



ANNUAL REPORT 2017/18



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PART: A
GENERAL INFORMATION

1. PART A: GENERAL INFORMATION

1.1 Public entity`s general information

Physical Address

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5211

Contact Details

Telephone:(043) 743 6187
Facsimile: (043) 742 0109
E-mail:info@ecpacc.co.za
Website:www.ecpacc.co.za

External Auditors

Auditor-General of South Africa

Bank

First National Bank
Bhisho
Eastern Cape

1.2 List of Abbreviations

ADM	Amathole District Municipality
AFS	Annual Financial Statements
AG	Auditor-General South Africa
AO	Accounting Officer
APP	Annual Performance Plan
BCMM	Buffalo City Metropolitan Municipality
B Proc	Baccalaureus Procuratoris
CA (SA)	Chartered Accountant (South Africa)
DSRAC	Department of Sport, Recreation, Arts and Culture
EC	Eastern Cape
ECAVC	Eastern Cape Audio Visual Centre
ECCACA	Eastern Cape Community Art Centre Association
ECDC	Eastern Cape Development Corporation
ECDP	Eastern Cape Development Vision 2030
ECITI	Eastern Cape Information Technology Institute
ECPACC	Eastern Cape Provincial Arts and Culture Council
EL	East London
MEC	Member of the Executive Council
MTSF	Medium Term Strategic Framework
MGE	Mzansi Golden Economy
NAC	National Arts Council
NAF	National Arts Festival
NDP	National Development Plan Vision 2030
NFVF	National Film and Video Foundation
NMII	Nelson Mandela ICT Institute
PFMA	Public Finance Management Act
RFP	Request for Proposals
SABC	South African Broadcasting Corporation
SAPS	South African Police Service
SEDA	Small Enterprise Development Agency
DTI	Department of Trade and Industry

1.3 Strategic Overview

1.3.1 Vision, Mission and Values

1.3.1.1 Vision

To create an enabling environment for the development of arts and culture in the Eastern Cape Province.

1.3.1.2 Mission

To promote, support, develop, protect, preserve the arts, enhance public appreciation and participation in the arts and ensure the development of a broad, inclusive and identifiably Eastern Cape culture.

1.3.1.3 Values

- Artistic freedom
 - Capacitating
 - Caring
 - Continuous improvement
 - Customer satisfaction
 - Democracy
 - Empowerment through people capacitation
 - Engagement
 - Entrepreneurship
 - Good citizenship
 - Innovation
 - Lifelong learning
 - Integrity and transparency
 - Quality and service excellence
 - Transformation
- Good corporate governance

1.4 Legislative and Other Mandates

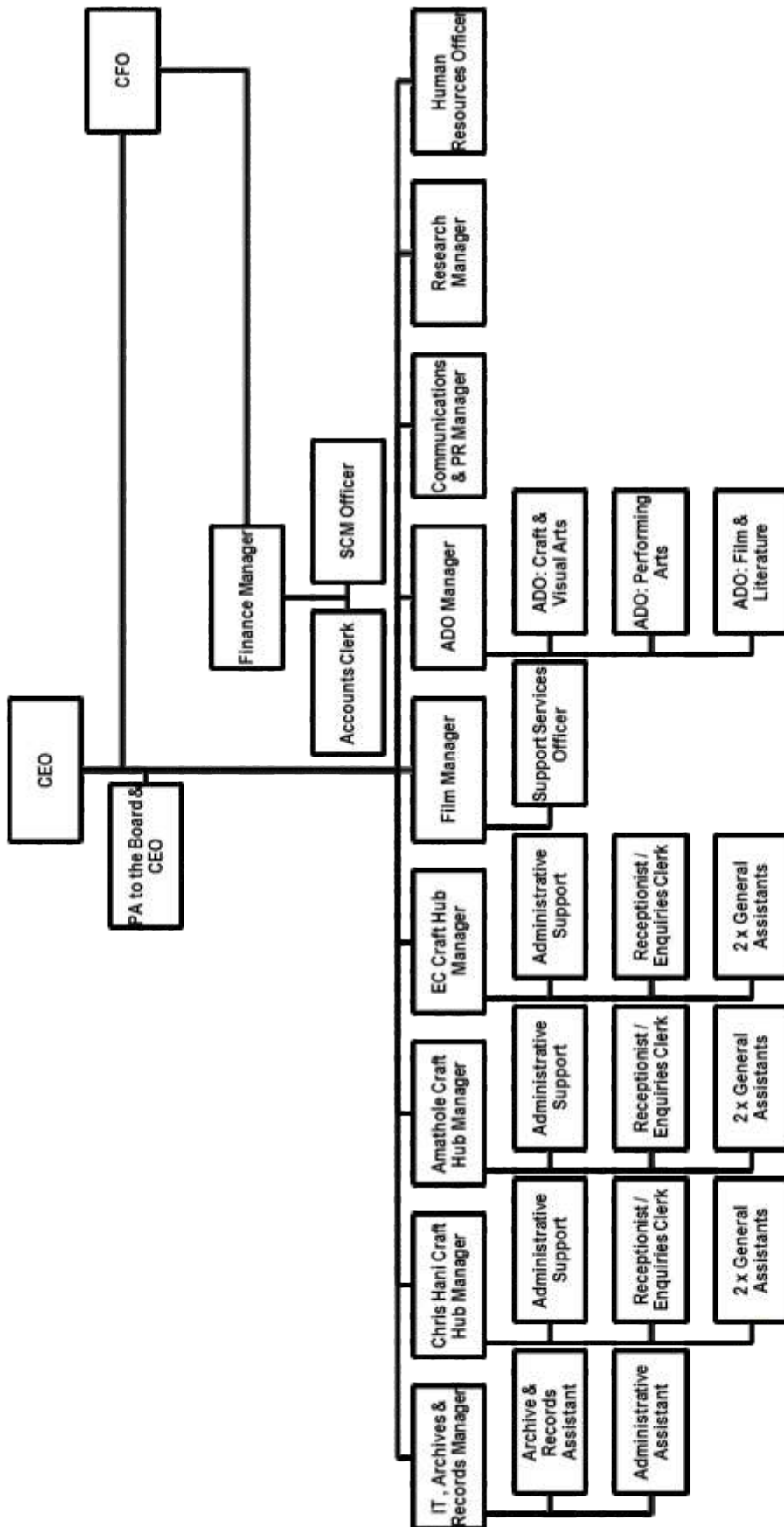
The Eastern Cape Provincial Arts and Culture Council (ECPACC) was established by means of Act No.6 of 2000 (Eastern Cape) and is listed in the PFMA as a schedule 3C public entity of the Department of Sport, Recreation, Arts and Culture.

ECPACC is entrusted with the responsibility of fostering the arts and promoting the culture of the Eastern Cape, to allow for the expression of the unique identity of the province and enable its artists to realise their potential through their expression of the arts to build an improved quality of life for themselves and their communities.

The main constitutional, functional and policy mandates that guide activities of the council are the:

- Basic Conditions of Employment Act
- Cultural Institutions Act
- Division of Revenue Act
- Eastern Cape Provincial Arts and Council Act
- Employment Equity Act
- Labour Relations Act
- National Arts Council Act
- Occupational Health and Safety Act
- Preferential Procurement Policy Framework Act
- Promotion of Access to Information Act
- Promotion of Administrative Justice Act
- Public Finance Management Act (PFMA), Treasury Regulations and Provincial Directives
- Public Service Act and Regulations
- Skills Development Act
- Skills Development Levies Act
- South African Qualifications Authority Act

1.5 Organisational Structure



1.6 Foreword by the Chairperson of the Accounting Authority



It gives me great pleasure to present to you the annual report for the 2017/18 financial year. I hope you will find the report informative and that it will give you a greater understanding of the work undertaken by our organization. More importantly, I hope that you will gain an appreciation of the environment in which the entity operates, the hurdles and difficulties that it continues to face. We would have failed in our legislative duty of reporting, if we did not share some of the successes that the entity has achieved, as well as some challenges it has experienced, during the year.

The year under review has been both challenging and rewarding for the Eastern Cape Provincial Arts and Culture Council (ECPACC).

Inadequate financial and human resources remain a difficult force to reckon with. The available financial and human resources are not commensurate with the workload that the entity has to carry. However, the entity managed with difficulty, to provide financial support and tools for meaningful participation and practice of arts and culture in the province. The report shows that the entity was able to reach the targets that it had set itself regarding its key four programmes: provision of effective governance and administration; development of a sustainable arts capacity to inspire and enrich the nation; promotion of the film sector development; and provision of support to crafters to enable them to be self-supporting – thereby realising its mission of promoting and preserving the arts. Of particular interest, the entity has committed itself to the formation of programmatic partnerships, mainstreaming of youth and people with disability, funding arts as well as promoting education and training, all of which are critical to the transformation of the arts and culture sector.

During the third quarter of the year, ECPACC held a fruitful interactive strategic planning session, which was aimed at (i) reviewing the current strategy and adopting innovative approaches to improve performance and (ii) elevating efficiencies and designing catalytic programmes that will promote growth and sustainability of the creative industry. The session was applauded as having succeeded in bringing together a variety of critical and strategic partners who would collaborate with ECPACC towards enhanced and robust resource mobilisation approaches.

As this has been the last term of the current council, in my capacity as the Chairperson of the out-going Council, it is heartening for me to appreciate the role played by all Councillors who served the entity with pride and maintained high ethical values. This council displayed a high level of integrity and moral character and all decisions were made in the best interest of the artists of the province of the Eastern Cape, without any favour or prejudice. Due to their commitment and dedication, the entity performed as expected in providing effective governance and administration. The timeous submission of quarterly reports in line with the annual performance plan is commendable.

The entity continued to demonstrate strong leadership in the effective management of its financial affairs, which include spending as planned, as shown in the report. This further includes the disbursement of funds relating to arts and culture, the study support program as well as the funds to support community arts and culture projects. As a result, we are once again very proud to announce that ECPACC has received a clean audit for the year under review, as it did in the two previous financial years. We trust that the incoming council will carry this legacy forward.

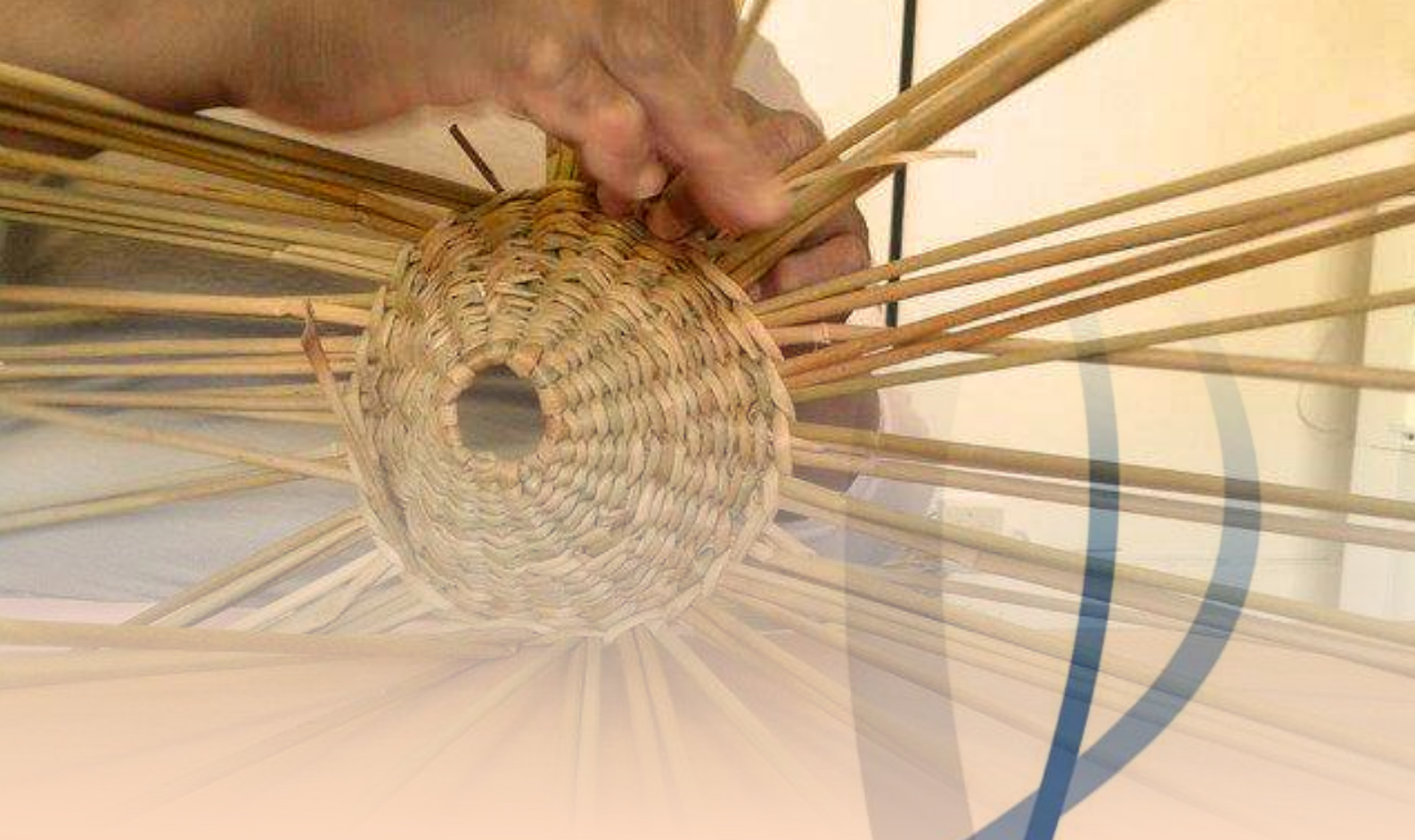
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At this point I would like, on behalf of the Members of the Council and the ECPACC staff at large, to welcome the incoming executive authority, the Honourable MEC Bulelwa Tunyiswa. The Council's very first meeting with her proved that, with her down-to-earth and diligent approach, there is so much more that the entity will benefit from her. ECPACC will continue to offer advice to the MEC as mandated by the ECPACC Act No. 06 of 2000.



Dr S. M. Matoti
Chairperson: Accounting Authority
Eastern Cape Provincial Arts and Culture Council

31st July 2018



PART: B
PERFORMANCE INFORMATION

2. PART B: PERFORMANCE INFORMATION

2.1 Statement of Responsibility for Performance Information

Performance information provided in this annual report was generated from reports developed by various units of the entity. The performance information report provides a realistic reflection of the operationalization of the 2014-2019 Strategic Plan that is realised through the annual performance plan. The performance information provided is a result of the achievement of the performance indicators and targets outlined in the annual performance plan of the entity. The entity embarked on a strategic planning session on 13th and 14th November 2017 where its goals and strategies were revised.

The performance information report is prepared in terms of Section (55) (2) (a) of the Public Finance Management Act 1 of 1999 as amended by Act 20 of 1999. It is in line with the performance management and reporting framework consisting of applicable laws and regulations; the Framework for Managing Performance Information issued by National Treasury; the Framework for Strategic Plans and Annual Performance Plans issued by the National Treasury and circulars and guidance issued by the National Treasury regarding planning, management, monitoring and reporting on predetermined objectives.

This Annual Report is in conformity with aims and objectives of the entity's founding legislation, the Eastern Cape Provincial Arts and Culture Council Act No. 6 of 2000 (EC.). The report is further aligned to the outcomes mapped out in the Medium Term Strategic Framework of government, the National Development Plan Vision 2030 as well the Eastern Cape Chapter of the National Development Plan.

Yours sincerely



Ms. P Skoti
Chief Executive Officer
Eastern Cape Provincial Arts and Culture Council

31st July 2018

2.2 Overview of the public entity's performance

2.2.1 Service delivery environment

The entity is entrusted with the responsibility of fostering the arts and promoting the culture of the Eastern Cape, to allow for the expression of the unique identity of the province and enable its artists to realise their potential through their expression of arts to build an improved quality of life for themselves and their communities.

The entity delivers on this mandate through the following focus areas: disbursement of funding to arts, culture and language projects in the following art forms; music, dance, drama, craft, film, languages; bulk buying and disbursement of craft material, beads, sewing machines to community projects; procurement and disbursement of musical instruments to artists; awarding of bursaries to deserving students pursuing studies in arts, culture, film and language; provision of training and product development to arts, craft and film projects and formation of strategic partnerships in order to benefit industry players.

The entity has thus enhanced public appreciation and participation in the arts and ensured the development of a broad, inclusive and identifiably Eastern Cape culture during the year under review. The growth of the cultural and creative industries during the period has been very phenomenal such that the demand for the resources and services outweighs the supply. The entity, therefore, is in a quest to secure partners in order to effect quality service delivery became more pronounced. Partnership with the National Arts Council, National Arts Festival, National Film and Video Foundation, local and district municipalities served to help sustain the sector.

2.2.2 Organisational environment

The unfavourable economic climate continues to frustrate the efforts of the organisation to adequately arm itself with much needed human and financial resources. Faced with an insufficient budget the entity battled to adequately meet the growing needs of the growing sector. However, through the pooling of resources with partners in the sector, the dreams and aspirations of provincial individual and group projects, bursary aspirants and film practitioners were realised. There is, therefore, a pressing need for the entity to embark on a campaign to raise funds that would help it deliver on its services to the arts community.

The process of the amendment of the ECPACC Act was also not finalised during the year under review. The mother department is presently engaged in the process of finalising the exercise which started in 2013.

2.2.3 Key policy developments and legislative changes

There were no key policy developments and legislative changes introduced at the entity during the year under review.

2.3 Performance Information by Programme

The mandate of the entity is the promotion of the development and preservation of arts and culture in the Eastern Cape Province. The entity also seeks to use its resources to create a better life for arts, culture and heritage practitioners in the Eastern Cape Province.

2.3.1 Summary of Programmes

The operations of the Eastern Cape Provincial Arts and Culture Council are organised around the following four programmes:

Programme 1: Governance and Administration

Programme 2: Sustainable Arts Capability

Programme 3: Film Sector Development

Programme 4: Craft Sector Development

2.3.2 Strategic Objectives

- Provision of effective governance and administration.
- Development of a sustainable capability that enables the arts to inspire, enrich and build the nation.
- Promotion of film human and capital development potential.
- Provide support to Eastern Cape crafters in order to enable them to generate income and sustain their projects.

2.3.3 Programme 1: Governance and Administration

Purpose

The main aim of the programme is to provide strategic leadership and arts administrative support to the units of the entity. This includes, but is not limited to, corporate governance, financial management, supply chain management, risk management and human resource management.



Strategic Objective

Provision of effective governance and administration.

Achievements in narrative form

Adherence to laws and regulatory framework

During the year under review the entity compiled and submitted quarterly performance and finance reports to the Executive Authority by due date. The entity also prepared and submitted Annual Financial Statements (AFS) and the Annual Performance Information Report (APIR) to the Auditor-General and the Provincial Treasury in the prescribed formats by 31st May 2017.

This is in compliance with laws and the regulatory framework of government that regulates government institutions to account for use of allocated resources in accordance with their Strategic Plans and the Annual Performance Plans. The other purpose is to enable the executive authority to apply a monitoring and evaluation mechanism to ensure that the approved Annual Performance Plan is implemented appropriately by the entity.

Vacant Posts

Critical vacant posts that of the Chief Executive Officer and the Eastern Cape Arts and Craft Hub Manager were filled on the 1st August 2017 and 1st September 2017 respectively.

Auditor-General South Africa Report

The entity achieved a clean audit opinion from the Auditor-General of South Africa (AGSA) for the 2016/17 financial year. The audit was concluded on 31st July 2017.

Strategic Planning Session

The entity conducted a Strategic Planning Session on the 13 – 14 November 2017 with the aim to review its business processes, methods of working, management systems and external relationships.

Programme 1: Governance and Administration

Strategic objective	Actual achievement 2016/17	Planned Targets 2017/18	Actual achievement 2017/18	Deviation from planned target	Comment on deviation
Provision of effective governance and administration.	8	8	8	-	-

Performance indicators and planned targets

Programme 1: Governance and Administration					
Performance Indicator	Actual achievement 2016/17	Planned Targets 2017/18	Actual achievement t 2017/18	Deviation from planned target	Comment on deviation
1 Quarterly performance and finance reports developed and submitted to the Executive Authority 30 days after the end of each quarter.	4	4	4	-	-
2 Annual Financial Statements (AFS) And Annual Performance Information Report ((APIR) submitted to the Auditor-General (AG) and Provincial Treasury within two months after the end of the financial year.	1	1	1	-	-
3 Annual Report (AR) compiled and submitted to the Provincial Treasury and the Executive Authority within five months of the end of the financial year.	1	1	1	-	-
4 Annual budget submitted to the Executive Authority at least six months before the start of the new financial year.	1	1	1	-	-
5 Annual Performance Plan (APP) submitted to the Executive Authority by the 28 February of each year.	1	1	1	-	-

Strategy to overcome areas of under- performance

There has been no under-performance in the programme during the year under review.

Changes to planned targets

There have been no changes to performance indicators or targets during the year under review.

Linking performance with budget

Programme 1	2017/18			2016/17		
	Budget	Actual Expenditure	(Over) / Under	Budget	Actual Expenditure	(Over) / Under
Governance and Administration	R4 120 000	R4 643 183	(R523 183)	R4 100 000	R3 894 450	R205 550

SUMMARY OF FINANCIAL INFORMATION

Revenue Collection (not applicable to the entity)

Programme Expenditure

Programme 1	2017/18			2016/17		
	Budget	Actual Expenditure	(Over) / Under Expenditure	Budget	Actual Expenditure	(Over) / Under
Governance and Administration	R4 120 000	R4 643 183	(R523 183)	R4 100 000	R3 894 450	R205 550

2.3.4 Programme 2: Sustainable Arts Capability

Purpose

The main aim of the programme is to identify and nurture community arts and culture individuals and groups in the various districts of the province. The purpose is to give them financial assistance and guidance in order to grow and expose their talents and improve the quality of their products.

The programme also seeks to grant study support to deserving and needy students to pursue studies in arts, culture related courses at tertiary institutions.



Strategic Objective

Development of a sustainable capability that enables the arts to inspire, enrich and build the nation.

Achievements in narrative form

National Arts Festival Funding and Partnership Agreement

The programme's main deliverable during the first semester of the 2017/18 financial year was to render support to provincial productions at the National Arts Festival held in Grahamstown.

Thirteen (13) Eastern Cape performing arts productions were granted funding to showcase at the Fringe Stage of the 2017 National Arts Festival. Linked to this was the implementation of a partnership agreement between the entity, Eastern Cape Development Corporation, Small Enterprise Development Agency (Amathole), the Department of Rural Development and Land Reform and the National Arts Festival. The partnership resulted in these productions benefitting from capacitation, mentorship, marketing skills and audience development training offered through this ground-breaking platform. The total value of the ECPACC contribution to the festival activities was R599 562.

Dakawa Jazz Festival was supported by the entity where renowned musicians featured in the programme with emerging jazz artists. This platform created opportunities and exposure for upcoming artists who performed alongside the very best musicians in the jazz industry.

The entity supported visual arts through the Eastern Cape Visual Arts Exhibition themed "Home of Legends: Fearless in Disruption" which was held at the Albany Museum. The visual arts exhibition portrayed the beauty of the Province, the historical events that have shaped the Province and the Country with particular focus on the legends of the Province.

Crafters were selected and supported to exhibit their arts and craft products at the Village Green exhibition area as the Eastern Cape Handmade Showcase Crafters. Income generated from craft exhibition amounted to R273 548 which is transferred to the respective crafter.

Disbursement of funding to district community arts and culture projects

The entity set a target of funding sixty (60) arts and culture projects during the year under review. However, only fifty-two (52) were approved for funding. The council recognized a need to focus on quality versus quantity of projects. Therefore, the selection was strictly based on projects that displayed some degree of sustainability beyond ECPACC grant. In this way, ECPACC would be able to measure impact both in tangible and intangible ways towards achieving the stated objectives of this funding programme. This was also informed by a need to set aside some reserves for monitoring and evaluation, which is necessary to assess and support the performance of projects towards achieving set outcomes.

Subsequently, some of these funded projects have been able to lobby additional support from both the private and public sector towards successful implementation. For example, a Dance to the Beat - Velasikubone Initiative was formed through the funding of two different applicants from Buffalo City Metropolitan, who submitted a similar concept aimed at developing a platform for the promotion of dance in the area. These applicants were convinced by ECPACC that joining forces would make a more meaningful impact of their projects. Indeed, they were able to galvanise support from Steers and Sasol Garage and hosted dance training workshops, which sought to capacitate local dance groups in various genres of dance and culminated into a very successful dance competition. The competition was a resounding success due to the level of commitment from both project managers. The judges for this event were: the internationally acclaimed - Junior Ferreira from the PE's Finest Dance Crew; Siya B. Teck Baduza – a member of the Street Kingdom South Africa. The National producer of Hip Hop and Gqom DJ Fresh and local DJ Massbar were on deck. Our very own internationally acclaimed boxer, the ProChamp, Mabuti Sinyabi was the guest speaker who gave a motivational talk to the audience. The event was marketed in various local print media and radio houses.

ECPACC is negotiating a sustained partnership with the sponsors to make this an annual event. Most noteworthy, this event drew an interest from different racial and cultural groups in the area, thereby contributing to social cohesion through arts. The project has now received a confirmation of performance during the Berlin November Racehorse Festival which attracts a number of talent scouts and potential investors.

ECPACC continues to give support to unsuccessful projects by giving feedback on their applications and recommending potential funders for their categories such as the National Arts Council and others. In addition, ECPACC provides institutional support to the provincial charter of the Cultural and Creative Industries Federation of South Africa (CCIFSA) to mobilize arts, culture and heritage practitioners towards a common goal.

Arts and Culture Study Support

The Eastern Cape Provincial Arts and Culture Council has been mandated to promote, support, develop, protect, preserve the arts, enhance public appreciation and participation in the arts and ensure the development of a broad, inclusive and identifiably Eastern Cape culture. The entity's mandate compliments the Provincial Government Strategic Priority (4) which calls for the strengthening of education and the building of a skills and human resources base. Awarding of ECPACC study support to deserving applicants is one such initiative in ensuring that the above is accomplished. During the period under review, twenty (20) students were awarded funding to the amount of R585 731 to pursue studies in the faculty of arts and culture at tertiary level. To ensure continuity and that students do not drop out of their studies, students who were funded in the previous financial year were given first preference. Thus, six of them were funded to complete their studies, while fourteen were new applicants.

Preference was also given to students from rural areas leading to the approval of 13 applicants (rural) and 7 from urban areas.

Annual Art Equipment Hand-Over

The 2017/18 support to the provincial artists and crafters included the hand-over of craft material, sewing machines and music equipment to various Eastern Cape projects during the Honourable MEC's Cultural Awards hosted by the Honourable MEC of the Eastern Cape Department of Sports, Recreation, Arts and Culture held at the Guild Theatre, East London in February 2018.

Strategic Objective and Annual Targets

Programme 2: Sustainable Arts Capability					
Strategic Objective	Actual Achievement 2016/17	Planned Targets 2017/18	Actual Achievement 2017/18	Deviation from planned target	Comment on deviation
Development of a sustainable capability that enables the arts to inspire, enrich and build the nation.	150	86	85	1	The following breakdown of performance indicators will show that, while there was underperformance in the number of projects funded, there was over performance in other targets.

Performance indicators and planned targets

	Performance Indicator	Actual achievement 2016/17	Planned Targets 2017/18	Actual achievement 2017/18	Deviation from planned target	Comment on deviation
1	Number of district community arts and culture individuals and or groups granted funding or material support. Support to CCIFSA.	133	60	52	8	Only those projects that displayed elements of sustainability were granted funding.
2	Number of groups and programs supported at the National Arts Festival.	0	10	13	3	Additional projects of excellence were supported to showcase their talent at the festival, especially at Wordfest and visual arts exhibition. The additional projects were supported within the National Arts Festival budget.
3	Number of students granted study support to pursue studies in the arts at tertiary institutions.	17	16	20	4	The requested amounts for funding were less than the allocated budget, which allowed for the selection of further four students.

Strategy to overcome areas of under-performance

Efforts are undertaken to secure funding from partnership programs to increase financial support to deserving, needy students.

Changes to planned targets

There have been no changes to performance indicators or targets during the year under review.

Linking performance with budget

Programme 2	2017/18			2016/17		
	Budget	Actual Expenditure	(Over) / Under Expenditure	Budget	Actual Expenditure	(Over) / Under Expenditure
Sustainable Arts Capability	R4 400 000	R3 549 503	R850 497	R4 550 000	R4 642 784	(R92 784)

SUMMARY OF FINANCIAL INFORMATION

Programme Expenditure

Programme 2	2017/18			2016/17		
	Budget	Actual Expenditure	(Over) / Under Expenditure	Budget	Actual Expenditure	(Over) / Under Expenditure
Sustainable Arts Capability	R4 400 000	R3 549 503	R850 497	R4 550 000	R4 642 784	(R92 784)

2.3.5 Programme 3: Film Sector Development

Purpose

The programme seeks to implement integrated film development strategies and plans in order to maximize the economic benefits of the film industry for the Eastern Cape Province industry players.

Strategic Objective

Promotion of film human and capital development potential.



Achievements in narrative form

Film Screening

In order to promote local content and create an audience thereof, a total of three film screenings were held. One screening was hosted during the first semester. In the interest of reaching out to audiences outside the city centres, two more screenings were held in Mdantsane and Stutterheim on 16 and 22 February 2018, respectively. These provide an opportunity for the local people to consume locally produced films. There is a need to stretch these out to the rural areas where the majority of the people do not have access to cinemas. However, there are many challenges that inhibit screenings in rural areas, which include organizing a suitable venue with requisite basic infrastructure.

Film Production / Development Training Programs

ECPACC embarked on a learnership programme with CATHSETA for the training of film makers in various aspects of film making. This programme was initiated in June 2016 and its implementation stretched until September 2018. The project earmarked twenty (20) students from around the province of the Eastern Cape.

Numerous learners have consequently obtained employment in various companies and government departments where they will utilize the skills gained from the learnership, while others have expressed an interest in starting their own businesses. The learners were also provided an opportunity to participate in a SABC production, where they could apply the theory learnt.

Film and Video Production Study Support

Three students were granted financial support to pursue their studies in Film and Media related studies. The students who benefitted comprised of two black males and one black female, studying at various institutions across the country, with the total value of the ninety thousand rands (R 90 000) which was disbursed after year end.

Strategic Objective and Annual Targets

Programme 3: Film Sector Development					
Strategic Objective	Actual Achievement 2016/17	Planned Targets 2017/18	Actual Achievement 2017/18	Deviation from planned target	Comment on deviation
Promotion of film human and capital development potential.	8	10	6	(4)	-

Performance indicators and planned targets

Programme 3: Film Sector Development					
Performance Indicator	Actual Achievement 2016/17	Planned Targets 2017/18	Actual Achievement 2017/18	Deviation from planned target	Comment on deviation
1 Number of film training and development partnerships established.	1	1	0	(1)	No new partnership was developed for film due to the continuation of the partnership training programme with CATHSETA, from 2016 until September 2017.
2 Number of students granted financial support for film related studies at tertiary institutions.	5	3	0	(3)	Delay in the receipt of compliance documents such as condition of acceptance form resulted in the disbursement of funds after year end.
3 Number of film screenings hosted to promote local content.	2	4	3	(1)	Owing to human resource capacity constraints, and challenging co-ordination requirements to organize screenings, only three were hosted.
4 Number of district community film makers granted funding or equipment support for film production.	0	2	3	1	Additional district community film makers were granted funding as funding requests by individuals/groups were lower than projected.

Strategy to overcome areas of under-performance

ECPACC is currently exploring various collaboration efforts towards to secure funding and partnership opportunities to enhance skills development in the sector.

Changes to planned targets

There have been no changes to performance indicators or targets during the year under review.

Linking performance with budget

Programme 3	2017/18			2016/17		
	Budget	Actual Expenditure	(Over) / Under Expenditure	Budget	Actual Expenditure	(Over) / Under Expenditure
Film Sector Development	R900 000	R756 424	R143 576	R750 000	R896 169	(R146 169)

SUMMARY OF FINANCIAL INFORMATION

Programme Expenditure

Programme 3	2017/18			2016/17		
	Budget	Actual Expenditure	(Over) / Under Expenditure	Budget	Actual Expenditure	(Over) / Under Expenditure
Film Sector Development	R900 000	R756 424	R143 576	R750 000	R896 169	(R146 169)

Effects of the limited budget on performance

The Eastern Cape Provincial Arts and Culture Council Act No. 6 of 2000 (EC) places an obligation on the entity to provide and encourage the provision of opportunities for persons to practise the arts and culture. The limited budget of the entity does not allow it to adequately promote the growth of arts and culture in the Eastern Cape Province.

This state of affairs has a negative effect on the overall performance of the entity in developing and promoting the arts and culture and encouraging excellence thereof. Greater effort should be placed on forging sustainable partnerships with institutions like the National Department of Arts and Culture through its recently unveiled "New Golden Economy" arts development programmes.

2.3.6 Programme 4: Craft Sector Development

Purpose

The programme seeks to promote the growth and sustainability of the craft and traditional fashion industry sector through craft exhibitions, partnerships, product development and quality enhancement.

Strategic Objective

Provide support to Eastern Cape crafters in order to enable them to generate income and sustain their projects.



Achievements in narrative form

Provincial and Regional Craft Exhibitions

Craft Exhibitions are still the most popular platforms to create market access for local crafters. The craft hubs exhibited arts and craft artefacts from Eastern Cape crafters at the National Museum Day on the 12th May 2017, the Footprints Festival from the 23rd to 25th June 2017 in Morgan's Bay. Craft exhibition platform is provided for selected crafters at the Hemmingways Shopping Mall to showcase their products every Sunday. Crafters in association with the craft hubs also exhibited at the Jikeleza festival and Jazz in the Park event held at the Ann Bryant Art Gallery.

The Amathole Craft Hub conducted a craft exhibition on the 16th November 2017 at the Provincial Language and Literature Summit held at Steve Biko Centre-Ginsberg. The craft hub also hosted a Christmas Craft Market on the 15th and 16th of December 2017. The craft market was the first of its kind and was well attended. The Mthiza Art in the garden event hosted by the Ann Bryant Gallery in East London from the 16th to 20th December 2017 exhibited arts and craft selected by the Amathole Craft Hub where craft from local artists were promoted. In addition, the Amathole Craft Hub secured a premier space for exhibition at the Provincial Legislature during the Policy Speech of 15th March 2018. This is considered as a way of raising the bar to the legislature in terms of the support required for the marketing of the quality products of the province.

The Chris Hani Craft Hub exhibited at the Ubuntu Arts in Park craft exhibition hosted by the Masimanyane Crafters Association. The mandate of the craft hubs were explained to the general public and the locally produced art and craft works were showcased at the exhibition.

The Eastern Cape Craft Hub exhibited at the renowned Isingqisethu Cultural Festival in Port St. Johns in partnership with DSRAC, OR Tambo District. During the cultural festival, a fashion show exhibiting traditional wear was coordinated and staged successfully.

Product Development Training Program

Leather workshops for young people with disabilities from the Enoch Sontonga's Rehabilitation Centre was conducted by the Amathole Craft Hub and upon successful completion, training certificates were issued to 12 beneficiaries of the workshop on 29th June 2017. In addition, Amathole Craft Hub conducted and successfully completed a beadwork training workshop for 20 disabled youth beneficiaries at the Zamani Training Centre. The planned ten (10) day workshop was extended to 20 days due to the learning disorder of some participants.

The Eastern Cape Craft Hub collaborated with Department of Education to host a music and ceramics training for 17 Subject Advisors. The objective of the training in music discipline was to advance the theoretical skills of subject advisors, familiarise themselves with musical instruments such as Bongo Drums and Penny Whistles and to learn different playing techniques and styles and effectively transfer information to pupils. The ceramic training programme was conducted to transfer knowledge on the purification process of the raw clay, different production methods especially traditional methods, general behaviour or characteristics of the clay, various decoration methods and techniques and traditional firing techniques.

Eight (8) Eastern Cape fashion designers from OR Tambo and Alfred Nzo District, attached to the Mthatha Fashion Design Innovation Centre (FDIC), a partnership project sponsored by the Council for Scientific Research (CSIR) and the Department of Trade and Industry (DTI), completed their training in Computer Aided Design (CAD) for garment design (pattern making and grading, pattern printing, product quality training), leather making and export readiness training. These trainee designers participated in the 10-day program from 2nd – 6th October 2017 and 30th October 2017 to 3rd November 2017 at the Eastern Cape Arts and Craft Hub.

In addition, the EC Craft Hub held a training workshop on Testing of textile Fabrics & Clothing, from 13-14 March 2018, 14 beneficiaries benefitted on the specialist skills that the training focussed on, namely

- Dimensional stability
- Tensile strength
- Fabric slippage
- Pilling
- Abrasion resistance
- Mass per square metre

Partnerships to develop the craft industry

Partnerships for the provision of skills development, product development and capacity building for crafters in the Eastern Cape Province is very critical for sustained development of the industry. All three hubs made remarkable efforts to collaborate with various role players and jointly implement craft sector development programmes. However, in most cases formal agreements have not been signed yet. For example, Amathole Craft Hub collaborated with Enoch Sontonga's Rehabilitation centre to host a leather works training program for people with disability, as well as a youth training workshop on Beadwork done in partnership with Mlaka-Laka youth centre.

On realizing the need to identify relevant strategies to enhance the viability of the Mthatha-based EC Craft Hub, on the 06 March 2018, ECPACC, the EC Craft Hub and KSD Municipality held a meeting, where a resolution to form a partnership was taken after of possible synergies were identified. These included the working together towards repositioning the retail component of the hub into the city center, while converting the hub into a fully-fledged craft production center that can enhance the production, packaging and facilitate central point of distribution of products. Subsequently the EC Craft Hub got a standing invitation to actively participate in the Municipality's Creative Industries Sector Forum and assist in the development of the Sector Strategy.

Chris Hani Craft Hub signed a Memorandum of Agreement with the Chris Hani District Municipality to co-host a Chris Hani Annual Inkubeko Fashion Show 2017 in Queenstown. The objective of the fashion show was to train and transfer skills that will contribute towards the development of design and craft industry in the district, establish partnerships and networks among incubators, crafters, designers and SME's and raise awareness among crafters on specific support services provided. The Chris Hani Craft Hub further collaborated with a renowned arts and craft centre, the Swallows Foundation for the training of crafters.

Strategic Objective and Annual Targets

Programme 4: Craft Sector Development					
Strategic Objective	Actual Achievement 2016/17	Planned Targets 2017/18	Actual Achievement 2017/18	Deviation from planned target	Comment on deviation
Provide support to Eastern Cape crafters in order to enable them to generate income and sustain their projects.	29	108	80	(28)	This objective includes providing training to local crafters in order to improve the quality of their products. An initial target was set based on the understanding of the declared needs among crafters. However, on the dates of the training some crafters were not available due to their competing demands for support.

t s'zoz' Aul's ur l' AG'el Ar J. A'nsr O'ns'el

t s'zoz' Aul's ur l' AG'el	Actual Achievement t 2016/17	Planned Targets 2017/18	Actual Achievement 2017/18	Deviation from planned target	Comment on deviation
1 Number of craft exhibitions held to promote the crafters and their products.	23	12	14	2	Additional invitations from stakeholders to exhibit craft products particularly at major provincial events and celebrations resulted in the variance.
2 Number of practitioners benefitting from capacity building opportunities through product development training.	3	90	64	(26)	Six extensive workshops were held however less than projected beneficiaries responded and participated in the training.
3 Number of partnerships established to promote the development of the craft sector.	3	6	2	(4)	While craft hubs have been implementing various programmes in collaboration with other stakeholders, it has always been difficult to reach the crowning aspect of the partnership through signing formal agreements. This is due to the complexities associated with legalities.

Strategy to overcome areas of under- performance

The establishment of partnerships in order to bring about sustained craft development in the province.

Changes to planned targets

There have been no changes to performance indicators or targets during the year under review.

Linking performance with budget

Programme 4	2017/18			2016/17		
	Budget	Actual Expenditure	(Over) / Under Expenditure	Budget	Actual Expenditure	(Over) / Under Expenditure
Craft Sector Development	R3 300 000	R3 386 481	(R86 481)	R3 400 000	R3 103 070	R296 930

SUMMARY OF FINANCIAL INFORMATION

Programme Expenditure

Programme 4	2017/18			2016/17		
	Budget	Actual Expenditure	(Over) / Under Expenditure	Budget	Actual Expenditure	(Over) / Under Expenditure
Craft Sector Development	R3 300 000	R3 386 481	(R86 481)	R3 400 000	R3 103 070	R296 930



PART: C
GOVERNANCE

3. PART C: GOVERNANCE

3.1 Introduction

The ECPACC Council has a duty and judiciary responsibilities to ensure that transparency, accessibility and accountability with public resources at its disposal. It must undertake its obligations with integrity, care, honesty and a professional ethos acting in furtherance of the public good, the rule of law, transparent processes, and a strong civil society participating in public affairs.

During the year under review the council played its oversight role effectively. It provided sound leadership to management and staff. This enabled the entity to undertake its objectives of promoting the development and transformation of the arts and culture industry in the province.

3.2 Portfolio Committee

During the year under review the entity made presentations to the Portfolio Committee for Sport, Recreation, Arts and Culture at the Eastern Cape Legislature in Bhisho. It made the following presentation to the Portfolio committee:

- (a) Annual Report for the 2016/17 financial year; and
- (b) First Semester Performance and Financial Report for the 2017/18 financial year.

As was the case in the previous financial year the Portfolio Committee expressed its concerns about the non-finalisation of the entity's Act review process. The Committee commended the Department and the Council on the appointment of the Chief Executive Officer, Ms P Skoti, a post which was left vacant due to the untimely passing of the previous Chief Executive Officer, Mr T.R. Mehlala on the 19th July 2016.

The Committee called on the Department and ECPACC management to negotiate with Eastern Cape Development Corporation (ECDC) for remission of the high rentals paid for the leasing of the Eastern Cape Arts and Craft Hub. The Committee contended that the savings from the above could be used to deliver more services to the provincial arts and culture stakeholders.

3.3 Executive Authority

The entity has a statutory obligation to submit quarterly performance reports to the executive authority. These reports show how the entity has performed against the indicators and targets set in the annual performance plan for the year. During the year under review the entity submitted these reports with other statutory submissions to the Executive Authority as detailed below:

No.	Type of report	Date of submission	Issues raised by the Executive Authority
1	First Quarter Performance Report	31 st July 2017	None
2	Annual Report 2016/17 Financial Year	31 st August 2017	None
3	ECPACC 2018/19 Budget	1 st August 2017	None
4	Semester Performance and Finance Report	31 st October 2017	None
5	Third Quarter Performance Report	31 st January 2018	None
6	Annual Performance Plan & Annual Operational Plan	13 th March 2018	None

3.4 The Accounting Authority

Roles and responsibilities

The Eastern Cape Provincial Arts and Culture Council is the accounting authority for the entity. In terms of the PFMA Act 1 of 1999 (as amended) the fiduciary duties of the accounting authority are as follows: exercise the duty of utmost care to ensure reasonable protection of the assets and records of the public entity; act with fidelity, honesty, integrity and in the best interest of the public entity in managing the financial affairs of the public entity; on request disclose to the executive authority responsible for that public entity or the legislature to which that public entity is accountable, all material facts, including those reasonable discoverable, which in any way may influence the decisions or actions of the executive authority or that of the legislature; and seek, within the sphere of influence of that accounting authority to prevent any prejudice to the financial interests of the state.

Accounting Authority Charter

The Council does not have a charter setting out its responsibilities. The Council's functioning is premised on the aims, objectives and powers of Council as set out in the Eastern Cape Provincial Arts and Council Act (Act No. 6 of 2000, EC).

Composition of the Council

An Accounting Authority was appointed by the Honourable MEC of DSRAC, Dr Pemmy Majodina on the 30th June 2015. The members of the accounting authority are detailed as follows:

Dr S.M. Matoti (Chairperson, Non-Executive)
 Mrs J. Buckland (Deputy Chairperson, Non-Executive)
 Ms E Poswa (Member, Non-Executive)
 Mrs N Ncwayiba (Member, Non-Executive)
 Mr Z Mkiva (Member, Non-Executive)
 Mr L. Yakobi (Member, Non-Executive)

The term of office of the Accounting Authority expired on the 30th June 2018 and was extended to 31st December 2018.

Attendance of Council meetings

Name	Designation	Date Appointed	Area of Expertise	Board Directorships	Meetings Attended
Dr S.M. Matoti	Chairperson	30 th June 2015	Administration	None.	4 of 4
Mrs J Buckland	Deputy Chairperson	30 th June 2015	Craft and Visual Arts	None.	4 of 4
Ms E Poswa	Member	30 th June 2015	Craft and Visual Arts	Emia General Trading (Pty) Ltd (Director)	4 of 4
Mrs N Ncwayiba	Member	30 th June 2015	Performing Arts	Momakhisimsi The Story Teller (Owner)	4 of 4
Mr Z Mkiva	Member	30 th June 2015	Literature and Publishing	Poet of Africa (Owner)	4 of 4
Mr L Yakobi	Member	30 th June 2015	Literature and Publishing	None.	4 of 4

Remuneration of Council members

The remuneration of the Council members are disclosed in Note 17 of the Annual Financial Statements.

3.5 Risk Management

The accounting authority of the entity has in line with section 51 of the PFMA and Treasury Regulations adopted a Risk Management Strategy. This is evidence of the high level commitment to managing risks that may affect the provision of quality service delivery. The development of the Risk Management Strategy is also aimed at ensuring that the entity is not exposed to risks that could negatively affect our systems and operations. The Audit and Risk Committee is the co-driver of the risk management strategy with management. It evaluates the adequacy, efficiency and effectiveness of the risk management processes. The Internal Audit function conducts the review of risk management processes for the entity as one of its fundamental roles.

The adoption of the risk management implementation meant that it is cascaded throughout the organisation so that all staff is aware and sensitised of impending risks. The Chief Executive Officer has the ultimate responsibility for risk management; the Audit and Risk Committee is responsible for ensuring that the entity's risks are properly managed; management at all levels is responsible for ensuring compliance with the prescribed procedures set out.

3.6 Internal Control Unit

Activities and key objectives

The entity appointed an external service provider to perform internal audit functions for a two year period. On expiry of the term the entity will make a call for applications/nominations for a new service provider. The key activities, in terms of the relevant sections of the Treasury Regulation 2001, of the internal audit function are the following:

- In consultation with the audit committee, prepare rolling-year strategic internal audit plan based on its assessment of key areas of risk for the public entity, having regard to its current operations, the operations proposed in its corporate or strategic plan and its risk management strategy;
- Prepare a plan for the first year of the rolling plan which incorporates the scope of each audit in the annual internal audit plan;
- Provide the audit committee with the scope detailing its performance against the plan, to allow for effective monitoring and intervention when necessary;
- Report directly to the accounting authority and shall report at all audit committee meetings;
- Co-ordinate with other internal and external providers of assurance to ensure proper coverage and to minimise duplication of effort;
- Assist the accounting authority in maintaining effective controls by evaluating those controls to determine their effectiveness and efficiency, and by developing recommendations for enhancement or improvement. The controls subject to evaluation should encompass the following:
 - (a) the information systems environment;
 - (b) the reliability and integrity of financial and operational information; and
 - (c) the effective review of the entity's risk management processes and provision of assurance to that effect to the entity.

Summary of work done

The entity outsourced its internal audit function who completed the following audit reviews during the 2017/18 financial years:

- (a) Annual Financial Statements 2016/17;
- (b) Annual Performance Information Report 2016/17;
- (c) Asset Management;
- (d) Compliance with Laws and Regulations;
- (e) Human Resource Management;
- (f) 1st, 2nd and 3rd Quarter Performance Information Report; and
- (g) Financial Controls.

The internal auditors reported to the Audit and Risk Committee and their audit work undertaken with due professional care.

3.7 Audit and Risk Committee

The Audit and Risk Committee is the only sub-committee of the entity.

Attendance of Audit and Risk Committee meetings

Name	Designation	Qualification	Date Appointed	Meetings Attended
Ms. Loren Smith	Chairperson	Chartered Accountant (SA)	1 November 2016	4 of 4
Mr. Vuyo Tshangana	Member	B Proc, LLM Lab. Law	1 November 2016	4 of 4
Mr. Justin Emslie	Member	Chartered Accountant (SA)	1 November 2016	4 of 4

Roles and responsibilities of the Audit and Risk Committee

The roles and responsibilities of the Audit and Risk Committee are contained in the Audit and Risk Committee Charter. They are as follows:

- Evaluation of management procedures with regard to internal controls;
- Evaluation of the Internal Audit Plan;
- Review and confirmation of the independence of the external auditors by obtaining statements from the auditors on relationships between the and the entity, including non-audit services and discussing the relationships with the auditors;
- Review of the rolling three-year strategic internal audit plan of the internal audit function;
- Review and approve the annual internal audit plan for the first year of the rolling three-year strategic audit plan;
- Review the plans indicating the proposed scope of each audit in the annual audit plan;
- Review quarterly reports submitted by the Internal Audit Function detailing its performance against the annual audit plan that will include the scope and depth of internal audit coverage;
- Review the annual financial statements to ensure that they fairly represent the financial position of the entity;

- ###Considers all significant matters arising out of all types of audits performed by the external auditors and determine in consultation with the Accounting Officer or his//her delegate whether or not additional actions are necessary in order to facilitate the finalisation of the annual financial statements;
- ###Give consideration to all significant matters arising out of other external audits;
- ###Review and evaluate management comments on reports issued by the Internal Audit Function and management letters issued by the external auditors;
- ###Assist management in evaluating the adequacy and effectiveness of risk management processes of the entity;
- ###Review the entity`s fraud prevention framework and related strategies, in order to direct internal audit effort and priority , and assist the Accounting Officer or his/her delegate in determining the skills required to improve controls and to manage fraud related risks;.
- ###Review the effectiveness of the systems of monitoring compliance with laws and regulations and the results of management`s investigations and follow-ups;
- ###Review with management the entity`s philosophy with respect to business ethics and corporate governance;
- ###Take into account International Standards on Auditing, International Standards for Professional Practice of Internal Auditors and Generally Recognised Accounting Practises in its operations and functioning and
- ###Undertake such other reviews as the Audit Committee deems necessary in order to fulfil its responsibilities or as may be requested by ECPACC;
- ###May refer any matter of concern to the Accounting Authority or its delegate for further evaluation.

3.8 Compliance with laws and regulations

Management continually keeps abreast of compliance and regulatory framework by having personnel attend workshops organised by the Eastern Cape Provincial Treasury and Planning. Management also visits the National Treasury website to keep abreast of new laws and regulations affecting public entities.

The Auditor General did not identify significant deficiencies in internal controls of the entity during the year under review.

3.9 Fraud and Corruption

The Public Finance Management Act of 1999 (as amended) through Treasury Regulations 3.2.1 requires that each entity should have a Fraud Prevention Plan. The plan incorporates principles contained in the Public Sector Anti-Corruption Strategy endorsed by cabinet in 2002.

The entity`s fraud prevention plan takes into account the high risk areas as reflected in the entity`s risk assessment. In the drive to fight fraud and corruption the entity will continuously make changes to promote ethical conduct. The mechanisms to report fraud and corruption can be done anonymously or through government`s fraud and anti-corruption hotline 0800701701 or any other means. It can be reported as follows:

- (a) Allegation referred the Internal Audit who will refer matter to either the Audit Committee or the Chief Executive Officer;
- (b) The Audit Committee/Chief Executive Officer record the allegation in a manual and electronic register;
- (c) Investigation file is opened;
- (d) Investigation file is assigned to an investigator;
- (e) Investigator studies file and prepares investigation plan;
- (f) Investigation continues;
- (g) If corroborating evidence against the perpetrator is found?
- (h) Investigation report is forwarded to the Chief Executive Officer;
- (i) He/she forwards it to the Labour Relations of the Department for a disciplinary hearing;
- (j) Forward and open a criminal case with the South African Police Service (SAPS) for criminal prosecution;
- (k) Case is closed. (Internal - dismissal/acquittal and External - guilty verdict/prison sentence)
- (l) Audit Committee updates filing, manual and electronic register.
- (m) If no corroborating evidence is not found;
- (n) The Audit Committee updates filing, manual and electronic register;
- (o) Case investigation file is closed.
- (p) Protection of whistle-blowers; an employee who suspects or reports suspected fraud and corruption or any such activity that he / she has witnessed may remain anonymous should he/she so desire. No person may suffer any penalty or retribution for good faith reporting of any suspected or actual incident of fraud and corruption.

3.10 Minimising Conflict of Interest

The entity has appointed a Supply Chain Management Officer in July 2018 to facilitate segregation of duties within the entity. In order to minimise conflict of interest the entity requires those charged with governance to sign declaration of interest forms where their involvement with service providers can be certified. In addition, officials who carry out procurement duties sign the code of conduct form where they commit to conducting themselves in an honest and transparent manner at all times. For an official who transgresses the entity's disciplinary processes will be applied.

3.11 Code of Conduct

The entity has a code of conduct that is applicable to its employees. This code of conduct regulates the manner in which its employees should conduct themselves. It states that all ECPACC staff members shall abide by a code of confidentiality regarding the activities of the ECPACC. It requires that all staff members shall undertake to be unbiased, fair, objective and impartial in exercising their functions on behalf of the Council; to commit themselves to promoting the interests of the Eastern Cape Provincial Arts and Culture Council and arts and culture in the Eastern Cape in all areas; to take full responsibility for their work and conduct; to provide the council with all information of engagements or other developments which may be relevant to the work of the Eastern Cape Provincial Arts and Culture Council or lead to a potential conflict of interests.

It concludes that the ECPACC shall be entitled to take disciplinary action against any staff members who act against the interests of the ECPACC, the intentions of the Act, or the code of conduct. The disciplinary action may, at the discretion of the Full Council, take the form of a demand for reimbursement of funds or written letter of warning or a request to the Chairman and Member of the Executive Committee (MEC) to suspend the staff member concerned.

3.12 Health, Safety and Environmental issues

During the year under review, the entity did not incur any health, safety and environmental issues that may adversely impact on the wellbeing of the employees, general public and the environment under which the entity operates.

3.13 Social Responsibility

None undertaken during the year under review.

3.14 Audit and Risk Committee Report

Report of the Audit and Risk Committee

We are pleased to present our report for the financial year ended 31 March 2018.

Audit and Risk Committee and attendance

The Audit and Risk Committee consists of the members listed hereunder and should meet per the schedule of meetings as per its approved Audit and Risk Committee charter.

Name of member	Number of meetings attended
Ms. L Smith (CA) SA – Chairperson	4 of 4
Mr. J Emslie (CA) SA	3 of 4
Mr. V Tshangana (B. Proc)	4 of 4

Audit and Risk Committee Responsibility

The Audit and Risk Committee reports that it has complied with its responsibilities arising from Section 51 (1)(a)(ii) of the Public Finance Management Act and Treasury Regulation 27.1. The Audit and Risk Committee also reports that it has adopted appropriate formal terms of reference as its Audit and Risk Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein, except that we have not reviewed changes in accounting policies and practices as this function was performed by the internal audit.

The Effectiveness of Internal Control and Financial Concerns

The Management presents to the Audit and Risk Committee an audit tracking document whereby all the items raised by the previous internal audit and Auditor General Reports are monitored.

The grant received for the 2017/18 financial year is R12.4 million which represents a 0.8% escalation from the 2016/17 year and therefore the entity continues to operate under stringent budgetary conditions resulting in unfavourable solvency position.

In-Year Management and Quarterly Report

The Audit and Risk Committee met for four times during the year and performed the quarterly review of financial and performance information reports. A meeting was also convened on 12 April 2017 to review the financial and performance information results for the 2016/17 financial year.

In addition, the Management reports quarterly to the Eastern Cape Provincial Treasury and the Department of Sports, Recreation, Arts and Culture as is required by the PFMA.

Evaluation of Financial Statements and Performance Information

The Audit and Risk Committee met to perform a review and discussion of the unaudited annual financial statements and the annual performance information report.

In respect of the annual financial statements, the Committee performed a high level review of the financial statements and annual performance information.

The Audit and Risk Committee continues to be concerned about the lack of Supply Chain Management expertise in the Entity which is a direct result of inadequate funding.

Review of the Eastern Cape Provincial Arts and Culture Council Act (Act No. 6 of 2000)

The Audit and Risk Committee expresses concern that the founding legislation of the entity submitted for review to the Department of Sports, Recreation, Arts and Culture has not yet been finalised. The review of the entity's act was submitted to the department in the 2013/14 financial year with the intention to align the entity's mandate and objective to the current arts and culture service delivery model.

Auditor General's report

The Audit and Risk Committee concur with the findings of the Auditor General for the year ended 31 March 2018.



Ms. Loren Smith (CA) SA
Chairperson: Audit and Risk Committee

31st July 2018



Team Building Session 2017

PART: D
**HUMAN RESOURCE
MANAGEMENT**

4. PART D: HUMAN RESOURCES MANAGEMENT

4.1 Introduction

The entity had a staff complement of nineteen (19) employees during the year under review with no new appointments.

4.2 Human Resources Oversight Statistics

Personnel cost for the entity incurred as follows:

Unit	Total expenditure for entity	Personnel expenditure	Personnel expenditure as a % of total expenditure	No. of employees	Average personnel cost per employee (p/a)
All units of the entity.	R13 273 542	R5 566 751	42%	19	R292 987

Personnel cost as a percentage of total expenditure incurred is 42% which is significantly lower than the provincial wage bill of the Eastern Cape.

Personnel cost by salary band

Salary Band	Total expenditure	Personnel expenditure as a % of total personnel	No. of Employees	Average personnel cost per employee (p/a)
Level 9-12	R3 395 718	61%	7	R485 103
Level 6-8	R890 680	16%	4	R222 670
Level 3-5	R222 670	4%	1	R222 670
Level 1-2	R1 057 683	19%	7	R151 098
Total	R5 566 751	100%	19	R292 987

Performance Rewards

No performance rewards were awarded to employees during the year under review.

Training and Development costs

The entity invests in its employees through training and development which contributes to extending the employee's skills, knowledge and experience, relative to ECPACC business and the employee's career aspirations.

ECPACC supported three employees registered for the qualifications detailed below through payment of their study fee.

No.	Employee	Qualification	Cost
1	Receptionist	Post Graduate Diploma: Project Management	7
2	Accounts Clerk	Bachelor of Commerce: Financial Management	6
3	Craft Hub Manager	Higher Diploma in Management	7

Employment and vacancies

Location	2016/17 No. of employees	2017/18 Approved posts	2017/18 No. of employees	2017/18 Vacancies	% of Vacancies
East London Office	6	16	7	9	56%
Amathole Craft Hub	4	5	3	2	40%
Eastern Cape Arts & Craft Hub	3	5	4	1	20%
Eastern Cape Film Office	1	2	1	1	50%
Chris Hani Craft Hub	4	5	4	1	20%
Total	18	33	19	14	42%

Vacancies could not be filled due to budgetary constraints the entity is faced with.

Employment changes

Salary band	Employment at beginning of period	Appointments	Terminations	Employment at the end of period
Lower skilled (levels 1-2)	8	0	1	7
Skilled (levels 3-5)	1	0	0	1
Highly skilled (levels 6-8)	4	0	0	4
Highly skilled supervision (levels 9-12)	5	2	0	7
Total	18	2	1	19

Appointments

Critical vacant posts of the Chief Executive Officer and the Eastern Cape Arts and Craft Hub Manager were filled on the 1st August 2017 and 1st September 2017 respectively.

Reasons for staff leaving

One termination of service occurred during the period under review and due to retirement.

Labour Relations: Misconduct and disciplinary action

No disciplinary actions were taken against employees during the year under review.

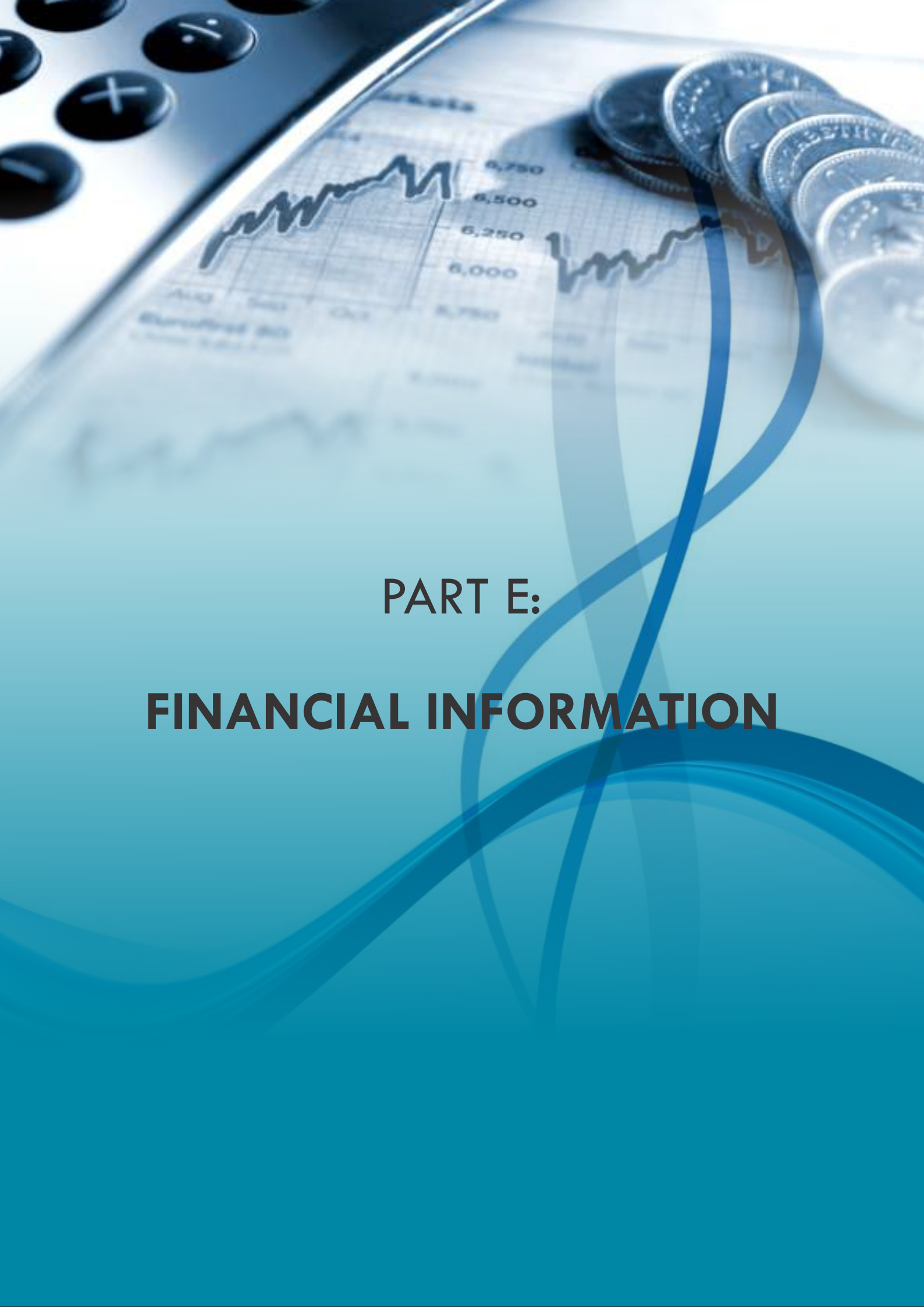
Equity Target and Employment Equity Status

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Lower skilled (levels 1-2)	4	4	0	0	0	0	0	0
Skilled (levels 3-5)	0	0	0	0	0	0	0	0
Highly skilled (levels 6-8)	0	0	0	0	0	0	0	0
Highly skilled supervision (levels 9-12)	1	1	0	0	1	1	0	0
TOTAL	5	5	0	0	1	1	0	0

Levels	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Lower skilled (levels 1-2)	3	3	0	0	0	0	0	0
Skilled (levels 3-5)	1	1	0	0	0	0	0	0
Highly skilled (levels 6-8)	4	4	0	0	0	0	0	0
Highly skilled supervision (levels 9-12)	5	5	0	0	0	0	0	0
Total	13	13	0	0	0	0	0	0

Disabled staff

There were no persons with disabilities employed by the entity during the year under review.



PART E:

FINANCIAL INFORMATION

5. PART E: FINANCIAL INFORMATION

5.1 Statement of Responsibility

The annual financial statements are the responsibility of the Accounting Authority. The Eastern Cape Provincial Arts and Culture Council is primarily responsible for the financial affairs of the Council.

The Auditor General is responsible for auditing on the entity's annual financial statements. The financial statements have been examined by the Auditor General and their report is presented on pages 47 to 52.

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The Accounting Authority has reviewed the entity's budgets and cash flow forecasts for the year ended 31 March 2018. On the basis of this review, the Accounting Authority believe that the entity will be a going concern in the year ahead and have continued to adopt the going concern basis in preparing the annual financial statements. However, the budget allocation for the entity of R12.4 million for the 2017/18 year, which represents a 0.8% increase from prior year, will have an adverse impact on the entity's ability to meet its targets and operate effectively in the year ahead.

The Accounting Authority sets standards to enable management to meet the above responsibilities by implementing systems of internal control and risk management that are designed to provide reasonable, but not absolute assurance against material misstatements and losses. The entity maintains internal financial controls to provide assurance regarding:

- (a) The safeguarding of assets against unauthorised use or disposition; and
- (b) The maintenance of proper accounting records and the reliability of financial information used within the entity or for publication.

The controls contain self-monitoring mechanisms, and actions are taken to correct deficiencies as they are identified. Even an effective system of internal control, no matter how well designed, has inherent limitations, including the possibility of circumvention or the overriding of controls. An effective system of internal controls, therefore, aims to provide reasonable assurance with respect to the reliability of financial information and, in particular, financial statement presentation. Furthermore, because of changes in conditions, the effectiveness of internal financial control may vary over time.

The Accounting Authority has reviewed the entity's systems of internal control and risk management for the period from 1 April 2017 to 31 March 2018. The Accounting Authority is of the opinion that the entity's system of internal control and risk management were effective for the period under review. However, due to budget constraints, the entity was only able to establish a Supply Chain Management Unit subsequent to the financial year end.

In the opinion of the Accounting Authority, based on the information available to date, the annual financial statements fairly present the financial position of the Eastern Cape Provincial Arts & Culture Council as at 31 March 2018 and its financial performance and cash flow information for the year then ended and the Code of Corporate Practices and Conduct has been adhered to.

The annual financial statements set out on pages 53 to 85, which have been prepared on the going concern basis, were approved by the Accounting Authority in terms of section 51(1)(f) of the Public Finance Management Act 1999, (Act No. 1 of 1999) (PFMA) on 31st May 2018 and signed on its behalf by:



Dr S.M. Matoti

Chairperson: Accounting Authority
Eastern Cape Provincial Arts and Culture Council

31st July 2018

5.2 Report of the Chief Executive Officer

1. Introduction

The Office of the Chief Executive Officer is pleased to present the audited Annual Financial Statements for the year ended 31 March 2018. The report which form part of the Annual Report was approved by the Accounting Authority of ECPACC, which is composed of the members of the Council as detailed in paragraph 2.

2. Members of the Council

In line with the prescripts of the ECPACC Act (Act No. 6 of 2000, Eastern Cape) an Accounting Authority was appointed by the Honourable MEC of DSRAC, Dr Pemmy Majodina on the 30th June 2015. The members of the accounting authority are detailed as follows:

Dr S.M. Matoti (Chairperson, Non-Executive)
 Mrs J. Buckland (Deputy Chairperson, Non-Executive)
 Ms E Poswa (Member, Non-Executive)
 Mrs N Ncwayiba (Member, Non-Executive)
 Mr Z Mkiva (Member, Non-Executive)
 Mr L. Yakobi (Member, Non-Executive)

The term of office of the Accounting Authority expired on the 30th June 2018 and was extended to 31st December 2018.

3. Members of the Audit and Risk Committee

The members of the Audit Committee during the year under review are as follows:

Ms. L Smith (CA) SA (Chairperson)
 Mr. V Tshangana (B. Proc, LL.M Lab. Law)
 Mr. J Emslie (CA) SA

The audit and risk committee has performed its function in accordance with the Audit and Risk Committee Charter.

4. Principal Activities

The principal activities of the entity are the promotion of arts and culture in the Eastern Cape Province of South Africa. It is entrusted with the responsibility of fostering the arts and promoting the culture of the Eastern Cape, to allow for the expression of the unique identity of the province and enable its artists to realise their potential through their expression of the arts to build an improved quality of life for themselves and their communities.

5. General review of the state of financial affairs

The Eastern Cape Provincial Arts & Culture Council's business and operations and the results thereof are clearly defined in the attached annual financial statements. No material fact or circumstance has occurred between the accounting date and the date of this report.

6. Grant Funding

Eastern Cape Provincial Arts & Culture Council has received grant funding to the value of R12.4 million from the Department of Sport, Recreation, Arts and Culture (DSRAC) for the year under review.

7. Post balance sheet events

The Council is not aware of any matter or circumstance arising since the end of the financial year.

8. Going Concern

Based on the available information at 31 March 2018, the entity will continue to operate as a going concern over the twelve month period ending 31 March 2019. However, the entity continues to operate under unfavourable solvency conditions as its allocated budget increased by 0.8% since 2016/17 financial year and therefore requires financial aid to deliver on its mandate effectively and efficiently.

9. External Auditors

The Auditor-General South Africa will continue in office in accordance with the relevant legislation.



Ms. P Skoti
Chief Executive Officer
Eastern Cape Provincial Arts and Culture Council

31st July 2018

5.3 Report of the External Auditor

Report of the auditor-general to the Eastern Cape Provincial Legislature on the Eastern Cape Provincial Arts and Culture Council

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Eastern Cape Provincial Arts and Culture Council set out on pages 53 to 85 which comprise the statement of financial position as at 31 March 2018, the statement of financial performance, statement of changes in net assets and cash flow statement and the statement of comparison of budget information with actual information 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 Provincial Arts and Culture Council as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the entity in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter

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

Going concern

7. Note 25 on page 83 to the annual financial statements states that the entity will continue as a going concern over the twelve-month period ending 31 March 2019, although the entity continues to operate under unfavourable solvency conditions, the unfavourable going concern assumption is mitigated by the legislated funding commitment to ensure that the entity is able to continue with its operations.

Responsibilities of the accounting authority for the financial statements

8. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with standards of GRAP and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
9. In preparing the financial statements, the accounting authority is responsible for assessing the Eastern Cape Provincial Arts and Culture Council'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 accounting authority 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

10. 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.
11. 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

12. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
13. My procedures address 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 included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
14. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the entity for the year ended 31 March 2018:

Programmes	Pages in the annual performance report
Programme 2: Sustainable Arts Capability	18 - 21
Programme 3: Film Sector Development	22 - 24
Programme 4: Craft Sector Development	25 - 28

15. 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.

Programme 2 Sustainable Arts Capability

16. I did not raise any material findings on the usefulness and reliability of the reported performance information.

Programme 3 Film Sector Development

17. I did not raise any material findings on the usefulness and reliability of the reported performance information.

Programme 4 Craft Sector Development

18. I did not raise any material findings on the usefulness and reliability of the reported performance information.

Other matters

19. I draw attention to the matters below.

Achievement of planned targets

20. Refer to the annual performance report on pages 15 to 28 for information on the achievement of planned targets for the year and explanations provided for the under and over achievement of a significant number of targets.

Adjustment of material misstatements

21. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of programme 3 Film sector development and programme 4 Craft sector development. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

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

24. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the report of the chief executive officer and the audit committee's 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.
25. 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.
26. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
27. I did not receive the other information prior to the date of this auditor's report. After I receive and read this information, and if I conclude that there is a material misstatement, 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

28. 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

31 July 2018



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence



**ANNUAL FINANCIAL
STATEMENTS**

5.4 Annual Financial Statements

Statement of Financial Position (SPO) at 31st March 2018

Figures in Rand	Note(s)	2018	2017
ASSETS			
Non-current assets			
Property, plant and equipment	2	186,900	218,100
Intangible assets	3	-	-
		186,900	218,100
Current assets			
Inventory	4	396,476	387,391
Trade and other receivables - Exchange transactions	5	410,399	168,541
Trade and other receivables - Non-exchange transactions	5	77,733	77,733
Cash and cash equivalents	6	1,334,180	126,556
		2,218,788	760,221
TOTAL ASSETS		2,405,688	978,321
LIABILITIES			
Current liabilities			
Unspent conditional grant	7	-	-
Administered funds	8	1,173,980	417,292
Trade and other payables - Exchange transactions	9	1,839,554	1,444,950
TOTAL LIABILITIES		3,013,534	1,862,242
NET ASSETS			
Reserves			
Accumulated deficit		(607,846)	(883,921)
TOTAL NET ASSETS AND LIABILITIES		2,405,688	978,321

5.4 Annual Financial Statements

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NET ASSETS			
Reserves			
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TOTAL NET ASSETS AND LIABILITIES		2,405,688	978,321

Statement of Financial Performance (SPR) for the year ended 31st March 2018

Figures in Rand	Note(s)	2018	2017
REVENUE			
Revenue from exchange transactions	10	252,254	76,066
Revenue from non-exchange transactions	7	12,400,000	12,300,000
Other income	10	783,294	1,610,908
TOTAL REVENUE		13,435,548	13,986,974
EXPENSES			
Cost of sales	11	266,135	96,480
Auditors' remuneration	14	801,157	931,109
Employee benefits	12	5,566,751	5,158,975
Project expenses	12	2,352,240	3,215,992
Other operating expenses		4,287,259	4,971,521
TOTAL EXPENDITURE		13,273,542	14,374,077
SURPLUS / (DEFICIT) FROM OPERATIONS	12	162,006	(387,103)
Interest earned	13	114,069	150,631
SURPLUS / (DEFICIT) FOR THE YEAR		276,075	(236,472)

Statement of Changes in Net Assets for the year ended 31st March 2018

Figures in Rand	Note(s)	Accumulated surplus/(deficit)	Total Net Assets
Balance at 1 April 2016		(647,449)	(647,449)
Deficit for the year		(236,472)	(236,472)
Balance at 1 April 2017		(883,921)	(883,921)
Surplus for the year		276,075	276,075
Balance at 31 March 2018		(607,846)	(607,846)

Cash Flow Statement

for the year ended 31st March 2018

Figures in Rand	Note(s)	2018	2017
Cash flows from operating activities			
Cash receipts from customers and grants received		13,193,690	14,091,772
Cash paid to suppliers and employees		(12,038,140)	(14,432,339)
Interest earned	13	114,069	150,631
Net cash inflow / (outflow) from operating activities	15	1,269,619	(189,936)
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(61,995)	(2,797)
Net cash outflow from investing activities		(61,995)	(2,797)
Net increase / (decrease) in Cash and cash equivalents		1,207,624	(192,733)
Cash and cash equivalents at beginning of the year		126,556	319,289
Cash and cash equivalents at end of year	6	1,334,180	126,556

Accounting Policies for the year ended 31st March 2018

1. Basis of Preparation

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

Presentation currency

The annual financial statements are presented in South African Rand, which is the functional currency of the entity. Unless stated otherwise, all figures have been rounded off to the nearest Rand.

Going concern assumption

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

Comparative information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practical, and the prior year comparatives are restated accordingly.

1.1. Significant judgments

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 judgment are 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 judgments include:

1.1.1. Trade Receivables

The entity assesses its trade receivables for impairment at each reporting date. In determining whether an impairment loss should be recorded in the Statement of Financial Performance, the entity makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

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

1.1.1. Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the entity for similar financial instruments.

1.1.2. Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values. These calculations require the use of estimates and assumptions.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

1.1.3. Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

1.1.4. Useful lives and residual values

The entity re-assesses the useful lives and residual values of property, plant and equipment on an annual basis. In re-assessing the useful lives and residual values of property, plant and equipment management considers the condition and use of the individual assets, to determine the remaining period over which the asset can and will be used.

1.2. Statements and interpretations effective in 2017/18

No new Standards of GRAP became effective in the current financial period.

1.3. Standards not yet effective and potential impact

1.3.1. GRAP 20 - Related Party Disclosure

ASB Issue date: June 2011
Effective date: 1st April 2019

The standards of GRAP that will replace IPSAS 20 and that deals specifically with 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. The impact of implementing this standard is expected to be immaterial as the entity has adopted the principles of the standard.

1.3.2. GRAP 32 - Standard of GRAP on Service Concession Arrangements: Grantor

ASB Issue date: August 2013
Effective date: 1st April 2019

The objective of this Standard is to prescribe the accounting for service concession arrangements by an entity that grants the right to use the service concession asset to the operator, a public sector entity. The impact of implementing this standard is expected to be immaterial in the context of this entity's operations.

1.3.3. GRAP 34 – Separate financial statements

ASB Issue date: March 2017

Effective date: To be determined by the Minister of Finance

The objective of this Standard is to prescribe the accounting and disclosure requirements for Investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements. The impact of implementing this standard is expected to be immaterial in the context of this entity's operations.

1.3.4. GRAP 38 – Disclosure of interests in other entities

ASB Issue date: March 2017

Effective date: To be determined by the Minister of Finance

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate the nature of and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated and the effects of those interests on its financial position, financial performance and cash flows.

1.3.5. GRAP 108 - Statutory Receivables

ASB Issue date: September 2013

Effective date: 1st April 2019

The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of receivables that arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. The impact of implementing this standard is expected to be immaterial in the context of this entity's operations.

1.3.6. GRAP 109 - Accounting by Principals and Agents

ASB Issue date: July 2015

Effective date: 1st April 2019

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The impact of implementing this standard is expected to be immaterial as the entity has adopted the principles of the standard.

1.4. Revenue recognition

Revenue comprises the cost of the consideration received or receivable for the sale of goods in the ordinary course of the Council's activities. Revenue is measured at the fair value of the consideration received or receivable net of estimated returns.

Revenue is recognised as follows:

1.4.1 Revenue from exchange transactions

Interest income is accrued on a timely basis by reference to the principal amount outstanding and at the interest rate applicable.

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

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

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 of the following conditions are satisfied:

- (a) the amount of revenue can be measured reliably;
- (b) it is probable that the economic benefits associated with the transaction will flow to the entity;
- (c) the stage of completion of the transaction at the reporting date can be measured reliably; and
- (d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable. Revenue from exchange transactions refers to revenue that accrued to the entity directly in return for services rendered /goods sold, the value of which approximates the consideration received or receivable.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates.

1.4.2. Revenue from non-exchange transactions

Revenue received from conditional grants is recognised as revenue to the extent that there are no further conditions attached to the grant that give rise to an obligation to repay. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Public Finance Management Act (Act No.1 of 1999) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Government Grants

Government grants are recognised when there is reasonable assurance that:

- (a) The Council will comply with the conditions attaching to them; and
- (b) The grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Government grants relating to assets, including non-monetary grants at fair value, are presented in the statement of financial position recording the grant as an unspent conditional liability or by reducing the carrying amount of the asset equal to grant received.

Grants related to income are presented as a credit in the statement of financial performance (separately).

Repayment of a grant related to income is applied first against any un-amortised deferred credit set up in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or where no deferred credit exists, the repayment is recognised immediately as an expense.

Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the unspent conditional grant balance by the amount repayable. The cumulative additional depreciation that would have been recognised to date as an expense in the absence of the grant is recognised immediately as an expense.

1.5. Property, plant and equipment

1.5.1. Recognition

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

- (a) it is probable that future economic benefits associated with the item will flow to the Council; and
- (b) the cost of the item can be measured reliably.

1.5.2. Initial recognition

The Council adopted the cost model for all classes of property, plant and equipment. Property, plant and equipment are initially recorded at cost.

1.5.3. Subsequent measurement

Property, plant and equipment, is stated at cost, less accumulated depreciation and any impairment losses. Any subsequent expenditure to any asset that increases the value of the asset is seen as an improvement and will be capitalised during the year in which such expenditure is incurred. Replacement costs or repairs that does not increase the value of any asset, will be expensed in the year such expenditure is incurred.

1.5.4. Depreciation

When components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment and are depreciated according to their different useful lives. The depreciation charge for each year is recognised in surplus and deficit unless it is included in the carrying amount of another asset.

Assets held under finance leases are depreciated over the lower of the term of the lease period or the life expectancy of the asset. Depreciation is calculated on cost less residual value, using the straight line method, over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated useful lives:

Computer equipment	33%
Office furniture and fittings	10%
Plant and equipment	10%
Motor vehicles	20%
Office equipment	20%

The residual value and the useful life of each asset are reviewed annually.

1.5.5. Impairment

The Council assesses at each statement of financial position date whether there is any indication that an asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.5.6. Derecognition

The carrying amount of an item of property, plant and equipment shall be derecognised:

- (a) on disposal, or
- (b) when no future economic benefits or service potential is expected from its use or disposal.

1.5.7. Gains or losses

The gains and losses arising from derecognition of property, plant and equipment (difference between carrying amount less any revaluation surpluses and net disposal proceeds) are included in surplus or deficit.

1.6 Intangible assets

1.6.1 Definition

An intangible asset is an identifiable non-monetary asset without physical substance.

1.6.2 Initial recognition

Intangible assets that are acquired by the Council are stated at cost less accumulated amortisation and impairment losses.

1.6.3 Subsequent recognition

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

1.6.4 Amortisation

Amortisation of intangible assets is recognised in the statement of financial performance on a straight line basis over the assets' estimated useful lives as follows:

Computer software	50%
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1.6.5 Derecognition

The carrying amount of an item of intangible assets shall be derecognised:

- (a) on disposal, or
- (b) when no future economic benefits or service potential are expected from its use or disposal.

1.6.6 Gains or losses

The gains and losses arising from derecognition of intangible assets (difference between carrying amount less any revaluation surpluses and net disposal proceeds) are included in surplus or deficit.

1.7 Leases

1.7.1 Recognition

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the entity through the lease agreement. Assets subject to finance leases are recognised in the Statement of Financial Position at the inception of the lease, as is the corresponding finance lease liability.

Assets subject to operating leases, i.e. those leases where substantially all of the risks and rewards of ownership are not transferred to the lessee through the lease, are not recognised in the Statement of Financial Position. The operating lease expense is recognised over the course of the lease arrangement.

1.7.2 Measurement

Assets subject to a finance lease, as recognised in the Statement of Financial Position, are measured (at initial recognition) at the lower of the fair value of the assets and the present value of the future minimum lease payments. Subsequent to initial recognition these capitalised assets are depreciated over the contract term. The finance lease liability recognised at initial recognition is measured at the present value of the future minimum lease payments. Subsequent to initial recognition this liability is carried at amortised cost, with the lease payments being set off against the capital and accrued interest.

The allocation of the lease payments between the capital and interest portion of the liability is effected through the application of the effective interest method.

The finance charges resulting from the finance lease are expensed, through the Statement of Financial Performance, as they accrue. The finance cost accrual is determined using the effective interest method.

The lease expense recognised for operating leases is charged to the Statement of Financial Performance on a straight-line basis over the term of the relevant lease. To the extent that the straight-lined lease payments differ from the actual lease payments the difference is recognised in the Statement of Financial Position as either lease payments in advance (operating lease asset) or lease payments payable (operating lease liability) as the case may be. This resulting asset and / or liability are measured as the undiscounted difference between the straight-line lease payments and the contractual lease payments.

1.7.3 Derecognition

The finance lease liabilities are derecognised when the entity's obligation to settle the liability is extinguished. The assets capitalised under the finance lease are derecognised when the entity no longer expects any economic benefits or service potential to flow from the asset.

The operating lease liability is derecognised when the entity's obligation to settle the liability is extinguished. The operating lease asset is derecognised when the entity no longer anticipates economic benefits to flow from the asset.

Contingent rentals are recognised as expenses in the period in which they are incurred and are not included in the straight-line lease expense.

1.8 Prepayments

Insurance, subscription and service contract payments covering periods exceeding one month are allocated to the period of the contract.

1.9 Inventory

Inventory, which consists of arts and crafts designed from the use of ceramic, glass, beads, grass, pottery, wood and cloth, are valued at the lower of cost and net realisable value using the weighted average cost method. Cost is determined based on the purchase price.

1.10 Financial instruments

The Council classifies financial assets and financial liabilities into the following categories:

Financial assets: Loans and receivables

Financial liabilities: At amortised cost

1.10.1 Initial recognition and measurement

Financial instruments are recognised initially when the entity becomes a party to the contractual provisions of the instruments.

The entity classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

1.10.2 Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

1.10.3 Impairment of financial assets

At the end of each reporting period the entity assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available for sale.

1.10.4 Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- (a) A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit, and
- (b) For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

1.10.5 Derecognition of Financial Assets and Liabilities

1.10.5.1 Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- (a) the rights to receive cash flows from the asset have expired;
- (b) the entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- (c) the entity has transferred its rights to receive cash flows from the asset and either-
 - (i) has transferred substantially all the risks and rewards of the asset, or
 - (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the entity has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the entity's continuing involvement in the asset.

1.10.5.2 Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

1.10.6 Trade and other receivables

Accounts receivable are classified as "Loans and receivables" and are initially recognized at fair value. Subsequent measurement is at amortised value if material. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current

1.10.7 Trade and other payables

Trade and other payables are classified as “Liabilities at amortised cost” and are initially recognized at the fair value of the present obligation of a past event. Subsequent measurement is at amortised value if material.

Accruals are recognised at the date of receipt of goods or services. All accruals are recognised at financial year-end.

1.10.8 Administered fund liability

Administered funds comprise of funds received or held on behalf of third parties where ECPACC make payments on behalf of these third parties based on instructions from them. The unspent funds are classified as “Financial liabilities at amortised cost”. Subsequent measurement is at amortised value, if material. Where condition of the funds are no longer enforced, the amount is recognised as other income.

1.10.9 Cash and cash equivalent

Cash and cash equivalents comprise cash on hand and demand deposits and any short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1.10.10. Effective interest rate

The entity uses the prime interest rate to discount future cash flows.

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

1.11 Provisions and contingencies

Provisions are recognised when:

- (a) the Council has a present obligation as a result of a past event;
- (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- (c) a reliable estimate can be made of the obligation.

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

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision. A constructive obligation to restructure arises only when an entity has a detailed formal plan for the restructuring, identifying at least:

- (a) The business or part of a business concerned;
- (b) The principal locations affected;
- (c) The location, function, and appropriate number of employees who will be compensated for terminating their services;
- (d) The expenditure that will be undertaken; and
- (e) When the plan will be implemented.

1.12 Budget information

The budget is prepared annually in accordance with the provisions of the Public Finance Management Act 1999 (No. 1 of 1999), directives issued by the executive authority and best practice budgeting practice.

Budget virements may only be performed within the levels specified by approved delegation of authority. Unbudgeted expenditure is subject to Council approval which will only be granted in extraordinary circumstances.

Comparison of budget and actual amounts are presented in Note 19. Differences (variances) between the actual amounts and budget amounts are presented.

The annual financial statements and budget are not presented on the same basis as the annual financial statements are prepared on the accrual basis and the budget on the modified cash basis of accounting. A reconciliation between the surplus and (deficit) for the period reported in the Statements of Financial Performance and budgeted surplus / (deficit) is included in Note 19.

1.13 Unspent conditional grant

1.13.1 Initial recognition

Unspent conditional grants are reflected on the Statement of Financial Position as unspent conditional grant. They represent unspent government grants. The following conditions are set for the creation and utilisation of these payables:

- (a) The grants received are initially recognised at cost as unspent conditional grant.
- (b) Whenever an item of property, plant and equipment is funded from a grant, an amount equal to the purchase price is transferred from the unspent conditional grant account to the operating account on the Statement of Financial Performance as revenue.
- (c) Whenever operational expenditure is funded from a grant an amount equal to the expenditure is transferred from the unspent conditional grant account to the operating account on the Statement of Financial Performance as revenue to offset the expenditure which was expensed through the operating account.
- (d) The cash which backs the unspent portion is invested until utilised.
- (e) Interest earned on the investment is treated in accordance with grant conditions. If the grant conditions indicate that interest is payable to donors then interest earned on unutilised conditional grants is allocated to the funds and is not recognised in the Statement of Financial Performance.
- (f) The unspent grant is classified as "Financial liabilities at amortised cost".

1.13.2 Subsequent measurement

Unspent conditional grants are subsequently measured at amortised cost if material.

1.13.3 Derecognition

Unspent conditional grants are derecognised when the balance was expended per the conditions as set for a grant.

1.14 Fruitless, wasteful and irregular expenditure

1.14.1 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and detailed further in the notes to the annual financial statements and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.14.2 Irregular expenditure

Irregular expenditure is expenditure that is contrary to any applicable legislation. Irregular expenditure incurred is recorded as an expense in the Statement of Financial Performance and detailed further in the notes to the annual financial statements, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.15 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

1.16 Contingent Liabilities

A contingent liability is a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of obligation cannot be measured with sufficient reliability

1.17 Commitments

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

No commitment is entered into when quotations are requested and therefore a quotation will not lead to the disclosure of a commitment. The capital expense will only be considered to be contracted for when an order is issued.

1.18 Post Balance Sheet Events

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

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

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

1.19 Taxation

The entity is exempt from taxation as the entity is a schedule 3C public entity formed by the government.

1.20 Employee Benefits

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

1.20.1 Short-term employee benefits

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

Short-term employee benefits include items such as:

- (a) Salaries and wages;
- (b) Short term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service; period in which the employees render the related service; and
- (c) Bonus, incentive and performance related payments payable within twelve months after the end of the reporting.

1.20.2 Leave Pay

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

1.20.3 Annual Bonus

The entity recognise the expected cost of bonus, incentive and performance related payments only when the entity has a present legal or constructive obligation to make such payments as a result of past events and if 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.

The entity pays out an annual bonus to its employees during the month of December annually. A liability relating to the anticipated bonuses payable is raised and is based on the monthly basic salary of the individual.

1.21 Key Management Personnel

The entity recognises all forms of consideration given by the entity in exchange for service rendered by the Chief Executive Officer and the Finance Manager.

1.22 Other income

Other income comprises of consideration received or receivable which are not classified as sale of arts and craft artefacts, interest, royalties and dividends or similar distributions.

The entity recognises other income when it is probable that the economic benefit associated with the transaction will flow to the entity; and the amount of the other income can be measured reliably.

The other income is measured at fair value of the consideration received or receivable.

Notes to the Annual Financial Statements
for the year ended 31st March 2018

Figures in Rand	2018	2017
2. Property, plant and equipment		
<i>Plant and equipment</i>		
Opening net carrying amount at beginning of year	99,125	134,585
Gross carrying amount	441,866	441,866
Accumulated depreciation	(342,741)	(307,281)
Depreciation charge	(35,459)	(35,460)
Closing net carrying amount at end of year	63,666	99,125
Gross carrying amount	441,866	441,866
Accumulated depreciation	(378,200)	(342,741)
<i>Computer equipment</i>		
Opening net carrying amount at beginning of year	4,402	8,756
Gross carrying amount	302,905	302,106
Accumulated depreciation	(298,503)	(293,350)
Additions	61,995	799
Depreciation charge	(16,015)	(5,153)
Closing net carrying amount at end of year	50,382	4,402
Gross carrying amount	364,900	302,905
Accumulated depreciation	(314,518)	(298,503)
<i>Office equipment</i>		
Opening net carrying amount at beginning of year	4,553	4,805
Gross carrying amount	271,379	269,381
Accumulated depreciation	(266,826)	(264,576)
Additions	-	1,998
Depreciation charge	(1,873)	(2,250)
Closing net carrying amount at end of year	2,680	4,553
Gross carrying amount	271,379	271,379
Accumulated depreciation	(268,699)	(266,826)
<i>Office furniture and fittings</i>		
Opening net carrying amount at beginning of year	110,020	151,419
Gross carrying amount	546,355	546,355
Accumulated depreciation	(436,335)	(394,936)
Depreciation charge	(39,848)	(41,399)
Closing net carrying amount at end of year	70,172	110,020
Gross carrying amount	546,355	546,355
Accumulated depreciation	(476,183)	(436,335)

Notes to the Annual Financial Statements for the year ended 31st March 2018

Figures in Rand	2018	2017
Total Property, plant and equipment		
Opening net carrying amount at beginning of year	218,100	299,565
Gross carrying amount	1,562,505	1,559,708
Accumulated depreciation	(1,344,405)	(1,260,143)
Additions	61,995	2,797
Disposals	-	-
Gross carrying amount	-	-
Accumulated depreciation	-	-
Depreciation charge	(93,195)	(84,262)
Closing net carrying amount at end of year	186,900	218,100
Gross carrying amount	1,624,500	1,562,505
Accumulated depreciation	(1,437,600)	(1,344,405)

Pledged as security

No property, plant and equipment has been pledged as security.

Plant and equipment with an initial gross carrying amount of R86 792 (2016/17: R86 792) are fully depreciated at 31 March 2018 and are still in use.

Computer equipment with an initial gross carrying amount of R146 725 (2016/17: R165 765) are fully depreciated at 31 March 2018 and are still in use.

Office equipment with an initial gross carrying amount of R109 525 (2015/16: R109 525) are fully depreciated at 31 March 2018 and are still in use.

Furniture and fittings with an initial gross carrying amount of R111 488 (2015/16: R120 072) are fully depreciated at 31 March 2018 and are still in use.

3. Intangible assets

Computer software

Opening net carrying amount at beginning of year	-	-
Gross carrying amount	215,353	215,353
Accumulated amortisation	(215,353)	(215,353)
Additions	-	-
Disposals	-	-
Amortisation charge	-	-
Closing net carrying amount at end of year	-	-
Gross carrying amount	215,353	215,353
Accumulated amortisation	(215,353)	(215,353)

Notes to the Annual Financial Statements for the year ended 31st March 2018

Figures in Rand	2018	2017
Pledged as security		
No intangible assets has been pledged as security.		
Computer software with an initial gross carrying amount of R1 625 (2016/17: R1 625) are fully depreciated at 31 March 2018 and are still in use.		
4. Inventory		
Finished goods	396,476	387,391
Total	396,476	387,391

Inventory comprises of arts and craft products purchased by the Eastern Cape Arts and Craft Hub, Amathole Craft Hub and Chris Hani Craft Hub.

Pledged as security

No inventory has been pledged as security.

5. Trade and other receivables

Exchange transactions - Current

Trade receivables - Exchange transactions	6,407	519
Other receivables - Exchange transactions	404,565	141,477
Accrued rent receivable - Exchange transactions	-	26,545
Less: Provision for impairment losses	(573)	-
Total	410,399	168,541

Non-exchange transactions - Current

Deposits - Non-exchange transactions	77,733	77,733
Total	77,733	77,733

Trade and other receivables pledged as security

None of the terms and or conditions attached to the financial assets were re-negotiated during the period under review.

Credit quality of trade and other receivables

The entity's management considers all the above trade and other receivables, with the exception of departmental debts, to be of a good credit quality. A significant portion of Trade receivables comprises of departmental or municipal debts which are long outstanding and are therefore impaired.

Notes to the Annual Financial Statements

for the year ended 31st March 2018

Figures in Rand **2018** **2017**

Credit risk

A significant concentration of credit risk rests with government organisations that are unable to settle their debt due to budget constraints. Management ensures that no credit is available to organisations without a valid order and a commitment to pay. Management believes that the allowance for impairment adequately addresses the credit risk involved.

Trade receivables

Government/Departmental debts	573	519
Other debts	5,834	-
Total	6,407	519

Trade receivables past due but not impaired

The ageing of trade receivables are as follows:

Not later than one month		-
Later than one month and not later than three months		-
Three months or more overdue	6,407	519

Trade receivables impaired

At 31 March 2018 trade and sundry receivables of R573 were provided for as doubtful debt. At 31 March 2017 trade and sundry receivables of R3 849 were written off as irrecoverable.

Reconciliation of provision for impairment of trade receivables

Opening balance	-	-
Write off of unrecoverable debt	-	-
Provision for impairment	(573)	-
Closing balance	(573)	-

Trade receivables impaired comprises of arts and craft items sold on terms to various departments, municipalities and universities. Management have made attempts to recover the outstanding debt and were unsuccessful.

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash at bank	1,325,348	118,890
Cash on hand	8,832	7,666
Total	1,334,180	126,556

Administered funds balance at 31 March 2018 amounted to R860 142 (2016/17: R417 292). Refer to Note 8.

Security

No cash and cash equivalents (or portions thereof) was pledged as security for any financial liability.

Notes to the Annual Financial Statements for the year ended 31st March 2018

Figures in Rand	2018	2017
Credit quality of cash at bank (excluding cash on hand)		
Management considers that all of the above cash and cash equivalent categories are of good credit quality. The maximum exposure to credit risk at the reporting date is the fair value of each class of cash and cash equivalent mentioned above.		
7. Unspent conditional grant		
	-	-
Opening balance		
Add: Grants received during the year	12,400,000	12,300,000
Grants received - capital	61,995	2,797
Grants received - operational	12,338,005	12,297,203
	12,400,000	12,300,000
Less: Conditions met transferred to SPR	12,400,000	12,300,000
Cost of asset additions	61,995	2,797
Operating expenditure in excess of grants received funded from interest earned and other income.	(841,768)	(1,988,763)
Operating expenditure plus inventory purchases	13,179,773	14,285,966
Closing balance	-	-

The Eastern Cape Provincial Arts & Culture Council has received grant funding to the value of R12 400 000 from the Department of Sport, Recreation, Arts and Culture (DSRAC) for the year under review. Funds received from DSRAC are spent in accordance with the terms and conditions detailed in the memorandum of agreement between DSRAC and the ECPACC.

8. Administered funds

Reconciliation of administered funds – 2018

	Opening Balance	Received during the year	Payments during the year	Realised to (income) / expense	Closing Balance
National Lotteries Board	185,156	-	-	-	185,156
DSRAC - Partnership Programme	-	-	-	-	-
Department of Arts and Culture	116,260	468,000	-	-	584,260
Subtotal	301,416	468,000	-	-	769,416
DSRAC - South African Traditional Music Awards	-				-
MTN Foundation	-				-

Notes to the Annual Financial Statements for the year ended 31st March 2018

Figures in Rand			2018	2017	
DSRAC - Gospel Talent Search project	(1,415)			1,415	-
National Arts Council	104,564	300,000			404,564
DSRAC Cultural Sector and Study Support	12,727	-	(25,150)	12,423	-
Total	417,292	768,000	(25,150)	13,838	1,173,980

Reconciliation of administered funds - 2017

	Opening Balance	Received during the year	Payments during the year	Realised to (income) /expense	Closing Balance
National Lotteries Board	185,156	-	-	-	185,156
DSRAC - Partnership Programme	68,723	-	-	(68,723)	-
Department of Arts & Culture	116,260	-	-	-	116,260
Subtotal	370,139	-	-	(68,723)	301,416
DSRAC - South African Traditional Music Awards	258,853	-	-	(258,853)	-
MTN Foundation	34,000	-	-	(34,000)	-
Gospel Talent Search Project	(1,415)	-	-	-	(1,415)
National Arts Council	104,564	-	-	-	104,564
DSRAC Cultural Sector and Study Support	12,727	-	-	-	12,727
Total	778,868	-	-	(361,576)	417,292

Administered funds (current liability) comprise of funds received/held on behalf of third parties where ECPACC make payments on behalf of these third parties based on a memorandum of agreement between the parties. At 31 March 2018 cash on hand amounted to R1 334 180 (2016/17: R126 556). Refer to Note 6 for details.

9. Trade and other payables

Accruals - Exchange transactions	916,362	388,730
Accruals - Non-exchange transactions (Study support not paid at year end)	675,731	756,991
Sundry creditor - Exchange transactions	21,650	21,750
Accrued rent payable - Exchange transactions	15,529	1,779
Accrued employee benefit - Exchange transactions	209,892	275,700
Income received in advance	390	-
Total	1,839,554	1,444,950

Liquidity risk

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities. Stringent cash management procedures are in place. These include cash flow forecasting.

The following table details the entity's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the entity can be required to pay. The table includes both estimated interest and principal cash flows. The non-exchange transactions are excluded from the liquidity risk.

Notes to the Annual Financial Statements for the year ended 31st March 2018

Figures in Rand	2018	2017
At 31 March 2018	1-3 months	> 3 months
Trade payables	-	
Other payables	916,362	247,461
At 31 March 2017		
Trade payables	-	
Other payables	388,730	299,229

The entity did not default on any of the accounts payable.

10. Revenue

Revenue from exchange transactions

Sale of arts and craft	252,254	76,066
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Revenue is generated from the sale of arts and crafts products at the hubs.

Other income

Training and development funds	366,666	430,382
Insurance proceeds	9,651	4,102
Sundry recoveries	170	80
Rental of craft hub	45,500	-
Interest charged on overdue trade debtors account	382	218
Film and documentary development	-	665,000
Administered fund liability realised to other income	-	361,576
Income from hire of accommodation	194,525	149,550
Festival and events partnership	166,400	-
Total	783,294	1,610,908

11. Cost of sales

Cost of goods sold	266,135	96,480
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12. Operating surplus / (deficit)

Operating deficit for the period is stated after accounting for the following:

Rental in respect of operating lease	778,220	657,438
Depreciation on property, plant and equipment	93,196	84,262
Employee benefits	5,566,751	5,158,975
ECPACC projects and art center support	2,352,240	3,215,992
Repairs and maintenance	21,050	21,371

Notes to the Annual Financial Statements
for the year ended 31st March 2018

Figures in Rand	2018	2017
Travel and subsistence	184,446	317,424
Courier and delivery charges	8,502	7,701

Employee benefits relates to salary costs for staff allocated to ECPACC Head Office, Amathole Craft Hub, Eastern Cape Craft Hub and Eastern Cape Craft Hub. At 31 March 2018, 19 staff members were in employ at the entity. There were two termination of service due to retirement and two new appointments to fill the vacant post of the Chief Executive Officer and the Eastern Cape Arts and Craft Hub Manager during the year under review.

Project expenses relates to the Eastern Cape arts and culture district project funding awarded to various organisations and individuals on an annual basis. The financial support are also provided to various community art centers and campsite for arts and culture related programs.

13. Finance income

Interest on - Cash and bank deposits	114,069	150,631
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14. Auditors' remuneration

Statutory audit	801,157	931,109
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The annual financial statements of ECPACC are audited by the Auditor General of South Africa.

15. Reconciliation of net cash flows from operating activities

Surplus / (Deficit) for the year	276,075	(236,472)
Adjustments for:		
Depreciation	93,196	84,262
Amortisation	-	-
Impairment loss	-	-
Movements in administered funds	756,688	(361,576)
Changes in working capital		
Inventory	(9,085)	(96,615)
Trade and other receivables - Exchange and non-exchange transactions	(241,858)	104,798
Trade and other payables	394,603	315,667
Total	1,269,619	(189,936)

Notes to the Annual Financial Statements
for the year ended 31st March 2018

Figures in Rand	2018	2017
16. Operating lease arrangements		
Lessee - Office premises		
! At the reporting date the entity had outstanding commitments under non-cancellable operating leases, which falls due as follows:		
Up to 1 year	418,312	248,952
2 to 5 years	488,417	143,550
More than 5 years	-	-
	906,729	392,502
Lessee - Office equipment		
! At the reporting date the entity had outstanding commitments under non-cancellable operating leases, which falls due as follows:		
Up to 1 year	-	3,231
2 to 5 years	-	-
More than 5 years	-	-
		3,321
Total	906,729	395,733

No contingent rent is payable.

17. Councillor's emoluments

The following emoluments were paid to the councillors for services rendered during the year:

Non-executive – 2018

Surname	Initials	Travel & Disbursements	Sitting fee	Total
Matoti	S	22,636	32,780	55,416
Rowland	J	5,006	22,425	27,431
Poswa	E	24,802	15,050	39,852
Mkiva	Z	18,873	8,500	27,373
Yakobi	L	37,717	16,040	53,757
Ncwayiba	N	38,086	14,720	52,806
Total		147,120	109,515	256,635

Non-executive - 2017

Surname	Initials	Travel & Disbursements	Sitting fee	Total
Matoti	S	21,986	19,530	41,516
Rowland	J	2,391	21,507	23,898
Poswa	E	18,220	11,190	29,410

Notes to the Annual Financial Statements for the year ended 31st March 2018

Figures in Rand		2018	2017
Mkiva	Z	5,990	7,690
Yakobi	L	24,151	33,641
Ncwayiba	N	18,643	28,133
Total		91,381	164,288

18. Senior management's emoluments

Chief Executive Officer

Basic salary	528,848	264,424
13th cheque	27,544	-
Housing allowance	7,200	3,600
Medical aid allowance	5,000	4,056
Pension allowance	68,750	34,375
TOTAL	637,342	306,455

Finance Manager

Basic salary	668,001	621,181
13th cheque	55,544	51,765
Housing allowance	10,800	10,800
Medical aid allowance	12,168	12,168
Pension allowance	85,175	80,754
TOTAL	831,688	776,668

Mr TR Mehlala who served the entity since the 2009/10 financial year sadly passed away on the 19 July 2016. The Chief Executive Officer vacant post was filled by Ms. P Skoti on 1 August 2017.

19. Reconciliation of budget surplus with the deficit in the statement of financial performance

The entity's approved and final budget of R12.4 million was tabled in the Eastern Cape Provincial Legislature. The Eastern Cape has a total of eleven public entities listed in Schedule 3 of the Public Finance Management Act 1 of 1999 (PFMA), as amended and are included in the approved budget.

The annual financial statements have been prepared on an accrual basis and in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. The budget information is presented on a cash basis.

	Approved	Final	Actual	Variance
RECEIPTS				
Revenue from exchange transactions	300,000	300,000	252,254	47,746
Interest received	120,000	120,000	114,069	5,931
Transfer received from DSRAC	12,300,000	12,400,000	12,400,000	-
Other non-tax revenue	-	-	-	-
Sub-total	12,720,000	12,820,000	12,766,323	53,677

Notes to the Annual Financial Statements for the year ended 31st March 2018

Figures in Rand			2018	2017
PAYMENTS				
Compensation of employees	5,839,000	5,839,000	5,566,751	272,249
Goods and services	6,881,000	6,981,000	6,923,497	57,503
Interest on rent and land	-	-	-	-
Sub-total	12,720,000	12,820,000	12,490,248	329,752
TOTAL BUDGET SURPLUS	-	-	276,075	276,075

Explanation for material differences:

Revenue from exchange transactions

Sales order from government departments and entities was lower than projected due to the cost containment measures implemented. This measure combined with the shrinking fiscal allocation, adversely impacted on the procurement of arts and craft artefacts from the craft hubs.

Interest earned

Decrease in the interest earned is attributed to a delay in receipt of the second tranche from National Lottery Commission for the production of two documentaries. The delay in the production process has deferred the completion of the documentaries which negatively impacted on the entity's cash flow and interest earned for the year.

Compensation of employees

The variance in the compensation of employees results from the vacant Chief Executive Officer post caused by the passing of Mr. TR Mehlala on 19 July 2016 and due to the resignation of the Eastern Cape Arts and Craft Hub Manager effective from 1 November 2016. The two posts were filled on the 1 August 2017 and 1 September 2017 respectively. DSRAC seconded a Senior Manager on 18 August 2016 to act as the Chief Executive Officer until the appointment of the Chief Executive Officer.

Goods and services

The underspending is attributable to the Eastern Cape Film Indaba which was initially planned for February 2018 and was deferred to be held in April 2018 to accommodate provincial and national key film industry stakeholders.

20. Related party

Eastern Cape Development Corporation

Funds disbursed to Eastern Cape Development Corporation for the rent of premises occupied by the Eastern Cape Arts & Craft Hub and Amathole Craft Hub.

Eastern Cape Arts & Craft Hub	296,443	243,728
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Notes to the Annual Financial Statements for the year ended 31st March 2018

Figures in Rand	2018	2017
Amathole Craft Hub	-	98,762

Department of Sports, Recreation, Arts and Culture (DSRAC)

Eastern Cape Provincial Arts & Culture Council receives grant funding from DSRAC who is the parent department of the entity and the sole funder of the entity's operations. A total of R12 400 000 (2016/17: R12 300 000) in transfers were received from DSRAC during the year under review. The department seconded a Senior Manager: Security Services to ECPACC during the year under review, in terms of Section 15(3) of the Public Service Act, 1994 (Act No 103 of 1994), to act as the Chief Executive Officer. The department will continue to remunerate all his employment related benefits during the term of secondment.

Sale transactions with Departments

The Eastern Cape Provincial Arts & Culture Council hubs sells arts and crafts artefacts to various government institutions. These sale transactions were concluded within normal operating procedures and on terms that were no more or no less favorable than the terms it would use to transact with any other entity or person.

20.1. Compensation of councilors and key management personnel

The compensation of councilors and key management personnel are set out in Notes 17 and 18 to the annual financial statements.

20.2. Related party relationship

During the 2017/18 year there were no transactions with Council and Key Management Personnel controlled entities.

21. Irregular expenditure

Opening balance	55,753	632,172
Add: Irregular expenditure – current year	-	55,753
Less: Amounts condoned/written off	-	(632,172)
Irregular expenditure awaiting condonation	55,753	55,753

Analysis of expenditure awaiting condonation per age classification:

Current year	-	55,753
Prior years	55,753	-
Total	55,753	55,753

Details of Irregular Expenditure - Prior year

Incident

Irregular expenditure was incurred due to non-adherence to the Preferential Procurement Policy Framework Act, Act 5 of 2000. Currently, the entity operates without a Supply Chain Management unit which had an adverse impact on the entity's ability to comply with the relevant procurement laws and regulations. The goods and services relating to irregular expenditure were received.

Notes to the Annual Financial Statements for the year ended 31st March 2018

Figures in Rand	2018	2017
Disciplinary steps		
Irregular expenditure incurred and the subsequent recovery of the funds disbursed is to be addressed by the accounting authority subsequent to year end. The lack of a supply chain unit caused the entity to incur irregular expenditure.		
Amount		
An amount of R55 753 was paid to service providers where the prescripts of the Preferential Procurement Policy Framework Act, Act 5 of 2000 were not adhered to.		
22. Fruitless and wasteful expenditure		
<i>Reconciliation of fruitless and wasteful expenditure</i>		
Opening balance	3,030	1,604
Add: Fruitless & wasteful expenditure - current	2,940	3,030
Less: Amount written off	-	(1,604)
Fruitless & wasteful expenditure at year end	5,970	3,030

Fruitless & wasteful expenditure was incurred by ECPACC during the financial year ended 31 March 2018 in respect of interest charged on overdue rent and telephone account.

23. Commitments

At 31 March 2018, management are not aware of any commitments.

24. Contingent Liability

At 31 March 2018, management are not aware of any contingent liabilities that exist at year end.

25. Going Concern

Management takes into account all available information at 31 March 2018 and concludes that the entity will be able to operate as going concern over the twelve month period ending 31 March 2019. However the assessment of the liquidity and solvency tests in the statement of financial position suggests that the entity's going concern assumption is not appropriate.

This unfavorable going concern assumption is mitigated by the legislated funding commitment endorsed by the Eastern Cape Provincial Legislature and documented in the Eastern Cape Estimates for Public Entities 2017/18 book issued by the ECPT. This document affirms a multi-year transfer of funds to ECPACC to ensure that the entity is able to continue its operation at least up to and including 2019/20 financial year.

26. Post Balance Sheet Event

At 31 March 2018, management are not aware of any post balance sheet events that require disclosure at the reporting date.

Detailed Statement of Financial Performance

for the year ended 31 March 2018

Figures in Rand	Note(s)	2018	2017
Revenue			
	10	252,254	76,066
Revenue from exchange transactions			
Cost of sales			
		387,391	290,776
Opening inventory			
Purchases		275,220	193,095
Closing inventory		(396,476)	(387,391)
	11	266,135	96,480
Gross deficit		(13,881)	(20,414)
Other income			
	13	114,069	150,631
Interest received			
Sundry Income		783,294	1,610,908
Revenue from non-exchange transactions		12,400,000	12,300,000
		13,283,482	14,041,125
Operating expenses			
		349,137	222,267
Accommodation			
Accounting fees		23,645	45,414
Advertising & promotion		63,271	96,638
Auditors remuneration - Auditor General	14	801,157	931,109
Auditors remuneration - Internal		201,656	73,818
Bad debts		573	3,849
Bank charges		36,473	38,438
Arts & Culture and Film Sector study support		675,731	756,991
Casual labour		73,220	25,500
Catering		117,974	122,059
Cleaning and teas		18,383	13,586
Computer expenses		5,532	3,569
Consumables		33,205	9,782
Councilors remuneration	17	256,635	164,288
Depreciation		93,196	84,262
ECPACC projects and art center support	12	2,352,240	3,215,992
Employee costs	12	5,566,751	5,158,975
Exhibition expenses		-	12,800

Detailed Statement of Financial Performance

for the year ended 31 March 2018

Figures in Rand	Note(s)	2018	2017
Facilitation of training & development Workshop		332,625	782,055
Festivals and concert support		202,751	139,210
Film production & documentaries		-	400,000
Hire Costs		35,370	29,020
Insurance		105,562	105,583
Interest paid	22	2,940	3,030
Lease rentals on operating lease	16	778,220	657,438
Postage and courier		8,502	7,701
Printing and stationery		119,946	155,481
Professional fee		82,032	86,802
Repairs and maintenance		21,050	21,371
Security		38,508	131,662
Staff training and development		79,405	13,697
Subscription		36,888	36,220
Telephone and fax		131,693	145,287
Transport Costs		111,357	193,727
Travel		184,446	317,424
Water, electricity and sanitation		67,333	72,552
Total operating expenditure		13,007,407	14,277,597
Surplus / (Deficit) for the year		276,075	(236,472)

