NORTH WEST Tourism board

WE DO TOURISM

Sustainably

Contact Details:
Postal Address: Private Bag X 35
Mmabatho, North West Province
Street Address: 4142 Nelson Mandela Drive
Mmabatho 2735
Tel: 018 386 2222 - Fax: 018 386 2100
Email: info@nwtb.co.za - Website: www.tourismnorthwest.co.za

PR154/2019
ISBN: 978-0-621-47391-9

NORTH WEST Tourism board

ANNUAL REPORT 2018-19

Tourist Information
Hiking Trail
Museum
Provincial Parks
Cultural
Waterfall


ntce
national tourism careers expo

TABLE OF CONTENTS

PART A: GENERAL INFORMATION

PART B: PERFORMANCE INFORMATION

PART C: GOVERNANCE

PART D: CORPORATE SUPPORT SERVICES

PART E: FINANCIAL INFORMATION

PART A

GENERAL INFORMATION

1. GENERAL INFORMATION

Registered Name of the Public Entity	North West Tourism Board
Registration Number	NWTB Act 2 of 2015
Nature of Business and Principle Activities	The primary purpose of the establishment of the North West Tourism Board is to provide for the promotion of tourism in the North West Province, tourism sector training within the Province, the creation of an enabling environment for tourism investment promotion, the management of existing and newly established tourism facilities in the Province and the creation of an enabling environment for the transformation of the tourism sector.
Shareholders	North West Provincial Government
Board Members (April 2018 – May 2019)	Mr VJ Dliso (Chairperson)
	Mr IR Modiselle (Deputy Chairperson)
	Dr MG Nkagisang
	Mr WI Reetsang
	Mr RP Mosaka
	Dr KO Lefenya
	Ms G Keeme-Gaobepe
	Mr L Segwe (ex-officio)
Registered Office Address	4142 Nelson Mandela Drive Mmabatho North West Province 2735
Postal Address	Private Bag X35 Mmabatho 2735
Contract Telephone Numbers	018 386 2222 / 018 386 2121
Email Address	info@nwtb.co.za
Website Address	www.tourismnorthwest.co.za
External Auditors Information	Auditor General South Africa 124 Kock Street Rustenburg North West Province 0300
Bankers Information	First National Bank (FNB)
Company Secretary (April 2018 – December 2018)	Ms EVD Phoolo

2. LIST OF ABBREVIATIONS/ACRONYMS

Act	North West Tourism Board Act 2 of 2015
board	Accounting Authority
AFS	Annual Financial Statements
Board	North West Tourism Board
COIDA	Compensation for Occupational Injuries and Diseases Act
DBSA	Development Bank of South Africa
DEDECT	North West Department of Economic Development, Environment, Conservation and Tourism
DOT	North West Department of Tourism
Entity	North West Tourism Board
EXCO	North West Provincial Executive Council
GRAP	Generally Recognised Accounting Practice
HSD	Hotel School Division
IAA	Internal Audit Activity
IAS	International Accounting Standards
MEC	Member of Executive Authority
NTCE	National Tourism Careers Expo
NWPTB	North West Parks and Tourism Board
NWTB	North West Tourism Board
PAAP	Post Audit Action Plan
PFMA	Public Finance Management Act
VTE	Villages, Township and Economy

3. FOREWORD BY HOD (DEDECT)

It gives me great pleasure to provide an overview of the North West Tourism Board's financial year ending 31 March 2019. The 2018/19 financial year was the year during which the board focussed on performing its duties effectively, efficiently, and economically, utilising the opportunities and resources available. This was performed in order to ensure that the mandate and objectives of the NWTB were carried out adequately. This has seen the former Chairperson of the board, as well as former Chairpersons of the board committees providing leadership and direction towards critical corporate issues which required progression and decisiveness.

As a result of the unwavering focus alluded to the board's agenda of providing oversight and leadership, as well as unblocking challenges, critical issues which required intervention were directed to the board. As a result the Board registered progress with substantial issues which had plagued the organisation since its split from the NWPTB. The organisational plan of the NWTB was completed and approved by the board in July 2018. The policies governing the entity were revisited and re-approved by the Chairperson of the Human Resource, Finance and Governance committee. Vital policies which were required to create an enabling environment for operational efficiencies were developed, and taken through set internal and board protocols for approval. As a consequence of the aforementioned, significant structural gaps were addressed, namely, long standing labour issues, which were amicably resolved. Resolved labour matters have brought considerable relief at all levels within the entity, thus lifting staff morale in general.

Although not all infrastructure challenges could be resolved within the board's tenure, due to a lack of sufficient resources, some progress was indeed registered. The infrastructure challenges which affected business negatively, predominantly within the Hotel Schools Division of the entity, were partly addressed through a grant received from the then North West Department of Tourism. The former Provincial DOT played a key role by leading some of the infrastructure upgrades and developments, particularly at the Taung Hotel School.

During the year under review, the board worked very closely with the Department in executing the entities mandate and rolling out tourism programmes and activities. The result thereof was the participation of the entity at many tourism marketing events and platforms, locally, nationally and internationally where our goal orientation was well directed. Such events and platforms included the

Tourism Indaba, WTM Africa, Tourism Month Celebration, Botswana Marketing Campaign, Mahika Mahikeng, and hosting of the National Tourism Careers Expo. Working closely with the Provincial Department exposed the board to tourism events and platforms which further enhanced our understanding of the Tourism industry.

I would like to express sincere gratitude to the current and previous leadership for their guidance during the 2018/19 term. A lot of gratitude also goes to the Management and Staff of the NWTB for playing their part in ensuring that the organisation is kept afloat, even during trials and tribulations which the NWTB was confronted with.

In conclusion, I am very hopeful that with the 6th Provincial Administration, which brings with itself, the merger between the North West Parks Board and the North West Tourism Board, high levels of dedication and performance from the DEDECT, Management and staff, performance will continue to be upheld in order to build a prosperous new entity. The newly established entity will surely live up to the pronunciations and expectations of the State of the Nation (SONA) and the State of the Province (SOPA) addresses, and the people of our vibrant province.

MR L TSHIKOVHI
HEAD OF DEPARTMENT
NORTH WEST DEPARTMENT OF ECONOMIC DEVELOPMENT, ENVIRONMENT, CONSERVATION AND TOURISM

4. CHIEF EXECUTIVE OFFICERS OVERVIEW

The year in review (2018/2019) has been both exciting and challenging for North West Tourism Board as the tourism marketing and hospitality training authority in the province. On one hand the excitement was due to the fact that there are positive developments within both the tourism and hospitality industry globally where we continue to experience growth. On the other hand the entity experienced great challenges internally when it comes to governance matters. This kind of environment demanded of us to strike the balance as we addressed the challenges faced while on the other hand taking advantage of the positive developments to maximise returns on our core mandate. Having gone through that experience, I would like to present the overview performance of the North West Tourism Board in the year 2018/2019 as follows:

Tourism Marketing

The province as a tourist destination experienced a decline of 12.8 % in international tourist arrivals in 2018 compared to 2017. These results affected the tourism revenue and its contribution to the economy of the province. Even though there are various possible contributing factors to the situation, the key one remains the actual tourism supply on the ground. The province as a destination did not invest enough to build the supply (tourist products and services) to penetrate the emerging markets while on the other hand retaining the existing ones. However, we have significantly grown our share in overseas markets (USA, UK and Germany) by average of 35%. This growth presents a positive outlook for us as the province going into the future.

On the domestic front the province has registered an increase of 28% in domestic trips in 2018 compared to 2017. This is a significant growth taking into account that the hindering factors still remains. We have maintained our major source markets (Gauteng, Limpopo, Free State and Northern Cape) in this segment since 2016. Once again we are presented with an opportunity to further grow our domestic tourist market share in this regard.

North West promotes basically eight main tourist icons to both the domestic and international markets, namely Hartebeespoort Dam, Pilanesberg National Park, Sun City Resort, Madikwe Game Reserve, Mafikeng Capital City, Taung Skull Heritage Site, Vredefort Dome World Heritage Site, and Bloemhof Dam Nature Reserve. Our tourist product portfolio includes wildlife, adventure, leisure, and heritage/culture.

Hospitality Training

The tourism training mandate is carried out through our two Hotel Schools in Mahikeng and Taung. We have registered students from all nine provinces of the country and beyond. We have produced approximately 57 hospitality graduates in the year in review to provide expertise to the industry. Wherever our students have been placed, we get positive reports on their excellent performance. We continue to do our best to provide quality hospitality training in the province.

Given our mandate as outlined in the North West Tourism Board Act 2 of 2015 and our performance in 2018/2019, I am confident that we are heading in the right direction. The North West Tourism Board will continue to strive for excellence in all our duties to ensure that we deliver services to the people of the North West Province as expected.

MS S MANONE
CHIEF EXECUTIVE OFFICER (ACTING)
NORTH WEST TOURISM BOARD

5. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF THE ACCURACY OF THE ANNUAL REPORT

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

- All information and amounts disclosed in the annual report is consistent with the Annual Financial Statements audited by the Auditor General South Africa;
- The annual report is complete, accurate and is free from any omissions;
- The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury;
- The Annual Financial Statements (Part E) have been prepared in accordance with the standards applicable to the public entity;
- The Accounting Authority is responsible for the preparation of the Annual Financial Statements and for the judgments made in this information;
- The Accounting Authority is responsible for establishing, and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the Performance Information, the Human Resources information and the Annual Financial Statements; and
- The external auditors are engaged to express an independent opinion on the Annual Financial Statements.

In our opinion, the Annual Report fairly reflects the operations, the Performance Information, the Human Resources information and the financial affairs of the entity for the financial year ended 31 March 2019.

MR L TSHIKOVHI
HEAD OF DEPARTMENT
NORTH WEST DEPARTMENT OF ECONOMIC DEVELOPMENT, ENVIRONMENT, CONSERVATION AND TOURISM

6. STRATEGIC OVERVIEW

VISION

“Your partner Towards a Vibrant Tourism Sector in the North West Province”

MISSION

“To provide an Integrated Tourism Development Support System towards a Vibrant Tourism Sector in the North West Province”

VALUES

Integrity (honesty / trustworthy / reliable / transparent / fidelity / ethical)

Proactive (trend setting / innovation / creative / initiative / adaptable / flexible / progressive)

Collaborative (participative / consultative / cooperative)

Accountable (decisive / assertive / responsible / productive)

Results driven (expeditious / timeous / punctual / cost conscious / disciplined)

Passionate (diligent / motivated / committed / loyal)

Competitive (self-reliant / taking charge / taking ownership)

Responsive (supportive / client-need driven)

7. LEGISLATIVE AND OTHER MANDATES

To give effect to an efficient, equitable and accessible service delivery, the North West Tourism Board; hereinafter referred to as NWTB, fully supports government initiatives and the mandate it was granted by the Provincial Government of the North West. The NWTB was created by Act 2 of 2015, and was registered as a Schedule 3c entity within the financial year 2016/2017.

7.1 CONSTITUTIONAL MANDATE

Tourism is an area of concurrent jurisdiction of both the National and Provincial Government in terms of Schedule 4 of the Constitution of South Arica. Therefore, in view of the concurrent jurisdiction, the NWTB will work closely with both the Provincial and National Tourism Departments in executing its mandate.

7.2 LEGISLATIVE MANDATE

The NWTB operates within the following legislated mandates:

- Basic Conditions of Employment Act, Act 75 of 1997;
- Employment Equity Act, Act 55 of 1998;
- Labour Relations Act, Act 66 of 1995;
- Occupational Health and Safety Act, Act 85 of 1993;
- Public Finance Management Act, Act 1 of 1999 together with Treasury Regulations;
- Skills Development Act, Act 97 of 1998;
- Broad-Based Black Economic Empowerment Act, Act 53 of 2003;
- National Development Plan (NDP);
- North West Tourism Master Plan; and
- National Tourism Sector Strategy

7.3 POLICY MANDATES

The North West Tourism Board Act 2 of 2015 requires that the entity provide in pursuance of its objectives the following:

(a) Market the province as a tourism destination locally, provincially, nationally and internationally;

(b) Provide tourism training and skills transfer in the sector;

(c) Facilitate tourism investment promotion in the province;

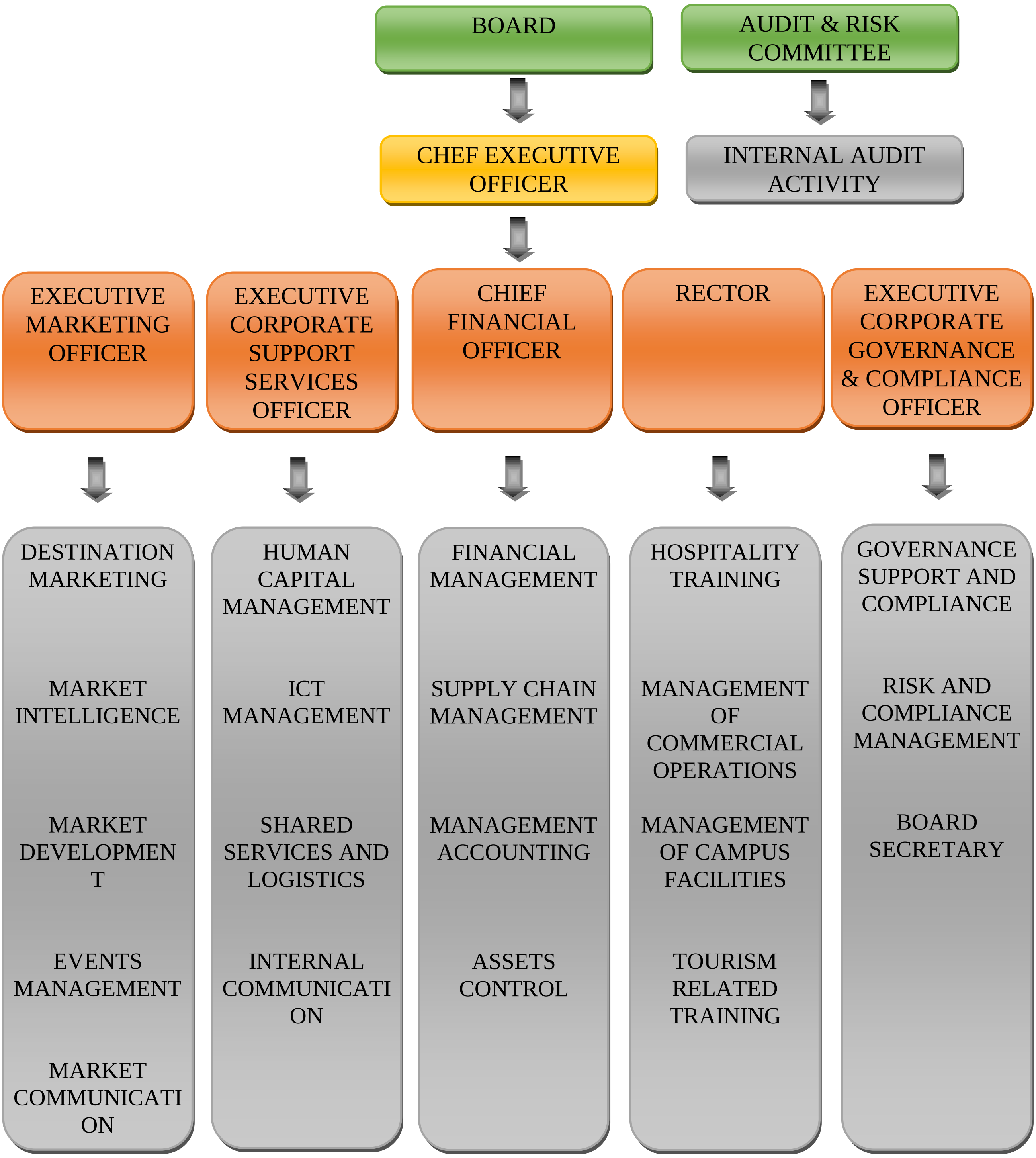
(d) Create enabling environment for access to markets for new entrants in the tourism sector in the province; and

(e) Contribute to the establishment of enabling environment for job creation in the tourism sector in the province.

In addition to the above; other policy mandate for the public entity were developed such as:

- Procurement delegations;
- Financial delegations;
- Human Resources Management Delegations;
- Communication Delegations; and
- Other related delegations and policies to properly govern the entity as may be required.

8. ORGANISATIONAL PLAN



8.1 EXECUTIVE MANAGEMENT

MS SARAH MANONE
CEO (ACTING)

MS LORATO SAMSON
ECSSO (ACTING)

MS FAGMEEDAH HENDRICKS
CFO (ACTING)

MR MALEBO MOLEMA
RECTOR (ACTING)

MR MPHO MOTSHEGOA
EMO (ACTING)

MR KWAME MATAKANYA
ECG&CO (ACTING)

PART B

PERFORMANCE INFORMATION

9. PERFORMANCE INFORMATION

PROGRAMME 1: ADMINISTRATION

1.1 PURPOSE OF EXISTENCE

The purpose of this programme is to:

- Ensure effective and efficient internal business planning processes of the Board;
- Ensure that the Board functions optimally through effective business processes and resource support services;
- Provide business management / leadership support services in support of Board objectives; and
- Provide support services towards achieving internal business excellence within the Board.

1.2 OVERVIEW OF THE SUB-PROGRAMMES

This programme provides support services to the Board through the following key functions:

- Corporate Communications;
- Information Management;
- Stakeholder Relations;
- Business Planning;
- Risk Management;
- Governance compliance;
- Monitoring and Evaluation;
- Policy Development;
- Finance;
- Supply Chain Management;
- Human Resources Management;
- Shared Services; and
- Information Communication Technology.

PROGRAMME 2: HOSPITALITY SKILLS DEVELOPMENT

2.1. PURPOSE OF EXISTENCE

The Hotel School's Division exists mainly to provide quality and affordable education and training in the hospitality sector for social upliftment of communities within which it operates.

2.2. OVERVIEW OF THE SUB-PROGRAMMES

- Hospitality Training;
- Tourism Related Skills Training; and
- Management of Commercial Operation.

PROGRAMME 3: TOURISM MARKETING

3.1 PURPOSE OF EXISTENCE

The Unit's purpose is to:

- Provide information needed to support policy formulation and marketing decision-making; as well as create new tourist market segments for destination North West both from the domestic and international sources; and
- Market the Province and its products as a preferred tourist destination of choice.

3.2 OVERVIEW OF THE SUB-PROGRAMMES

Market Intelligence and Development Unit render a number of services that support senior management in decision-making as well as other functions that contribute to the tourism economic growth of the province. The basic functions of the unit are among others presented as follows:

- Provide reliable tourism market intelligence (information) for decision making;
- Maintain a comprehensive statistical market and product database;

- Provide business support for tourism enterprises (SMMEs);
- Promote tourism investments by both state and private within destination North West; and
- Create new tourist market segments for destination North West both from the domestic and international sources.

PERFORMANCE INFORMATION BY PROGRAMME

Programme 1: Administration

The programme comprises of the following sub-programmes

1.1 Business Support Services

1.2 Corporate Governance Support

1.3 Financial Management Support and Administration

1.4 Corporate Support Services

Strategic Objective 1: To ensure internal business excellence within the board

Sub-programme 1.1: Business Support Services						
Performance Indicator	**Actual Achievement 2016/2017**	**Actual Achievement 2017/2018**	**Planned Target 2018/2019**	**Actual Achievement 2018/2019**	**Deviation from planned target to Actual Achievement for 2018/2019**	**Comment on deviations**
Strategic plan reviewed and approved (n)	-	0	1	0	-1	The strategic plan review was conducted in the 2nd quarter of the 2018/2019 financial year and recommendations made for the board's approval, this recommendations will be effected by the second quarter of 2019/2020 financial year.
Annual performance plan reviewed and approved (n)	-	1	1	1	0	N/A
Annual Report produced (n)	-	1	1	1	0	N/A

Sub-programme 1.2: Corporate Governance Support						
Performance Indicator	**Actual Achievement 2016/2017**	**Actual Achievement 2017/2018**	**Planned Target 2018/2019**	**Actual Achievement 2018/2019**	**Deviation from planned target to Actual Achievement for 2018/2019**	**Comment on deviations**
Board resolutions implemented (%)	-	62.5	100	50	-50	Not all resolutions taken were for immediate implementation and would be effected in the subsequent financial year.
Divisional policies reviewed and approved (n)	-	0	5	1	-4	Policies could not be reviewed as a result of delays of appointments in executive positions and this led to skills and capacity challenges within the entity.
Risk based internal audit plan developed and approved (n)	-	0	1	1	0	N/A
Internal audit engagements executed (n)	-	0	8	8	0	N/A
Establishment of Anti-fraud prevention hotline (n)	-	-	1	0	-1	Capacity constraints within the SCM unit to deliver on procurement plans.
Risk Management Framework and Strategy reviewed and approved (n)	-	1	1	1	0	N/A
Risk assessment plan reviewed and approved (n)	-	1	1	1	0	N/A
Fraud prevention policy developed and approved (n)	-	-	1	1	0	N/A
Fraud prevention plan developed and approved (n)	-	-	1	1	0	N/A
Risk Management policy reviewed	-	1	1	1	0	N/A

and approved (n)						
Risk assessments performed (n)	-	16	13	13	0	N/A
Fraud risk assessment performed (n)	-	-	5	4	-1	Quarterly fraud assessments were conducted however the annual assessment could not take place due to time constraints. This will be addressed during the 1st quarter of 2019/2020.
Risk Management progress report produced (n)	-	3	4	4	0	N/A
Governance compliance checklist completed (n)	-	2	4	1	-3	Skills and capacity constraints experienced resulting in non-achievement of this target.
Review of risk management strategies/mitigation (n)	-	3	13	13	0	N/A

Sub-programme 1.3: Financial Management Support and Administration						
Performance Indicator	**Actual Achievement 2016/2017**	**Actual Achievement 2017/2018**	**Planned Target 2018/2019**	**Actual Achievement 2018/2019**	**Deviation from planned target to Actual Achievement for 2018/2019**	**Comment on deviations**
Evaluation and control of expenses and revenue versus budget (n)	-	12	12	12	0	N/A
Annual Financial Statements produced (n)	-	1	1	1	0	N/A

Sub-programme 1.4: Corporate Support Services						
Performance Indicator	**Actual Achievement 2016/2017**	**Actual Achievement 2017/2018**	**Planned Target 2018/2019**	**Actual Achievement 2018/2019**	**Deviation from planned target to Actual Achievement for 2018/2019**	**Comment on deviations**
Human Resource plan developed and approved (n)	-	0	1	0	-1	Lack of adequate capacity within HR division and prolonged acting in executive positions led to non-achievement of the projected target.
OHS inspections conducted (n)	-	4	4	4	0	N/A
Implement Employment equity plan and report annually to the Department of Labour (n)	-	1	1	1	0	N/A
Report on the overall previous PMDS cycle (n)	-	0	1	0	-1	Lack of adequate capacity within HR division and prolonged acting in executive positions led to delays in PMDS moderation process for performance management cycle 2017/2018. This will be finalised by end of June 2019.
Mandatory Grant Plan developed and submitted to CATHSETTA (n)	-	0	1	1	0	N/A
ICT requests received vs implemented (%)	-	73.5	100	50	-50	No ICT requests were recorded for the 3rd and 4th quarter.
Infrastructure maintenance plan developed and approved (n)	-	0	1	0	-1	Due to lack of adequate capacity within the hotel school division and prolonged acting in executive positions, the plan could not be finalised, however this will be finalised and approved in the first quarter of 2019/2020 financial year.

Linking performance with budgets

Programme	2017/2018			2018/2019		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R	R	R	R	R	R
Administration	27 827 794	37 766 974	-9 939 180	31 518 397	50 345 921	-18 827 524
Total	27 827 794	37 766 974	-9 939 180	31 518 397	50 345 921	-18 827 524

Programme 2: Hospitality Skills Development

The programme comprises of the following sub-programmes

2.1 Hospitality Training

2.2 Tourism Related Skills Training

2.3 Management of Commercial Operations

Strategic Objective 2: To provide effective and affordable hospitality management education and training.

Sub-programme 2.1: Hospitality Training						
Performance Indicator	Actual Achievement 2016/2017	Actual Achievement 2017/2018	Planned Target 2018/2019	Actual Achievement 2018/2019	Deviation from planned target to Actual Achievement for 2018/2019	Comment on deviations
Students enrolled at the North West hotel schools (n)	-	127	160	137	-23	Voluntary deregistration is a challenge, particularly in second year enrolment, this is due to financial challenges.
Graduates Throughput (%)	-	80	80	81	4	Student throughput improved beyond the targeted projection. The student performed remarkable therefore exceeding expectation.

Sub-programme 2.2: Tourism Related Skills Training						
Performance Indicator	**Actual Achievement 2016/2017**	**Actual Achievement 2017/2018**	**Planned Target 2018/2019**	**Actual Achievement 2018/2019**	**Deviation from planned target to Actual Achievement for 2018/2019**	**Comment on deviations**
Local emerging hospitality enterprises trained (n)	-	0	10	1	-9	Poor response from the targeted local emerging tourism enterprises.
VTE outreach hospitality programme conducted (n)	-	0	40	91	51	Communication was sent out to the community at large and based on past attendance a certain number was projected. A larger number than expected of community members showed interest than anticipated and the sessions were therefore opened to more attendees.

Sub-programme 2.3: Management of Commercial Operations						
Performance Indicator	**Actual Achievement 2016/2017**	**Actual Achievement 2017/2018**	**Planned Target 2018/2019**	**Actual Achievement 2018/2019**	**Deviation from planned target to Actual Achievement for 2018/2019**	**Comment on deviations**
Revenue generated (Rm)	-	15.7	15.5	13.4	-2.1	Due to the state of the infrastructure the entity could not honour all bookings for the hotel facilities, however renovations are in place.

Linking performance with budgets

Programme	2017/2018			2018/2019		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R	R	R	R	R	R
HSD	55 536 686	55 432 984	103 702	65 970 338	61 284 317	4 686 021
Total	55 536 686	55 432 984	103 702	65 970 338	61 284 317	4 686 021

Programme 3: Tourism Marketing

The programme comprises of the following sub-programmes

3.1 Tourism Market Intelligence

3.2 Destination Marketing

3.3 Tourism Development

Strategic Objective 3: Marketing the province as a preferred tourism destination

Sub-programme 3.1: Tourism Market Intelligence						
Performance Indicator	**Actual Achievement 2016/2017**	**Actual Achievement 2017/2018**	**Planned Target 2018/2019**	**Actual Achievement 2018/2019**	**Deviation from planned target to Actual Achievement for 2018/2019**	**Comment on deviations**
Market intelligence analysis reports produced (n)	-	8	8	8	0	N/A

Sub-programme 3.2: Destination Marketing						
Performance Indicator	**Actual Achievement 2016/2017**	**Actual Achievement 2017/2018**	**Planned Target 2018/2019**	**Actual Achievement 2018/2019**	**Deviation from planned target to Actual Achievement for 2018/2019**	**Comment on deviations**
Destination Marketing Strategy developed and approved (n)	-	0	1	0	-1	Human capacity challenges within the unit to develop the comprehensive marketing strategy, a competent official will be appointed in 2019/2020 financial year to finalise the existing draft marketing strategy
Destination marketing at domestic and international platforms – exhibitions (n)	-	7	7	6	-1	The marketing division had planned to participate at ITB in Germany in February; however the assignment was deferred due to embargo and rationalisation on international travel

						during the time period
Domestic Tourism promotion initiatives (n)	-	12	12	12	0	N/A

Sub-programme 3.3: Tourism Development						
Performance Indicator	**Actual Achievement 2016/2017**	**Actual Achievement 2017/2018**	**Planned Target 2018/2019**	**Actual Achievement 2018/2019**	**Deviation from planned target to Actual Achievement for 2018/2019**	**Comment on deviations**
New market segments expansion initiatives undertaken (n)	-	2	4	4	0	N/A
Business development support to emerging tourism enterprises (n)	-	63	55	55	0	N/A
Tourism Investment opportunities packaged (n)	-	1	2	1	-1	The current tribal processes resulted in the delay on the development of one of the key tourism investment products

Linking performance with budgets

Programme	**2017/2018**			**2018/2019**		
	Budget	**Actual Expenditure**	**(Over)/Under Expenditure**	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**
	R	**R**	**R**	**R**	**R**	**R**
Tourism Marketing	30 616 520	30 527 670	88 850	32 897 265	32 517 923	379 342
Total	30 616 520	30 527 670	88 850	32 897 265	32 517 923	379 342

10. AUDITOR GENERALS REPORT: PREDERTERMINED OBJECTIVES

Auditing to build public confidence

AUDITOR-GENERAL
SOUTH AFRICA

Report of the auditor-general to the North West provincial legislature on the North West Tourism Board

Report on the audit of the annual performance report

Introduction and scope

17. 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.

18. 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.

19. 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 2019:

Programmes	Pages in the annual performance report
Programme 2 – Hospitality skills development	25 – 26
Programme 3 – Tourism marketing	27 – 28

20. 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.

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

Programme 2 – Hospitality skills development

Revenue generated (Rm)

22. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of this indicator due to a lack of adequate technical indicator descriptions and formal standard operating procedure, the source information and evidence for the achievement of the planned indicators not clearly being clearly defined and a lack of systems and processes that enable validate reliable reporting of actual service delivery against the indicator. In addition, the planned indicator and target were the revenue generated from commercial operations but the reported achievement referred to was only hotel income. I was unable to confirm the reported achievement or validate the existence of systems and processes by alternative means. Consequently, I was unable to determine whether any adjustment was required to the reported achievement.

Graduate throughput (%)

23. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of target of 81% graduates throughput. This was due to limitations placed on the scope of my work and information not submitted. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable

to determine whether any adjustment was required to the achievement of 81% as reported in the annual performance report.

VTE outreach hospitality programme conducted (n)

24. I was unable to obtain sufficient appropriate audit evidence for the reported achievement for this indicator due a lack of adequate technical indicator descriptions and formal standard operating procedure, the lack of systems and processes to validate reporting of actual service delivery against the indicator and the the source information and evidence for the achievement of the planned indicators that was not clearly defined. Furthermore, the planned indicator and target were number of VTE outreach hospitality programme conducted but the reported achievement referred to the number of individuals that attended VTE outreach hospitality programme. I was unable to confirm the reported achievement or validate the existence of systems and processes by alternative means. Consequently, I was unable to determine whether any adjustment was required to the reported achievement.

Programme 3 – Tourism marketing

Business development support to emerging tourism enterprises (n)

25. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of this indicator due to a lack of adequate technical indicator descriptions and formal standard operating procedure, the source information and evidence for the achievement of the planned indicators not clearly being clearly defined and a lack of systems and processes that enable validate reliable reporting of actual service delivery against the indicator. In addition, the planned indicator and target were the number of business development support to emerging tourism enterprises but the reported achievement referred to was number of emerging enterprises supported. I was unable to confirm the reported achievement or validate the existence of systems and processes by alternative means. Consequently, I was unable to determine whether any adjustment was required to the reported achievement.

Various indicators

26. I was unable to obtain sufficient appropriate audit evidence for the reported achievements of the following indicators this was due to limitations placed on the scope of my work or reports not being signed as evidence of approval. I was unable to confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any adjustments were required to the achievements reported in the annual performance report as follows:

Indicator	Reported achievement
Market intelligence analysis reports produced (n)	8
Tourism investment opportunities packaged (n)	1
Domestic tourism promotion initiatives (n)	12

Other matters

27. I draw attention to the matters below.

Achievement of planned targets

28. Refer to the annual performance report on pages 25 to 28 for information on the achievement of planned targets for the year and explanations provided for the under/ over achievement of a significant number of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 22 to 26 of this report.

Adjustment of material misstatements

29. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of programme 2 - Hospitality skills development. As management subsequently corrected only some of the misstatements, I reported material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

11. SITUATIONAL ANALYSIS

2018 totalled 1.4 billion international tourist arrivals (+6%), consolidating 2017 strong results and proving to be the second strongest year since 2010. The industry generated $8.8 trillion, contributing 10.4 % to the world GDP representing 3.9 % growth compared to the previous year (2017).

In South Africa the Tourism Sector's contribution to the GDP of the Country is 8.6% or Direct Contribution of R425.5 billion and supports an estimated 1.4 million jobs which represents 9.2% of the total employment in the Country. South Africa attracted 10.5 million international tourists and 17.7 million domestic trips in 2018. The total international tourist spend (revenue) in South Africa amounted to R82.5 billion, while the Domestic trips contributed R26.4 billion in the same year.

In the North West, the sector attracted 672 000 international tourists and 1.6 million domestic trips in 2018. This contributed about 6.5% of the GDP or direct contribution of R3.1 billion. The sector in the province supported an estimated 39 000 jobs in the year under review. The Destination’s international market share stands at 6.4 % and the Domestic market share at 9%. Destination North West is currently ranked the 7th most visited destination in South Africa in terms of International Visitor Arrivals and 6th in Domestic Trips.

The board have in the 2018/19 financial year prioritized the consolidation of the reconfiguration and Governance review process following the establishment of the Board. This includes the redesign and configuration of the new Organizational Plan, the matching and placement of staff (from the North West Parks and Tourism Board) in to the newly approved organisational plan of the NWTB.

11.1 PERFORMANCE DELIVERY ENVIRONMENT

The core business of NWTB is to position the North West as a preferred tourism destination. The Board derived opportunities and threats in the external performance environment through a focused group discussion process.

Opportunities	Threats
➢ Access to funding e.g. state funding, alternative sources of funding ➢ Tourism development opportunities ➢ Strategic partnerships / alliances ➢ Strategic positioning opportunities ➢ Joint marketing agreements ➢ Political will / support ➢ Favourable legislative framework ➢ Supportive stakeholder network (private and public sector, civil society) ➢ Need for business development solutions ➢ Stable political environment ➢ Technological developments ➢ Social beneficiation ➢ Landscape	➢ Insufficient funds ➢ Changing political priorities ➢ High levels of crime ➢ Global economic trends ➢ Restricting legislation (visa's) ➢ Infrastructure development issues (electricity, transport, roads, air routes) ➢ Long decision lead times ➢ Global climatic change ➢ Unsafe environment ➢ Competing stakeholder interest ➢ Scarce skills in selected fields ➢ Competition for key skills

11.2 ORGANISATIONAL ENVIRONMENT

Strengths and weaknesses in the organisational environment of the entity were derived through a gap analysis process of the strategic goals and objectives of the NWTB.

Strengths	Weaknesses (Areas to be developed)
Tourism Education / Training / Skills Transfer ➢ Hospitality training ➢ Other tourism related training ➢ Management of commercial operations ➢ Management of campus facilities / operations **Destination Marketing** ➢ Tourism market intelligence (tourism sector monitor, visitor opinion survey, tourism plan analysis, tourism product audit) **Internal Business Excellence within NWTB** ➢ Corporate governance ➢ Business management / Leadership ❖ Corporate communication ❖ Stakeholder relations management ➢ Corporate Support Services ❖ HR management ❖ ICT Management ➢ Financial management	**Destination Marketing** ➢ Marketing the province as a destination ➢ Marketing of products / attractions as destinations within the province **Internal Business Excellence within NWTB** ➢ Business management / leadership ❖ Business planning, organisation culture ❖ development, business performance management) ➢ Resource management ❖ Infrastructure / facilities management ❖ Information / knowledge management

12. REVISION TO LEGISLATIVE AND OTHER MANDATES

The entity is still governed by the North West Tourism Board Act 02 of 2015 and is still registered as a schedule 3c entity with the relevant Treasury.

12.1 CONSTITUTIONAL MANDATE

The constitutional mandate governing the entity has not changed. The entity is still in an area of concurrent jurisdiction in regards to Tourism of both the Provincial and National Government in terms of section 4 of the Constitution of South Africa.

12.2 LEGISLATIVE MANDATES

The legislative mandates that govern the North West Tourism Board has not changed. (Please refer to point 7.2 of the Annual Report)

12.3 POLICY MANDATES

After the National Elections in May 2019, the 6th administration had then subsequently reconfigured the North West Provincial Departments. The North West Department of Tourism (DOT) in which the North West Tourism Board reported to directly was no longer a stand-alone department. The DOT was incorporated into a bigger Department currently known as the North West Department of Economic Development, Environment, Conservation and Tourism, administered by the Honourable MEC, Ms Kenetswe Mosenogi. There was also an EXCO resolution to amalgamate the North West Tourism Board and North West Parks Board which will successively see these entities as one. The implementation of the EXCO resolution is imminent and is likely to be implemented in the 2019/20 financial period.

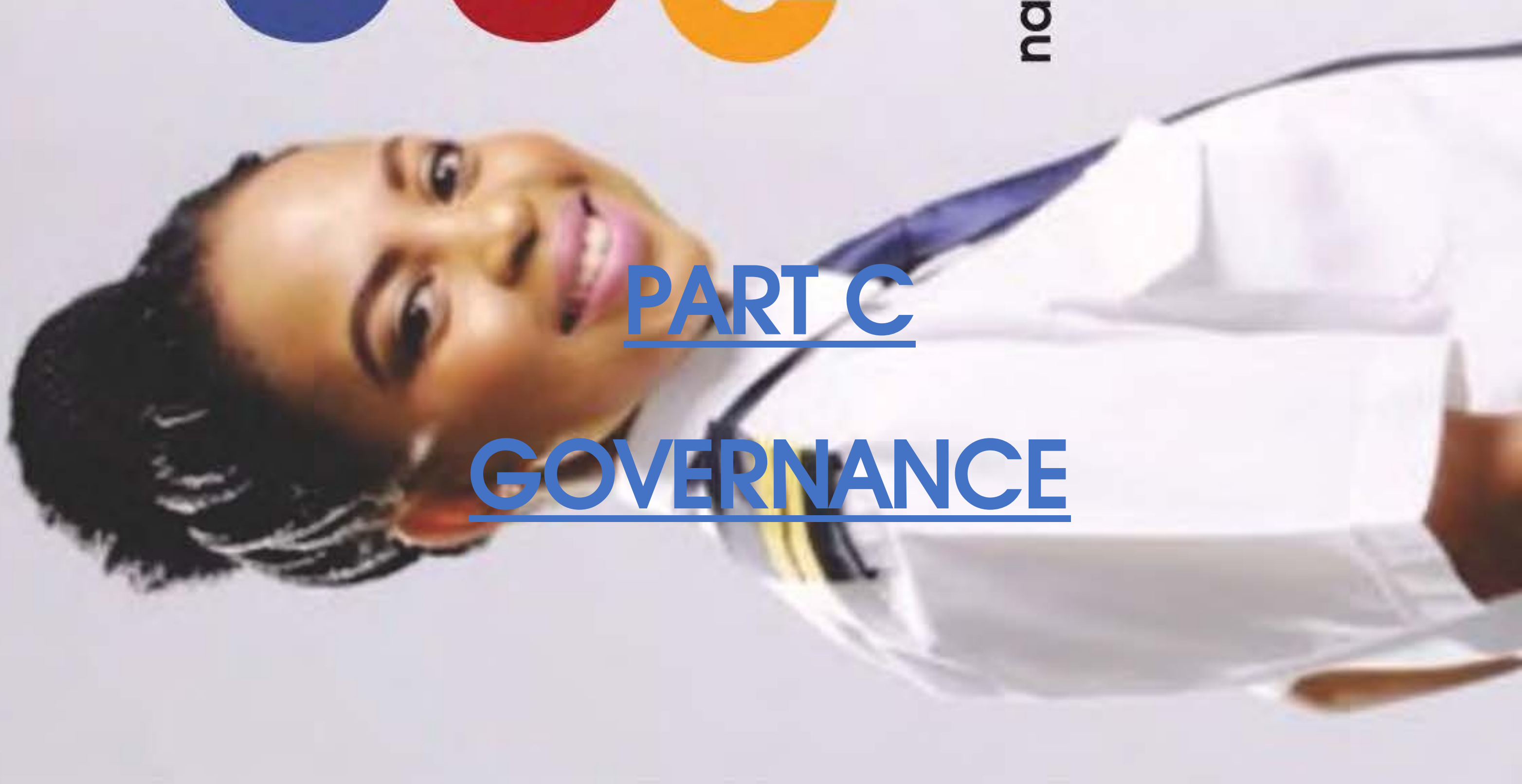
13. FINANCIAL VIABILITY

The table below is a high-level overview of the entity's financial viability as at year-end. The financial viability assessment provides useful information for accountability and decision-making purposes and complements the financial statements by providing insights and perspectives thereon. The financial viability assessment is expected to enhance timely remedial decision-making and policy reforms where financial viability may be at risk. The information is used to complement, rather than substitute, the entities own financial assessment.

FINANCIAL VIABILITY ASSESSMENT		
		AS AT 31 MARCH 2019
REVENUE MANAGEMENT		
1.1	Debtor-collection period (after impairment)	**148 Days**
1.2	Debtors impairment provision as a percentage of accounts receivable	**47.9%**
	• Amount of debtors impairment provision	**R 9 416 143**
	• Amount of accounts receivable	**R19 647 060**
ASSET AND LIABILITY MANAGEMENT		
2.1	A deficit for the year was realised (total expenditure exceeded total revenue)	**No**
	• Amount of the surplus / (deficit) for the year	**R9 100 794**
2.2	A net current liability position was realised (total current liabilities exceeded total current assets)	**No**
	• Amount of the net current assets / (liability) position	**R11 595 093**
2.3	A net liability position was realised (total liabilities exceeded total assets)	**No**
	• Amount of the net asset / (liability) position	**R112 849 210**
CASH MANAGEMENT		
3.1	The year-end bank balance was in overdraft	**No**
	• Amount of year-end bank balance (cash and cash equivalents) / (bank overdraft)	**R 25 389 277**
3.2	Net cash flows for the year from operating activities were negative	**No**
	• Amount of net cash in / (out)flows for the year from operating activities	**R 12 307 038…**
3.3	Creditors as a percentage of cash and cash equivalents	**52%**
	• Amount of creditors (accounts payable)	**R 15 296 673…**
	• Amount of cash and cash equivalents / (bank overdraft) at year-end	**R25 389 277…**

There has been an overall improvement in the financial viability of the entity, from the previous financial period (2017/18) to the current financial period (2018/19). There is a 3 day improvement on creditor payment, the entity has a surplus, increased bank balance, positive cash flow for the year under review,

The situation is still concerning based on challenges faced at the entity, more focus will be put on debt collection as per section 51(1)(b)(i) of the PFMA and/or Treasury Regulation 31.1.2(a) and (e) to ensure effective and appropriate steps are taken to collect all money due to the entity.



PART C

GOVERNANCE

14. INTRODUCTION

Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation, and the companies act, corporate governance with regard to public entities is applied through the precepts of the Public Finance Management Act and run in tandem with the principles contained in the King IV report on Corporate Governance for South Africa 2016.

The board is ultimately responsible to carry out its functions through application of good corporate governance principles. The entity carries out its functions through legislative committees, the board, and board committees.

15. PORTFOLIO COMMITTEES

The entity has tabled strategic documents, such as the Annual Performance Plan, Annual Performance Report, and Quarterly Performance Reports with the Portfolio Committee on Tourism, which has subsequently been transformed into the Portfolio Committee on Economic Development, Environment, Tourism, Agriculture and Rural Development after inauguration of the 6th administration, chaired by the Honorable B Lenkopane. The Auditor General South Africa Audit Report for the 2017/18 financial period was also tabled with the Standing Committee on Provincial Public Accounts chaired by Honorable ML Mahlakeng who was later succeeded by Honorable J Dliso under the 6th Administration.

The entity was also able to respond successfully to the queries raised during the sittings of these committees, by providing supporting evidence on request to the committee members on a timely basis through the mother department and giving thorough explanations that do not leave any member in abyss.

16. ACCOUNTING AUTHORITY

The North West Tourism Board is established in terms of section 3 of the North West Tourism Board Act 2 of 2015 as a juristic person, which is listed as a schedule 3c public entity in terms of the Public Finance Management Act (PFMA) of 1999. The board of NWTB is established as a non-executive board, responsible to control the affairs of the NWTB as the Accounting Authority of the NWTB in terms of section 49(2) of the PFMA, direct the affairs of the NWTB in accordance with its mandate and the provision of the South African Constitution.

The roles and responsibilities of the board are stipulated in the board charter and the NWTB Act.

BOARD CHARTER AND SUB-COMMITTEE CHARTERS

As recommended by the King IV Report of Corporate Governance, and as stipulated in the NWTB Act, the board and its sub-committees have charters that set out their roles, responsibilities and functions as follows:

- Giving strategic direction and leadership to the NWTB;
- Ensuring effective decision making;
- Ensuring coordination, monitoring and implementation of Board policies;
- Maintaining the effectiveness and integrity of Board systems;
- Determining policy; and
- Takes responsibility as the accounting authority for the entities actions.

COMPOSITION OF THE BOARD

The board comprises of a minimum of 5 and maximum of 7 non-executive Directors appointed in terms of Section 7 of the North West Tourism Board Act No. 2 of 2015 by the Executive Council of the North West Province and Member of Executive Council responsible for Tourism for a period not exceeding three (3) years, but will be eligible for re-appointment for a further term of office not exceeding another 3 years.

The CEO of North West tourism board is an ex-officio member of the board and does not vote during the decision making process of the board. A member of the staff of the board may on invitation by the relevant committee attend a meeting of that committee without any voting right at a meeting of the committee.

SUB-COMMITTEE OF THE BOARD

The board has established the following Sub-Committees that are governed by their respective charters approved by the chairperson of the board, these sub-committees serve different purposes in the efficient and effective running of the board:

- Human Resources, Finance and Governance Committee;
- Audit and Risk Committee;
- Marketing Committee; and
- Training Committee.

GENERAL FUNCTIONS OF THE BOARD COMMITTEES

The general functions of the board committees are to:

- Engage in creative and collaborative interaction on issues affecting the entire organisation and develop board memorandum relating to policy development and service delivery needs of the organisation;
- Ensure the efficient, effective and economical operations of the respective portfolios in which they direct;
- Strengthen capacity and systems development for integrated planning, coordination, monitoring and evaluation; and
- Make recommendations to the board.

Sub-Committee	# of Meetings held	# of Members	Name of members
Audit and Risk Committee	4	4	Ms BS Khukhele (Chairperson) Mr IR Modiselle Mr RP Mosaka Ms G Keeme-Gaobepe
Marketing Committee	2	3	Mr WI Reetsang (Chairperson) Mr RP Mosaka Dr MG Nkagisang
Training Committee	5	3	Dr KO Lefenya (Chairperson) Mr IR Modiselle Mr WI Reetsang
Human Resources, Finance and Governance committee	4	4	Dr MG Nkagisang (Chairperson) Mr RP Mosaka Mr IR Modiselle Ms G Keeme-Gaobepe

RUMUNERATION OF BOARD MEMEBERS

Remuneration is in line with National Treasury directives.

Refer to note 26 board emoluments of the Annual Financial Statements for 2018/19.

17. AUDIT AND RISK COMMITTEE

The Audit and Risk Committee is a statutory body established as a committee of the board, in terms of Section 15 of the NWTB Act 2 of 2015, also read together with Section 77 of the Public Finance Management Act No. 29 of 1999, and encompass it with paragraph 3.1.13 of the Treasury Regulations. The Audit and Risk Committee has adopted the terms of reference approved by the board and has discharged its responsibilities and conducted its affairs in accordance with these terms of reference. This report sets the basis for reporting by the Audit and Risk Committee on the oversight responsibilities undertaken by the committee in the financial year ended 31 March 2019.

Key activities and objectives of Audit and Risk Committee

The Audit and Risk Committee of the North West Tourism Board is established as a technical committee to assist the board with the relevant requirements contained in the PFMA of 1999, Treasury Regulations and the North West Tourism Board Act in fulfilling its oversight responsibilities as they relate to the NWTB.

In line with Section 3.1.13 of the Treasury Regulations, key activities and objectives of the ARC are:

- Determining the adequacy and effectiveness of internal control systems, providing the assurance that assets are protected against material loss or unauthorised use and transactions are properly authorised and recorded;
- Performing the function required of it by law and evaluating the effectiveness of the internal controls and the management of risks in compliance with these principles;
- Reviewing the significant accounting and reporting issues, including professional and regulatory pronouncements, and their impact on the financial statements with a view to ensure consistency with the appropriate accounting principles;
- Reviewing the effectiveness of the internal audit function that is performed for the organisation whose responsibilities include the examination and evaluation of the

effectiveness of operational activities and systems, together with the attendant business risks and financial control; and

- Review the scope, performance, significant findings and recommendations made by the external auditors from the office of the Auditor General and External Auditors contracted by the Auditor General.

Attendance of Audit and Risk Committee meetings by Audit and Risk Committee Members:

The ARC performed it duties laid upon it in terms of the PFMA Section 77, holding meetings with the key role players. The ARC had 4 members, of which the Chairperson is independent. The ARC is satisfied that its members have the required knowledge and experience to carry out legislated duties in the 2018/19 financial period.

Meetings of the ARC were conducted in terms of an approved ARC charter and 4 ordinary meetings were held during the financial period 2018/19.

Name	Qualifications	Internal or External	Appointment Date	# of Meetings Held	# of Meetings Attended
Khukhele Bothepa	Master of Business Administration; and Baccalaures Technologiae Internal Audit	Independent Non-Executive Chairperson (External)	2016, December	4	4
Modiselle Isaac	Master in Business Administration; National Higher Diploma in Technical Education, and Secondary Teachers Diploma in Technical Education.	Non-Executive (External)	2015, December	4	1
Mosaka Paul	Master in Business Leadership; and B.Comm,Post Graduate Degree in Financial Management.	Non-Executive (External)	2015, May	4	4

Keeme-Gaobepe Golda	Master's in Business Administration in General Management & Financial Management; and Bachelor's Degree in Public Administration.	Non-Executive (External)	2018, January	4	4

The CEO and the Acting CFO and other executive management team members attended meetings of the ARC by invitation and were encouraged to provide active feedback on matters discussed.

17.1 GOVERNANCE OF RISK MANAGEMENT

The committee is required to fulfil an oversight role on financial reporting, internal financial controls, compliance risks, fraud risks and IT risks as it relates to financial reporting. The ARC has:

- Provided an oversight role and responsibilities in the financial reporting, internal financial controls, compliance risks, fraud risks and IT risks. The committee provided oversight in the preparation of accurate financial reporting and monitored compliance with all applicable legal requirements and accounting standards;
- Ensured that the entity has and maintains effective, efficient and transparent systems of financial; risk management, governance and internal control;
- Ensured the enforcement of adequate systems and control processes in the corporation for the safeguarding of assets and the management of the revenue, expenditure and liabilities of the NWTB;
- Ensured corporate accountability and governance and the associated risk in terms of management, assurance and reporting;

The ARC has ensured that the Risk Management department of the entity functions with approved Enterprise Risk Management related literature namely the Risk Management Frameworks, Risk Management Policy, and Risk Assessment Plan.

The Risk Management Department of the entity has conducted multiple risk assessments with the various divisions and departments within the entity, namely Finance, Marketing, Corporate Support Services, and Corporate Governance. According to the Auditor General South Africa 2018/19 external audit, the Risk Management of the entity has improved in regards to the Status of Drivers of Internal Controls.

17.2 INTERNAL AUDIT ACTIVITY

The Audit and Risk Committee has a responsibility for the appointment of the Head on Internal Audit, the approving of the Internal Audit Activity (IAA) Charter and ensuring the Internal Audit Activity carries its work in accordance with the IAA plan. The committee has:

- In concurrence with the former CEO, the Audit and Risk Committee appointed the Head of Internal Audit at the beginning of the year under review. The committee also ensured that the IAA are independent by ensuring the IAA reports functionally to the ARC and administratively to the CEO;
- Approved the Internal Audit Charter for the financial year 2018/19 and provided oversight of the IAA independence and objectivity in discharging their duties in accordance with the International Standards of Professional Practice in Internal Auditing and the approved charter. The committee ensured that the IAA is independent and free of influence by management, carried out assurance duties objectively, empowered the IAA to have unrestricted access to information and records to execute its work without restrictions and impairment in its independence and objectivity;
- Ensured that the IAA is sufficiently resourced to perform and deliver its functional duties to meet its approved IAA plan; and
- Approved the risk based Internal Audit Activity Plan for the financial year 2018/19. The committee evaluated the work of the IAA and is satisfied that the IAA has provided the required assurance on the adequacy and effectiveness of internal control environment in accordance with the approved risk based Internal Audit Activity Plan for the financial year 2018/19.

The Internal Audit Activity of the entity has conducted multiple risk based engagements within the entity, the following engagements were performed and completed by the IAA:

Engagement Executed	Status
Quarterly Performance Information & Annual Performance Report Reviews	Completed
Annual Financial Statements Review	Completed
Supply Chain Management Review	Completed
Financial Statement Line Items Review	Completed
Hotel School Compliance Review	Completed
Entity Policy Review	Completed
Post Audit Action Plan Review	Completed
Multiple Adhoc Requests	Completed
Consulting Activity – Entity Wide – Core Function (Finance, Governance, Corporate Services, Marketing and Hotel Schools)	Completed

According to the Auditor General South Africa 2018/19 external audit, the Internal Audit Activity of the entity has improved in regards to the Status of Drivers of Internal Controls and Level of Assurance Provided from providing no assurance to providing some assurance in the year under review 2018/19.

17.3 EXTERNAL AUDIT

The Audit and Risk Committee has the oversight responsibility over the external auditors, Auditor-General of South Africa. The following oversight responsibilities were carried by the ARC in discharging its duties relating to the external auditors. The committee:

- Ensured that the external auditors are independent and therefore satisfied with the independence and objectivity of the external auditors;
- Satisfied with the qualifications and the level of expertise of the external auditors;
- Provided oversight over the strategic plan presented by external auditors and the plan was approved in the light of costs, resources and areas of audit considered; and
- Reviewed the effectiveness of the external auditors, through the fulfilment of the audit strategy and handling of key accounting treatment and disclosures.

17.4 COMPLIANCE WITH LAWS AND REGULATIONS

The Board strives to comply with all the laws of the country by ensuring that the Act, Regulations and Rules of the Board are amended regularly to accommodate the requirements of new laws of the country or amendments of related legislation. The Board relies on its Internal Audit Activity to constantly evaluate its compliance with all relevant laws and regulations. In this regard, much attention is placed on compliance with those laws and identifying possible areas of deviation or non-compliance, to provide corrective measures or requisite systems of internal control.

18. MINIMISING CONFLICT OF INTEREST

Section 10 of the NWTB Act No 2 of 2015, “provides for the disclosure of conflict of interest”. The Declaration of Interest Policy and Procedures also, “provides for the disclosure of conflict of interest”. A member of the board shall not vote or participate in proceedings when his or her family or business associate has a controlling or financial interest in a matter relating to those proceedings.

On an annual basis all officials of the entity including board members are required to complete a declaration of interest form and submit it to the relevant internal department. The members of the board and sub-committees are also required to fill in a declaration of interest on every board and sub-committee sitting.

19. FRAUD AND CORRUPTION

The Board has an approved Fraud Prevention Plan and Fraud Prevention Policy in place which will be supported by the soon to be established antifraud hotline that will be available for use by both staff and the general public.

20. CODE OF CONDUCT

The Board has developed policies and procedures aimed at facilitating excellent Human Resource management and compliance with statutory and legislative processes, good ethics and conduct. The entity also has an approved Staff Code of Conduct Policy, which promotes good ethical behaviour and provides guidelines for constant monitoring.

To ensure compliance with all policies and guidelines for promotion of good ethical behaviour, the management of the entity has been empowered by the above stated policy to take corrective action against employees who are in breach of their contracts of employment, either on account of misconduct or incapacity, nonperformance and/or underperformance. The purpose of these procedures is to provide appropriate processes for dealing with all cases in a manner that is predictable, consistent, fair and in line with the Labour Relations Act and other governing legislative prescripts.

21. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

NWTB recognizes and accepts its moral, legal and economic responsibility as an employer for providing a safe and healthy work place and environment for all of its employees. These include improvements in productivity, competitiveness and the quality of life of the employees. The effective management of many health and safety hazards will contribute to improved levels of employees, tourists and students safety. The effective control of source of hazardous substances in workplace will improve levels of health and well-being of employees. The following are Occupational Health and Safety programmes which the NWTB has engaged:

- Increase Occupational Health and Safety standards and compliance in the workplace;
- To develop and implement OHS Risk Management system in workplace;
- Implement and maintain a safe working environment;
- Develop, implement and monitor policies and procedures; and
- Coordinate the reporting of Injuries on Duties and Compensation for injuries and Disease Claim and processes.

22. SOCIAL INVESTMENT

The Hotel School Division of the Board embarked on a number of outreach programmes as part of the Board's Social Investment. The outreach programmes focused on primary schools with feeding schemes and capacitation of the cooks who prepare meals for learners. The programme also focused on emerging enterprises in order to enhance their competitiveness and market readiness.

23. COMPANY SECRETARY

The organisation had appointed the Communications Manager to act as the Company Secretary of the entity, a role of which provides secretarial services to the board. The responsibilities of this position entail facilitation of training for board members, facilitation of board and sub-committee meetings, as well as capturing and safeguarding/keeping records and minutes of the board.

Furthermore, the Company Secretary ensures the attendance of all members of the board to the business of the organisation, in line with code of good governance. The acting Company Secretary reported to the former CEO, but remained directly accountable to the board. The position has since been vacated.

The province currently has two hotel schools in Mafikeng and Taung, which have grown and expanded over the years. I am pleased with the quality of graduates they continue to produce. We hope to increase the number of young people who get exposed to the vast tourism and hospitality opportunities which the industry has to offer. We are confident that we would continue to produce more of this calibre of students at the Orkney Hotel School, once it is completed"

MEC Mosenogi.

24. AUDIT AND RISK COMMITTEE REPORT

Members and meetings of the Audit and Risk Committee

The Audit and Risk Committee (ARC) performs duties laid upon it in terms of the PFMA Section 77 holding meetings with the key role players. The ARC has four members, of which the Chairperson is Independent. The ARC is satisfied that its members have the required knowledge and experience to carry out legislated duties.

Meetings of the ARC were conducted in terms of an approved charter and 4 ordinary meetings were held during the financial year 2018/19.

Members	Number of meetings	Meetings attended
BS Khukhele	4	4
IM Modiselle	4	1
RP Mosaka	4	4
GM Keeme-Gaobepe	4	4

The CEO and the Acting CFO and other executive management team members attend meetings of the ARC by invitation and are encouraged to provide active feedback on matters.

External Auditors

The Auditor General South Africa (AGSA) are the external auditors of NWTB in terms all applicable legislation and the ARC has satisfied itself through enquiry that the external auditors are independent as required by the PFMA and applicable auditing standards.

The ARC in consultation with the executive management, agreed to the terms of external audit engagement. The AGSA has audited annual financial statements contained in this annual report and all performance information reported. The audit fee for the external audit has been considered and approved taking into account such factors as audit timelines, extent and scope of work required.

Annual Financial Statements

The ARC conducted a comprehensive review of the Annual Financial Statements (AFS) and is of the view that the opinion expressed by the AGSA is fair. AFS were compiled in terms of GRAP and attention is drawn that as at 31 March 2019 NWTB prepared AFS on the basis of accounting policies applicable to a going concern. A going concern status presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of operations.

Internal Audit Activity

The ARC has ensured achievement of the Internal Audit Activity (IAA) during the financial year. The ARC approved the annual internal audit plan and 3 year rolling plan. IAA has unrestricted access to all functions, records, property and personnel of the NWTB. The IAA report its findings to management and the audit committee and has unrestricted direct access to the Chairperson of the ARC.

Accounting practices and internal controls

Internal controls of NWTB were not fully optimised to operate as intended, mainly due to high vacancy rates during the financial year, as a result the ARC placed limited reliance on them. The board is expected to commence implementing recommendations of the ARC in order to ensure an improved internal control systems which will be effectively monitored.

The ARC approved the Risk Management Framework during the financial year and also performed reviews over functions of risk management. Evaluation of the effectiveness of risk management was done and recommendations on sustainable improvement are being implemented by the Board and management to ensure sound functioning.

After a thorough assessment of the internal control systems and oversight over the independence of both Internal and External Auditors, the ARC recommended the adoption and publication to the board of the Annual Financial Statements for the year ended 31 March 2019.

Signed on behalf of the Audit and Risk Committee.

BOTHEPA KHUKHELE
CHAIRPERSON OF THE AUDIT AND RISK COMMITTEE
NORTH WEST TOURISM BOARD

PART D

HUMAN RESOURCE MANAGEMENT

25. INTRODUCTION

Overview of HR matters at the public entity

Human Resource Management is the integral part of North West Tourism Board. It is the support structure that enables the entity to perform and realise its objectives.

Set HR priorities for the year under review and the impact of these priorities

Develop and approve the organisational plan for the entity in line with its objectives and mandate.

Workforce planning framework and key strategies to attract and recruit a skilled and capable workforce

The North West Tourism Board's workforce planning is guided by an approved Strategic Plan and an approved Annual Performance Plan of the entity.

Employee performance management framework

Effective performance is inculcated through performance management and development system whereby employee performance is assessed on quarterly basis following the performance road map of the entity.

Employee wellness programmes

NWTB recognises its legal and economic responsibility of providing a safe and healthy work environment for all employees and engaging in programs that enhance the well-being of employees.

Policy development

NWTB has policies and procedures in place that promote culture of compliance and consistent human resource management.

Highlight achievements

The approval of the organisational plan developed for the entity.

Challenges faced by the public entity

The entity is unable to fully implement the organisational plan and address vacancy rate due to limited funding and a lack of capacity is experienced across the entity.

Future HR plans /goals

- Review and align the current organisational plan with the organisation's performance plan;
- Develop new policies and review all current Human Resources Policies and Procedures; and
- Develop Human Resource Strategy.

"As ambassadors of this province, I would encourage you to continue making good impressions, with the way you present yourselves and where you come from and always remember to serve with dignity. As you enter the job market believe in yourselves as much as we believe in you and fly the flag of success as high as you can"

MEC Mosenogi.

26. HUMAN RESOURCES OVERSIGHT STATISTICS

Personnel Cost by programme/ activity/ objective

Programme/activity/objective	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp. (R'000)	No. of employees	Average personnel cost per employee (R'000)
Administration	50 346	16 200	11	27	600
Hospitality Training	61 284	32 058	22	136	236
Marketing	32 518	14 432	10	27	535
Total	144 148	62 690	43	190	

Personnel cost by salary band

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top Management	2 393	4	2	1 197
Senior Management	12 538	20	9	1 393
Professional qualified	25 076	40	60	418
Skilled	18 922	30	51	371
Semi-skilled	3 761	6	83	45
Unskilled	-	-	-	-
TOTAL	**62 690**	**100**	**205**	

Training Costs

Programme//activity/objective	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost.	No. of employees trained	Average training cost per employee
Administration	16 200	242	2	18	13
Hospitality Training	32 058	591	2	22	27
Marketing	14 432	-	-	-	-
TOTAL	**62 690**	**833**		**40**	

Employment and vacancies

Programme/activity/objective	2017/2018 No. of Employees	2018/2019 Approved Posts	2018/2019 No. of Employees	2018/2019 Vacancies	% of vacancies
Administration	35	69	34	35	51
Hospitality Training	131	151	129	22	15
Marketing	30	36	27	9	25
Total	**196**	**256**	**190**	**66**	

Programme/activity/objective	2017/2018 No. of Employees	2018/2019 Approved Posts	2018/2019 No. of Employees	2018/2019 Vacancies	% of vacancies
Top Management	1	3	0	3	100
Senior Management	10	18	9	10	56
Professional qualified	59	91	56	-	-
Skilled	50	81	48	35	43
Semi-skilled	76	64	77	18	28
Unskilled	-	-		-	-
Total	**166**	**256**	**190**	**66**	

Most of the top and senior management positions have been vacant for the past three years and filled by internal staff on an acting basis. The reason for the vacancies remaining unfilled is the delay in the approval of the organisational plan and the subsequent funding.

Employment changes

Turnover rates provide an indication of trends in employment profile of the North West Tourism Board.

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	2	0	2	0
Senior Management	9	0	0	9
Professional qualified	59	1	5	55
Skilled	50	1	2	49
Semi-skilled	77	5	5	77
Unskilled	-	-	-	-
Total	**197**	**7**	**14**	**190**

Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death	1	7
Resignation	4	29
Dismissal	0	0
Retirement	3	21
Ill health	0	0
Expiry of contract	6	43
Other	0	0
Total	**14**	**100**

The reasons for staff leaving the North West Tourism Board are as mentioned above and attempts made to replace these staff through acting appointments during the financial year.

Labour Relations: Misconduct and disciplinary action

Nature of disciplinary Action	Number
Verbal Warning	0
Written Warning	0
Final Written warning	0
Dismissal	0
Total	**0**

Equity Target and Employment Equity Status

Levels	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	0	0	0	0	0	0
Senior Management	0	0	0	0	0	0	0	0
Professional qualified	4	1	0	1	0	0	0	0
Skilled	34	2	0	2	1	1	0	2
Semi-skilled	35	0	1	5	0	1	0	1
Unskilled	0	0	0	0	0	0	0	0
Total	73	3	1	8	1	2	0	3

Levels	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	0	0	0	0	0	0
Senior Management	0	0	0	0	0	0	0	1
Professional qualified	6	1	1	1	0	0	0	0
Skilled	67	0	1	2	0	1	1	2
Semi-skilled	39	0	0	1	0	1	0	0
Unskilled	0	0	0	0	0	0	0	0
Total	**112**	**1**	**2**	**4**	**0**	**2**	**1**	**4**

Levels	Disabled Staff			
	Male		Female	
	Current	Target	Current	Target
Top Management	0	0	0	0
Senior Management	0	0	0	0
Professional qualified	0	2	0	1
Skilled	0	0	1	1
Semi-skilled	0	1	1	0
Unskilled	0	0	0	0
Total	**0**	**3**	**2**	**2**

The Employment Equity Targets are based on the variances of under representation identified through workforce planning. The targets are projected on the basis of under representation gaps identified. The numerical goals are projected numbers of employment guided by the Employment Equity Plan of the organisation. Limited budget impedes the organisation to fill vacant positions and meet the projected targets.

PART E

FINANCIAL INFORMATION

27. BOARDS RESPONSIBILITY AND APPROVAL

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

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

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

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

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

The board has reviewed the NWTB's cash flow forecast for the year to 31 March 2020 and, in the light of this review and the current financial position, they are satisfied that the NWTB has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the NWTB's annual financial statements.

The annual financial statements set out on pages 77 to 119, which have been prepared on the going concern basis, were approved by the board on 30 May 2019 and were signed on its behalf by:

Accounting Authority

28. BOARDS REPORT

The members submit their report for the year ended 31 March 2019.

1. Incorporation

The NWTB was established on 01 June 2015 in terms of the North West Tourism Board Act 2 of 2015 and commenced business on the same day.

The NWTB was listed in the PFMA as a Schedule 3C entity on 24/02/2017.

2. Review of activities

Main business and operations

The primary purpose of the establishment is to market the province as a tourism destination, provide hospitality, training and skills transfer and to facilitate sustainable responsible tourism development and investment promotion and operates principally in South Africa.

The operating results and state of affairs of the NWTB are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net surplus of the NWTB was R 9 100 794 (2018: deficit R 5 507 418).

3. Going concern

We draw attention to the fact that at 31 March 2019, the NWTB had an accumulated surplus of R 112 849 210 and that the NWTB's total assets exceed its liabilities by R 112 849 210.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

4. Subsequent events

On 28 May 2019 an announcement was made by Premier J Mokgoro on the Provincial Cabinet. The North West Department of Tourism has been merged with the North West Department of Economic Development and Environment to form one department, namely the Department of Economic Development, Environment, Conservation and Tourism.

On 22 May 2019 the Member of the Executive Authority dissolved the Accounting Authority of the North West Tourism Board. This resulted in the appointed of an interim Accounting Authority represented by Mr I R Modiselle. Mr Modiselle subsequently resigned as Accounting Authority at the end of June 2019. Currently the Member of the Executive Authority, Ms K Mosenogi, fulfilling the role of Accounting Authority until an interim board is appointed.

In addition the Premier J Mokgoro pronounced in the State of the Province address the merger between the NWTB and the NWPB during the 2019/2020 financial year.

5. Accounting policies

The annual financial statements have been prepared in accordance with the South African Statements of GRAP, including any interpretations of such Statements issued by the Accounting Practices Board as the prescribed framework by National Treasury.

6. Board

The appointed members of the NWTB during the year and to the date of this report are as follows:

Name	Nationality	Changes
Lefenya K	South African	Appointed October 2015
Nkagisang MG	South African	Appointed October 2015
Reetsang WI	South African	Appointed October 2015
Modisella IR (Deputy Chairperson)	South African	Appointed October 2015
Mosaka RP	South African	Appointed May 2016
Segwe LN (Ex Officio)	South African	Terminated 31 December 2018
Dliso J (Chairperson)	South African	Appointed 01 September 2017
Keeme-Gaobepe G	South African	Appointed 01 September 2017
Mabunda JN (Ex-Officio)	South African	Appointed 01 January 2019

29. REPORT OF THE EXTERNAL AUDITOR

Auditing to build public confidence

AUDITOR-GENERAL
SOUTH AFRICA

Report of the auditor-general to the North West provincial legislature on the North West Tourism Board

Report on the audit of the annual financial statements

Qualified opinion

1. I have audited the financial statements of the North West Tourism Board set out on pages 77 to 119, which comprise the statement of financial position as at 31 March 2019, and the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects of the mattes described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the North West Tourism Board as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis for qualified opinion

Property, plant and equipment

3. The entity did not measure all items of property, plant and equipment in accordance with GRAP 17, *Property, plant and equipment* as some of IT equipment had a zero cost price, negative residual values and negative carrying amount. I was unable to determine the impact on the net carrying amount of IT equipment include in property, plant and equipment as it was impracticable to do so. Furthermore, I was unable to obtain sufficient appropriate audit evidence regarding the residual values of furniture and fixtures and IT equipment and that all property, plant and equipment for the current year had been properly recorded in the asset register as management could not provide supporting evidence for the basis or assumptions of estimated residual values and due to the status of the accounting records. I was unable to confirm the property, plant and equipment by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to property, plant and equipment of R103 023 100 (2018: R106 944 059) as disclosed in note 8 to the financial statements or to the depreciation, amortisation and impairments expense of R5 471 866 (2018: R5 686 565) in the statement of financial performance.

Revenue

4. The entity did not correctly recognise all revenue in accordance with GRAP 9, *Revenue from exchange transactions*, as revenue for uniforms, equipment and tools included in academic training revenue was incorrectly recognised over a period of time and not when risk and rewards associated with goods were transferred to the students. Furthermore the entity did not maintain a adequate records of when and to whom uniforms were handed over. I was unable to determine the impact on the revenue from academic training of R11 658 643 (2018: R6 838 068) as it was impracticable to do so.

Expenses

5. The entity did not correctly recognise operating expenses in accordance with GRAP 1, *Presentation of financial statements* as not all items of operating expenses were recognised in the correct accounting period. As a result, expenses for the current year was understated by R2 723 966. Additionally, there was a consequential impact on the surplus for the period and on the accumulated surplus. Furthermore, I was unable to obtain sufficient appropriate audit evidence to confirm that goods and services had actually been received for expenses recognised, as the supporting documentation for the transactions did not provide adequate evidence that the goods and services were actually received at the correct quantity and price. I was unable to confirm these expeses by alternative means. Consequently, I was unable to determine whether any adjustment relating to expense of R127 689 545 included in the statement of financial performance was necessary.

Provisions

6. The entity did not correctly calculate the provision for long-service awards in accordance with GRAP 25, *Employee benefits* as not all variables were considered to calculate the estimated provision and the entity did not use projected credit method to determine present value of the of its defined benefit obligation, furthermore the entity's accounting policy for the long service awards as disclosed in note 1.8 of the financial statements is incositent with GRAP 25, *Employee benefits*. I was unable to quantify the resultant misstatements of provision of R1 971 892 as disclosed in note 11 to the financial statements as it was impracticable to do so.

Irregular expenditure

7. Section 55(2)(b)(i) of the PFMA requires the disclosure of irregular expenditure incurred. The entity made payments of R8 932 056 in contravention with the supply chain management requlations which were not included in irregular expenditure disclosed. As the entity did not quantify the full extent of the irregular expenditure, it was impracticable to determine the

resultant understatement of irregular expenditure of R18 886 814 as disclosed in the note 29 to the financial statements.

Context for the opinion

8. 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.

9. I am independent of the entity in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code), parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* 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 codes.

10. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of matter

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

Restatement of corresponding figures

12. As disclosed in note 31 to the financial statements, the corresponding figures for 2017-18 have been restated as a result of errors in the financial statements of the entity at, and for the year ended, 31 March 2019.

Responsibilities of the accounting officer for the financial statements

13. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with the SA 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.

14. In preparing the financial statements, the accounting authority is responsible for assessing the North West Tourism Board's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the entity or to cease operations, or there is no realistic alternative but to do so.

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

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

16. 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 compliance with legislation

Introduction and scope

30. 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.

31. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements

32. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 55(1)(a) and (b) of the PFMA. Material misstatements of unspent conditional grants and receipts, conditional grant revenue, conditional grants expenses and contingent liabilities identified by the auditors in the submitted financial statements were corrected, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified opinion.

Strategic planning and performance management

33. Procedures for the facilitation of effective performance monitoring, evaluation and corrective action through quarterly reports were not established, as required by Treasury Regulation 30.2.1

Expenditure management

34. Effective and appropriate steps were not taken to prevent irregular expenditure, as required by section 51(1)(b)(ii) of the PFMA. As reported in the basis for the qualified of opinion, the financial statements does not reflect the full extent of the irregular expenditure incurred. The majority of the irregular expenditure disclosed in the financial

statements was caused by non-compliance with supply chain management requirements.

Revenue management

35. Effective and appropriate steps were not taken to collect all money due, as required by section 51(1)(b)(i) of the PFMA and Treasury Regulation 31.1.2(a) and (e).

Consequences management

36. Disciplinary steps were not taken against the officials who had incurred or permitted irregular and fruitless and wasteful expenditure as required by section 51(1)(e)(iii) of the PFMA.

Procurement and contract management

37. Some of the goods and services with a transaction value below R500 000 were procured without obtaining the required price quotations, as required by Treasury Regulation 16A6.1. Similar non-compliance was also reported in the prior year.

38. Some of the contracts were extended or modified without the approval of a properly delegated official as required by section 44 of the PFMA and Treasury Regulations 8.1 and 8.2.

39. Some of the goods and services with a transaction value above R500 000 were procured without inviting competitive bids and deviations were approved by the accounting officer but it was practical to invite competitive bids, as required by Treasury Regulations 16A6.1 and 16A6.4.

Other information

40. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report which includes the director’s report and the audit committee’s report . The other information does not include the

financial statements, the auditor's report thereon and those selected programmes presented in the annual performance report that have been specifically reported on in this auditor's report.

41. 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.

42. 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.

43. 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

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

- The accounting authority did not adequately exercise oversight responsibility regarding financial and performance reporting and compliance with legislation. The entity did not have sufficient monitoring controls to ensure that financial and performance reports submitted for audit were accurate and complete.
- Senior management did not implement adequate control disciplines over financial and performance reporting and compliance with key legislation. There was a lack of a proper records management system that could support the information reported in the financial statements and performance report and as a result material errors and omissions were identified during the audit process.
- Internal audit processes did not always identify internal control deficiencies and recommend appropriate corrective action effectively. This resulted in significant and recurring control deficiencies relating to the preparation of financial and performance reports and compliance with legislation. Although the audit committee's effective, it did not achieve the desired impact of improving the audit outcome.

Auditor-General

Rustenburg

31 July 2019

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNEXURE – AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

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

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in the auditor's report, I also:

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

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and where applicable, related safeguards.

ANNUAL FINANCIAL STATEMENTS

NORTH WEST TOURISM BOARD
(Incorporated by Act 2 of 2015 North West Tourism Board Act)
Annual Financial Statements for the year ended 31 March 2019

Statement of Financial Position as at 31 March 2019

Figures in Rand	Notes	2019	2018 Restated*
Assets			
Current Assets			
Inventories	4	837 399	425 954
Receivables from exchange transactions	5	10 230 917	6 135 522
Receivables from non-exchange transactions	6	95 694	51 021
Cash and cash equivalents	7	25 389 277	14 064 949
		36 553 287	**20 677 446**
Non-Current Assets			
Property, plant and equipment	8	103 023 100	106 944 059
Total Assets		**139 576 387**	**127 621 505**
Liabilities			
Current Liabilities			
Finance lease obligation	9	36 987	33 398
Unspent conditional grants and receipts	10	9 408 368	10 011 537
Provisions	11	216 166	70 208
Payables from exchange transactions	12	11 708 407	10 802 550
Payables from non-exchange transactions	13	3 588 266	2 083 527
		24 958 194	**23 001 220**
Non-Current Liabilities			
Finance lease obligation	9	13 257	50 244
Provisions	11	1 755 726	821 626
		1 768 983	**871 870**
Total Liabilities		**26 727 177**	**23 873 090**
Net Assets		**112 849 210**	**103 748 415**
Accumulated surplus		112 849 210	103 748 415

The accounting policies on pages 15 to 27 and the notes on pages 28 to 48 form an integral part of the annual financial statements.

* See Note 32 & 31

NORTH WEST TOURISM BOARD

(Incorporated by Act 2 of 2015 North West Tourism Board Act)
Annual Financial Statements for the year ended 31 March 2019

Statement of Financial Performance

Figures in Rand	Notes	2019	2018 Restated*
Revenue			
Application fees	14	25 960	22 320
Academic training	14	11 658 643	6 838 068
Hotel income	14	13 436 865	13 500 889
Government grants & subsidies	15	106 993 000	92 261 000
Public contributions and donations	14&36	27 669	1 074 690
Conditional grant revenue	14	603 169	4 375 346
		132 745 306	**118 072 313**
Other income			
Payables written off		-	294 794
Other income	16	2 767 669	2 019 953
Interest received	17	1 290 843	1 353 545
		4 058 512	**3 668 292**
Expenses (Refer to page 8)		**(127 689 545)**	**(127 235 021)**
Operating surplus (deficit)		**9 114 273**	**(5 494 416)**
Finance costs	18	(13 479)	(13 002)
Surplus (deficit) for the year		**9 100 794**	**(5 507 418)**

* See Note 32 & 31

NORTH WEST TOURISM BOARD

(Incorporated by Act 2 of 2015 North West Tourism Board Act)
Annual Financial Statements for the year ended 31 March 2019

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018
Operating expenses			
Advertising		286 784	142 930
Loose tools		95 173	233 405
Auditors remuneration	20	2 301 499	1 903 502
Debt Impairment		1 740 101	1 731 740
Bank charges		175 099	176 002
Kitchen fuel		285 056	235 801
Cleaning materials and services		1 474 966	1 161 279
Conditional grants - expenses	10	603 169	4 375 346
Functions and workshops		-	1 950
Consulting and professional fees		-	31 603
Consumables		377 390	363 255
Special projects		612 270	288 745
Delivery expenses		4 382	25 885
Depreciation, amortisation and impairments	8	5 471 866	5 686 565
Salaries: temporary workers		189 207	160 868
Employee costs	19	62 689 627	60 810 326
Food costs		6 807 873	6 538 253
Refunds		135 181	45 171
Recruitment expenses		117 241	95 365
Licences and membership fees		323 174	391 109
Laundry expenses		276 040	213 579
Beverage expenses		1 423 579	1 208 722
Guest supplies		175 891	134 670
Marketing promotions		7 336 937	5 778 821
Board expenses		1 494 823	997 247
Insurance		393 724	362 816
Office and equipment rentals		2 699 399	2 175 259
Legal expenses		13 250	18 601
Levies and leave		318 494	352 683
Loss on disposal of assets		176 323	5 217 503
Marketing - shows and exhibitions		5 560 138	6 148 952
Motor vehicle expenses		313 349	319 759
Rates and taxes		852 012	852 012
Pest control		98 602	61 300
Printing and stationery		609 763	1 103 284
Repairs and maintenance		1 971 375	1 841 542
Product and development costs		1 430 204	1 416 927
Employment equity and employee relations		51 550	10 678
Security		5 866 659	3 047 397
Software expenses		53 250	198 521
Staff welfare and transport		296 841	413 245
Subsistence		1 469 604	1 939 495
Telephone and fax		876 614	960 230
Academic training		3 266 808	1 587 075
Travel - local		2 267 910	1 789 878
Travel - overseas		308 579	247 366
Uniforms		542 531	700 087
Water and electricity		3 605 140	3 591 640
Staff meetings		138 198	14 743
Graduation		111 900	131 889
		127 689 545	**127 235 021**

* See Note 32 & 31

NORTH WEST TOURISM BOARD

(Incorporated by Act 2 of 2015 North West Tourism Board Act)
Annual Financial Statements for the year ended 31 March 2019

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018

The accounting policies on page 15 to 28 and the notes on pages 29 to 49 form an integral part of the annual financial statements.

* See Note 32 & 31

NORTH WEST TOURISM BOARD

(Incorporated by Act 2 of 2015 North West Tourism Board Act)
Annual Financial Statements for the year ended 31 March 2019

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 April 2017	**109 255 833**	**109 255 833**
Changes in net assets		
Surplus for the year as previously stated	156 976	156 976
Prior period error - PPE verification correction	(5 217 503)	(5 217 503)
Prior period error - Inaccurate interest charged	14 358	14 358
Prior period error - Inaccurate customer processing	(180 605)	(180 605)
Prior period error - Cut-off 2018 expenditure	(280 644)	(280 644)
Total changes	(5 507 418)	(5 507 418)
Balance at 01 April 2018 as restated	**103 748 416**	**103 748 416**
Changes in net assets		
Surplus for the year	9 100 794	9 100 794
Total changes	9 100 794	9 100 794
Balance at 31 March 2019	**112 849 210**	**112 849 210**

The accounting policies on pages 15 to 27 and the notes on pages 28 to 48 form an integral part of the annual financial statements.

* See Note 32 & 31

NORTH WEST TOURISM BOARD

(Incorporated by Act 2 of 2015 North West Tourism Board Act)
Annual Financial Statements for the year ended 31 March 2019

Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
Exchange transactions		25 121 468	20 361 277
Grants, public contributions and donations		107 623 838	97 711 036
Interest income		1 290 843	1 353 545
Other income		2 767 669	2 314 747
		136 803 818	121 740 605
Payments			
Employee costs		(62 689 627)	(60 810 326)
Suppliers		(61 793 674)	(61 259 228)
Finance costs		(13 479)	(13 002)
		(124 496 780)	(122 082 556)
Net cash flows from operating activities	21	**12 307 038**	**(341 951)**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(949 312)	(1 629 950)
Cash flows from financing activities			
Finance lease payments		(33 398)	-
Finance lease receipts		-	83 641
Net cash flows from financing activities		**(33 398)**	**83 641**
Net (decrease)/increase in cash and cash equivalents		**11 324 328**	**(1 888 260)**
Cash and cash equivalents at the beginning of the year		14 064 949	15 953 209
Cash and cash equivalents at the end of the year	7	**25 389 277**	**14 064 949**

The accounting policies on pages 15 to 27 and the notes on pages 28 to 48 form an integral part of the annual financial statements.

* See Note 32 & 31

NORTH WEST TOURISM BOARD
(Incorporated by Act 2 of 2015 North West Tourism Board Act)
Annual Financial Statements for the year ended 31 March 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Application fees	20 000	-	**20 000**	25 960	**5 960**	Note 1
Academic training	6 000 000	-	**6 000 000**	11 658 643	**5 658 643**	Note 2
Hotel income	15 372 760	-	**15 372 760**	13 436 865	**(1 935 895)**	Note 3
Rent and other income	1 241 240	-	**1 241 240**	2 767 669	**1 526 429**	Note 4
Interest received	1 679 000	-	**1 679 000**	1 290 843	**(388 157)**	Note 5
Total revenue from exchange transactions	**24 313 000**	**-**	**24 313 000**	**29 179 980**	**4 866 980**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	94 404 000	12 589 000	**106 993 000**	106 993 000	**-**	Note 6
Public contributions and donations	-	-	**-**	27 669	**27 669**	Note 8
Conditional grant revenue	-	-	**-**	603 169	**603 169**	Note 7
Total revenue from non-exchange transactions	**94 404 000**	**12 589 000**	**106 993 000**	**107 623 838**	**630 838**	
Total revenue	**118 717 000**	**12 589 000**	**131 306 000**	**136 803 818**	**5 497 818**	
Expenditure						
Employee costs	(69 343 162)	-	**(69 343 162)**	(62 689 627)	**6 653 535**	Note 9
Audit fees	(1 800 000)	-	**(1 800 000)**	(2 301 499)	**(501 499)**	Note 11
Finance costs	-	-	**-**	(13 479)	**(13 479)**	Note 10
Conditional grants - expenses	-	-	**-**	(603 169)	**(603 169)**	Note 7
General Expenses	(46 653 838)	(12 589 000)	**(59 242 838)**	(58 889 006)	**353 832**	Note 12
Total expenditure	**(117 797 000)**	**(12 589 000)**	**(130 386 000)**	**(124 496 780)**	**5 889 220**	
Operating surplus	**920 000**	**-**	**920 000**	**12 307 038**	**11 387 038**	
Capital expenses	(920 000)	-	**(920 000)**	(949 312)	**(29 312)**	Note 13
Finance lease payments	-	-	**-**	(33 398)	**(33 398)**	
	(920 000)	**-**	**(920 000)**	**(982 710)**	**(62 710)**	
Operating deficit	**-**	**-**	**-**	**11 324 328**	**11 324 328**	

NORTH WEST TOURISM BOARD

(Incorporated by Act 2 of 2015 North West Tourism Board Act)
Annual Financial Statements for the year ended 31 March 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Reconciliation						
Add back non cash items						
Operating surplus				12 307 038		
Depreciation and amortisation				(5 448 910)		Note 12
PPE Disposals and scrapping				(176 323)		Note 12
Impairment of PPE				(22 187)		Note 12
Other non-cash movements in PPE				777 148		Note 12
Debt impairment				(1 740 101)		Note 12
Movement in provisions				(1 080 058)		
Movement in inventory				411 445		
Movements in receivables				5 835 497		
Movement in unspent conditional grants				603 169		
Movement in other receivables from non-exchange transactions				44 673		
Movement in payables				(2 410 596)		
Actual Amount in the Statement of Financial Performance				**9 100 795**		

Explanatory notes

Note 1: Application fees
The variance is due to a higher number of potential students purchasing applications forms than anticipated. The budget was also set at a prudent estimate.

Note 2: Academic training
Due to the change in training programmes offered by the Hotel Schools it was difficult to estimate the expected revenue to be generated from school fees as it was unknown as to how this would impact on student enrolments. The budget was therefore set at a modest amount. School fee tariffs were also increased for the 2019 academic year. In addition a skills training programme was offered in Botswana resulting in non-budgeted additional revenue of R5,8 million.

Note 3: Hotel income
The deterioration of hotel infrastructure and lack of resources to ensure facilities are maintained have resulted facilities not operating at full capacity and therefore hotel occupancy rates have decreased. In addition, hotel rates were not increased for the 2019 financial year. Aa a result of the state of teh infrastructure the budget was set at a prudent amount.

Note 4: Other income
Rental income is generated primarily from Taung Hotel School as the school currently does not accommodate residential students. This income is incidental to hotel operations and it is anticipated that the facilities will be occupied by academic staff once the facility becomes fully functional. This rental income was set at a prudent estimate which was surpassed by actual income generated as tariffs were increased during the 2019 financial year.

Note 5: Interest received
Interest expected to be generated from investments did not materialise as no excess funds were available for investment due to limited financial resources being available. In addition transfer payments are not received timeously, resulting in potential interest being forfeited as a result of reduced investment periods.

Note 6: Government grants and subsidies
All budgeted transfer payments were received as expected.

NORTH WEST TOURISM BOARD

(Incorporated by Act 2 of 2015 North West Tourism Board Act)
Annual Financial Statements for the year ended 31 March 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Note 7: Conditional grants revenue and expenses
Conditional grants revenue and expenses were not budgeted for. Conditional grants were received for the prior years. Revenue and expenses were recognised where conditions specified were met during the current year.

Note 8: Public contributions and donations
The variance is due to assets donated to the Hotel Schools as part of capital purchases from conditional grants.

Note 9: Employee costs
Critical vacant positions budgeted for were not filled during the financial year. Several employees including senior employees terminated employment during the current and prior year without being replaced.

Note 10: Finance costs
The variance is due to interest on late payments charged on overdue accounts not budgeted for.

Note 11: Audit fees
Audit fees incurred due to increased audit tariffs and the deployement of an expanded audit team. Inaddition, the status of records review performed by the Auditor General for the 9 months ending December 2018, was originally not budgeted for.

Note 12: General expenses
Expenses relating to the day-to-day services rendered by the Tourism Training Programme also increased due to inflation, i.e. food costs. In additional security services previously carried by the NW Department of Tourism have been ceded to the NWTB and the actual costs incurred are in excess of the resources available.

Depreciation is a non cash transaction not included in the cash budget.

Impairment loss on property, plant and equipment was not budgeted for as this is a non cash transaction.

The bad debts impairment was not budgeted for as this is a non-cash transaction.

Re-assessment of residual values for IT equipment as well as furniture and fixtures resulted in the movement reflected.

Note13: Capital expenditure
Cost containment measures were also implemented as far as possible. Capital items were restricted to items urgently required for operations.

NORTH WEST TOURISM BOARD
(Incorporated by Act 2 of 2015 North West Tourism Board Act)
Annual Financial Statements for the year ended 31 March 2019

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared on the accrual basis in accordance with the effective Standards of GRAP, including any interpretations and directives issued by the Accounting Standards Board. The functional and reporting currency is South African Rand. The North West Tourism Board has adopted a full GRAP accounting framework.

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

The entity has been in operation from 01 June 2015 after the enactment of the North West Tourism Board Act (Act No 2 of 2015).

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

1.1 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the NWTB; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

Land is not depreciated.

All other property, plant and equipment are depreciated on a straight line basis so as to write each asset down to its estimated residual value over the expected term of its useful life. Depreciation is calculated from the date of purchase to the date of disposal. Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The carrying amount of property, plant and equipment shall be derecognised on disposal or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss from derecognition shall be included in the surplus or deficit when the property, plant and equipment is derecognised.

The Board re-assesses the useful lives and residual values of property, plant and equipment on an annual basis. In reassessing 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. Land, buildings and infrastructure is re-assessed when significant changes have been identified.

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

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

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

Accounting Policies

1.1 Property, plant and equipment (continued)

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

Item	Depreciation method	Average useful life
Land		Indefinite
Buildings and infrastructure	Straight line	4 to 50 years
Furniture and fixtures	Straight line	4 to 8 years
Motor vehicles	Straight line	10 to 23 years
Office equipment	Straight line	4 to 15 years
IT equipment	Straight line	4 to 15 years
Finance leased assets	Straight line	Over the lease agreement term

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

1.2 Financial instruments

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

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

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

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

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

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

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

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

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

1.2 Financial instruments (continued)

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

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

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

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

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

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

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

1.3 Leases

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

Accounting Policies

1.3 Leases (continued)

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

Finance leases - lessee

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

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

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

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

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

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

1.4 Inventories

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

They consist of consumables used in the provision of hospitality services rendered by the Hotel Schools Division of the North West Tourism Board.

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

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

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

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

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

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

Accounting Policies

1.4 Inventories (continued)

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

Where inventories are acquired through a non-exchange transaction, their cost shall be measured at their fair value as at the date of acquisition.

1.5 Impairment of cash-generating assets

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.
Useful life is either:

(a)the period of time over which an asset is expected to be used by the entity; or
(b)the number of production or similar units expected to be obtained from the asset by the entity.

Identification

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

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

Irrespective of whether there is any indication of impairment, the NWTB also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the NWTB estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the NWTB applies the appropriate discount rate to those future cash flows.

Accounting Policies

1.5 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the NWTB:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the NWTB determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the NWTB use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.6 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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

Accounting Policies

1.6 Impairment of non-cash-generating assets (continued)

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the NWTB; or
- the number of production or similar units expected to be obtained from the asset by the NWTB.

1.7 Employee benefits

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

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

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

Short-term employee benefits

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

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

Accounting Policies

1.7 Employee benefits (continued)

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

Post-employment benefits

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

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

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

The North West Tourism Board contributes to a defined contribution plan, i.e. the North West Parks and Tourism Board Provident Fund registered under and governed by the Pension Funds Act,1956,as amended. These contributions are recognised as an expense in the Statement of Finanancial Performance. The amount of post-employment benefits received by an employee is therefore determined by these contributions. Actuarial and investment risk, in consequence, falls on the employee.

1.8 Provisions and contingencies

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

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

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

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

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

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

Accounting Policies

1.8 Provisions and contingencies (continued)

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

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

Provisions are not recognised for future operating surplus.

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

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

  A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-ocurrence of one or more uncertain future events not wholly within the control of the entity.

  A contingent liability is a possible obligation that arises from past events and whose existence will be only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, or a present obligation arises from past events but is recognised because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, or the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 24.

The provision for long service relates to the board's estimated liabilities arising as a result of services rendered by employees. This provision is based on rates approved in the Board's policies

1.9 Commitments

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

1.10 Revenue from exchange transactions

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

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

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

Measurement

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

Accounting Policies

1.10 Revenue from exchange transactions (continued)

Sale of goods

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

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

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer.

Revenue arising from the hospitality and related training services is recognised on an accrual basis.

Interest

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

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

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

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.11 Revenue from non-exchange transactions

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

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the NWTB can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

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

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

Recognition

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

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

Accounting Policies

1.11 Revenue from non-exchange transactions (continued)

Measurement

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

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

1.12 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.13 Borrowing costs

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

In terms of section 32.1.1 of the Treasury Regulations Public Entity Limited may borrow money for bridging purposes with the approval of the Minister of Finance, subject to certain conditions

1.14 Fruitless and wasteful expenditure

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

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

1.15 Irregular expenditure

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

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

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

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

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

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

Accounting Policies

1.15 Irregular expenditure (continued)

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

Irregular expenditure is expenditure that is contrary to the Public Finance Management Act and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.16 Budget information

Budgets are not prepared on a comparable basis to the financial statements. Financial statements are prepared on an accrual basis and the budget on a cash basis of accounting. A reconciliation between the surplus/(deficit) for the period as per Statement of Financial Performance and budgeted surplus/(deficit) is included in the Statement of Comparison of Budget and Actual Amounts. An explanation of material differences between the budget and actual amounts in included.

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

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

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2018/04/01 to 2019/03/31.

The budget for the economic entity includes all the entities approved budgets under its control.

1.17 Related parties

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

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

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

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

Related party transactions will only be disclosed when those transactions occur other than in accordance with the operating parameters established in the normal course of business on terms and conditions that are no more or less favourable than those it is reasonable to expect the North West Tourism Board to have adopted if dealing with an individual entity or person in the same circumstances. Related party transactions include transactions entered into with its reporting body, i.e. the North West Province and the Department of Tourism as well as the North West Parks Board.

1.18 Events after reporting date

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

Accounting Policies

1.18 Events after reporting date (continued)

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

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

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

1.19 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.20 Taxation

The North West Tourism Board is a provincial public entity which is exempt from South African normal taxation.

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IGRAP 19: Liabilities to Pay Levies	01 April 2019	Unlikely there will be a material impact
• GRAP 12 (as amended 2016): Inventories	01 April 2018	The impact of the amendment is not material.
• GRAP 16 (as amended 2016): Investment Property	01 April 2018	The impact of the amendment is not material.
• GRAP 17 (as amended 2016): Property, Plant and Equipment	01 April 2018	The impact of the amendment is not material.
• GRAP 21 (as amended 2016): Impairment of non-cash-generating assets	01 April 2018	The impact of the amendment is not material.
• GRAP 26 (as amended 2016): Impairment of cash-generating assets	01 April 2018	The impact of the amendment is not material.
• GRAP 27 (as amended 2016): Agriculture	01 April 2018	The impact of the amendment is not material.
• GRAP 31 (as amended 2016): Intangible Assets	01 April 2018	The impact of the amendment is not material.
• GRAP 103 (as amended 2016): Heritage Assets	01 April 2018	The impact of the amendment is not material.
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	The impact of the amendment is not material.

2.2 Standards and interpretations issued, but not yet effective

The NWTB has not applied the following standards and interpretations, which have been published and are mandatory for the NWTB's accounting periods beginning on or after 01 April 2019 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 34: Separate Financial Statements	01 April 2020	Unlikely there will be a material impact
• IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	Unlikely there will be a material impact
• Directive 7 (revised): The Application of Deemed Cost	01 April 2019	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2020	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	01 April 2020	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	Unlikely there will be a material impact

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2019	Unlikely there will be a material impact
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2019	Unlikely there will be a material impact
• GRAP 20: Related parties	01 April 2019	Unlikely there will be a material impact
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2019	Unlikely there will be a material impact
• GRAP 105: Transfers of functions between entities under common control	01 April 2019	Unlikely there will be a material impact
• GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	01 April 2019	Unlikely there will be a material impact
• GRAP 107: Mergers	01 April 2019	Unlikely there will be a material impact
• GRAP 108: Statutory Receivables	01 April 2019	Unlikely there will be a material impact
• GRAP 109: Accounting by Principals and Agents	01 April 2019	Unlikely there will be a material impact
• IGRAP 11: Consolidation – Special purpose entities	01 April 2019	Unlikely there will be a material impact
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2019	Unlikely there will be a material impact
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2019	Unlikely there will be a material impact
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	Unlikely there will be a material impact

3. Risk management

Interest rate risk

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

The entity analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact on surplus and deficit of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

Fair values

Financial instruments are comprised primarily of loans to subsidiaries, trade and other receivables, cash deposits with banks, long term loans and trade creditors. The carrying amounts of all financial assets and liabilities included in these financial statements are considered to approximate their fair values.

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.

At 31 March 2019	**Less than 1 year**
Trade and other payables from exchange transactions	11 708 407
Trade and other payables from non-exchange transactions	1 482 291

At 31 March 2018	**Less than 1 year**
Trade and other payables from exchange transactions	10 802 550
Trade and other payables from non-exchange transactions	1 160 815

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

3. Risk management (continued)

Credit risk

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

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

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

4. Inventories

Consumable stores	837 399	425 954

No inventory was pledged as security for any financial liability.

5. Receivables from exchange transactions

Trade debtors	10 230 917	6 135 522

The above receivables and prepayments are expected to be realised within the next financial year, and certain categories of accounts receivable bear interest at rates determined by the Minister of Finance. The applicable rate at year end was 10.25% (2018: 10.25%).

The members consider that the carrying amount of trade and other receivables approximates their fair value. No receivables were pledged for security for any financial liability.

Credit quality of trade and other receivables

The credit rating used to rate the credit quality in categories to determine an adequate level of impairment, is based on the debtors' nature, payment history and whether or not the debtor might be a recipient of a bursary.

This information is used to score each debtor according to the guidance issued by National Treasury with regards to the impairment of receivables.

Trade and other debtors comprise a widespread customer base and the Board performs ongoing credit evaluations of the recoverability of these debts. There is no significant credit risk attached to these debtors that has not been provided for as doubtful.

Receivables from exchange transaction past due but not impaired

Mafikeng Hotel School Trade Debtors	3 020 806	2 392 914
Taung Hotel School Trade Debtors	1 506 641	973 912
Head Office Trade Debtors	4 847 959	2 192 636
Mafikeng Hotel School Student Debtors	1 229 568	825 867
Taung Hotel School Student Debtors	258 257	522 724
Other	156 404	154 252
	11 019 635	**7 062 305**

The ageing of receivables prior to impairment and disclosure re-allocations such as debtors with credit balances, were as follows:

Current and 1-30 Days	272 650	1 006 220
31-60 Days	6 181 106	4 445 105
61-90 Days	(563 542)	(623 347)
Over 90 Days	13 756 868	8 983 586
	19 647 082	**13 811 564**

Trade and other receivables impaired

As of 31 March 2019, trade and other receivables of R 9 416 143 (2018: R 7 676 042) were impaired and provided for.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

5. Receivables from exchange transactions (continued)

Reconciliation of provision for impairment of receivables from exchange transactions

Opening balance	7 676 042	5 944 302
Current year movement	1 740 101	1 731 740
Closing balance	**9 416 143**	**7 676 042**

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

The impairment for receivables is calculated identifying receivables individually. Receivables which could not be identified individually as being impaired were 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. These annual loss ratios are applied to balances in the portfolio.

6. Receivables from non-exchange transactions

Staff and sundry debtors	93 433	51 021
Creditors with debit balances	2 261	-
	95 694	**51 021**

The ageing of amounts past due but not impaired is as follows:

Current and 1-30 Days	70 877	(12 285)
31-60 Days	(29 327)	43 630
Over 90 Days	54 144	19 683
	95 694	**51 028**

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

The impairment for receivables is calculated identifying receivables individually. Receivables which could not be identified individually as being impaired were 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. These annual loss ratios are applied to balances in the portfolio and scaled to the estimated loss emergence period.

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	9 650	9 650
Bank balances	390 346	314 256
Short-term investments	24 989 281	13 741 043
	25 389 277	**14 064 949**

Bank balances and cash comprise short-term, highly liquid investments that are held with registered banking institutions with maturities of six months or less and that are subject to insignificant interest rate risk. The carrying amount of these assets approximates to their fair value.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

7. Cash and cash equivalents (continued)

The NWTB had the following bank accounts

Account description and numbers	Bank statement balances 2019	Bank statement balances 2018	Cash book balances 2019	Cash book balances 2018
FNB - Hotel account	198 193	194 842	200 503	216 961
FNB - Main account	186 997	95 890	186 997	95 890
FNB - Salary account	2 846	1 405	2 846	1 405
FNB - Main Call account	24 969 135	13 741 043	24 969 135	13 741 043
FNB - NTCE Call account	15 067	-	15 067	-
FNB - Tourism Safety Call account	5 078	-	5 078	-
Total	**25 377 316**	**14 033 180**	**25 379 626**	**14 055 299**

8. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	100 000	-	100 000	100 000	-	100 000
Infrastructure	114 828 576	(16 292 460)	98 536 116	114 561 815	(12 009 447)	102 552 368
Furniture and fixtures	6 316 018	(3 813 804)	2 502 214	6 587 848	(4 163 355)	2 424 493
Motor vehicles	1 027 621	(539 269)	488 352	1 027 621	(459 495)	568 126
IT equipment	3 211 724	(1 861 504)	1 350 220	2 849 953	(1 631 697)	1 218 256
Capatilised Leased Assets	103 862	(57 664)	46 198	103 862	(23 046)	80 816
Total	**125 587 801**	**(22 564 701)**	**103 023 100**	**125 231 099**	**(18 287 040)**	**106 944 059**

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Impairment loss	Total
Land	100 000	-	-	-	-	-	100 000
Infrastructure	102 552 368	316 616	(31 238)	-	(4 301 630)	-	98 536 116
Furniture and fixtures	2 424 493	163 182	(136 558)	669 029	(617 932)	-	2 502 214
Motor vehicles	568 126	-	-	-	(79 774)	-	488 352
IT equipment	1 218 256	469 514	(8 528)	108 121	(414 956)	(22 187)	1 350 220
Capitalised Leased Assets	80 816	-	-	-	(34 618)	-	46 198
	106 944 059	**949 312**	**(176 324)**	**777 150**	**(5 448 910)**	**(22 187)**	**103 023 100**

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Prior period correction	Depreciation	Impairment loss	Total
Land	100 000	-	-	-	-	100 000
Infrastructure	111 890 833	386 383	(5 203 060)	(4 521 788)	-	102 552 368
Furniture and fixtures	2 563 209	543 905	(23 549)	(659 072)	-	2 424 493
Motor vehicles	647 901	-	-	(79 775)	-	568 126
IT equipment	1 016 234	595 799	9 107	(394 424)	(8 460)	1 218 256
Capitalised Leased Assets	-	103 862	-	(23 046)	-	80 816
	116 218 177	**1 629 949**	**(5 217 502)**	**(5 678 105)**	**(8 460)**	**106 944 059**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

8. Property, plant and equipment (continued)

Included in buildings are residential accommodation facilities at the hotel schools. This is owner-occupied property held for future use as owner occupied property. Several of these facilities are being rented to third parties and generate rental income incidental to the primary business operations. The portion currently privately occupied is not significant in relation to the total residential accommodation property. The total rental received amounts to R1 807 411 (2018: R1 806 930).

A PABX/Switchboard system is encumbered by a finance lease as disclosed under finance lease liabilities.

Split of property, plant and equipment

The property, plant and equipment specifically identified as tourism related assets were transferred to NWTB in 2016. The movable assets in the custody of the employees now placed in the NWTB were also transferred to the Board.

As per GRAP 105, Transfer of Functions between entities under common control, the assets transferred to NWTB at carrying value. A register of the property, plant and equipment can be provided.

9. Finance lease obligation

	2019	2018
Minimum lease payments due		
- within one year	40 432	40 432
- in second to fifth year inclusive	13 542	53 974
	53 974	94 406
less: future finance charges	(3 730)	(10 764)
Present value of minimum lease payments	**50 244**	**83 642**
Present value of minimum lease payments due		
- within one year	36 987	33 398
- in second to fifth year inclusive	13 257	50 244
	50 244	**83 642**
Non-current liabilities	13 257	50 244
Current liabilities	36 987	33 398
	50 244	**83 642**

The finance lease is secured by equipment with a carrying value of R46 198 (2018: R80 815).

The finance lease commenced on 1 August 2017 and is repayable in instalments of R3 369.29 at an interest rate of 10.25% with final payment due on 31 July 2020.

10. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2019	2018
Unspent conditional grants and receipts		
2010 Tourism Promotion Project Fund	3 888	3 888
Hotels Schools Repairs and Maintenance Fund	1 046	1 046
Taung Hotel School Upgrading Fund	1 533 884	1 533 884
Hotel School Infrastructure, Equipment and Security Projects	5 331 668	5 934 837
Mafikeng Hotel School Library Fund	2 537 882	2 537 882
	9 408 368	**10 011 537**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

10. Unspent conditional grants and receipts (continued)

Movement during the year

	2019	2018
Balance at the beginning of the year	10 011 537	13 683 677
Expenditure incurred during the year	(603 169)	(3 672 140)
	9 408 368	**10 011 537**

This liability represents amounts received through transfer payments earmarked for specific projects. Refer to sub-notes for further details.

10.1. 2010 Tourism Project Fund

	2019	2018
Balance unspent at beginning and end of year	3 888	3 888

Grant received for the marketing of 2010 soccer world cup.

10.2. Hotel School Repairs and Maintenance

	2019	2018
Balance unspent at beginning and end of year	1 046	1 046

Grant to be utilised for repairs and maintenance at Mafikeng Hotel School.

10.3. Taung Hotel School Upgrading Fund

	2019	2018
Balance unspent at beginning and end of year	1 533 884	1 533 884

This grant was to be utilisied for the upgrading and renovation of the Taung Hotel School into a training facility.

10.4. Hotel School Infrastructure, Equipment and Security Project

	2019	2018
Balance unspent at beginning of year	5 934 838	9 375 785
Conditions met - transferred to revenue	(603 169)	(3 383 460)
- Security services	(366 072)	1 376 777
- Equipment maintenance	(237 097)	2 064 170
Conditions met - transferred to revenue (prior period error)	-	(57 487)
Balance unspent at the end of the year	**5 331 669**	**5 934 838**

This grant is for infrastructure development at Taung Hotel School as well as for infrastructure and related costs at the Mafikeng Hotel School and the payment of security services for the Orkney Hotel school.

10.5. Mafikeng Hotel School Library Fund

	2019	2018
Balance unspent at beginning of year	2 537 883	2 769 076
Conditions met - transferred to revenue	-	(231 193)
Balance unspent at end of the year	**2 537 883**	**2 537 883**

The grant was received from the National Lottery Fund for the construction of a library facility at Mafikeng Hotel School.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

11. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Movement	Total
Long service awards	891 834	1 080 058	1 971 892

Reconciliation of provisions - 2018

	Opening Balance	Movement	Total
Long service awards	867 283	24 551	891 834

	2019	2018
Non-current liabilities	1 755 726	821 626
Current liabilities	216 166	70 208
	1 971 892	**891 834**

The provision for long service relates to the Board's estimated liabilities arising as a result of services rendered by employees. This provision is based on rates approved in the Board's policies.

12. Payables from exchange transactions

	2019	2018
Trade creditors	3 823 320	2 300 795
Payments received in advanced - contract in process	5 850	-
Accrued expense	134 578	431 482
13th Cheque and leave provision	6 256 994	6 282 631
Sundry creditors	-	349 945
Debtors with credit balances	1 487 665	1 437 697
	11 708 407	**10 802 550**

The above payables are expected to be settled within the next financial year, and do not bear any interest. The members consider that the carrying amount of trade and other payables approximate to their fair value.

Trade payables age analysis:

	2019	2018
Current (0 - 30 days)	2 641 757	1 422 491
31 - 60 days	385 116	108 575
61 - 90 days	65 785	226 282
91 + days	730 659	524 844
Total	3 823 317	2 282 192

13. Payables from non-exchange transactions

	2019	2018
Training deposits	924 653	803 162
Bursary sponsorships and learnerships	2 105 975	922 712
Sundry creditors	557 638	357 653
	3 588 266	**2 083 527**

The above payables are expected to be settled within the next financial year, and do not bear any interest. The members consider that the carrying amount of trade and other payables approximate their fair value

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

14. Revenue

Application fees	25 960	22 320
Academic training	11 658 643	6 838 068
Hotel income	13 436 865	13 500 889
Government grants & subsidies	106 993 000	92 261 000
Public contributions and donations	27 669	1 074 690
Conditional grant revenue	603 169	4 375 346
	132 745 306	**118 072 313**

Debtors with credit balances written back are payable balances which prescribed as they have had no movement for 3 years.

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

Application fees	25 960	22 320
Academic training	11 658 643	6 838 068
Hotel income	13 436 865	13 500 889
	25 121 468	**20 361 277**

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

Taxation revenue

Transfer revenue

Government grants & subsidies	106 993 000	92 261 000
Public contributions and donations	27 669	1 074 690
Conditional grant revenue	603 169	4 375 346
	107 623 838	**97 711 036**

15. Government grants and subsidies

Operating grants

Provincial Government Funding	106 993 000	92 261 000

Changes in level of government grants

No significant changes in the level of government grant funding is expected over the forthcoming 3 financial years.

16. Other income

Rent received	1 807 411	1 806 930
Sundry income	179 954	186 198
Insurance settlements	2 385	26 825
Depreciation recovery from change in estimate	777 919	-
	2 767 669	**2 019 953**

17. Interest received

Interest received	868 059	1 067 133
Interest charged on trade and other receivables	422 784	286 412
	1 290 843	**1 353 545**

NORTH WEST TOURISM BOARD

(Incorporated by Act 2 of 2015 North West Tourism Board Act)
Annual Financial Statements for the year ended 31 March 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

18. Finance costs

Interest paid on overdue accounts	6 446	6 553
Finance leases	7 033	6 449
	13 479	**13 002**

19. Employee related costs

Basic salary	44 464 612	43 081 918
13th Cheques	2 553 998	2 577 386
Acting allowances	589 011	535 904
Car allowance	542 712	674 399
Cellphone allowance	196 800	174 300
Funeral cover contribution	49 725	52 122
Long-service awards	1 251 059	35 861
Medical aid contributions	25 785	1 009 381
Other payments	3 662 242	3 266 130
Provident fund contribution	8 486 959	8 545 665
SDL	521 538	513 254
Shift allowance	35 500	35 300
UIF	309 686	308 706
	62 689 627	**60 810 326**

Remuneration of Executives - 2019	Annual remuneration	Car allowance	Contributions to UIF, medical and pension funds	Reimbursements	Total
Segwe LN - Chief Executive Officer	883 434	63 000	250 878	86 326	1 283 638
Mabunda JN - Acting Chief Executive Officer	269 758	8 800	47 244	57 468	383 270
Hendricks F - Acting Chief Financial Officer	838 629	12 000	144 951	17 868	1 013 448
Seane BG - Executive Marketing Officer	1 070 605	50 000	152 829	134 867	1 408 301
Motshegoa MJ - Acting Executive Marketing Officer	107 610	6 050	21 841	10 050	145 551
Molema M - Acting Rector	527 322	-	121 223	123 719	772 264
Jacobs C - Acting Executive Corporate Services	277 864	-	32 446	47 145	357 455
Samson LE - Acting Executive Corporate Services	105 846	-	26 858	1 599	134 303
	4 081 068	**139 850**	**798 270**	**479 042**	**5 498 230**

Remuneration of Executives - 2018	Annual remuneration	Car allowance	Contributions to UIF, medical and pension funds	Reimbursements	Total
Segwe LN - Chief Executive Officer	1 134 982	84 000	260 527	56 366	1 535 875
Hendricks F - Acting Chief Financial Officer	782 920	12 000	101 983	34 864	931 767
Seane BG - Executive Marketing Officer	950 936	60 000	202 564	44 482	1 257 982
Akwa JY - Rector	579 126	17 500	95 310	21 149	713 085
Molema M - Acting Rector	574 420	-	81 313	20 911	676 644
Jacobs C - Acting Executive Corporate Services	691 377	-	50 135	25 675	767 187
	4 713 761	**173 500**	**791 832**	**203 447**	**5 882 540**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

19. Employee related costs (continued)

20. Auditors' remuneration

Fees	2 301 499	1 903 502

21. Cash generated from (used in) operations

Surplus (deficit)	9 100 794	(5 507 418)
Adjustments for:		
Depreciation and amortisation	5 448 910	5 678 105
PPE Disposals and scrapping	176 323	5 217 503
Impairment on property, plant and equipment	22 187	8 461
Debt impairment	1 740 101	1 731 740
Movements in provisions	1 080 058	24 551
Other non-cash movements in PPE	(777 148)	-
Changes in working capital:		
Inventories	(411 445)	(116 160)
Receivables from exchange transactions	(4 095 395)	(1 381 115)
Debt impairment	(1 740 101)	(1 731 740)
Other receivables from non-exchange transactions	(44 673)	(8 151)
Payables	2 410 596	(104 278)
Unspent conditional grants and receipts	(603 169)	(4 153 449)
	12 307 038	**(341 951)**

22. Commitments

Authorised capital expenditure

Future capital commitment		
Mafikeng Hotel School Guard House	378 881	-
Total capital commitments		
Already contracted	378 881	-

A capital commitment has been made during March 2019 for the construction of a guard house at the Mafikeng Hotel School entrance gate. The project commenced with construction during April 2019 and is currently still in progress. The value thereof has been disclosed above.

This commitment will be reviewed and amended accordingly based on the re-assessment thereof.

23. Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	-	876 448

Operating lease payments represent rentals payable by the Board for certain of its office properties in Kelgordon & Merlite Investment and Johannesburg OR Tambo International Airport. Monthly operating lease payments range between R11 880 and R58 333, includes escalation between 8% and 10% and terminated starting August 2018 up unto March 2019.

None of the extensions on the contracts were actioned and the leases are currently on a month to month basis.

No contingent rent is payable.

24. Contingencies

Contingent liabilities

24.1 NiteLite Promotions

NiteLite Promotions have issued a summons against NWTB in February 2017 for services alleged to be have been procured by NWTB. The NWTB is contesting the matter. As the outcome cannot presently be determined, a contingent liability is estimated at the amount of R 115 000.

24.2 Taung Hotel School and Conference Centre Land

The former North West Park and Tourism Board (NWPTB) acquired the Taung Hotel School and Conference Centre in February 2014. As this is a tourism asset it was transferred to the North West Tourism Board at the time of the NWTBs' establishment on 01 June 2015.

The Taung Hotel School and Conference Centre is situated on tribal land administered by the relevant tribal authority. The former NWPTB did not enter into any agreements with the relevant tribal authority with regard to the use of the land and as a result no committment was transferred to the NWTB in this regard.

It is expected that the NWTB will be liable for payment for the use of the land since the acquisition of the related infrastructure and improvements thereon, i.e. February 2014.

Due to the uncertainty of the matter the outcome cannot presently be determined and no provision that might result, has been made in the financial statements.

24.3 Buxton Airfield Vision Investments (Pty) Ltd

A purchase order was issued in June 2018 to Buxton Airfield Vision Investments (Pty) Ltd for the supply and delivery of marketing collateral material as part of a sponsorship made by NWTB toward the South African Theatre Practitioners in Advancement, in the amount of R184 280. The NWTB does not have confirmation on whether or not the marketing material was supplied and delivered to the sponsor and as a result could not establish whether a liability exists. No payments have been made in this regard. The matter remains uncertain.

24.4 Labour disputes

Several employees have lodged claims with the CCMA for cases relating to unfair labour practices and other labour disputes including constructive dismissal. These matters are still pending and due to the uncertainty regarding these matters the outcome cannot presently be determined and no provision that might result has been made in the financial statements. The total estimated costs of these claims is R3 822 000.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

25. Related parties

Relationships

Accounting Officers	Refer to members' report note 26
Related parties	National Department of Tourism North West Department of Tourism North West Parks Board North West Department of Public Works CATHSSETA

Related party balances

	2019	2018
Loan accounts - Owing (to) by related parties		
National Department of Tourism	(2)	-
CATHSSETA	277 316	348 167
NW Provincial Department of Tourism	1 278 338	1 269 637
NW Provincial Department of Tourism	-	(18 601)
North West Parks Board	37 576	391 537
North West Parks Board	(23 952)	(390 277)
Department of Public Works	48 699	43 179

Related party transactions

	2019	2018
Grants paid to (received from) related parties		
NW Provincial Department of Tourism	(113 773 509)	(92 261 000)
National Departmnet of Tourism	(4 248 000)	-
CATHSSETA	(2 093 663)	-
Purchases from (sales to) related parties		
Department of Public Works	(5 520)	(77)
Department of Tourism	(92 028)	(176 114)
Third party funds paid to (received from) related parties		
National Department of Tourism	(89 198)	-
North West Parks Board	100 208	1 812 166
Bursaries paid to (received from) related parties		
NW Provincial Department of Tourism	-	73 249
CATHSSETA	(781 411)	(94 542)
Expenses paid to (received from) related parties		
NW Provincial Department of Tourism	-	188 649
North West Parks Board	683 263	353 310

Remuneration of management

Refer to the Employee related costs note (Note 19).

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

26. Members' emoluments

Non-Executive

2019

	Emoluments	Other benefits*	Total
Lefenya K O	250 239	44 572	294 811
Nkagisang M G	84 450	28 879	113 329
Reetsang W I	162 463	40 467	202 930
Modiselle I R (Deputy Chairperson)	89 435	42 720	132 155
Mosaka RP	141 608	65 643	207 251
Khukhele B S (Audit & Risk Chairperson)	161 940	120 602	282 542
Dliso J (Chairperson)	329 917	321 976	651 893
Keeme-Gaobepe M G	298 273	31 585	329 858
	1 518 325	**696 444**	**2 214 769**

2018

	Emoluments	Other benefits*	Total
Lefenya K O	270 721	35 063	305 784
Nkagisang M G	41 225	13 048	54 273
Reetsang W I	187 937	40 634	228 571
Modiselle I R (Deputy Chairperson)	22 704	14 981	37 685
Mosaka RP	109 495	39 196	148 691
Khukhele B S (Audit & Risk Chairperson)	69 731	33 367	103 098
Dliso J (Chairperson)	222 459	93 421	315 880
Keeme-Gaobepe M G	45 586	8 660	54 246
	969 858	**278 370**	**1 248 228**

27. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

28. Fruitless and wasteful expenditure

	2019	2018
Opening balance	250 335	79 764
Add: Fruitless and wasteful expenditure - current year	7 672	170 571
Closing balance	**258 007**	**250 335**

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

This includes interest on late payments overdue accounts by ACSA, ESKOM, NWK and Mahikeng Local Municipality.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

29. Irregular expenditure

Opening balance	9 596 261	2 207 425
Add: Irregular Expenditure - current year	9 290 553	1 893 271
Add: Irregular Expenditure - Prior year understatement	-	5 495 565
Closing balance	**18 886 814**	**9 596 261**

The above irregular expenditure has been identified as a result of challenges arising from the consistent application of the supply chain management process.

30. Retirement Benefit - controlling entity

The Board continues to contribute to the North West Parks and Tourism Board Provident Fund, being a defined contribution plan. The funds are registered under and governed by the Pension Funds Act 1956, as amended. All employees who are eligible through qualifying service are members of the respective funds. The Board does not currently bear and is in no way contractually liable for the cost of funding post retirement medical aid benefits. The contribution to the Medical Aid Funds, should an employee choose to continue membership of the scheme on retirement, is payable by the retired employee.

The total cost charged to income of R8 486 959 (2018: R8 545 665) represents contributions payable to the scheme by the North West Tourism Board according to the rates specified in the rules of the scheme. This cost is recognised as retirement benefit expense and is included under employee related cost.

The number of staff employed by the Board as at the end of the financial year was 159 permanent employees and 31 temporary employees (2018: 166 permanent employees and 30 temporary employees).

31. Prior period errors

31.1 Property, plant and equipment verification

Items were identified, during the 2019 PPE review, that were duplicated/excluded/incorrect on fixed asset registers in the following ways:

- Items previously duplicated as infrastructure were not removed from the immovables register.
- Items that were demolished were still included in the register.
- Items belonging to NWTB were previously not included in the asset register.
- Assets were duplicated in the same asset register.

The correction of the error results in adjustments as follows:

Adjustments affecting the statement of financial position		
Decrease in property, plant and equipment	-	(5 217 503)
Adjustments affecting the statement of changes in net assets		
Decrease in accumulated surplus	-	5 217 503

31.2 Inaccurate interest charged on student debtors

Interest was charged on student debtors with credit balances, resultig in negative interest being charged and interest thus being understated in the prior year.

The correction results in the following adjustments:

NORTH WEST TOURISM BOARD

(Incorporated by Act 2 of 2015 North West Tourism Board Act)
Annual Financial Statements for the year ended 31 March 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

31. Prior period errors (continued)

Adjustments affecting the statement of financial position		
Increase in receivables from exchange transactions	-	14 358

Adjustments affecting the statement of changes in net assets		
Increase in accumulated surplus	-	(14 358)

31.3 Inaccurate customer processing

The processing of invoices and credit notes on Accpacc during 2018 were found to be incomplete, resulting in a net overstatement of revenue.

The correction results in the following adjustments:

Adjustments affecting the statement of financial position		
Decrease in receivables from exchange transactions	-	(180 605)

Adjustments affecting the statement of changes in net assets		
Decrease in accumulated surplus	-	180 605

31.4 Cut-off errors - 2018 expenditure

A number of invoices were received only after 2018 financial statement submission date, which should have been included in the 2018 financial year. This resulted in expenses and accruals being understated.

The correction results in the following adjustments:

Increase in trade payables	-	(338 131)
Decrease in unspent conditional grants and receipts	-	57 487
	-	**(280 644)**

Adjustments affecting the statement of changes in net assets		
Decrease in accumulated surplus	-	280 644

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

31. Prior period errors (continued)
31.5 Understatement of irregular expenditure

A service provider of the NWTB was given time to get his tax compliance status resolved. The service provider failed to do so timeously, resulting in all payments made to the relevant service provider being classified as irregular. The result was an increase in irregular expenditure in the prior period of R5 495 565.

31.6 Operating leases misstated

Operating leases disclosed as payable within one year was incorrectly calculated due to the fact that current lease payments were used to calculate escalations instead of historical lease payments per contract. This resulted in the lease payments payable within one year shown previously as R1 019 346 being overstated by R142 898. (Refer to note 23)

31.7 Provision for long service awards split between current and non-current portions

The non-current portion of provisions for Long Service Awards were not disclosed as a non-current liability in the prior period.

Adjustments affecting the statement of financial position		
Decrease in current provisions	-	(821 626)
Increase in non-current provisions	-	821 626
	-	-

31.8 Incorrect classification of expenses

Guest supplies of R134 150 were incorrectly classified as Beverage expenses in the prior year.

31.9 Incorrect treatment of unspent conditional grants

The student bursary sponsorships, including sponsorships from Anglo American for stipends paid to studentsto fund their living expenses, were previously treated as a conditional grant resulting in a unspent portion disclosed as unspent conditional grants. This was corrected to be classified as payables from non-exchange transactions.

Conditional grant revenue and expenditure of R2 731 872 for 2018 was also reversed and had a zero effect on accumulated surplus.

Adjustments affecting the statement of financial position		
Decrease in Unspent conditional grant	-	922 712
Increase in payables from non-exchange transactions	-	(922 712)
	-	-

32. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance, cash flow statement and notes to the annual financial statements that have been affected by prior-year adjustments:

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

32. Prior-year adjustments (continued)

Reclassifications

Group Life and Provident Fund contributions were consolidated into one fund administered by Alexander Forbes Retirement Fund. The disclosure on employee related cost was re-classified accordingly. The amount is now classified as provident fund contributions only, and not split as previously reported. The amount reclassified in 2018 was R1 252 775. (Refer to note 19)

33. Financial instruments disclosure

Categories of financial instruments

2019

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	10 230 917	10 230 917
Other receivables from non-exchange transactions	95 694	95 694
Cash and cash equivalents	25 389 277	25 389 277
	35 715 888	**35 715 888**

Financial liabilities

	At amortised cost	Total
Unspent conditional grants and receipts	9 408 367	9 408 367
Trade and other payables from exchange transactions	11 708 407	11 708 407
Trade and other payables from non-exchange transactions	3 588 267	3 588 267
Finance leases	50 244	50 244
	24 755 285	**24 755 285**

2018

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	6 135 522	6 135 522
Other receivables from non-exchange transactions	51 021	51 021
Cash and cash equivalents	14 064 949	14 064 949
	20 251 492	**20 251 492**

Financial liabilities

	At amortised cost	Total
Unspent conditional grants and receipts	10 011 536	10 011 536
Trade and other payables from exchange transactions	10 802 551	10 802 551
Trade and other payables from non-exchange transactions	2 083 528	2 083 528
Finance leases	83 642	83 642
	22 981 257	**22 981 257**

NORTH WEST TOURISM BOARD

(Incorporated by Act 2 of 2015 North West Tourism Board Act)
Annual Financial Statements for the year ended 31 March 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

34. Principal and agent agreements

Expenditure incurred on behalf of principals	(13 705 702)	-
Revenue received from principals	13 705 702	-
	-	-

This grant is received from the National Department of Tourism, CATHSSETA and the North West Department of Tourism to create an interactive platform for learners at high school level, students at tertiary institutions, unemployed graduates, parents, education and training providers, government, employer organisations, employers and the general public in the public tourism sector under a project called the National Toursim Careers Expo (NTCE).

In terms of the contract, the NWTB is entitled to a 5% fee on transactions with third parties. However the cost of the event exceeded the available budget, resulting in NWTB forfeiting their fee to enable the project to be completed.

Amounts received from different sources can be detailed as follows:

National Department of Tourism	R4 831 530
CATHSSETA	R2 093 663
North West Department of Toursim	R6 780 509

35. Other revenue

Payables written off	-	294 794
Other income	2 767 669	2 019 953
	2 767 669	**2 314 747**

36. Public contributions and donations

Public contributions and donations - PPE received	27 669	1 074 690

37. Impairment of assets

Property, plant and equipment	22 187	8 461

Conditional assessments conducted during the physical verification of property, plant and equipment revealed IT equipment purchased that were not in optimal working condition resulting in the recoverable amount being less than the carrying amount of these assets.

38. Debt impairment

Increase in debt impairment (Refer to note 5)	1 740 101	1 731 740