estimate is based on industry norm. Management will amend the depreciation charge in the future should the estimated residual value change.

Useful life assessment

The entity's management determines the estimated useful life of an item of property, plant and equipment based on the entity's expected usage of the asset. The useful life is assessed at each reporting date and if expectations differ from previous estimate, the change is accounted for as a change in accounting estimate.

The entity's management determines the estimated useful life of an item of intangible assets based on the entity's expected usage of the asset. The useful life is assessed at each reporting date and if expectations differ from previous estimate, the change is accounted for as a change in accounting estimate. An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current 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.

ACCOUNTING POLICIES

1.3 Property, plant and equipment (continued)

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, its deemed cost is the carrying amount of the asset(s) given up.

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	Depreciation method	Average useful life
Furniture and fixtures	Straight line	6.67 - 15 years
Motor vehicles	Straight line	5 - 10 years
Office equipment	Straight line	6.67 - 15 years
Computer equipment	Straight line	3 - 15 years

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 entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit.

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.

1.4 Intangible assets

An asset is identifiable if it either:

- Is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- Arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- It is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- The cost or fair value of the asset can be measured reliably.

ACCOUNTING POLICIES

1.4. Intangible assets (continued)

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets, amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result, the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software	Straight line	3 - 5 years or indefinite

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.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, pre-payment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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.

ACCOUNTING POLICIES

1.5 Financial instruments (continued)

A financial asset is:

- Cash;
- A residual interest of another entity; or
- A contractual right to:
 - » Receive cash or another financial asset from another entity; or
 - » Exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- Deliver cash or another financial asset to another entity; or
- Exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- The entity designates at fair value at initial recognition; or

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- Instruments held for trading. A financial instrument is held for trading if:
 - » It is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - » On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
 - » Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - » Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Rental deposit	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at fair value

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

Class	Category
Payables from exchange transactions (excluding income received in advance)	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost

Income received in advance is classified as a current liability representing funds paid in advance by customers for which deliverables are still due to be delivered by ECSECC.

ACCOUNTING POLICIES

1.5 Financial instruments (continued)

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.

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.

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.

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.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

1.6 Pre-payments

A pre-paid expense is an expense paid for in one accounting period, but for which the underlying asset will not be consumed until a future period. When the asset is eventually consumed, it is charged to expense.

A pre-paid expense is carried on the Statement of Financial Position of the entity as a current asset until it is consumed. If a prepaid expense were likely to not be consumed within the next year, it would instead be classified on the Statement of Financial Position as a non-current asset. Once consumption has occurred, the pre-paid expense is removed from the Statement of Financial Position and is instead reported in that period as an expense on the Statement of Financial Performance.

ACCOUNTING POLICIES

1.7 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.

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 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.

1.8 Employee benefits

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

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 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 12 months after the end of the reporting period in which the employees render the related employee service; and
- Bonus, incentive and performance related payments payable within 12 months after the end of the reporting period in which the employees render the related service.

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 measures 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 recognises 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.

ACCOUNTING POLICIES

1.9 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 surplus (deficit).

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.

Funds to be surrendered are classified as provisions.

1.10 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash. Disclosure of commitments budgeted for in the current financial year and those budgeted for in subsequent years are disclosed separately.

Disclosures are required in respect of unrecognised contractual commitments.

1.11 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.

ACCOUNTING POLICIES

1.11. Revenue from exchange transactions (continued)

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.

Interest

Revenue arising from the use by others of entity assets yielding interest is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Dividends or similar distributions are recognised, in surplus or deficit, when the entity's right to receive payment has been established.

1.12 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.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

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.

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.

ACCOUNTING POLICIES

1.12 Revenue from non-exchange transactions (continued)

Grant funding

Revenue from non-exchange transactions is measured at the amount of the increase in net assets recognised by the entity. An unconditional grant is recognised in surplus or deficit as other income when the grant becomes receivable.

1.13 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.14 Budget information

An entity is 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 the entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis including payables, certain commitments and pre-payments and presented by economic classification.

The approved budget covers the fiscal period from 01 April 2019 to 31 March 2020.

The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budgeted amounts for the reporting period have been included in the statement of comparison of budget and actual amounts.

1.15 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

ACCOUNTING POLICIES

1.16 Changes in accounting policy, estimates and errors

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the entity shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the entity shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

1.17 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 a reduction to the expense in the statement of financial performance. Fruitless and wasteful expenditure is also disclosed in the notes to the financial statements.

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 1:	Presentation of Financial Statements	GRAP 2:	Cash Flow Statements
GRAP 3:	Accounting Policies, Changes in Accounting Estimates and Errors	GRAP 5:	Borrowing Costs
GRAP 9:	Revenue from Exchange Transactions	GRAP 13:	Leases
GRAP 14:	Events After the Reporting Date	GRAP 17:	Property, Plant and Equipment
GRAP 19:	Provisions, Contingent Liabilities and Contingent Assets	GRAP 20:	Related Party Disclosures
GRAP 21:	Impairment of Non-cash-generating Assets	GRAP 23:	Revenue from Non-exchange Transactions
GRAP 24:	Presentation of Budget Information in Financial Statements	GRAP 25:	Employee Benefits
GRAP 26:	Impairment of Cash-generating Assets	GRAP 31:	Intangible Assets
GRAP 104:	Financial Instruments	GRAP 108:	Statutory Receivables
GRAP 109:	Accounting by Principals and Agents		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019
<i>3. Receivables from exchange transactions</i>		
Dividend receivable	5,742	5,364
Office of the Premier - employee secondment	73,815	-
	79,557	5,364

The amount of R5 742 (2019: R 5 364) receivable from Sanlam Ltd relates to dividends receivable on shares held by ECSECC by virtue of the Sanlam demutualization. (Refer to note 9).

4. Prepayments Current

Current		
Rental	273,401	239,888
Security	759	656
Subscriptions	935,816	965,881
Telephone	-	1,988
	1,209,976	1,208,413
 Non-Current		
Subscriptions	16,242	48,995
	16,242	48,995
Non-Current Prepayments	16,242	48,995
Current Prepayments	1,209,976	1,208,413
	1,226,218	1,257,408

5. Rental deposit

Non-Current Prepayments	422,772	-
Current Prepayments	-	402,746
	422,772	402,746

The deposit amounting to R 330 659 was paid in April 2015 to the lessor as per the requirements of the office accommodation lease agreement. The deposit including interest due amounts to R 422 772 (2019: R 402 746). The rental agreement was scheduled to terminate on 30 November 2019 therefore the rental deposit was classified in 2018/19 as current. The lease was subsequently extended for five years with the deposit being retained under the same terms and conditions therefore has been reclassified as non-current in the current year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2020

2019

6. Cash and Cash Equivalents

Cash and cash equivalents consist of:

Cash on hand	2,452	5,000
Bank balances	7,443,756	3,188,128
	7,446,208	3,193,128

Cash and cash equivalents includes the following 3rd party funds:

Income received in advance	405,952	675,882
These are funds received in terms of Service Level Agreements entered into for the delivery of services which is work in progress at year end		
Ntabankulu Local Municipality	294,048	-

In addition to the amounts recognised above as received in advance, the following amounts have been received and are budgeted to be utilized in the next financial year. The accounting treatment for the recognition of revenue does not correlate to budget figures.

7. Property, plant and equipment

	2020			2019		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fittings	1,729,060	(1,515,258)	213,802	1,728,501	(1,453,530)	274,971
Motor vehicles	187,898	(100,065)	87,833	187,898	(89,507)	98,391
Office equipment	924,409	(681,680)	242,729	912,060	(519,497)	392,563
Computer equipment	4,467,629	(3,267,187)	1,200,442	4,352,652	(2,605,707)	1,746,945
Total	7,308,996	(5,564,190)	1,744,806	7,181,111	(4,668,241)	2,512,870
				Change in Estimate (additional depreciation)		
Reconciliation of property, plant and equipment - 2020	Opening Balance	Additions	Disposals	Depreciation	Total	
Furniture and fittings	274,971	559	-	(61,728)	213,802	
Motor vehicles	98,391	-	-	(10,558)	87,833	
Office equipment	392,563	12,349	-	(162,183)	242,729	
Computer equipment	1,746,945	131,266	(9,095)	(668,674)	1,200,442	
	2,512,870	144,174	(9,095)	(10,558)	(892,585)	1,744,806
Reconciliation of property, plant and equipment - 2019	Opening balance	Additions	Disposals	Depreciation	Total	
Furniture and fittings	296,798	45,192	(2,536)	(64,483)	274,971	
Motor vehicles	116,231	-	-	(17,840)	98,391	
Office equipment	225,534	315,407	(3,501)	(144,877)	392,563	
Computer equipment	1,744,025	649,311	(12,157)	(634,234)	1,746,945	
	2,382,588	1,009,910	(18,194)	(861,434)	2,512,870	

Plledged as security

ECSECC has not pledged any of its property, plant and equipment as security and there are no restrictions on title.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019
<i>7. Property, plant and equipment (continued)</i>		
Assets subject to finance lease (Net carrying amount)		
Office equipment	111,579	207,218
Other information		
Depreciation included as part of operating expenditure - note 16		
Depreciation	892,585	861,434
Change in estimate	10,558	-
	903,143	861,434
Property, plant and equipment fully depreciated and still in use (Gross carrying amount)		
Office equipment	9,598	16,768
Office equipment (identified for donation/disposal)	22,899	-
Furniture and fittings	146,494	191,208
Furniture and fittings (identified for donation/disposal)	167,632	-
Computer equipment	422,347	654,378
Computer equipment (identified for donation/disposal)	364,076	-
	1,133,046	862,354

Property, plant and equipment that is fully depreciated and has been identified for donation or disposal amounts to R554 607.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2020

2019

8. Intangible assets

	2020			2019		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	770,732	-	770,732	757,840	-	757,840

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Total
Computer software	757,840	12,892	770,732

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Total
Computer software	371,801	386,039	757,840

Pledged as security

ECSECC has not pledged any of its intangible assets as security and there are no restrictions on title.

Other information

Intangible assets with indefinite lives:

Computer software	770,732	757,840
-------------------	---------	---------

The useful life of computer software has been assessed as being indefinite.

It is not bound by any expiry period as there is no foreseeable limit to the period over which the asset is expected to generate net cash flows for the entity.

In determining the indefinite useful life assets, consideration was given to the expected usage of the asset by the entity; product life cycle; obsolescence; market stability and the level of maintenance expenditure required to obtain the expected future economic benefits. Some of the computer software packages have been in existence in excess of ten years. A licence fee is payable annually for the latest updates to the package to ensure it maintains the expected future economic benefits to the entity as well as for continued use by the entity.

Factors that would be considered when assessing indefinite useful life assets for impairment include:

- The intention of the entity to continue using the software package and renew the licence.
- The development of a more advanced software package with the intention of management to change the current software package within the available budget.
- Technological obsolescence of the software package.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019
<i>9. Other financial assets</i>		
Designated at fair value		
Listed shares	109,792	158,510
2 149 shares are held in Sanlam Ltd and are valued at fair value based on the share price traded in an active market.		
<hr/>		
Non-current assets		
Designated at fair value	109,792	158,510
<hr/>		
Financial assets at fair value		
Fair values of financial assets measured or disclosed at fair value		
Sanlam Ltd	109,792	158,510
<hr/>		

Sanlam demutualised in 1998 and all policy holders were issued free shares. These shares were issued to ECSECC by virtue of the policies held and were not purchased or applied for.

The shares are traded in an active market and the fair value was determined using the share price at 31 March.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019
<i>10. Finance lease obligation</i>		
Minimum lease payments due		
- within one year	120,903	120,903
- in second to fifth year inclusive	20,150	141,053
	141,053	261,956
less: future finance charges	(13,092)	(41,615)
Present value of minimum lease payments	127,961	220,341
Present value of minimum lease payments due		
- within one year	108,205	92,380
- in second to fifth year inclusive	19,756	127,961
	127,961	220,341
Non-current liabilities	19,756	127,961
Current liabilities	108,205	92,380
	127,961	220,341

The average lease term was three years, and the average effective borrowing rate was 1.33% (2019: 1.33%).

There is no contingent rental payable on the leasing arrangements.

No restrictions are imposed by the lease arrangements.

11. Operating lease liability

Non-current liabilities	133,117	-
Current liabilities	-	261,723
	133,117	261,723

The entity has entered into an operating lease for operating premises. Leased property remains with the lessor throughout the lease term and upon the expiration of the lease agreement. Refer to note 24.

12. Payables from exchange transactions

Trade and other payables	877,517	1,417,237
Income received in advanced - contract in process	405,952	675,882
Accrued leave pay	1,753,605	1,443,519
Employee bonus saving accrual	94,694	111,611
Other related party accruals	73,815	-
	3,205,583	3,648,249

Income received in advance relates to funds received in terms of Service Level Agreements entered into for the delivery of services to other institutions. At year end these services are work in progress.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019
<i>13. Funds to be surrendered</i>		
Refunds arising from funds to be surrendered	6,473,997	1,664,280
The surrender relates to the possible repayment of funds to the Revenue Fund. The surrender is determined by Provincial Treasury and communicated to the entity before the end of the next financial year.		
Funds to be surrendered		
Balance at the beginning of the year	1,664,280	2,766,564
Surrendered	-	(620,868)
Prior year under/(over) provision	(1,664,280)	(2,145,696)
Additions	6,473,997	1,664,280
	6,473,997	1,664,280
Movement recognised in revenue (refer to note 14)		
Opening balance	1,664,280	2,766,564
Closing balance	(6,473,997)	(1,664,280)
Funds surrendered	-	(620,868)
	(4,809,717)	481,416
Funds to be surrendered - reconciliation		
Cash and cash equivalents	7,446,208	3,193,128
Less: Trade and other payables	(877,517)	(1,417,237)
Less: Employee bonus saving accrual	(94,694)	(111,611)
	6,473,997	1,664,280
In terms of section 53 of PFMA, ECSECC as a Public Entity may not accumulate surpluses unless the prior written approval of the Provincial Treasury has been obtained.		
Treasury Instruction 3 of 2013/14 issued by the Eastern Cape Provincial Treasury is used to determine the amount to be recognised for surrender. This Instruction Note only allows for the deduction of certain payables and accruals from the bank balance which is not an accurate reflection of the amount available for surrender. The timing of payment is dependent on when the Treasury process is finalised and communication received - normally by November of the following year.		
The funds to be surrendered value includes third party funds and funds that have been committed. A roll over request for these funds has been submitted to Eastern Cape Provincial Treasury. The following items are included in the roll over request:		
Funds to be rolled over		
Income received in advance - contract in process (3rd party funds)	405,952	675,882
3rd party funds budgeted for subsequent year (refer note 6)	294,048	-
Committed expenditure (budgeted in the current year)	1,306,740	989,836
	2,006,740	1,665,718

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand **2020** **2019**

14. Revenue

14.1 Revenue from non exchange transactions

Transfers: Office of The Premier 45,235,283 42,112,761

Office of The Premier

In terms of the Service Level Agreement between ECSECC and OTP, this grant is used to fund the core functions of the organisation.

Grants received	50,045,000	41,429,000
Additional allocation for Economic Investment Conference	-	202,345
Funds to be surrendered movement (refer to note 13)	(4,809,717)	481,416
	45,235,283	42,112,761

14.2 Revenue from exchange transactions: Rendering of services

OR Tambo District Municipality	120,000	880,000
Alfred Nzo District Municipality	-	1,783,333
Ingquza Hill Local Municipality	-	874,798
Walter Sisulu University	405,882	344,118
Ntabankulu Local Municipality	419,048	-
	944,930	3,882,249

ECSECC has entered into Service Level Agreements for the rendering of services with these institutions. The deliverables and timeframes have been agreed upon. During the year the Walter Sisulu University deliverables were completed in terms of the Service Level Agreements.

Total Revenue	46,180,213	45,995,010
----------------------	-------------------	-------------------

15. Other income

Gain on disposal of property, plant and equipment 23,810 -

Consists of:

Compensation from 3rd parties (including insurance payouts)	32,905	-
Book value of assets disposed and compensated by 3rd parties (lost or damaged)	(9,095)	-
	23,810	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019
<i>16. Operating expenses</i>		
Operating expenses for the year is stated after accounting for the following:		
Operating expenses		
Employee related costs (note 22)	35,167,650	33,735,190
General expenses (note 21)	11,076,676	10,346,713
Depreciation and amortisation	903,143	861,434
Loss on disposal of assets	-	2,111
	47,147,469	44,945,448
Loss on disposal of assets consists of the following:		
Compensation from 3rd parties (including insurance payout's)	-	(16,084)
Book value of assets disposed and compensated by 3rd parties (lost or damaged)	-	12,081
Book value of other assets disposed (donated or scrapped)	-	6,114
	-	2,111
 <i>17. Investment revenue</i>		
Dividend revenue		
Listed financial assets - Local	5,742	5,363
Interest revenue		
Bank	361,073	487,867
Interest on deposit	20,026	19,157
	381,099	507,024
	386,841	512,387
 <i>18. Finance costs</i>		
Finance lease	28,523	34,300

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019
<i>19. Cash generated from operations</i>		
Surplus (deficit)	(633,846)	1,502,850
Adjustments for:		
Depreciation and amortisation	903,143	861,434
(Gain) loss on sale of assets and liabilities	(23,810)	2,111
Fair value adjustments	48,718	24,799
Movements in operating lease assets and accruals	(128,606)	(251,667)
Changes in working capital:		
Receivables from exchange transactions	(74,193)	(378)
Pre-payments	31,190	(444,067)
Rental deposit	(20,026)	(19,157)
Payables from exchange transactions	(442,668)	418,997
Funds to be surrendered	4,809,717	(1,102,284)
Unspent conditional grants and receipts	4,469,619	992,638
	992,638	693,721

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2020

2019

20. Financial instruments disclosure

Categories of financial instruments

2020

Financial assets	At fair value	At amortised cost	Total
Other receivables from non-exchange transactions	-	79,557	79,557
Cash and cash equivalents	-	7,446,208	7,446,208
Rental deposit	-	422,772	422,772
Other financial assets	109,792	-	109,792
	109,792	7,948,537	8,058,329

Financial liabilities	At amortised cost	Total
Payables from exchange transactions	2,799,631	2,799,631
Finance lease obligation	127,961	127,961
	2,927,592	2,927,592

2019

Financial assets	At fair value	At amortised cost	Total
Receivables from exchange transactions	-	5,364	5,364
Cash and cash equivalents	-	3,193,128	3,193,128
Rental deposit	-	402,746	402,746
Other financial assets	158,510	-	158,510
	158,510	3,601,238	3,759,748

Financial liabilities	At amortised cost	Total
Payables from exchange transactions	2,972,367	2,972,367
Finance lease obligation	220,341	220,341
	3,192,708	3,192,708

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019
<i>21. General expenses</i>		
Advertising	35,138	44,476
Auditors' remuneration	987,373	1,027,371
Bank charges	16,399	17,682
Cleaning	78,590	75,845
Computer expenses	20,734	50,063
Consulting and professional fees	1,116,980	529,575
Hire	92,812	91,063
Insurance	156,945	134,194
Lease rentals on operating lease	2,750,051	2,484,835
Postage and courier	881	1,400
Printing and stationery	62,601	37,936
Repairs and maintenance	16,792	5,424
Security	360,801	352,566
Subscriptions and membership fees	1,672,931	1,292,901
Telephone and fax	305,975	309,551
Travel, workshop and accommodation	1,989,884	2,551,670
Utilities	425,767	366,206
General expenses	97,850	74,578
Publications	245,719	325,967
Board fees	642,453	573,410
	11,076,676	10,346,713

22. Employee related costs

Basic	31,678,466	30,375,580
Performance bonus	2,180,002	2,199,616
UIF	148,869	150,428
Group life insurance	782,218	701,056
Compensation commissioner	63,864	51,509
Staff training	314,231	257,001
	35,167,650	33,735,190

23. Auditors' remuneration

Fees	987,373	1,027,371
------	---------	-----------

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019
24. Commitments		
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	3,343,179	1,921,441
- in second to fifth year inclusive	12,489,460	-
	15,832,639	1,921,441
Lease rental on straight line basis (note 21)	2,750,051	2,484,835
<p>Operating lease payments represent rentals payable by the entity for its office accommodation. Leases are negotiated for an average term of five years. No contingent rent is payable. Rental escalates by 6.5% (2019: 8%) annually on 1 December each year. The lease agreement includes a renewable option of five years. The rental agreement was scheduled to terminate on 30 November 2019 however was subsequently extended for five years.</p>		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment (computer equipment)	100,190	-
• Intangible assets	249,000	-
	349,190	-
Total capital commitments		
Already contracted for but not provided for	349,190	-
Authorised operational expenditure		
Already contracted for but not provided for - budgeted for in current financial year		
• Professional fees	538,873	727,873
• Publications	366,053	99,015
• Telephone	-	3,100
• Stationery	-	12,509
• Subscriptions	-	62,213
• Subscriptions (non-current)	50,600	50,600
• Repairs	2,024	-
• Travel, workshop and accommodation	-	34,526
	957,550	989,836
Already contracted for but not provided for - budgeted for in subsequent years		
• Subscriptions	237,292	143,936
• Subscriptions (non-current)	-	119,416
• General	70,304	-
	307,596	263,352
Total operational commitments		
Already contracted for but not provided for - budgeted for in current year	957,550	989,836
Already contracted for but not provided for - budgeted for in subsequent years	307,596	263,352
	1,265,146	1,253,188
Total commitments		
Authorised capital expenditure	349,190	-
Authorised operational expenditure	1,265,146	1,253,188
	1,614,336	1,253,188

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2020

2019

25. Contingencies

In terms of ECSECC's Performance Management and Development System policy the payment of performance bonuses is subject to the availability of budget as well as approval at the discretion of the Board of Directors. There is no employee entitlement to a performance bonus under policy or contract. Due to budget constraints, ECSECC has not been able to budget for performance bonuses in the 2020/21 budget as approved by the Board of Directors. ECSECC does have a practice over the last few years of accumulating budget savings and directing this towards part or full performance bonuses after covering all operational costs. This approval is still at the discretion of the Board of Directors. As such, ECSECC has a possible obligation for the payment of 2019/20 performance bonuses which will be confirmed by the accumulation of budget savings during the year as well as the subsequent approval by the Board of Directors. The amount is estimated at R2 283 601.

The entity has no contingent liabilities at period end for the prior year.

26. Related parties

Relationships

Prescribed officers and members of key management	Refer to note 27
Government department - controlling department	Eastern Cape Office of the Premier
Provincial Department	Eastern Cape Provincial Treasury
Provincial Public Entity	East London Industrial Development Zone (ELIDZ)

Related party balances

Amounts included in Receivables (Payables) regarding related parties

Eastern Cape Office of the Premier	73,815	-
B. Mhlaba	(73,815)	-

Mr B. Mhlaba, a member of key management, has been seconded to Eastern Cape Office of the Premier from 1 June 2019. At year end the amount above is owed to Mr B. Mhlaba for subsistence and travel. In terms of the agreement ECSECC is to pay the amount to him and is to be reimbursed by the Eastern Cape Office of the Premier.

Related party transactions

Government grant

Eastern Cape Office of the Premier	50,045,000	41,631,345
------------------------------------	------------	------------

Secondment of employee to:

Eastern Cape Provincial Treasury	186,153	947,944
Eastern Cape Office of the Premier	1,489,928	-

Mr B. Mhlaba has been seconded to the Eastern Cape Provincial Treasury for the period 28 May 2018-31 May 2019. He was then seconded to the Eastern Cape Office of the Premier from 1 June 2019-31 May 2020. ECSECC has been reimbursed for a portion of the salary of the employee (also refer to note 27).

During the year ECSECC entered into procurement transactions with ELIDZ at arm's length. These transactions included services for cloud hosting and provision of a disaster recovery site. The terms and conditions of the agreement are within what is reasonably expected to any customer and are within the normal operating parameters of the ELIDZ.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2020

2019

27. Member's and prescribed officer's emoluments

Executive

2020	Basic salary	Other Short-term Benefits/ Allowances	Bonuses	Total
Chief Executive Officer: L. Mosana	1,715,487	46,700	161,214	1,923,401
Chief Financial Officer: A. Zinja	1,454,665	99,821	109,144	1,663,630
	3,170,152	146,521	270,358	3,587,031

2019	Basic salary	Other Short-term Benefits/ Allowances	Bonuses	Total
Chief Executive Officer: L. Mosana	1,613,923	31,604	95,488	1,741,015
Chief Financial Officer: A. Zinja	1,366,088	35,721	102,290	1,504,099
	2,980,011	67,325	197,778	3,245,114

Service contracts

The executive directors are subject to written employment agreements. The employment agreements regulate duties, remuneration, allowances, restraints, leave and notice periods of these executives. None of these service contracts exceed five years.

Service contract: L. Mosana

- Start date: 01 April 2018
- End date: 31 March 2023

Service contract: A. Zinja

- Start date: 01 July 2015
- End date: 30 June 2020

Acting Human Resources Manager 1 April 2019 - 31 August 2019.

2019: Acting Human Resources Manager 18 February 2019 - 31 March 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2020

2019

27. Member's and prescribed officer's emoluments (continued)

Non-executive

2020

			Members' fees	Total
Z. Tini	Re-appointed 29 August 2019		51,751	51,751
P. Ndendela	Re-appointed 29 August 2019		51,894	51,894
R. Moodley	Re-appointed 29 August 2019		76,846	76,846
L. Holbrook	Re-appointed 29 August 2019		42,368	42,368
S. Gqeqqe	Appointed 30 May 2019		61,480	61,480
M. Maleki	Appointed 29 August 2019		22,898	22,898
T. Kunene	Re-appointed 29 August 2019		32,757	32,757
D. Xotyeni	Re-appointed 29 August 2019		46,461	46,461
N. Mona	Appointed 29 August 2019		7,600	7,600
N. Monde	Re-appointed 29 August 2019		41,833	41,833
X. Malamlela	Resigned 30 May 2019		3,800	3,800
L. Jack	Re-appointed 29 August 2019		38,000	38,000
M. Koyo	Re-appointed 29 August 2019		26,765	26,765
			504,453	504,453

2019

			Members' fees	Total
G. Mpumza	Resigned 24 January 2019		34,400	34,400
Z. Tini	Re-appointed 23 August 2018		54,920	54,920
T. Toyis	Resigned 23 August 2018		5,173	5,173
D. Classen	Resigned 23 August 2018		28,905	28,905
P. Ndendela	Re-appointed 23 August 2018		55,128	55,128
R. Moodley	Re-appointed 23 August 2018		68,664	68,664
L. Holbrook	Re-appointed 23 August 2018		57,917	57,917
T. Kunene	Appointed 23 August 2018		25,778	25,778
D. Xotyeni	Appointed 1 October 2018		23,229	23,229
N. Monde	Re-appointed 23 August 2018		22,168	22,168
X. Malamlela	Re-appointed 23 August 2018		38,528	38,528
L. Jack	Re-appointed 23 August 2018		45,600	45,600
M. Koyo	Re-appointed 23 August 2018		13,000	13,000
			473,410	473,410

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2020

2019

27. Member's and prescribed officer's emoluments (continued)

Audit, Risk and ICT Committee

2020

	Members' fees	Total
L. Smith	31,600	31,600
C. Sparg	22,800	22,800
N. Ravgee	15,200	15,200
W. Dukuza	30,400	30,400
B. Bothma	38,000	38,000
	138,000	138,000

2019

	Members' fees	Total
L. Smith	31,600	31,600
C. Sparg	22,800	22,800
N. Ravgee	7,600	7,600
W. Dukuza	19,000	19,000
C. Sparg	19,000	19,000
	100,000	100,000

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2020

2019

27. Member's and prescribed officer's emoluments (continued)

Key Management Personnel						
2020	Position	Service Period	Basic Salary	Other Short-term Benefits/ Allowances	Bonus	Total
N. Shenxane	Human Resources Manager	1 April 2019 - 31 March 2020	743,444	13,957	67,201	824,602
V. Dayile	ECAC Programme Manager	1 April 2019 - 31 March 2020	1,199,733	48,366	112,695	1,360,794
S. Hesjedal	Chief Knowledge and Operations Officer	1 April 2019 - 31 March 2020	1,297,912	13,869	97,545	1,409,326
C. Motsilili	Acting Strategic and Infrastructure	1 April 2019 - 31 March 2020	1,260,188	178,417	94,706	1,533,311
T. Qholosha	Governance Programme Manager Acting HRD and Economic	1 April 2019 - 31 March 2020	1,090,920	155,835	61,475	1,308,230
B. Mhlaba	Governance Programme Manager Strategic and Infrastructure Governance Programme Manager	1 April 2019 - 31 March 2020	1,416,932	313,179	-	1,730,111
	Seconded to PT	1 April 2019 - 31 May 2019	(186,153)	-	-	(186,153)
	Seconded to OTP	30 June 2019 - 31 March 2020	(1,191,989)	(297,939)	-	(1,489,928)
			5,630,987	425,684	433,622	6,490,293

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2020

2019

27. Member's and prescribed officer's emoluments (continued)

2019	Position	Service Period	Basic Salary	Other Short-term Benefits/ Allowances	Bonus	Total
N. Shenxane	Human Resources Manager	1 April 2018 - 31 March 2019	841,794	9,895	62,447	914,136
V. Dayile	ECAC Programme Manager	1 April 2018 - 31 March 2019	1,128,736	19,683	84,495	1,232,914
B. Mhlabla	Strategic and Infrastructure Governance Programme Manager	1 April 2018 - 31 March 2019	1,338,931	15,581	100,255	1,454,767
	Seconded to PT	28 May 2018 - 31 March 2019	(947,944)	-	-	(947,944)
S. Hesjedal	Chief Knowledge and Operations Officer; Acting Strategic and Infrastructure Governance Programme Manager	1 April 2018 - 31 March 2019; Acting 25 May 2018 - 25 November 2018	1,221,095	72,914	91,420	1,385,429
C. Motsilili (total remuneration from April 2018 to June 2018)	Acting HRD and Economic Governance Programme Manager	1 April 2018 - 30 June 2018; Acting 5 July 2018 - 31 August 2018	494,003	58,064	-	552,067
C. Motsilili (total remuneration from January 2019 - March 2019)	Acting Strategic and Infrastructure Governance Programme Manager	21 January 2019 - 31 March 2019	296,402	63,155	44,379	403,936
R. Grinker (total remuneration for September 2018)	Acting HRD and Economic Governance Programme Manager	5 September 2018 - 30 September 2018	87,033	750	-	87,783
T. Qholosha (total remuneration for October 2019; February 2019 - March 2019)	Acting HRD and Economic Governance Programme Manager	October 2018; 1 February 2019 - 31 March 2019	256,593	33,373	28,807	318,773
M. Lewis	Acting HRD and Economic Governance Programme Manager	1 November 2018 - 31 December 2019	205,585	22,119	46,175	273,879
N. Hlatshaneni	Acting HRD and Economic Governance Programme Manager	1 January 2019 - 31 January 2019	77,853	14,963	-	92,816
			5,000,081	310,497	457,978	5,768,556

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2020

2019

27. Member's and prescribed officer's emoluments (continued)

Key management personnel are subject to written employment agreements. The employment agreements regulate duties, remuneration, allowances, restraints, leave and notice periods of these executives. None of these service contracts exceed five years.

Summary

Executive directors	3,587,031	3,245,114
Key management personnel	6,490,293	5,768,556
Other employees	25,090,326	24,721,520
	35,167,650	33,735,190

28. Risk Management Capital risk management

The entity is solely dependent on the grant from the Eastern Cape Office of the Premier.

Liquidity risk

The entity's risk to liquidity is a result of the funds available to cover future commitments. Cash flow forecasts are prepared and monitored. The entity manages liquidity risk through an ongoing review of future commitments against allocated future budgets.

A maturity analysis of the financial liabilities reflects the contractual maturities of financial liabilities due within one year and include trade and other payables as disclosed in note 20 and the maturity of the finance lease obligation as disclosed in note 10.

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.

Receivables from exchange transactions relate to dividends receivable from the Sanlam Ltd. Management evaluated the credit risk relating to debtors on an ongoing basis. The credit risk on these are rated as low.

The entity's maximum exposure to credit risk is equal to the cost amount of the financial asset at balance sheet date as disclosed in note 20.

Interest rate risk

As the entity has no significant interest-bearing assets, other than cash and cash equivalents, the entity's income and operating cash flows are substantially independent of changes in market interest rates.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019
<i>29. Fruitless and wasteful expenditure</i>		
Fruitless and wasteful expenditure identified	17,063	4,979
Recovered	-	(4,979)
Closing balance	17,063	-
Expenditure identified in the current year include those listed below:		
Travel, workshop and accommodation	17,063	4,979

2020:

There were five instances identified: (1) and (2) missed workshop training; (3) missed flight; (4) no show on accommodation and (5) error on air ticket purchased. These transactions were confirmed to be fruitless and wasteful after the investigation by the Prohibited Expenditure Committee on 26 May 2020. As this relates to transactions at year end, they are reflected above. The committee has made recommendations to the CEO based on investigation to either recover or write off these amounts. This process has not yet been concluded and no disciplinary steps have been taken at this time.

2019:

Fruitless and wasteful expenditure has been recovered without any disciplinary steps being necessitated.

There were two instances identified: (1) a flight was missed by an employee and (2) an employee returned a hired vehicle to a different location than was authorised which resulted in an additional charge.

These were both recovered in full from the respective employees.

30. Change in Estimate Property, plant and equipment

The useful life of the motor vehicle was estimated in 2014 to be five years with a residual value of R98 700. In the current period management has revised their estimate to ten years and the residual value to R45 600. The effect of this revision has increased the depreciation charges for the current year to R10 558 and cumulative future periods by R42 233.

DETAILED STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand	Note(s)	2020	2019
Revenue			
Revenue from exchange transactions			
Rendering of services		944,930	3,882,249
Interest received - investment	17	381,099	507,024
Gain on disposal of assets and liabilities		23,810	-
Dividends received	17	5,742	5,363
Total revenue from exchange transactions		1,355,581	4,394,636
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	14	45,235,283	42,112,761
Total revenue		46,590,864	46,507,397
Expenditure			
Employee-related costs	22	(35,167,650)	(33,735,190)
Depreciation and amortisation		(903,143)	(861,434)
Finance costs	18	(28,523)	(34,300)
Loss on disposal of assets and liabilities		-	(2,111)
Fair value adjustments		(48,718)	(24,799)
General expenses	21	(11,076,676)	(10,346,713)
Total expenditure		(47,224,710)	(45,004,547)
(Deficit) surplus for the year		(633,846)	1,502,850



12 Gloucester Road, Vincent, East London, 5217
Postnet Vincent, Private Bag X9063, Suite No. 302, Vincent, 5247

T: +27 (0)43 701 3400 F: +27 (0)43 701 3415
E: info@ecsecc.org W: www.ecsecc.org

ISBN: 978-1-77593-087-7

