

Marine Living Resources Fund

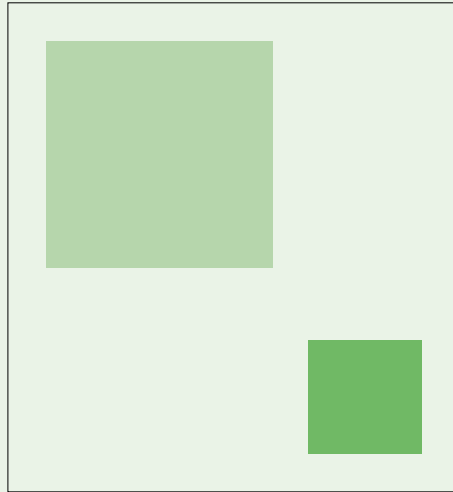
ANNUAL REPORT 2016-2017



agriculture,
forestry & fisheries

Department:
Agriculture, Forestry and Fisheries
REPUBLIC OF SOUTH AFRICA





2016-2017

Annual Report

MARINE LIVING RESOURCES FUND

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Design and Layout: Directorate Communications (Fisheries Branch, Cape Town)

Photographs courtesy of:
Department of Agriculture, Forestry and Fisheries (DAFF), Rob Tarr
Front cover: Small-Scale Fisher with his catch

ISBN: 978-0-621-45738-4

RP 258/2017

Minister of Agriculture, Forestry and Fisheries

Annual Report 2016/17



In terms of section 55(3) of the Public Finance Management Act (PFMA), 1999, the Accounting Authority of a Public Entity must submit the annual report with audited financial statements, for tabling in Parliament, to the relevant Executive Authority.

The Marine Living Resources Fund (MLRF) is proud to present an unqualified audit report.

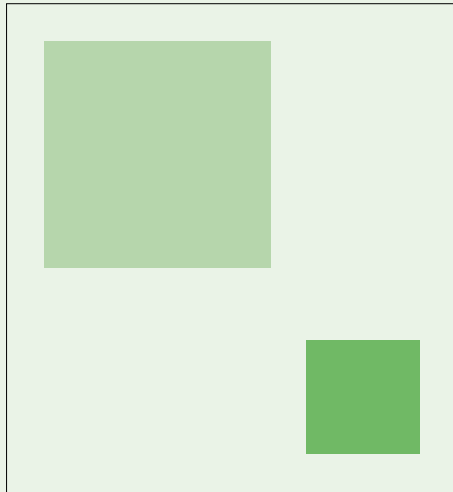
In my capacity as both the Accounting Authority of the Marine Living Resources Fund (MLRF) and the Accounting Officer of the Department of Agriculture, Forestry and Fisheries as the designated department, I hereby formally submit to you, as Executive Authority, the Annual Report with audit financial statements and performance information for the MLRF for the 2016/17 financial year.

Mooketsa Ramasodi
Acting Director-General
Department of Agriculture, Forestry and Fisheries

Date: 29 July 2017

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Executive Summary

EXECUTIVE SUMMARY OF THE ANNUAL REPORT

This Executive Summary provides an overview of the achievements of the Marine Living Resources Fund (MLRF) against its published annual targets as contained in the Annual Performance Plan (APP) of the Entity. In this regard, it must be borne in mind that the Entity carries out and achieves many more core activities than those contained in the APP. This report will therefore focus on progress against those strategic priorities for the 2016/17 financial year that were singled out for inclusion in the APP.

The Marine Living Resources Fund finances the operations of the Fisheries Branch of the Department of Agriculture, Forestry and Fisheries. The Fisheries Branch is responsible for managing the development, management, monitoring and sustainable uses of marine living resources, to protect the integrity and quality of the marine ecosystem, and to ensure the growth of the aquaculture sector. The MLRF covers the operational costs four Chief Directorates, as well as the operational and administrative costs of a number of support components as follows:

- **Aquaculture and Economic Development** which promotes the growth of the aquaculture sector by providing public support and an integrated platform for the management of aquaculture. The Chief Directorate also facilitates the development of alternative livelihoods for coastal communities and the management of the 12 proclaimed fishing harbours.
- **Fisheries Research and Development** which promotes the sustainable development of fisheries resources and ecosystems by conducting and supporting appropriate research;
- **Marine Resource Management** which fosters the sustainable use and the equitable and orderly access to marine living resources through improved management and regulation.
- **Monitoring, Control and Surveillance** which ensures the protection and promotion of sustainable use of marine living resources by intensifying enforcement and compliance efforts.

The MLRF also covers the operational and administrative costs of the Chief Director: Fisheries Operations Support, the Chief Directorate Financial Management for the MLRF and the support components of Communications, Human Resources, Information Technology, Legal Services; International Relations; Stakeholder Relations; and Customer Services.

The MLRF had 10 annual targets in its 2016-2017 Annual Performance Plan and one target falling under the Working for Fisheries Programme. In addition to over-achieving the Working for Fisheries target of creating 600 Full-time Equivalent Jobs (FTEs), the MLRF was able to successfully achieve seven (7) of its 10 annual deliverables as follows:

- 16 Operation Phakisa aquaculture projects for Phase 1, 2 and 3 were supported during the financial year.
- Two (2) new aquaculture research projects on new candidate species were conducted on grunter and selected ornamental fish.
- Recovery plans for two (2) prioritised fish stocks, namely Abalone and West Coast Rock Lobster, were compiled.
- Research reports to indicate fish stock levels were compiled for West Coast Rock Lobster, Deep-Water Hake and Abalone.
- The MLRF over-achieved on its target of conducting 30 joint operations with partners through Operation Phakisa (Initiative 5 of the Oceans Economy). The MLRF managed to achieve 63 joint operations. The over-achievement by 33 operations was as a result of the success obtained under Initiative 5 of Operation

EXECUTIVE SUMMARY OF THE ANNUAL REPORT (Continued)

Phakisa (Oceans Economy) in ensuring that all law enforcement partners work in an integrated manner.

- The MLRF was able to exceed its target of implementing 2 900 compliance and enforcement measures in the 6 prioritised fisheries sectors (hake, abalone, rock lobster, linefish, pelagic and squid).
- The MLRF/Fisheries Branch conducted 276 investigations into rights holders as part of Operation Phakisa Initiative 5 of the Oceans Economy.

The Fisheries Branch/MLRF was able to partially achieve its target of allocating and managing commercial fishing rights in nine new fishing sectors. The MLRF was able to issue long term fishing rights under the Fishing Rights Allocation Process (FRAP) 2015-2016 in the following fishing sectors: 1. Large Pelagics Longline (Tuna and Swordfish); 2. Kwazulu-Natal Beach Seine; 3. Netfish; 4. Seaweed; 5. Horse Mackerel, and 6. Patagonian Tooth Fish. In progress are 7. West Coast Rock Lobster and 8. Abalone and 9. Hake Inshore Trawl. Rights were also allocated in the Hake Inshore Trawl sector, but as a result of a court interdict, the issuing of permits was put on hold pending the outcome of the Court case.

The MLRF did not achieve its objective of approving the Aquaculture Bill due to a request from NEDLAC for an extension of the consultation period. This deliverable will be carried over into the 2017/18 financial year.

Although the MLRF was not able to achieve its target of allocating fishing rights to registered Small-scale fisheries co-operatives, progress has been made in concluding the Expression of Interest process in the four (4) coastal provinces; the publication of the provisional lists of successful fishers in the Eastern Cape, Northern Cape and Western Cape, as well as the evaluation of appeals in the Northern and Western Cape. This target will be carried over into the 2017/18 financial year.

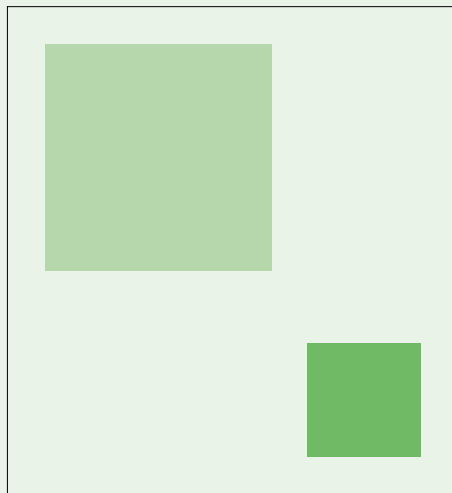
In terms of governance issues, the MLRF has an independent and fully functioning External Audit and Risk Committee, and an outsourced Internal Audit service. The MLRF has conducted risk assessments and updated its risk registers. The Audit Committee provides an independent oversight of the MLRF's Enterprise and Strategic risks.

The Marine Living Resource Fund received an unqualified audit report with findings. While the Entity is pleased with the outcome of the audit report, the Entity has noted that some areas require attention and improvement and will ensure that management measures are put in place to address the audit findings, and will pay particular heed to the repeat audit findings. The Entity will also give special attention to the Auditor-General's view on emerging risks and will put plans in place to mitigate these risks.

The Management of the Entity would like to acknowledge and appreciate the work and guidance provided by the staff of the Auditor-General of South Africa and National Treasury, as well as the oversight role played by the External Auditors of the MLRF.







Statement of Responsibility

STATEMENT OF RESPONSIBILITY for the year ended 31 March 2017

The Public Finance Management Act, 1999 (Act No. 1 of 1999), as amended, requires the Accounting Authority to ensure that the Marine Living Resources Fund keeps full and proper records of its financial affairs. The annual financial statements should fairly present the state of affairs of the Marine Living Resources Fund, its financial results, its performance against predetermined objectives and its financial position at the end of the year in terms of the basis of accounting as set out in Note 1 to the financial statements.

The annual financial statements are the responsibility of the Accounting Authority. The Auditor-General is responsible for independently auditing and reporting on the financial statements. The Auditor-General has audited the entity's financial statements and the Auditor-General's report appears on pages 16 – 21.

The annual financial statements have been prepared in accordance with the basis of accounting as set out in Note 1 to the financial statements. These annual financial statements are based on appropriate accounting policies, supported by reasonable and prudent judgements and estimates.

The Accounting Authority has reviewed the Entity's budgets and cash flow forecasts for the year ended 31 March 2017. On the basis of this review, and in view of the current financial position, the Accounting Authority has every reason to believe that the Entity will be a going concern in the year ahead and has continued to adopt the going concern basis in preparing the financial statements.

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

- The safeguarding of assets against unauthorised use or disposition.
- The maintenance of proper accounting records and the reliability of financial information used within the business or for publication.

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

The Accounting Authority has reviewed the entity's systems of internal control and risk management for the period from 1 April 2016 to 31 March 2017. The Accounting Authority is of the opinion that the Entity's systems of internal control and risk management were effective for the period under review.

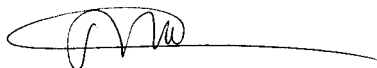
In the opinion of the Accounting Authority, based on the information available to date, the annual financial statements fairly present the financial position of the fund at 31 March 2017 and the results of its operations and cash flow information for the year and that the Code of Corporate Practices and Conduct has been adhered to.

STATEMENT OF RESPONSIBILITY for the year ended 31 March 2017 (Continued)

The annual financial statements for the year ended 31 March 2017, set out on pages 22 – 60 were submitted for auditing on 31 May 2017 in terms of section 55(1)(c)(i) & (ii) of the PFMA, 1999 (Act No. 1 of 1999) and approved on 31 July 2016 by the Accounting Authority in terms of section 51(1)(f) of the PFMA (Act No. 1 of 1999), as amended and are signed on its behalf by:



Nazima Parker
Acting Chief Director Financial Management
Marine Living Resources Fund
Date: 29 July 2017



Siphokazi Ndudane
Deputy Director-General: Fisheries Management
Date: 29 July 2017

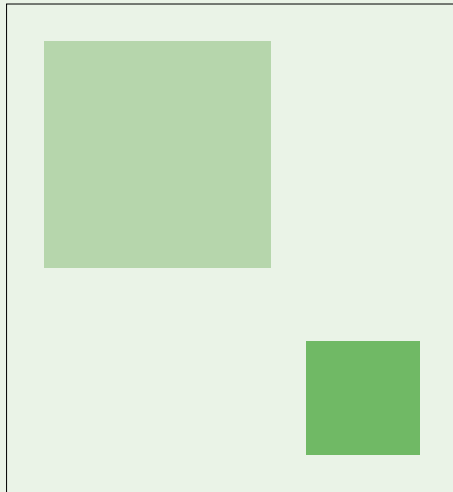


Mooketsa Ramasodi
Acting Director-General and Accounting Authority of the MLRF
Department of Agriculture, Forestry and Fisheries
Date: 29 July 2017

Line fish



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Report of the Audit Committee



REPORT OF THE AUDIT AND RISK COMMITTEE for the year ended 31 March 2017

We are pleased to present our report for the 2016/2017 financial year. The Audit and Risk Committee reports that it has complied with its responsibilities arising from Section 51 (1)(a)(ii) of the Public Finance Management Act and Treasury Regulation 27.1 The Audit and Risk Committee also reports that it has adopted appropriate formal terms of reference as its Audit and Risk Committee Charter and has regulated its affairs in compliance with this charter and also discharged all its responsibilities as contained therein.

The Audit Committee of the Department comprised the following independent members, Ms M A F Moja; Ms N Nkonywa; Ms LS Somo; Mr A Amod and Mr M Burton* (term expired October 2016). During the year under review the Audit Committee held 4 scheduled meetings.

	ORDINARY MEETINGS	
Committee Member	Scheduled	Attended
Ms T Moja (Chairperson)	4	4
Ms N Mnkonywa (Member)	4	4
Ms S Somo (Member)	4	4
Mr A Amod (Member)	4	4
Mr M Burton*	2	2

Evaluation of Internal Controls

In order to meet its responsibility of providing reliable financial information, the entity maintains financial and operational systems of internal control. These controls are designed to provide reasonable assurance that transactions are concluded in accordance with management's authority, that the assets are adequately protected against material loss of unauthorised acquisition, use or disposition, and the transactions are properly authorised and recorded.

Whilst the members of the Audit Committee believe that management employed an efficient system of internal controls, the system was not always effective as control weakness were identified during the Internal and external audit processes.

The committee will continue to closely monitor management's actions to remedy these deficiencies.

In conducting its duties, the Committee has, inter alia, reviewed the following:

- The effectiveness of the internal control systems;
- The operational risk areas covered in the scope of internal and external audits;
- The adequacy, reliability and accuracy of financial information provided to management;
- Any accounting and auditing concerns identified as a result of internal and external audits;
- Compliance with legal, accounting and regulatory frameworks;
- The activities of the Internal Audit Function, including its annual work programme.

The system of internal control applied by the Entity has deficiencies as highlighted in various Internal Audit and External Audit reports. In line with the PFMA, Internal Audit provides the Committee and management with the assurance that the internal controls are appropriate and effective. During the financial year the Audit and Risk Committee met with management on a quarterly basis to track their progress in resolving outstanding internal control issues previously raised by the Auditor-General and Internal Audit.

REPORT OF THE AUDIT AND RISK COMMITTEE for the year ended 31 March 2017 (Continued)

Risk Management

The Entity has an approved risk management strategy in place. This strategy is the foundation for a continuous risk assessment process and for managing and monitoring of risks on an ongoing basis. Progress on the implementation of the risk management strategy was reported to the Audit Committee on a quarterly basis. Management is continuously developing and enhancing its risk and control procedures to improve the mechanisms for identifying and monitoring risks. The entity has an approved Risk Management Framework and Fraud Prevention Plan.

The Audit Committee is concerned that the Accounting Authority reversed the entity Risk management processes into the mother Department's system and the risk management within the entity became weak and less effective

Internal Auditing

During the year under review, a reasonable amount of internal audit work was performed in the entity. An internal audit plan for 2016/2017 was developed and carried out by the internal audit unit of the department.

Our review of the findings of the Internal Audit work, which was based on the risks assessments conducted by the department, revealed certain weaknesses which were then raised with management. A system to track the implementation of internal audit findings was implemented during the year and this has contributed significantly to ensuring that the internal control environment is reviewed and enhanced to improve executing processes.

We believe as the Committee that the internal audit unit provided necessary support to management and the Audit Committee.

Evaluation of the Annual Financial Statements and Performance Information

The Committee has: -

- Reviewed the accounting policies and practices of the department.
- Reviewed and discussed with the management the annual financial statements and performance information included in the Annual Report.

The monitoring of the Entity's performance is a key function of management, executive management and the department. The Committee has no direct line responsibility for the department's performance measurement. However, the Committee has ensured, principally through the internal audit function, that the systems of performance measurement and reporting, as well as the systems of internal control that underpin the performance management framework of the Entity, remain robust and are addressed routinely in the audit plans. The Committee also obtained assurance from management and internal audit that the Entity's performance management system adequately and effectively reports appropriate and relevant information.

The Committee has accepted the responsibility to ensure adequate reporting on performance information and the policies and that the procedures are of a standard acceptable to the Department. The Committee's Charter acknowledges this responsibility.

REPORT OF THE AUDIT AND RISK COMMITTEE for the year ended 31 March 2017 (Continued)

In Conclusion

The Entity obtained an unqualified audit outcome for the year ended 31 March 2017 as reported by the Auditor General of South Africa. The Audit and Risk Committee concurs with the Auditor General's outcome.

The Entity, supported by the Audit Committee remains committed to ensuring that it delivers on its mandate and the audit outcome is improved or maintained at the very least in the ensuing financial years.

I would like to thank all members of the Committee for their contribution, guidance and the professional way in which meetings were conducted. The Committee wishes to express to the Minister, Accounting Authority, management and staff of MLRF, its sincere appreciation for the engagement and commitment shown during the year under review.

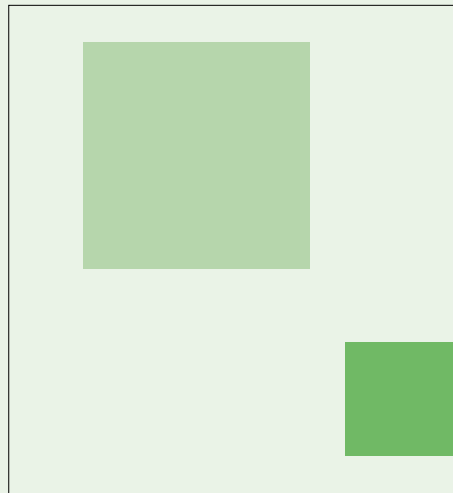


Ms M.A.F. Moja
Chairperson of the Audit Committee
31 July 2017

Abalone (*Haliotis midae*)



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Report of the Auditor-General

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE MARINE LIVING RESOURCES FUND

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Marine Living Resources Fund set out on pages 3 to 39, which comprise the statement of financial position as at 31 March 2017, and the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Marine Living Resources Fund as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with the South African Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA).

Basis for opinion

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

Other matter

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

Unaudited supplementary schedules

7. The supplementary information set out on pages 40 to 41 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

Responsibilities of the accounting authority for the financial statements

8. 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.
9. In preparing the financial statements, the accounting authority is responsible for assessing the Marine Living Resources Fund's ability to continue as a going concern, disclosing, as applicable, matters relating

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE MARINE LIVING RESOURCES FUND

to going concern and using the going concern basis of accounting unless the accounting authority intends either to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

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

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

Report on the audit of the annual performance report

Introduction and scope

12. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected strategic goals presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
13. My procedures address the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
14. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected strategic goals presented in the annual performance report of the entity for the year ended 31 March 2017:

Strategic goal	Pages in the annual performance report
Strategic goal 2- enhanced production, employment and economic growth in the sector	9 – 11
Strategic goal 3 - enabling environment for food security and sector transformation	11 – 12
Strategic goal 4 - sustainable use of natural resources in the sector	12 – 14

15. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE MARINE LIVING RESOURCES FUND

and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

16. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following strategic goals:

- Strategic goal 2 - enhanced production, employment and economic growth in the sector
- Strategic goal 3 - enabling environment for food security and sector transformation
- Strategic goal 4 - sustainable use of natural resources in the sector

Other matters

17. I draw attention to the matters below.

Achievement of planned targets

18. Refer to the annual performance report on pages 9 to 14 for information on the achievement of planned targets for the year and explanations provided for the under/overachievement of the number of targets.

Adjustment of material misstatements

19. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of strategic goal 4- sustainable use of natural resources in the sector. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on audit of compliance with legislation

Introduction and scope

20. 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.

21. The material findings in respect of the compliance criteria for the applicable subject matters are as follows:

Annual financial statements, performance and annual report

22. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and/or supported by full and proper records as required by section 55(1)(a) and (b) of the PFMA. Material misstatements identified by the auditors in the submitted financial statement were corrected and the supporting records were provided subsequently resulting in the financial statements receiving an unqualified audit opinion.

Revenue management

23. 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).

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE MARINE LIVING RESOURCES FUND

Expenditure management

24. Effective steps were not taken to prevent irregular expenditure amounting to R48 822 935 as disclosed in note 22.2 to the annual financial statements, as required by section 51(l)(b)(ii) of the PFMA.

Procurement and contract management

25. Goods and services of a transaction value above R500 000 were procured without inviting competitive bids as required by Treasury Regulations 16A6.1. Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of Treasury Regulation 16A6.4.

Other information

26. The Marine Living Resources Fund's accounting authority is responsible for the other information. The other information comprises the information included in the annual report which includes the report of the accounting authority and the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected strategic goals presented in the annual performance report that have been specifically reported in the auditor's report.
27. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
28. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected strategic goals presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact.

Internal control deficiencies

29. 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 findings on compliance with legislation included in this report.

Leadership

30. The accounting authority of the Entity did not exercise adequate oversight over compliance with laws and regulations governing supply chain management. In particular, the Entity did not have sufficient monitoring controls to ensure compliance with policies and regulations relating to procurement planning, the awarding of contracts and deviations. This resulted in irregular expenditure not being prevented.
31. The leadership and the appropriate level of management did not adequately monitor the implementation of action plans to address internal control deficiencies, resulting in repeat findings on compliance with laws and regulations and material misstatements not being identified and corrected in the financial statements.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE MARINE LIVING RESOURCES FUND

Financial and Performance Management

32. Management did not implement adequate processes to ensure that a credible set of financial statements was prepared in compliance with the relevant reporting framework as the internal review procedures were inadequate to identify and correct material misstatements in the financial statements and underlying records before submission for audit.

Auditor-General

Cape Town
31 July 2017



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE MARINE LIVING RESOURCES FUND

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

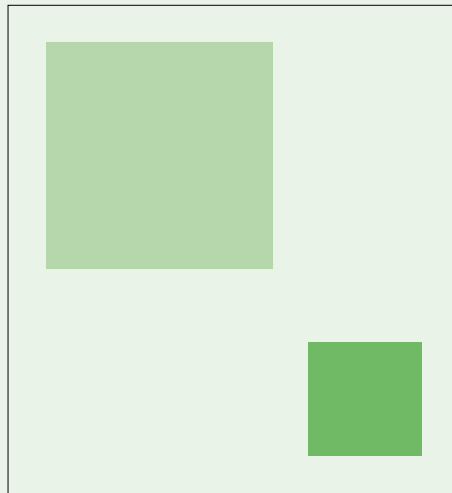
Financial statements

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 Marine Living Resources Fund'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 operating 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.





Report of Accounting Authority

REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2017

The Accounting Authority presents the annual report, which forms part of the audited financial statements of the fund for the year ended 31 March 2017.

PRINCIPAL ACTIVITY OF THE FUND

The Marine Living Resources Fund (MLRF) is a Schedule 3A Public Entity established in terms of the Public Finance Management Act, 1999 (Act No. 1 of 1999) but it also operates as a Branch within the national Department of Agriculture, Forestry and Fisheries (Programme 6).

The MLRF and the Fisheries Management Branch (Fisheries) of the Department of Agriculture, Forestry and Fisheries (DAFF) is tasked with managing the development, sustainable use and orderly exploitation of our marine and coastal resources, as well as protecting the integrity and quality of our marine and coastal ecosystems. The Branch's activities are governed by the Marine Living Resources Act of 1998, and the Branch operations are funded through the Marine Living Resources Fund.

EXECUTIVE OFFICERS

Acting Director-General	:	KCM Mannya (1 April 2016 – 30 June 2016)
	:	MM Mlengana (1 July 2016)
		M Ramasodi (12 July 2017)
Deputy Director-General	:	S Ndudane
Acting Chief Financial Officer	:	J Hlatshwayo (1 April 2016 – 22 February 2017)
	:	Ms N Parker (23 February 2017)

The Director-General, Mr MM Mlengana was appointed on 1 July 2016, but the MLRF report will be signed and submitted by the Acting Director-General, Mr Mooketsa Ramasodi who was appointed into this position with effect from 12 July 2017. Prior to this, Mr KCM Mannya served as the Acting Director-General.

Mr J Hlatshwayo is the Chief Financial Officer of the National Department of Agriculture, Forestry and Fisheries and was appointed as the Acting CFO for MLRF from 1 January 2015 until 22 February 2017. Ms Nazima Parker was appointed as the Acting Chief Director: Financial Management for the MLRF on 23 February 2017.

REMUNERATION OF EXECUTIVE OFFICERS

Compensation of the employees that administer the MLRF is paid by the Department of Agriculture, Forestry and Fisheries (DAFF). The compensation of the executive officers is disclosed in the financial statements of DAFF.

During this financial year no disbursements were made to the Director-General, Mr MM Mlengana, nor to the Acting Chief Director: Financial Management, Mr Jacob Hlatshwayo.

During this financial expenditure was incurred and payments to the value of R111 000.00 were made to Ms S Ndudane, in her capacity as Deputy Director-General: Fisheries Management, for subsistence, travel and other related reimbursement costs.

REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2017 (Continued)

GOVERNMENT DEPARTMENT

Department of Agriculture, Forestry and Fisheries

ADDRESS

Foretrust Building,	Private Bag X2,
Martin Hammerslag Way,	Vlaeberg
Foreshore,	8018
Cape Town,	
8001	

LEGAL FORM

The Entity is a schedule 3A Public Entity in terms of the Public Finance Management Act No 1 of 1999 and is governed by the Marine Living Resources Act No 18 of 1998 as amended.

LEGISLATIVE MANDATE

The mandate and core business of the Marine Living Resources Fund (MLRF), managed under the Fisheries Management Branch of The Department of Agriculture, Forestry and Fisheries (DAFF), is underpinned by the Constitution and all other relevant legislation and policies applicable to government departments.

The specific mandate of the MLRF is derived from the following Acts, Policies, Treaties and Conventions:

- Constitution of the Republic of South Africa, 1996
- Sea Fisheries Act, Act 12 of 1988
- Marine Living Resources Act, Act 18 of 1998
- National Environmental Management Act, Act 107 of 1998
- National Environmental Management Act: Integrated Coastal Management Act, Act 24 of 2008
- Marine Pollution Act, Act 6 of 1981
- Antarctic Treaties Act, Act 38 of 1994
- World Heritage Convention Act, Act 1 of 1999
- Public Finance Management Act, Act 1 of 1999
- Public Service Act, Act 38 of 1994
- Basic Conditions of Employment Act, Act 75 of 1997
- Promotion of Access to Information Act, Act 2 of 2000
- Promotion of Administrative Justice Act 3 of 2000
- National Treasury Regulations
- Preferential Procurement Framework Act and regulations
- Supply Chain Management Framework
- Cabinet and Ministerial directives and policy decisions.

REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2017 (Continued)

The Department of Agriculture, Forestry and Fisheries has established and implemented a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the performance information.

The performance information provided in the annual report for the Marine Living Resources Fund, in my opinion, reflects the performance of the department for the financial year ended 31 March 2017.



Mooketsa Ramasodi
Acting Director-General
Department of Agriculture, Forestry and Fisheries
Date: 29 July 2017

PERFORMANCE INFORMATION FOR THE MARINE LIVING RESOURCES FUND (MLRF)

PERIOD UNDER REVIEW: 1 APRIL 2016 – 31 MARCH 2017

Purpose

Promote the development, management, monitoring and sustainable use of marine living resources and the development of South Africa's fisheries sectors. Sustainable livelihoods will be achieved through aquaculture growth and fisheries economic development. The MLRF comprises of six sub-programmes, namely **Aquaculture and Economic Development, Fisheries Research and Development; Marine Resource Management and Monitoring, Control and Surveillance, Fisheries Operations Support and Financial Management.**

Aquaculture and Economic Development: Will ensure aquaculture growth and fisheries economic development for sustainable livelihoods by providing public support and an integrated platform for the management of aquaculture.

Fisheries Research and Development: To ensure the promotion of the sustainable development of fisheries resources and ecosystems by conducting and supporting appropriate research.

Marine Resource Management: Ensures the sustainable utilisation and equitable and orderly access to the marine living resources through improved management and regulation.

Monitoring, Control and Surveillance: Ensures the protection and promotion of sustainable use of marine living re-sources by intensifying enforcement and compliance.

Fisheries Operations Support: The provision of support services in order to ensure the effective and efficient management and administration of the Branch: Fisheries Management and the Marine Living Resources Fund.

Chief Directorate: Financial Management: The provision of financial management for the Branch: Fisheries Management and the Marine Living Resources Fund.

Strategic objectives (SOs)

SO 1: Coordinate government food security initiatives.

SO 2: Ensure the sustainable management and efficient use of natural resources and the protection of indigenous genetic resources.

REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2017 (Continued)

Performance Report against Strategic objectives

Programme Name: Fisheries Management/Marine Living Resources Fund						
Strategic objectives	Strategic objectives Indicators	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement 2016/17	Comment on deviations
2.1 Ensure increased production and productivity in prioritised areas as well as value chains.	Number of FTE jobs (VVFP).	658 FTEs.	600 FTEs.	1 189 FTEs.	Overachievement of 589 FTEs.	Some projects were able to expand the number of employees beyond the original estimates.
	Promote aquaculture for economic growth by 2019/2020.	4 phase 1 Operation Phakisa projects were supported.	8 aquaculture projects supported.	16 Operation Phakisa projects supported.	8 additional projects supported.	Additional budget was made available to Operation Phakisa; 13 new projects were registered; and improved interactions with Department of Public Works and the National Property Committee (NPC) of Transnet Ports Authority (TNPA) resulted in additional projects being supported.
3.1 Lead and coordinate government food security initiatives.	Promote transformation and production of fisheries by 2019/2020	Final draft FRAP framework was approved by the Deputy Director-General.	Monitor and regulate rights allocated to 9 fishing sectors.	This target was partially achieved. Rights are regulated through Permit Conditions. Permit conditions were reviewed and Permits were issued in the 6 fishing sectors (Large Pelagics (Tuna & Swordfish Longline), Kwa-Zulu Natal Beach Seine, Net Fish, Seaweed, Horse Mackerel, and Patagonian Tooth Fish).	Permits were not issued in 3 fishing sectors (Hake Inshore Trawl, Abalone and West Coast Rock Lobster (nearshore and offshore)).	The Department was interdicted from issuing permits in the Hake Inshore Trawl sector. Allocation of Fishing Rights in the Abalone, West Coast Rock Lobster (nearshore and offshore) were deferred to the 2017/18 financial year due to the large number of applications that had to be processed.

REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2017 (Continued)

Programme Name: Fisheries Management/Marine Living Resources Fund (continued)						
Strategic objectives	Strategic objectives Indicators	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement 2016/17	Comment on deviations
4.1 Ensure the conservation, protection, rehabilitation and recovery of depleted and degraded natural resources.	Promote, conserve, protect and recovery of depleted natural resources by 2019/2020	Recovery plans for the 3 sectors: Abalone, WCRL and deep water hake updated.	Recovery plans of prioritised fish stocks.	Recovery plans of 2 prioritised fish stocks were compiled (Abalone and West Coast Rock Lobster).	None.	None.

Performance Indicators

Programme : Fisheries Management							
Performance Indicator	Actual Achievement 2013/2014	Actual Achievement 2014/15	Actual Achievement 2015/2016	Planned Target 2016/17	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement 2016/17	Comment on deviations
2.1.1 Number of aquaculture catalyst projects (identified and listed under Operation Phakisa) supported.	23 fish farms supported	11 fish farms supported through the provision of technical, advisory services and compliance assessments.	4 phase 1 Operation Phakisa projects were supported.	5 Operation Phakisa projects for phase 1 supported. 3 Operation Phakisa projects for phase 2 supported.	16 Operation Phakisa projects were supported as follows: Phase 1 projects = 2; Phase 2 projects = 7; and Phase 3 projects = 7. (Note: Phase 3 projects are newly registered Greenfields projects).	8 additional projects supported.	Additional budget was made available to Operation Phakisa resulting in 13 new projects being registered, mostly of which are new Phase 3 Greenfields projects; Improved interactions with Department of Public Works and the National Property Committee (NPC) of Transport Ports Authority (TNPA) resulted in additional projects being supported.

REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2017 (Continued)

Programme : Fisheries Management (continued)							
Performance Indicator	Actual Achievement 2013/2014	Actual Achievement 2014/15	Actual Achievement 2015/2016	Planned Target 2016/17	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement 2016/17	Comment on deviations
2.1.2 Aquaculture Act developed and implemented as per Operation Phakisa.	-	Draft Aquaculture Bill was approved by EXCO on 30 March 2015.	The Minister approved the submission to gazette the draft Aquaculture Bill.	Bill approved.	Bill not approved. Consultations in NEDLAC have resulted in further inputs into the long title, the preamble and Chapter 1 Definitions.	NEDLAC requested additional time to facilitate inputs into the Bill before finalisation and submission to Parliament.	DAFF received a written request from NEDLAC for an extension of the deadline for consultations on the Aquaculture Bill.
2.1.3 Number of aquaculture research projects conducted	-	1 research project on reproduction and nutrition was conducted successfully.	2 new research on genetics and nutrition for aquaculture species were conducted	2 new research on new candidate species for aquaculture conducted.	2 new research (on spotted grunter and selected ornamental fish) were conducted.	None.	None.
3.1.1 Commercial fishing rights allocated and managed.	FRAP Framework drafted	Final draft FRAP framework was approved by the Deputy Director-General	Final draft FRAP framework was approved by the Deputy Director-General	Issue permit and permit conditions in the 9 newly allocated fishing sectors.	The target was partially achieved. Permit Conditions were issued in 6 fishing sectors (Large Pelagics (Tuna & Swordfish Longline), Kwa-Zulu Natal Beach Seine, Net Fish, Seaweed, Horse Mackerel, and Patagonian Tooth Fsh).	Permits and were not issued in 3 fishing sectors (Hake Inshore Trawl, Abalone and West Coast Rock Lobster (nearshore and offshore)).	The Department was interdicted from issuing permits in the Hake Inshore Trawl sector. The volume of applications received in the West Coast Rock Lobster and Abalone fisheries meant that assessments took longer than anticipated.
3.1.2 Small-scale Fisheries Policy Implemented	-	Draft regulations were published for public comment and road shows were conducted to explain	Regulations promulgated under MLRA amended to include the management of Small-scale Fisheries.	Rights allocated to registered small-scale fisheries cooperatives.	No rights were allocated to registered small-scale cooperatives.	The Appeals process is still open for three communities in the PE metropolitan area until 13 April 2017.	Appeals periods have been extended at the request of communities/cooperatives in WC and EC. There were also delays in sorting out

REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2017 (Continued)

Programme : Fisheries Management (continued)							
Performance Indicator	Actual Achievement 2013/2014	Actual Achievement 2014/15	Actual Achievement 2015/2016	Planned Target 2016/17	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement 2016/17	Comment on deviations
		the draft regulations to stakeholders and to receive their inputs			Progress made included the conclusion of the Expression of Interest process in all 4 coastal provinces; the publication of the provisional lists of successful fishers for the ECape, NCape and WCape; and the evaluation of appeals for the NCape and WCape.	Comments and complaints regarding the provisional lists resulted in delays in finalising the lists. Lack of continuity in the procurement and appointment of service providers and significant internal capacity constraints.	data discrepancies in the NCape and WCape before small-scale fishers could be verified.
4.1.1 Recovery plans of prioritised fish stocks	Annual TAC/TAE in abalone, hake, West Coast Rock Lobster (WCRL) and linefish were set in line with the agreed Operational Management Procedure (OMP) consulted with relevant fisheries stakeholders.	Target achieved Recovery plans for the 3 sectors: Deep-water hake, abalone and WCRL were approved.	Recovery plans for the 3 sectors: Abalone, WCRL and deep water hake updated.	Recovery plans for 2 sectors: Abalone and WCRL	Recovery plans for 2 sectors: Abalone and WCRL were compiled.	None.	None.
		Research report to indicate fish stock levels was compiled together with the Operational Management Procedure applied for the sustainable catches for the 2014/15 fishing season.	Research report to indicate fish stock levels compiled for: West Coast Rock Lobster, deep-water hake and abalone.	Research reports to indicate fish stock levels compiled.	Research report to indicate fish stock levels compiled for: West Coast Rock Lobster, deep-water hake and abalone.	None.	None.

REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2017 (Continued)

Programme : Fisheries Management (continued)							
Performance Indicator	Actual Achievement 2013/2014	Actual Achievement 2014/15	Actual Achievement 2015/2016	Planned Target 2016/17	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement 2016/17	Comment on deviations
4.1.2 Number of inspections and joint operations (through the Operation Phakisa initiative 5 of ocean economy) with partners	-	-	-	30 operations were conducted. (compliance = 14 monitoring and surveillance = 8 fisheries protection vessels = 8).	63 joint operations were conducted (compliance = 21; monitoring and surveillance = 17; and fisheries protection vessels = 25).	33 additional joint operations were conducted.	Operation Phakisa has forced all law enforcement stakeholders to work in an integrated manner, and as a result there has been more joint operations conducted by the MCS Subprogramme together with stakeholders.
	-	5 541 sea-based and land-based inspections and investigations of rights holders in the 4 prioritised fisheries sectors conducted	5 566 compliance and enforcement measures in the 4 prioritised fisheries sectors: Hake, abalone, rock lobster and linefish sectors implemented	2 900 compliance and enforcement measures in 6 prioritised fisheries sectors: hake, abalone, rock lobster, linefish, pelagic and squid implemented	A total of 6095 compliance and enforcement measures in 6 prioritised fisheries sectors were implemented (hake, abalone, rock lobster, linefish, pelagic and squid).	Overachievement of 3 196 compliance and enforcement measures.	The West Coast had an unusual run of Snoek since beginning of April 2016. This resulted in an increase in the number of vessel inspections. This over achievement was also made possible due to increased utilisation of small craft during joint operations with other law enforcement agencies. Fisheries Inspectors were also deployed to monitor all interim relief landings as a result of the expiration of the contract for Catch Data Monitors, which resulted in these inspections being included in the annual target.
4.1.3 Number of investigations conducted	-	-	-	276 investigations	A total of 276 investigations conducted.	None.	None.

REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2017 (Continued)

Strategy to overcome areas of under performance

Sustainable Aquaculture Management

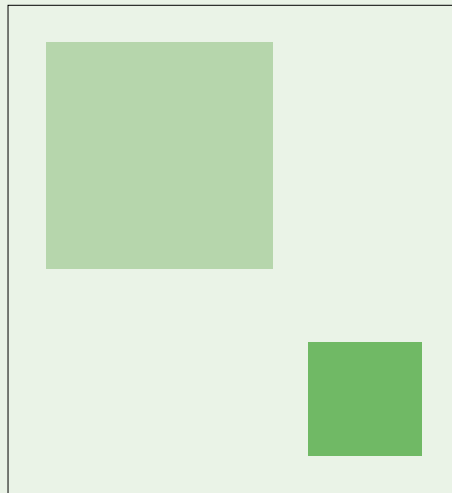
The Fisheries Branch did not meet its target of submitting the Aquaculture Development Bill to Parliament. The Department has identified consultation with key stakeholders via the NEDLAC process as an important strategy to obtain buy-in and support for the Bill. The submission of the Aquaculture Bill is a deliverable that will be carried over to the 2017/18 financial year. Lastly, meetings will be held by the Task Team for the Aquaculture Bill to ensure a harmonious response to concerns raised and a progressive way forward. Currently, an opinion is being sought on the constitutionality of the inclusion of licensing in the Draft Aquaculture Bill.

Small-Scale Fisheries Management

The process of allocating small-scale fishing rights to communities is at an advanced stage, but it was not possible to allocate rights in the year 2016/2017. The Appeals assessment process is currently underway in three of the coastal provinces, while the KZN provisional list of successful fishers is ready for approval. The allocation of small-scale fishing rights as a strategic deliverable has been carried over from 2016/17 to 2017/18.

Fishing Rights Allocation Process (FRAP)

The target of allocating fishing rights in 9 fishing sectors, with the associated permits and permit conditions, was only partially achieved. Fishing rights were concluded in 6 of the 9 sectors, but due to a court interdict in the Hake Inshore Trawl sector, permits could not be issued in this sector. Fishing rights could not be allocated in the West Coast Rock Lobster (Nearshore); West Coast Rock Lobster (Offshore) and Abalone sectors before 31 March. In order to deal with the delays in these 3 sectors, the Department granted exemptions to the former rights holders to continue fishing until the end of the respective 2016/17 fishing seasons. The provisional lists were subsequently published in April 2017, and the results in the West Coast Rock Lobster (Offshore) and Abalone sectors will be released before the end of the first quarter of 2017/18.



Annual Service Delivery Improvement Plan



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Annual Service Delivery Improvement Plan Progress Report Part A: Covering letter

1. Introductions

The legislative mandate of the Department of Agriculture, Forestry and Fisheries (DAFF) is derived from various sections of the constitution. The department executes a concurrent national and provincial legislative mandate in terms of schedule 4 and 5 of the constitution. The SDIP for the department complies with the provisions of the Constitution of South Africa, 1996; Public Finance Management Act, 1999, Treasury Regulations; the Public Service Act, 2001; the Public Service Regulations; the White Paper on Transforming Public Service Delivery, 1997 as well as the Batho Pele principles.

The department utilized the 2015/16-2017/18 SDIP to ensure that all aspects of the Annual SDIP report are adhered to. In an effort to continue improving our service delivery models, DAFF identified key services to be subjected to the improvement process:

- ✓ Issuing of veterinary import permits;
- ✓ Issuing of all permits and fishing vessel licenses

The department through its SDIP therefore strives to address both socio-economic and sectoral challenges more specially its drive to eradicate poverty and ensure food security and rural economic development. The purpose of the annual service delivery improvement plan report is to report on the progress made thus far on the key services identified. The report will highlight areas of improvement for the 2016/2017 financial year and also demonstrate how DAFF aims to improve the service from current standards to desired standards for the 2017/2018 financial year.

Preparatory work done was to conduct a situational analysis and list all the challenges from the process map of issuing veterinary import permits and processing of all permits and fishing vessel license application. This was done by analyzing every step from the start to the end of the process from when the application is received to when the permit is collected.

A problem statement was then captured and the service delivery improvement plan (SDIP) was adopted and implemented. The SDIP report was developed in consultation with all internal and external stakeholders including beneficiaries of each key service.

2. SDIP M&E Process

The SDIP M&E process is coordinated and reported by the Directorate Organisation Performance (D: OP) within the Department of Agriculture, Forestry and Fisheries (DAFF). These key services are monitored and reported in their respective functional units. It is the responsibility of each unit to conduct their own administrative M&E by conducting quality assurance on their reported performance information. The functional units responsible submit monthly reports on the key services to the Directorate Organisation Performance. An M&E Specialist will consolidate all monthly reports into quarterly reports and submit to Senior Management.

3. The SDIP M&E team was constituted by the following officials:

NAME	DESIGNATION	DIRECTORATE	CONTACT NUMBER
Ms Grace Mashigo	Acting Director	Organisation Performance	012 319 8166
Mr. Garfield Whitebooi	M&E Specialist	Organisation Performance	012 319 8203
Ms. Louisa Mafike	M&E Analyst	Organisation Performance	012 319 8218

Annual Service Delivery Improvement Plan Progress Report Part A: Covering letter (continued)

4. The SDIP team was constituted by the following officials and this is not the same team members who were responsible for developing the SDIP:

NAME	DESIGNATION	CONTACT NUMBER
Mr. M. Ramasodi	Deputy Director-General: Agricultural Production, Health and Food Safety	012 319 6504
Ms. S. Ndudane	Deputy Director- General: Fisheries Management	021 402 3019
Mr. D. Serage	Chief Director: Inspection & Quarantine Services	012 319 6471
Ms. S. Middleton	Chief Director : Fisheries Operations Support	021 402 3564
Ms N. Cele	Deputy Director: Regulatory Service Desk	012 319 6313
Ms.A. Steyn	Assistant Director: Veterinary Import Permit Office	012 319 7476
Mr. M. Mdledle	Deputy Director: Administration Fishing Rights Allocation Process (FRAP)	021 402 3422

5. Monitoring and Reporting

Senior Managers, who are the implementers of the SDIP, report on or before the 10th of each month. M&E Specialists consolidate monthly reports into quarterly reports and continuously engage with the branches regarding the findings of their performance status. Branches keep the evidence of reported status and it is made available upon request. Branches are also responsible for administrative quality assurance of reports and evidence before submission to M&E Specialists. Quarterly SDIP reports are sent to the Director for signoff.

6. Stakeholders informed of the implementation of SDIP

NAME	DESIGNATION	CONTACT NUMBER
Mr. M.M Mlengana	Director-General	012 319 7219
Mr. M Kgobokoe	Deputy Director-General: Policy, Planning, Monitoring and Evaluation	012 319 7028
Mr. M Ramasodi	Deputy Director-General: Agricultural Production, Health and Food Safety	012 319 6504
Mr. D. Phuthi	Acting Chief Director: Monitoring & Evaluation	012 319 6047
Ms. S. Ndudane	Deputy Director-General: Fisheries Management	021 402 3019
Mr. D. Serage	Chief Director: Inspection & Quarantine Services	012 319 6471
Ms. S. Middleton	Chief Director: Fisheries Operations Support	021 402 3564
Ms N. Cele	Deputy Director: Regulatory Service Desk	012 319 6313
Ms.A. Steyn	Assistant Director: Veterinary Import Permit Office	012 319 7476
Mr. M. Mdledle	Deputy Director: Administration Fishing Rights Allocation\Process (FRAP)	021 402 3422

Annual Service Delivery Improvement Plan Progress Report Part A: Covering letter (continued)

7. External stakeholders' consultation process

Stakeholder name	Purpose of Meeting	Date of meeting
National Regulator for Compulsory Specifications (NRCS)	To discuss challenges regarding imports and attempt to resolve them	06 April 2016
Association for Meat Importers and Exporters (AMIE) South African Revenue Services (SARS) Department of Health (DoH) External stakeholders consulted in the Meat Import Monitoring Committee Meetings	To discuss challenges regarding imports and attempt to resolve them	07 September 2016; 09 December 2016;

8. Summary of reports

Key service I	Baseline	Desired target	Achieved target
Issuing of all permits and fishing vessels licenses (except applications relating to exemptions)	An average of 1 500 applications received per month. 80% processing of applications processed per month.	+/- 1 500 applications received per month. 87% of applications processed per month.	On average ± 530 applications were received per month. A total of 6 357 permits and vessels licenses issued in the 2016/17 financial year. All applications received that met the required information were processed.
	Consultation	60 road shows 4 DDG dialogues with stakeholders a year. 1 ministerial imbizo per province a year.	Meetings were held with stakeholders throughout the year. Management Working Groups for the various fishing sectors. Roadshows were affected by FRAP2015/16.
		Collaborated awareness campaigns. Aquaculture roadshows in all 9 provinces.	Several SMS were sent to clients in 2016/17 on receipt and completion of their applications. Application forms and requirements for permits and vessel licences were uploaded on the website.
Challenges	The constant increase in application volumes. Limited human resources.		

Annual Service Delivery Improvement Plan Progress Report Part A: Covering letter (continued)

	Limited budget to implement better systems e.g. electronic permitting system.
Mitigating factors	Limited space for filling / storage of old permits. Automate relevant application processes.
	8 interns were assisting with the processing of permit and vessel licence applications.
.	Introduction of E-permitting system and smart card. Introduction of catch data monitoring system for a real time catch data.
	Procurement of additional storage space. Introduction of information management system to store old permits and vessel licenses electronically.
Recommendations	Develop an online system for the application, processing and issuing of relevant permits. Identified critical posts within Chief Directorate: Marine Resources Management must be recreated and reinstated in the establishment of the Chief Directorate. Decentralise offices to bring services closer to the public.
	Treasury to allocate adequate budget to DAFF. Integrate existing Catch Systems with MAST and decentralise MAST to Fishing Harbours. Decentralise offices to bring services closer to the public and revive the satellite office in Saldanha.
Conclusion	Adequate budget is required from National Treasury. Approval from National Archivist to transfer old records for storage. The Annual Service Delivery Improvement Plan Report has highlighted the improvements that have been made in ensuring an efficient service in issuing permits and vessel licences in the 2016/17 financial year. These include improvement in the turnaround time of issuing permits and vessel licences, improvement on the quality of permits and vessel licences processed, and improvement on consultation with clients.

Annual Service Delivery Improvement Plan Progress Report Part C: Issuing of permits and fishing vessel license service

1. Introduction

The Annual Service Delivery Improvement Plan Report (ASDIPR) will reflect the improvements that have been made in ensuring an efficient service in issuing and processing of all permits and fishing vessel licences (except applications relating to exemptions). The ASDIPR addresses the obstacles and constraints faced by the relevant permit offices at the Branch: Fisheries Management and the strides that have been made to improve the service.

2. Key service

Issuing of all permits and fishing vessel licences (except applications relating to exemptions)

3. Situational analysis

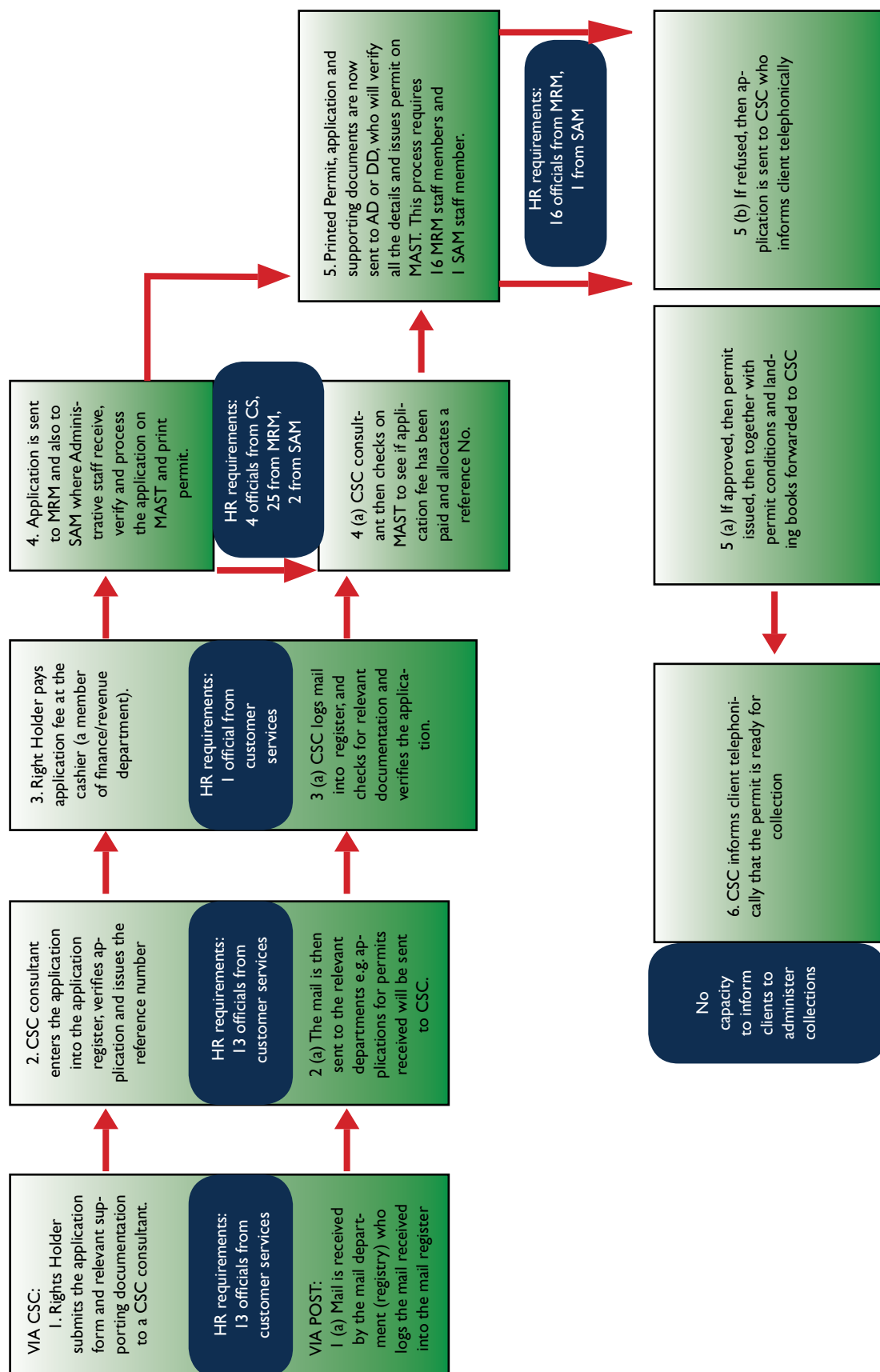
PREVIOUS SITUATION 2015/2016	CURRENT SITUATION 2016/2017
Average 809 permits and 131 vessel licenses issued per month.	Average 503 permits and 27 vessel licenses issued per month.
Up to 3 186 permits and 797 vessel licences were issued during the peak periods in particular during the opening of the West Coast rock lobster, Abalone and Hake fishing seasons. (quarter 3 and 4)	Up to 4 375 permits and 311 vessel licences were issued during the peak periods (quarter 3 and 4) in particular during the opening of the West Coast rock lobster, Abalone and Hake fishing seasons. The total number of permits and vessel licences issued is 6 029 and 328, respectively.
There is currently a drop on the number of applicants that are submitting incomplete documents and there is a drop on the number of incorrect permit headers being captured on receipt of the applications. This has been achieved through road shows and meetings with right holders and industry in general as well as through continuous internal engagement between relevant directorates and Stakeholder Engagement directorate. Permits with incorrect headers are amended at no cost to the applicant.	The numbers of applicants that are submitting incomplete documents are continually dropping as well as the number of incorrect permit headers being captured on receipt of the applications. This has been achieved through continuous road shows and meetings with right holders and industry in general as well as through continuous internal engagement between relevant directorates and Stakeholder Engagement directorate. Permits with incorrect headers are amended at no cost to the applicant.
SMS service had been introduced which is aimed to provide required update to clients when permit and/or vessel licence is ready for collection. This has been proven to be more efficient than calling clients on the landline. CSC has sent several SMS's to clients notifying them when permits and/or licences are ready for collection in the 2015/16 financial year.	SMS service had been introduced which is aimed to provide required update to clients when permit and/or vessel licence is ready for collection. This has been proven to be more efficient than calling clients on the landline. CSC has sent several SMS's to clients notifying them when permits and/or licences are ready for collection in the 2016/17 financial year.
A number of contractual disputes had been decreased compared to the previous financial year i.e., 2014/15.	The number of contractual disputes continues to decrease compared to the previous financial years
Most of application forms are now typed and completed correctly, relevant documents are attached e.g. 3rd party authorization letter, etc.	Most of applications forms are now typed and completed correctly, relevant documents are attached e.g. 3rd party authorization letter, etc

Annual Service Delivery Improvement Plan Progress Report Part C: Issuing of permits and fishing vessel license service (Continued)

PREVIOUS SITUATION 2015/2016	CURRENT SITUATION 2016/2017
<p>Proof of payment not attached to individual applications as some companies were paying in bulk. This challenge has improved during the financial year under review.</p> <p>Agreed turn-around time for processing of permits was 15 working days.</p> <p>Despite a number of permits issued within the agreed turn-around time however critical positions within Chief Directorate: Marine Resources Management such as Assistant Director: Line & Net Fisheries Management, Assistant Director: Small Invertebrates & Seaweed Management, Senior Administrative Officer: Small Invertebrates & Seaweed Management; Assistant Director: Pelagic and High Seas Fisheries Management, Administrative Officer: Demersal Fisheries Management as well as the Senior Admin Clerk: Office of the Chief Director: Marine Resources Management needs to be reinstated to ensure that permits and vessel licenses are processed and issued within the agreed turn-around time.</p> <p>A post of Assistant Director: Small-Scale Fisheries Management has been created, advertised and interviewed. Section 13 of the MLRA is still not delegated. Permits on fisheries resorting under D: SSFM are being considered by other Directorates within the Chief Directorate: Marine Resources Management.</p>	<p>This challenge has improved during the financial year under review.</p> <p>Agreed turn-around time for processing of permits is 15 working days.</p> <p>Despite a number of permits issued within the agreed turn-around time however critical positions within Chief Directorate: Marine Resources Management such as Assistant Director: Small Invertebrates & Seaweed Management, Senior Administrative Officer: Small Invertebrates & Seaweed Management; Assistant Director: Pelagic and High Seas Fisheries Management, Senior Administration Clerk: Demersal Fisheries Management, Senior Administrative Officer: Large Crustaceans Fisheries Management, 2 Administrative Officers: Line and Net Fisheries Management, Assistant Director: Line and Net Fisheries Management, Deputy Director: Line and Net Fisheries Management, Senior Administrative Clerk: Office of the Chief Director, 2 Environmental Officers: Small-Scale Fisheries Management and Senior Administration Clerk: Small-Scale Fisheries Management need to be filled as a matter of urgency and those that were abolished need to be created and/or reinstated to further improve on turn-around on processing and issuing of permits and vessel licenses.</p> <p>A post of Assistant Director: Small-Scale Fisheries Management has been filled. Section 13 of the MLRA has now been delegated and permits on fisheries resorting under D: SSFM are now being signed and approved by the Directorate.</p>

Annual Service Delivery Improvement Plan Progress Report Part C: Issuing of permits and fishing vessel license service (Continued)

4. Business process mapping



Annual Service Delivery Improvement Plan Progress Report Part C: Issuing of permits and fishing vessel license service (Continued)

PREVIOUS SITUATION 2015/2016	CURRENT SITUATION 2016/2017
<p>Receiving applications forms via post and walk in clients at CSC and other satellite office in Port Elizabeth</p> <ul style="list-style-type: none"> ✓ Scan the application form and verify if all documents required are attached ✓ Check the proof of payment ✓ Contact client if extra documentation or information is required ✓ Capture the application on MAST (permit number is automatically generated) ✓ Write the permit number on the application form ✓ Select the correct permit header and correctly capture the information from the application form ✓ Verify the information captured, process and print permit on MAST ✓ Attach relevant documents and forward printed permit for consideration to a relevant delegated authority ✓ Make corrections where necessary and send back for corrections ✓ Approve or decline permit and forward decided permits to Admin staff to release permit ✓ Emboss and copy the permit ✓ Send copy approved permit and application form to Registry for filing and send original permit to CSC to inform client ✓ CSC inform the client via sms system and/or telephonically that the permit is ready for collection ✓ Keep permits to be collected by clients & ensure client completes the register when collecting the permits ✓ Issue permit on MAST ✓ Capture on the permit register that the permit has been collected. 	<p>Receiving applications forms via post and walk in clients at CSC and other satellite office in Port Elizabeth</p> <ul style="list-style-type: none"> ✓ The same ✓ The same ✓ The same ✓ The same ✓ The same ✓ The same ✓ The same ✓ The same ✓ The same ✓ The same and send sms where Cellphone number is provided ✓ The same ✓ The same and send sms where Cellphone number is provided ✓ The same ✓ The same

Annual Service Delivery Improvement Plan Progress Report Part C: Issuing of permits and fishing vessel license service (Continued)

4.1 Unit costing

PREVIOUS SITUATION 2015/2016	CURRENT SITUATION 2016/2017
The catch permit application tariff was R1 071.00	The catch permit application tariff is R1 071.00
The transport permit tariff was R505.00	The transport permit tariff is R505.00
The export permit tariff was R690 + R200 for every additional specie	The export permit tariff is R690 + R200 for every additional specie
The import permit tariff was R690 + R200 for every additional specie	The import permit tariff is R690 + R200 for every additional specie
The Fish Processing Establishment permit tariff was R1 902.00	The Fish Processing Establishment permit tariff is R1 902.00
The EEZ and gear permit tariff was R3 765	The EEZ and gear permit tariff is R3 765
The extension of gear permit tariff was R550	The extension of gear permit tariff is R550
The permit reprint tariff was R150	The permit reprint tariff is R150
The permit amendment tariff was R265	The permit amendment tariff is R265
The local fishing vessel tariff was R240 + vessels less than 5m - R269 or vessels 5m - 8m R375 or vessels 8m - 12m R606 or vessels 12m - 20m R1 137 and above 20M R1 813	The local fishing vessel tariff is R240 + vessels less than 5m - R269 or vessels 5m - 8m - R375 or vessels 8m - 12m R606 or vessels 12m - 20m R1 137 and above 20M R1 813
Transfer of ownership (vessel licence) was R265	Transfer of ownership (vessel licence) is R265
Vessel change was R240.00	Vessel change is R240.00
The foreign vessel licences under joined venture tariff was R16 584	The foreign vessel licences under joined venture tariff is R16 584
The foreign vessel licence utilised by foreign company was R26 495	The foreign vessel licence utilised by foreign company is R26 495
The high seas vessel licence tariff was R240 + R1 962 = R2 202	The high seas vessel licence tariff is R240 + R1 962 = R2 202

Annual Service Delivery Improvement Plan Progress Report Part C: Issuing of permits and fishing vessel license service (Continued)

5. Problem Statement

PREVIOUS SITUATION 2015/2016	CURRENT SITUATION 2016/2017
<p>The processing of permits and licence applications is a key service that most of the Branch: Fisheries Management's clients demand improvement on. Huge volumes of applications for catch and transport permits are submitted before the start of a particular fishing season while applications for export and import permits as well as vessel licences are received on a continuous basis and, in the case of marine aquaculture, at the end of the year. The turnaround times for permits and licences are impacted on by the quality of the applications received from clients and the availability of the Marine Administration System (MAST) and ORACLE Financial System used to process these documents.</p> <p>Human resource challenges: The Chief Directorate: Marine Resources Management and Directorate: Sustainable Aquaculture Management does not have adequate HR capacity owing to the abolishment of critical positions that happened in the 2013/14 financial year.</p> <p>Financial challenges and service delivery challenges: One of the direct effects of insufficient financial support is the funds, which has resulted in delays in service delivery. Owing to a highly decreased staff component, officials cannot deliver permits on time (4 to 7 working days) as a result of the increased workload. Service delivery by the department has been further compromised because of the closure of the Saldanha Customer Services Satellite Office, which was established owing to a need for decentralised services.</p> <p>ICT systems: Catch-data system: There is no real time catch data system in place; this compromises the departmental processes of the reconciliation of catches. • Monitoring of transgressions: The Department does not have a Transgression Register; this compromises decision making processes for delegated authorities. • MAST: The MAST system is redundant and no longer adequately addresses the needs of users (permit processes). There is a lack of synchronicity between the MAST system (permitting) and Oracle (finance). Officials at decentralised office (Port Elizabeth and Saldanha) do not have financial services (ORACLE) therefore payments cannot be made at this station.</p>	<p>✓ The same.</p> <p>✓ The same.</p> <p>✓ The same and as a direct result of decreased staff component, turn-around time for processing permits was now set to be 15 working days.</p> <p>✓ The same.</p> <p>The Department is relying on the SAPS Case Database for convictions that are related to Marine Living Resources offences.</p>

Annual Service Delivery Improvement Plan Progress Report Part C: Issuing of permits and fishing vessel license service (Continued)

6. Quantity: current status and projected targets

Key Services	Service Beneficiaries	Current Standard		Desired Standard	Achieved level of performance for
		2015/20		2016/2017	2016/2017
Processing of all permit and fishing vessel license applications (except applications related to exemptions)	Fishing industry; Fishing rights holders; Recreational fishers; Foreign and local vessel owners; Fish import and export industry.	Quantity	+/- 1 500 applications received per month. 85% of applications processed per month	+/- 1 500 applications received per month. 87% of applications processed per month	On average ± 530 applications were received per month. A total of 6 357 permits and vessels licenses issued in the 2016/17 financial year. All applications received that met the required information were processed

7. Quality: current status and projected targets

7.1 Current professional standards and projected targets

Key Services	Service Beneficiaries	Current Standard		Desired Standard	Achieved level of performance for
		2015/20		2016/2017	2016/2017
Processing of all permit and fishing vessel license applications (except applications related to exemptions)	Fishing industry; Fishing rights holders; Recreational fishers; Foreign and local vessel owners; Fish import and export industry.	Professional Standards	N/A	N/A	N/A
		Legal standards	The permits are issued in terms of the Marine Living Resources Act, 1998 (Act No. 18 of 1998) ("the MLRA") as amended.	95% error free on (issued permits) Issuing of smart card permits Comprehensive catch management system to minimise error (real time catch for reconciliation and contraventions).	95% of permits were captured, processed and issued error free.

Annual Service Delivery Improvement Plan Progress Report Part C: Issuing of permits and fishing vessel license service (Continued)

8. Batho pele principles: current status and projected targets

Key Services	Service Beneficiaries	Batho Pele Principle 2015/2016	Current Standard	Desired Standard 2016/2017	Achieved level of performance for 2016/2017
Processing of all permit and fishing vessel license applications (except applications related to exemptions)	Fishing industry; Fishing rights holders; Recreational fishers; Foreign and local vessel owners;	Consultations	Clients are consulted via meetings and presentations. The relevant offices including CSC also communicates via E-mail Letters Phone calls SMS Fax Website	60 road shows 4 DDG dialogues with stakeholders a year. 1 ministerial imbizo per province a year. Collaborated awareness campaigns. Aquaculture roadshows in all 9 provinces.	60 road shows DDG dialogues with stakeholders. 1 Ministerial and Deputy Minister's imbizo on fisheries issues. Collaborated awareness campaigns. Aquaculture roadshows in all 9 provinces.
		Courtesy	Maintained customer service centre standards and applied Batho Pele principles consistently	Implement 2nd phase of outgoing SMS notification system for acknowledgement and information on the finalised permits Conduct 1 public perception survey per annum of the permit and licence service Develop and implement customer service charter	Most clients' register complaints telephonically and the matter is attended to immediately. Normally (90%) within one working day unless it required an in-depth investigation and escalation to a higher level. Customers personally contacted immediately when supporting documents are outstanding or when queries have to be resolved prior to processing permits. In some cases meetings are held with clients to resolve queries.

Annual Service Delivery Improvement Plan Progress Report Part C: Issuing of permits and fishing vessel license service (Continued)

Key Services	Service Beneficiaries	Batho Pele Principle 2015/2016	Current Standard	Desired Standard 2016/2017	Achieved level of performance for 2016/2017
				Maintained customer service centre standards and applied Batho Pele principles consistently	Permits for rural communities in Eastern cape and KZN are physically delivered to communities. Several SMS were sent to clients in 2016/17 on receipt and completion of their applications. Most complaints received have been resolved and feedback provided to a Complainant.
		Access	<p>Compliance offices and Fishery Development Workers along the coast</p> <p>Walk-in Centre: Foretrust Building Martin Hammerschlag Way Foreshore 8012</p> <p>Share-Call: 0860003474</p> <p>Telephone: 021-402 3911; 021-402 3259; 021-402 9180; 021-402 3436</p> <p>Emails: MagdalenaB@daff.gov.za AurielleD@daff.gov.za;</p>	<p>Compliance offices and Fishery Development Workers along the coast</p> <p>Walk-in Centre: Foretrust Building Martin Hammerschlag Way Foreshore 8012</p> <p>Share-Call: 0860003474</p> <p>Telephone: 021-402 3911; 021-402 3259; 021-402 9180; 021-402 3436</p> <p>Emails: MagdalenaB@daff.gov.za AurielleD@daff.gov.za;</p>	<p>Clients do call directly and do send emails directly to officials.</p> <p>Decisions affecting clients directly or indirectly are communicated through Management Working Group meetings and road-shows (stakeholder consultations).</p>

Annual Service Delivery Improvement Plan Progress Report
Part C: Issuing of permits and fishing vessel license service (Continued)

Key Services	Service Beneficiaries	Batho Pele Principle 2015/2016	Current Standard	Desired Standard 2016/2017	Achieved level of performance for 2016/2017
			<p>NaeemA@daff.gov.za Fax: 021-402 3362</p> <p>Letters: Private Bag X2; Vlaeberg; 8018</p> <p>Website: www.daff.gov.za</p> <p>Promotion of Access to Information (PAIA)</p>	<p>NaeemA@daff.gov.za Fax: 021-402 3362</p> <p>Letters: Private Bag X2; Vlaeberg; 8018</p> <p>Website: www.daff.gov.za</p> <p>Promotion of Access to Information (PAIA)</p> <p>Decentralise services for coastal provinces and including inland provinces for aquaculture</p>	<p>Permits for rural communities in Eastern cape and KZN are physically delivered to communities.</p> <p>Several SMS were sent to clients in 2016/17 on receipt and completion of their applications. Most complaints received have been resolved and feedback provided to a Complainant.</p>
		Information	<p>Through Customer Services Centre Updated notices, brochures and pamphlets in the Customer Services Centre</p> <p>Education and Awareness Campaigns conducted on processes and cost for the service</p> <p>Held 29 Management working groups</p>	<p>Conduct 36 Management working groups (to include small scale and recreational fishing sectors) Conduct DDG CEO Forum and 9 commodity forums</p> <p>Update notices, brochures and pamphlets in the Customer Services Centre</p> <p>Education and Awareness Campaigns conducted on</p>	<p>Ensured availability of updated information on the website e.g. application forms, permit fees and requirements for applications.</p> <p>Checklist of information to be provided included on permit application.</p>

Annual Service Delivery Improvement Plan Progress Report Part C: Issuing of permits and fishing vessel license service (Continued)

Key Services	Service Beneficiaries	Batho Pele Principle 2015/2016	Current Standard	Desired Standard 2016/2017	Achieved level of performance for 2016/2017
				processes and cost for the service	
		Openness & transparency	Continued to inform clients of changes in services or service standards via public announcements and through Fishery Control Offices along the coast. Gazette any changes about the service (cost and process)	Continued to inform clients of changes in services or service standards via public announcements and through Fishery Control Offices along the coast. Gazette any changes about the service (cost and process)	DAFF website was updated regularly. Public notices were issued and posted on the website. The service standards were recorded in the service catalogue. Continuous engagements (sms, landline, email) with clients regarding the status of their applications. Management working group meetings are used as platform of openness and transparency. Road shows are also utilised as platforms of openness and transparency. Clients notified of slow processing times when the directorate was involved in field work and encouraged the sector to make applications prior to going into the field
		Redress	Continued to providing the best possible value for money to the service beneficiaries in the service area/s through easy access and at minimal cost based on efficiency which results in enabling	Acknowledgement of enquiries received within 1 day of receipt. Response on general enquiries within 16 working days	Enquiries attended to as per standard except when staff members were in the field. Responses given between 16 and 21 working days.

Annual Service Delivery Improvement Plan Progress Report
Part C: Issuing of permits and fishing vessel license service (Continued)

Key Services	Service Beneficiaries	Batho Pele Principle 2015/2016	Current Standard	Desired Standard 2016/2017	Achieved level of performance for 2016/2017
			environment for economic growth		
		Value for money	Continued to providing the best possible value for money to the service beneficiaries in the service area/s through easy access and at minimal cost based on efficiency which results in enabling environment for economic growth.	<p>Introduction of e-permitting and provision of smart card to ensure efficiency.</p> <p>Introduction of electronic data management systems to be more efficient (for TAC/TAE/exemptions/ permit condition approvals).</p> <p>Comprehensive catch management system (real time catch data for reconciliation and contraventions).</p>	<p>Abalobi piloted as a real time information management system for both registration process and catch data monitoring. Further development being explored to provide possibilities for e-permitting subject to adequate funding being made available.</p> <p>Continued to providing the best possible value for money to the service beneficiaries in the service area/s through easy access and at minimal cost based on efficiency which results in enabling environment for economic growth.</p> <p>Introduction of e-permitting for recreational permits is at an advance stage.</p>
		Human resources	<p>57 human resources in total</p> <p>Details: 2 Officials for Directorate: Sustainable Aquaculture Management</p> <p>13 Officials for Directorate: Stakeholder</p>	<p>169 human resources in total</p> <p>Details: 35 Officials for Directorate: Sustainable Aquaculture Management</p>	<p>21 staff in total in the D: IFM (3 of those are vacant posts and 3 are abolished posts).</p> <p>14 staff in total in the D: OHSFM and 2 vacant positions.</p> <p>7 staff in total in the D: SSFM and 3 posts are vacant.</p>

Annual Service Delivery Improvement Plan Progress Report Part C: Issuing of permits and fishing vessel license service (Continued)

Key Services	Service Beneficiaries	Batho Pele Principle 2015/2016	Current Standard	Desired Standard 2016/2017	Achieved level of performance for 2016/2017
			Engagements (Customer service) 1 Officials for Directorate: Revenue Management (cashier) 41 Officials for Chief Directorate: Marine Resource Management	28 Officials for Directorate: Stakeholder Engagements (Customer service) 6 Officials for Directorate: Revenue Management (cashiers) 100 Officials for Chief Directorate: Marine Resource Management	6 staff in total in the Office of the CD: MRM (1 of these posts has been abolished). Total: 48 officials (8 vacant posts and 4 abolished posts).
		Cost	MLRF application permits and license fees are gazetted.	MLRF application permits and license fees are gazetted.	MLRF application permits and license fees are gazetted.
		Time	Permits are issued within 15 working days.	Permits are issued within 15 working days.	95% of permits and vessel licenses had been issued error free within the turnaround time which is a huge achievement looking at the increased volumes. Permits were issued within 16 - 21 working days.

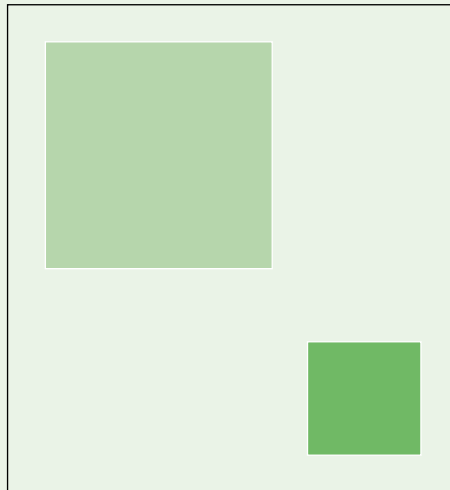
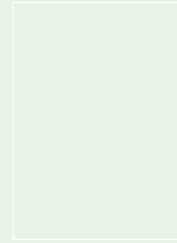
Annual Service Delivery Improvement Plan Progress Report Part C: Issuing of permits and fishing vessel license service (Continued)

9. Challenges, mitigations and recommendations

CHALLENGES / GAPS ENCOUNTERED PER SERVICE	MITIGATION FACTORS / INTERVENTIONS PER SERVICE	SUGGESTIONS RECOMMENDATIONS
The constant increase in application volumes	Automate relevant application processes.	Develop an online system for the application, processing and issuing of relevant permits.
Limited human resources	8 interns were assisting with the processing of permit and vessel licence applications.	Identified critical posts within Chief Directorate: Marine Resources Management must be filled and recreated and reinstated in the establishment of the Chief Directorate. Decentralise offices to bring services closer to the public.
Limited budget to implement better management systems e.g. Catch Data Monitoring, decentralisation and electronic permitting system	Introduction of E-permitting system and smart card for recreational fishing. Introduction of catch data monitoring system for a real time catch data	Treasury to allocate adequate budget to DAFF Integrate existing Catch Systems with MAST and decentralise MAST to Fishing Harbours. Decentralise offices to bring services closer to the public and revive the satellite office in Saldanha
Limited space for filling / storage of old permits	Procurement of additional storage space. Introduction of information management system to store old permits and vessel licences electronically.	Adequate budget is required from National Treasury. Approval from National Archivist to transfer old records for storage.

10. Conclusion

The Annual Service Delivery Improvement Plan Report has highlighted the improvements that have been made in ensuring an efficient service in issuing permits and vessel licences in the 2016/17 financial year. These include improvement in the turnaround time of issuing permits and vessel licences, improvement on the quality of permits and vessel licences processed, and improvement on consultation with clients.



Annual Financial Statements

ANNUAL FINANCIAL STATEMENTS

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STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 MARCH 2017

	NOTES	2017 R'000	2016 R'000
ASSETS			
Non-current assets			
Plant and equipment	2	339 786	362 631
Intangible assets	3	76	329
		339 862	362 960
Current assets			
Inventory	4	54 620	42 218
Trade and other receivables	5	10 912	24 552
Cash and cash equivalents	6	159 452	162 656
		224 984	229 426
Total assets		564 846	592 386
LIABILITIES			
Current liabilities			
Deferred income	7	118 380	94 359
Donor funds	8	1 776	1 652
Trade and other payables	9	74 725	69 273
Total liabilities		194 881	165 284
Net assets		369 965	427 102
NET ASSETS			
Accumulated surplus		369 965	427 102
Total net assets		369 965	427 102

STATEMENT OF FINANCIAL PERFORMANCE for the year ended 31 March 2017

	NOTES	2017 R'000	2016 R'000
Revenue			
Operating revenue	10	115 819	112 889
Other Income	11	280 531	340 847
- Confiscated assets and fish products		45 791	38 634
- Fines		2 323	1 639
- Grants and other transfer payments		170 628	202 862
- Realisation of deferred income		60 810	97 610
- Other income		979	102
Foreign exchange surplus	12	112	79
Finance income	13	10 484	10 880
Donor funds revenue	14	350	618
Service in kind	15	361 976	329 911
		769 272	795 224
Expenses			
Consumables used		(6 848)	(5 313)
Depreciation and amortisation		(27 314)	(29 001)
Transportation costs		(42 577)	(50 607)
Advertising costs		(790)	(3 323)
Operating lease payments		(2 659)	(3 068)
Other deficits		(44)	(233)
Vessel operating costs		(211 637)	(229 542)
Financial contributions		(50 158)	(85 969)
Other operational costs		(122 059)	(92 942)
Finance cost	17	-	(13)
Donor funds expenses	8	(350)	(618)
Service in kind	15	(361 976)	(329 911)
		(826 412)	(830 540)
Deficit for the year	24.4.4	(57 140)	(35 316)

STATEMENT OF CHANGES IN NET ASSETS
for the year ended 31 March 2017

NOTES	Accumulated surplus R'000	Total net assets R'000
Balance at 1 April 2015	462 421	462 421
Prior year error	(16 677)	(16 677)
Deficit for the year	(18 639)	(18 639)
Balance as at 1 April 2016	427 105	427 105
Deficit for the year	(57 140)	(57 140)
Balance at 31 March 2017	369 965	369 965

CASH FLOW STATEMENT for the year ended 31 March 2017

	NOTES	2017 R'000	2016 R'000
Cash flows from operating activities			
Cash receipts from customers		538 438	494 511
Cash paid to suppliers		(795 566)	(772 421)
Net cash utilised by operations	19.1	(257 128)	(277 910)
Finance cost	-	-	(13)
Finance income		10 484	10 880
Net cash outflow from operating activities		(246 644)	(267 043)
Cash flows from investing activities			
Purchases of plant and equipment	2	(4 248)	(2 687)
Purchases of plant and equipment funded by Government grants			
Proceeds from disposal of plant and equipment		-	1
Purchases of intangible assets	3	(12)	(205)
Net cash outflow from investing activities		(4 260)	(2 891)
Cash flows from financing activities			
Proceeds from grant received	7	247 700	269 754
Net cash inflow from financing activities		247 700	269 754
Net decrease in cash and cash equivalents		(3 204)	(180)
Cash and cash equivalents at the beginning of the year		162 656	162 836
Cash and cash equivalents at the end of the year	6	159 452	162 656

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL
INFORMATION**
for the year ended 31 March 2017

	NOTES	Original Approved Budget	Final Budget	Actual	Difference Final Budget and Actual
		2016/17 R'000	2016/17 R'000	2016/17 R'000	2016/17 R'000
Revenue	24.3				
Operational revenue		133 129	133 129	115 819	(17 310)
Other income		321 851	368 151	280 531	(87 620)
Foreign exchange surplus		-	-	112	112
Finance income		10 000	10 000	10 484	484
Donor funds revenue		-	-	350	350
		464 980	511 280	407 296	(103 984)
Expenses	24.4				
Consumables used		8 511	9 683	6 848	(2 835)
Depreciation and amortisation		-	-	27 314	27 314
Transportation cost		24 874	25 116	42 577	17 461
Advertising cost		5 509	4 612	790	(3 822)
Operating lease payments		2 919	3 199	2 659	(540)
Other deficits		-	-	44	44
Vessel operating costs		162 868	168 497	211 637	43 140
Financial contributions		117 431	132 194	50 158	(82 036)
Other operational costs		146 978	153 627	122 059	(31 568)
Finance cost		-	-	-	-
Donor funds expenses		-	-	350	350
		469 090	496 928	464 436	(32 492)
Deficit for the year	24.2	(4 110)	14 352	(57 140)	(71 492)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2017

I ACCOUNTING POLICIES

The principal accounting policies adopted in preparation of these financial statements are set out below:

I.1 BASIS OF PREPARATION

Statement of compliance

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

Basis of measurement

The financial statements have been prepared on an accrual basis of accounting and the historical cost basis except as noted in the accounting policies below.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise stated.

Accounting policies for material transactions, events or conditions not covered by the GRAP Standards adopted, have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on International Public Sector Accounting Standards (IPSAS) and the South African Statements of Generally Accepted Accounting Practices (SA GAAP), including any interpretations of such Statements issued by the Accounting Practices Board.

The preparation of financial statements in conformity with GRAP requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Significant judgement and sources of estimates

GRAP 1 paragraph 137 requires disclosure on assumptions, judgements, inputs on items that have estimation uncertainty and that relate to the estimates that require management's most difficult, subjective or complex judgements. As the variables and assumptions affecting the possible future resolution of the uncertainties and complex, and the potential for a consequential material adjustment to the carrying amounts of assets and liabilities normally accordingly.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The Fund has selected to apply the principles established in Standards not yet effective in developing an appropriate accounting policy in terms of paragraph 28 of Directive 5. The guides are as follow:

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2017

Reference	Description
GRAP 20	Related Party Disclosures

1.2 Standards not yet effective

The following standards and interpretations have been issued but are not yet effective. These have been assessed as not applicable to the Fund and will not have an impact.

Reference	Description
GRAP 32	Service Concession Arrangements: Grantor
GRAP 108	Statutory Receivables

1.3 PRESENTATION CURRENCY

The functional currency of the Fund is South African Rand. These annual financial statements are presented in South African Rand. All amounts have been rounded to the nearest thousand (1 000) Rand.

1.4 GOING CONCERN ASSUMPTION

Management has carried out an assessment of the entity's ability to continue operating as a going concern and therefore concludes that the entity will be able to continue as a going concern for the foreseeable future. These annual financial statements are prepared on a going concern basis.

1.5 FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each reporting date, the monetary assets and liabilities outstanding shall be translated using the closing rate. Gains or losses arising on translation are recognised in the statement of financial performance.

1.6 PLANT AND EQUIPMENT

Recognition and measurement

Items of plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Items of plant and equipment acquired at no or a nominal cost are initially recognised at fair value at the date of acquisition and are subsequently carried at deemed cost (fair value at the date of acquisition) less accumulated depreciation and impairment losses. When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

The cost of an item of plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, and any directly attributable costs incurred in the acquisition, establishment and installation of such assets so as to bring them to a working condition for their intended use.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2017 (Continued)

1.6 PLANT AND EQUIPMENT (continued)

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Borrowing costs related to the acquisition, construction or production of qualifying assets are capitalised.

The cost of the day-to-day servicing of plant and equipment are recognised in the statement of financial performance as incurred.

Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential associated with the item will flow to the Fund and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the statement of financial performance during the financial period in which they are incurred. Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment.

Depreciation

Depreciation is recognised in the statement of financial performance on a straight-line basis over the estimated useful life of each part of an item of plant and equipment.

Each part of an item of plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The Fund deems vessels as the only item of plant and equipment with significant identifiable components for the purpose of depreciation.

Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with GRAP 100. A non-current asset or disposal group is not depreciated while it is classified as held for sale.

The estimated useful lives are as follows:

Item	Number of years:
Infrastructure fixed	15 – 25
Computer equipment	3
Computer software	2
Furniture and fittings	10
Plant and equipment	5
Vehicles	5
Vessels – inflatable and ski boats	5
Vessels – Research and patrol	
– Hull	25 – 35
– Propulsion system, engine, gear box, propellers	25 – 35
– Deck equipment, rib, winches, cranes and anchors	25 – 35
– Navigation, communication and scientific surveillance equipment	25 – 35
– Life rafts	25 – 35

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2017 (Continued)

1.6 PLANT AND EQUIPMENT (continued)

The depreciation method, useful lives and residual values are reviewed at each reporting date. In re-assessing asset useful lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of asset and projected disposal values.

Vessels under construction are stated at historical cost. Depreciation only commences when the asset is commissioned into use.

Derecognition

An item of plant and equipment is derecognised on disposal or when no future economic benefits or service potential are expected from its continued use or disposal. The carrying amounts of assets are written off on disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of financial performance in the year the asset is derecognised.

1.7 INTANGIBLE ASSETS

Computer software acquired by the Fund, which has a finite useful life, is measured at cost less accumulated amortisation and accumulated impairment loss.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits or service potential embodied in the specific asset to which it relates. All other expenditures are recognised in the statement of financial performance as they occur.

Amortisation

Amortisation is recognised in the statement of financial performance on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:

Computer software	2 years
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The amortisation method, useful lives and residual values are reviewed at each reporting date. In re-assessing asset useful lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of asset and projected disposal values.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2017 (Continued)

1.8 IMPAIRMENT OF ASSETS

Non-cash generating assets

The Fund assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Fund shall estimate the recoverable service amount of the asset.

The Fund takes the following factors into account when assessing indication for impairment of assets:

- Cessation or near cessation of the demand or need for service provided by the asset.
- Significant long-term changes with an adverse effect in the technological, legal or government policy of the Fund's operation.
- Available evidence of physical damage on the asset and indication that service performance of an asset is or will be worse than expected.
- Significant long-term changes with an adverse effect in the manner in which the asset is used or expected to be used.
- Decision to halt construction of the asset before it is completed or in usable condition.

When the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable service amount. The reduction is an impairment loss. An impairment loss shall be recognised immediately in the statement of financial performance.

1.9 INVENTORY

Inventory is initially recognised at cost. Where inventory is acquired at no cost or nominal consideration, the cost shall be the fair value at the date of acquisition. Fair value is the amount for which the inventory could be exchanged.

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

Inventory is subsequently valued at the lower of cost and net realisable value on a first-in, first-out basis. Net realisable value is the estimated selling price in the ordinary course of operation less estimated costs of completion and estimated costs necessary to make the sale, exchange or distribution.

1.10 LEASES

Finance leases consistent with the definition set out in the Treasury Regulations refer to a contract that transfers the risks, rewards, rights and obligations incidental to ownership to the lessee and are recorded as a purchase of an asset by means of long term borrowing.

All other leases are classified as operating leases. Payments made under operating leases (leases other than finance leases) are charged to the statement of financial performance on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised in the statement of financial performance as an expense in the period in which the termination takes place.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2017(Continued)

1.11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried in the statement of financial position at face value. Cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in money-market instruments. In the statement of financial position and cash flow statement bank overdrafts are included in borrowings.

1.12 CONTINGENCIES

Contingencies

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

Contingent liabilities are disclosed in the notes to the annual financial statements, unless it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

1.13 REVENUE

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the Fund and when the amount of revenue can be reliably measured, and specific criteria have been met for the Fund's activities. Revenue from the rendering of services is recognised in the statement of financial performance in proportion to the stage of completion of the transaction at the reporting date.

The amount is not considered to be reliably measurable until all contingencies relating to the transaction have been resolved.

The fund is exempt for Income Tax.

1.13.1 Revenue from exchange transactions

Revenue from exchange transactions include application fees, chartering of the Fund's vessels, harbour fees, licenses and permits, pollution clean up equipment hire and confiscated assets and fish products.

Application fees, licenses and permits are accounted for when they are supplied.

Interest income is recognised on a time-proportion basis using the effective interest rate method, taking into account the principal outstanding and the effective interest rate over the period to maturity.

1.13.2 Revenue from non-exchange transactions

Levies on fish products are recognised on receipt of levy declaration certificates from the right holders.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2016 (Continued)

Unconditional grant

An unconditional grant is recognised in revenue when the grant becomes receivable.

Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Fund has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the grantor it is recorded as part of the liability and if not, it is recognised as interest earned in the statement of financial performance.

Grants that compensate the Fund for expenses incurred are recognised in the statement of financial performance on a systematic basis in the same periods in which the expenses are recognised.

Services in kind

Compensation of employees that administers the Fund and the lease of the premises which are utilised by the Fund for administration purposes are paid by the Department of Agriculture, Forestry and Fisheries. These transactions are disclosed as Government Assistance in the financial statements and included in the Related Parties note.

1.14 FINANCIAL INSTRUMENTS

Recognition

Financial assets and financial liabilities are recognised on the Fund's statement of financial position when the Fund becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at fair value and plus transaction costs for financial instruments at amortised cost or cost.

Financial assets

All financial assets of the Fund were categorised as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2016 (Continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each year end. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the statement of financial performance.

Financial liabilities

All financial liabilities of the Fund were classified as other financial liabilities. The classification depends on the nature and purpose of the financial liabilities and is determined at the time of initial recognition.

Other Financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised using the effective method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

1.15 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Provision for impairment of receivables

An estimate for the impairment of receivables is made when collection of the full amount is no longer probable. The provision for impairment of debt shall be calculated on trade receivables only. The total impairment provision of the Fund shall be calculated either by individual debtor or at least per risk

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2017 (Continued)

category. The Fund reviews trade receivables on a regular basis to identify amounts due by individual debtors that are no longer collectable and should be written off. The total write-off amount is recognised in the statement of financial performance.

Useful lives of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are depreciated and amortised over their useful lives which are based on management's estimates of the period over which the assets will be utilised, taking into account residual values where appropriate. The actual useful lives of the assets and residual values are assessed annually for appropriateness and may vary depending on a number of factors. In re-assessing asset useful lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Property, plant and equipment and intangible assets are considered for impairment where the carrying amount of an asset is greater than its estimated recoverable service amount. Factors taken into consideration in reaching such a decision include the economic viability of the asset itself and where it is a component of a larger economic unit, the viability of that unit itself.

1.16 TRANSFER OF FUNCTIONS BETWEEN ENTITIES UNDER COMMON CONTROL

The Fund shall recognise only the consideration received (if any) and derecognise the assets transferred and liabilities relinquished in a transfer of functions as governed by the terms and conditions of the binding arrangement.

As of the transfer date, the Fund shall derecognise from its financial statements, all the assets transferred and liabilities relinquished in a transfer of functions at their carrying amounts. Until the transfer date, the Fund shall continue to measure these assets and liabilities in accordance with applicable Standards of GRAP.

The difference between the carrying amounts of the assets transferred, the liabilities relinquished and the consideration received (if any) from the acquirer shall be recognised in accumulated surplus or deficit.

1.17 RELATED PARTIES

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2017 (Continued)

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

I.18 FRUITLESS AND WASTEFUL AND IRREGULAR EXPENDITURE

Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised. Irregular expenditure means expenditure incurred in contravention of, or not in accordance with, a requirement of any applicable legislation, including the Public Finance Management Act.

All fruitless and wasteful and irregular expenditure is recognised in the statement of financial performance against the respective class of expenditure in the period in which they are incurred and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

I.19 BUDGET INFORMATION

The annual budget figures which have been prepared on an accrual basis are scheduled in a separate additional financial statement, called the statement of comparison of budget and actual information. Explanatory comments are provided in the notes to the annual financial statements stating reasons for and motivating overspending and underspending. The annual budget figures included in the financial statements are for the Fund. These figures are approved by the Executive Authority.

I.20 MATERIALITY FRAMEWORK

Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statement. Materiality depends on the size of the items or error judged in the particular circumstances of its omission or misstatement. Thus materiality provides a threshold or cut-off point, rather than being a primary qualitative characteristic which information must have if it's to be useful. Based on the business nature of the MLRF and as a public service organisation the best indicator with regard to business activity is expenditure. The Fund has determined its materiality level at 0.50% of expenditure. In determining the said materiality, both qualitative and quantitative factors were considered. Quantitative factors include the nature of the entity's business, the statutory requirements laid down on the entity, with specific reference to the PFMA, Treasury Regulations and MLRA and the control and inherent risks associated with the entity.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2017 (Continued)

2	Plant and equipment	Plant and equipment R'000	Vehicles R'000	Computer equipment R'000	Office furniture and fittings R'000	Vessels R'000	Adjustment to the opening balance R'000	Total R'000
	Carrying value 1 April 2016	5 840	1 047	1 418	4 740	349 586		362 631
	Cost price	39 974	7 062	21 153	11 900	598 626		678 715
	Accumulated depreciation	-34 134	-6 015	-19 735	-7 160	-249 040		-316 084
	Additions	1 418	-	2 061	766	-	3	4 248
	Disposals/Retirements	-3	-	-33	-9	-		-44
	Cost price	-54	-160	-350	-22	-		-586
	Accumulated depreciation	51	160	317	13	-		542
	Depreciation	-2 706	-639	-1 055	-1 161	-21 490		-27 051
	Carrying value 31 March 2017	4 549	408	2 391	4 336	328 096	3	339 783
	Cost price	41 338	6 902	22 864	12 644	598 626	3	682 377
	Accumulated depreciation	-36 789	-6 494	-20 473	-8 308	-270 530		-342 594
	Carrying value 1 April 2015	8 384	1 994	1 322	5 552	371 657		388 906
	Cost price	39 317	7 062	20 112	11 575	598 629		676 692
	Accumulated depreciation	(30 933)	(5 068)	(18 790)	(6 023)	(226 972)		(287 786)
	Additions	810	-	1 516	362	-		2 688
	Disposals/Retirements	(33)	-	(154)	(26)	-		(213)
	Cost price	(153)	-	(475)	(37)	-		(665)
	Accumulated depreciation	120	-	321	11	-		452
	Depreciation	(3 321)	(947)	(1 266)	(1 148)	(22 068)		(28 750)
	Carrying value 31 March 2016	5 840	1 047	1 418	4 740	349 586		362 631
	Cost price	39 974	7 062	21 153	11 900	598 626		678 715
	Accumulated depreciation	-34 134	-6 015	-19 735	-7 160	-249 040		-316 084

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2017 (Continued)

2	PLANT AND EQUIPMENT (continued)	2017 R'000	2016 R'000
	Other information		
	Plant and equipment fully depreciated still in use		
	Cost	88 883	57 266
	Accumulated depreciation	(88 876)	(57 259)
	Net book value	7	7

The assets included in the total above have reached the end of their useful lives however these assets are still in their economic lives which are different to the useful lives. Management has evaluated the useful lives of these assets considering technological innovation, product lifecycles, maintenance programmes, capacity planning and availability of funds and concluded that the useful lives of these assets have not changed. Management has the intention to replace these assets provided there is availability of future funding.

2.1 Change in accounting estimate

The useful life of Africana was initially estimated in 1982 to be 35 years. At the end of 2016/17 financial year management has revised useful life to be 3 years on the remaining carrying amount. The depreciation for 2016/17 was revised to the beginning of the financial year and 4 years estimate was used. The effect of this revision has decrease the depreciation charge for the current and the future period by R 446 428.91.

	Previously Stated R'000	Change in estimate R'000	Restated amount R'000
Statement of Financial Performance			
Depreciation	27 760	(446)	27 314
Statement of Financial Position			
Accumulated depreciation	343 040	(446)	342 594

3	INTANGIBLE ASSETS	2017 R'000	2016 R'000
	Computer software		
	Opening carrying value	329	376
	Additions	12	205
	Amortisation charge	(265)	(252)
		76	329
	At 31 March		
	Cost	8 384	8 372
	Accumulated amortisation	(8 308)	(8 043)
		76	329
4	INVENTORY		
	Raw product (wet)	37 058	33 444
	Finished product (dry)	17 562	8 774
		54 620	42 218

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2017 (Continued)

4 INVENTORY (continued)

Raw product (wet abalone) value is determined by an expert in the fishing industry on market related cost. The finished product value determined by using the price of raw abalone as determined by an expert plus all cost related to producing a finish product.

5 TRADE AND OTHER RECEIVABLES

	2017 R'000	2016 R'000
Trade receivables – local	11 494	14 957
Less: Provision for impairment of trade receivables	(1 049)	(1 592)
Trade receivables – net	10 445	13 365
Prepayments and advances	269	10 935
Other receivables	198	252
	10 912	24 552

5.1 Trade and other receivables from exchange transactions

Trade receivables from exchange transactions – local	1 884	9 421
Less: Provision for impairment of trade receivables from exchange transactions	-	(366)
Trade receivables from exchange transactions - net	1 884	9 055
Prepayments and advances	269	10 935
Other receivables	198	252

Total trade and other receivables from exchange transactions

2 351	20 242
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5.2 Trade and other receivables from non-exchange transactions

Fines	328	510
Levy of fish products	9 282	5 026

Less: Provision for impairment of trade receivables from non-exchange transactions

(1 049)	(1 226)
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Trade and other receivables from non-exchange transactions – net

8 561	4 310
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Total trade and other receivables

10 912	24 552
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Included in trade receivables, prepayments and advances is a receivable the South African Maritime Safety Authority (SAMSA) of R0 (2016: R10 340 665.68).

The fair value of trade and other receivables approximate their carrying values.

The value of trade receivables past due but not impaired is R6 933 (2016: (R2 172 000)). The ageing of trade receivables past due but not impaired at the reporting date was:

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2017 (Continued)

5 TRADE AND OTHER RECEIVABLES (continued)

	2017 R'000	2016 R'000
31-60 Days	641	(852)
61 Days plus	6 292	(1 320)
	6 933	2 172

Movements on the provision for impairment of trade receivables are as follows:

At the beginning of the year	1 592	908
Increase in provision from prior year	(543)	684
At the end of the year	1 049	1 592

The creation of the provision for impaired receivables has been included in the relevant income stream in the statement of financial performance. Amounts charged to the provision for impairment account are generally written off when there is no expectation of recovery of additional cash. The other classes of receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The fund does not hold any collateral as security.

6 CASH AND CASH EQUIVALENTS

Cash at bank and on hand	1 844	(7 506)
Short-term investments	157 608	170 162
	159 452	162 656

Cash and cash equivalents include the following for the purposes of the cash flow statement:

Petty Cash	42	31
Deposit bank account	1 509	(7 945)
Payment bank account	293	408
	1 844	(7 506)

Included in the short-term investments are the following call deposit accounts:

Operational contributions	8 579	31 983
Earmarked Funds	147 067	136 216
Donor Funds	1 962	1 963
	157 608	170 162

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2017 (Continued)

7	DEFERRED INCOME	2017	2016
		R'000	R'000

7.1 Deferred Income – Vessel Operating Costs

Balance at the beginning of the year	-	35 451
Conditional grants received	162 868	184 003
Expenditure incurred	(162 868)	(219 454)
Operational projects	(162 868)	(219 454)
Capital projects	-	-
Balance at the end of the year	-	-

7.2 Deferred Income - Operations

Balance at the beginning of the year	20 398	21 759
Conditional grants received	-	-
Expenditure incurred	(14 563)	(1 361)
Operational projects	(14 563)	(1 361)
Balance at the end of the year	5 835	20 398

7.3 Deferred Income – Working For Fisheries Programme

Balance at the beginning of the year	58 224	60 797
Conditional grants received	71 131	67 551
Expenditure incurred	(38 339)	(70 124)
Balance at the end of the year	91 016	58 224

7.4 Deferred Income – Operation Phakisa

Balance at the beginning of the year	15 737	-
Conditional grant received	13 700	18 200
Expenditure incurred	(7 908)	(2 463)
Balance at the end of the year	21 528	15 737

Total Deferred Income balance at the end of the year	118 380	94 359
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8 DONOR FUNDS

Balance at the beginning of the year	1 652	1 844
Donor receipts	350	315
Finance income earned	124	110
Donor expenses	(350)	(618)
Operational expenses	(350)	(618)
Capital expenses	-	-

Balance at the end of the year	1 776	1 652
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2016 (Continued)

9 TRADE AND OTHER PAYABLES

Trade and other payable from exchange transactions consist of:

Trade payables – local	73 900	67 464
Trade payables – foreign	825	1 809
	74 725	69 273

The fair value of trade and other payables transactions approximate their carrying value.

Accrued expenses	67 738	60 480
Income received in advance	3 374	3 474
Trade payables from non-exchange	3 613	5 319
Trade payables from non exchange	1 845	4 516
Employee claim control	164	358
Creditors with debit balance	58	72
Debtors with credit balances	1 546	370
Other		3
	74 725	69 273

10 OPERATING REVENUE

10.1 Revenue from exchange transactions

Application fees	5 226	16 727
Chartering of departmental vessel	-	764
Harbour fees	6 075	4 968
Licences and permits	33 582	34 959
Grant of right fee	5 536	-

Total operating revenue from exchange transactions	50 419	57 418
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10.2 Revenue from non-exchange transactions

Levy of fish products	65 400	55 471
Total operating revenue from non-exchange transactions	65 400	55 471

Total operating revenue	115 819	112 889
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11 OTHER INCOME

11.1 Revenue from exchange transactions

Confiscated assets and fish products	45 791	38 633
- Confiscated assets and fish products	33 389	27 310
- Net movement in confiscated inventory	12 402	11 323
Surplus from the sale of plant and equipment		1
Other income	979	102
Total other income from exchange transactions	46 770	38 736

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2017 (Continued)

11 OTHER INCOME (continued)

11.2 Revenue from non-exchange transactions

Fines	2 323	1 639
Grants and other transfer payments	170 628	202 862
Other income – realisation of conditional grants	60 810	97 610
Total other income from non-exchange transactions	233 761	302 111
Total other income	280 531	340 847

12 FOREIGN EXCHANGE(LOSS)/SURPLUS

The exchange differences credited/(charged) to the statement of financial performance are included as follows:

Foreign exchange surplus/(loss)	112	79
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13 FINANCE INCOME

Revenue from exchange transactions

Interest earned on investments and cash balances	10 479	10 557
Other outstanding amounts	5	323
	10 484	10 880

14 DONOR FUNDS REVENUE

Revenue from non-exchange transactions
Donor funds realized

350	618
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15 SERVICES IN KIND

As disclosed in note 21 Related Parties the following government assistance was received during the year:

Compensation of the employees that administers the Fund is paid by the Department of Agriculture, Forestry and Fisheries (DAFF). The compensation is disclosed in the financial statements of DAFF.

280 887	257 856
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The increase in the compensation of the employees is mainly due to the increased remuneration paid to employees during the year.

The leases for premises which are utilised by the Fund for administration purposes were paid by the Department of Agriculture, Forestry and Fisheries (DAFF). The lease expenditure is disclosed in the financial statements of DAFF.

81 089	72 055
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The increase in the above lease cost is due the increase in the monthly rental charges as well as the increase in municipal rates.

These amounts are recognised in the statement of financial performance of the Fund as service in kind.

Services in Kind	361 976	329 911
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2017 (Continued)

	2017 R'000	2016 R'000
16 OPERATING LEASES		
MLRF leases photocopy machines from Minolta and Sebtech for the period of 36 months. The lease payments differ per machine leased. The agreement does not have escalation clause. The lease payments are fixed for the duration of the lease agreement unless extended. No contingent rent is payable. The lease agreement has an option to renew at the end of the lease term.		
Operating lease commitments - where the Fund is the lessee. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:		
Not later than 1 year	792	368
Later than 1 year, but not later than 5 years	483	139
Later than 5 years	-	-
	1 275	507

17 FINANCE COST

Interest paid	-	13
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18 PRIOR PERIOD ERROR

An invoice was received from a Working for Fisheries Programme supplier after the financial statement were submitted for audit on 31 May 2017. The invoice related to work performed during the 2015/16 financial year. During the 2015/16 financial period, the invoice was in dispute and was not accounted for. The effect of this has resulted in expenditure and trade payables not recognized in 2015/16 financial year.

Reconciliation of accumulated surplus on March 2016

	Previous stated R'000	Effect of prior year error R'000	Restated amount R'000
Statement of Financial Performance Expenses			
Financial contribution	69 292	16 677	85 969
Statement of Financial Position			
Liabilities			
Current liabilities			
Trade and other payables	52 596	16 677	69 273
Statement of changes in net assets			
Balance at 1 April 2015	462 421		462 421
Prior year error		(16 677)	(16 677)
Deficit for the year	(18 639)		(18 638)
Balance at 31 March 2016	443 782	16 677	427 105

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2017 (Continued)

	2017 R'000	2016 R'000
19 CASH FLOW INFORMATION		
19.1 Cash utilised by operations		
Operating deficit	(57 140)	(35 315)
Non-cash items and items dealt with separately:		
Bad debt write-off	203	380
Depreciation and amortisation	27 314	29 001
Finance income	(10 484)	(10 880)
Finance cost	-	13
Realisation of deferred income	(223 678)	(293 404)
Increase in provision for impairment of trade receivables	(543)	684
Loss on disposal of plant and equipment	44	211
Surplus on foreign exchange translation	(112)	(79)
Cash utilised by operations before working capital changes	(264 396)	(309 389)
Working capital changes		
Inventory	(12 402)	(11 323)
Trade receivables	13 980	1 974
Trade payables, accruals and provisions	5 565	41 021
Donor funds	125	(193)
	(257 128)	(277 910)
In the cash flow statement, proceeds from disposal of plant and equipment comprises:	-	-
Loss on disposal of plant and equipment	(44)	(211)
Proceeds from disposal of plant and equipment		1

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2017 (Continued)

	2017 R'000	2016 R'000
20 CONTINGENT LIABILITIES		
Litigation		
As was reported in the prior year, litigations was initiated against a service provider who installed an intergrated financial system. The service provider was unable to deliver a fully functional system and was consequently sued for breach of contract for an amount of R3 165 337.		
The service provider instituted a counter claim for R1 667 811. The matter has been ongoing. A trial date has not been set. Parties are engaging in the preliminary steps to trial.		
Estimated legal costs:	1 132	1 132
Possible losses:	3 193	3 193
A High Court matter was instituted in the Western Cape High Court against the Department and officials within the Department for damages in the amount of R2 280 000 for assault and various other charges. This matter is being defended and plaintiff has been requested to rectify certain irregularities in its summons.		
Estimated legal costs:	760	760
Possible losses:	2 280	2 280
A Magistrates Court matter for a claim of damages against the Department. If the applicant is successful in its application the Department will be liable for payment of damages.		
Estimated legal costs:	83	83
Possible loss	251	251
A Magistrates Court matter where the applicant sues the Department for damages pursuant to a motor vehicle accident.		
Estimated legal costs:	36	36
Possible losses:	110	110
A Magistrates Court matter where the applicant sues the Department for damages pursuant to a motor vehicle accident.		
Estimated legal costs:	17	17
Possible losses:	50	50

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2017 (Continued)

	2017 R'000	2016 R'000
20 CONTINGENT LIABILITIES (continued)		
A Magistrates Court matter where the applicant sues the Department for damages pursuant to a motor vehicle accident.		
Estimated legal costs:	21	20
Possible losses	63	63
A matter was instituted in the Regional Court Western Cape against the Department for damages.		
Estimated legal costs:	100	100
Possible losses:	300	300
A Magistrate Court matter where the applicant sues the Department for unlawful and wrongful arrest.		
Estimated legal costs:	100	100
Possible losses:	350	350
A Magistrates Court matter where the applicant sues the Department for damages pursuant to a motor vehicle accident.		
Estimated legal costs:	10	10
Possible losses:	31	31
An eviction matter		
Estimated legal costs:		
Possible losses:	20	-
	-	-
A Magistrates Court matter where the applicant is suing the Department for damages pursuant to a motor vehicle accident.		
Estimated legal costs:	100	-
Possible losses:	251	-
Breach of plea bargain agreement		
Estimated legal costs:	20	-
Possible losses:	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2017 (Continued)

	2017 R'000	2016 R'000
20 CONTINGENT LIABILITIES (continued)		
A Labour matter instituted against the Department claiming unfair dismissal:		
Estimated legal costs:	177	-
Possible losses:	500	-
Application for the review and setting aside of decision made by the DDG: FM and the Minister:		
Estimated legal costs:	250	-
Possible losses:	-	-
Application for the review and setting aside of decision made by the DDG: FM and the Minister:		
Estimated legal costs:	250	-
Possible losses:	-	-
Institution of proceeding in terms of section 20 of the Promotion of Equality and Prevention of Unfair Discrimination Act.		
Estimated legal costs:	20	-
Possible losses:	-	-
A High Court matter was instituted in the Western Cape High Court against the Department for abalone and monies deposited in MLRF		
Estimated legal costs:	60 000	-
Possible losses:	3 000	-
A High Court matter was instituted in the Western Cape High Court against the Department for abalone contract.		
Estimated legal costs:	-	-
Possible losses:	1 500	-
A High Court matter was instituted in the Western Cape High Court against the Department by fishing company.		
Estimated legal costs:	7 000	-
Possible losses:	-	-

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2017 (Continued)**

	2017 R'000	2016 R'000
21 RELATED PARTIES		
The following related parties were identified:		
21.1 Department of Agriculture, Forestry and Fisheries (DAFF)		
The following are transactions with DAFF:		
Compensation of the employees that administer the Fund is paid by DAFF.	280 887	257 856
The lease expenditure for the premises which are utilised by the Fund for administration purposes, were paid by the DAFF.	81 089	72 055
Government Grants received from DAFF in terms of Earmarked Funds in a Medium Term Expenditure Framework:		
Operational grants received	170 628	191 072
Financial contribution	7 760	7 069
Vessel Operating costs	162 868	184 003
Working for Fisheries conditional grant (refer note 7)	71 131	67 551
Payments made for the current year	7 467	5 035
Outstanding balance payable as at 31 March	24 416	718
21.2 Department of Environmental Affairs (DEA)		
Operation Phakisa Open Economy financial assistance	13 700	18 200
- Included in trade receivables, prepayments and advances is an amount due from the DEA of R0 (2016: R0).		
The total amount for the financial assistance for Operation Phakisa Project is R13 700 000. In 2016/17 MLRF was given R13 700 000 as advance payment for the project.		
21.3 Department of Justice		
- Payments made for the current year	3 874	2 082
- Outstanding balance payable as at 31 March	662	2 531
21.4 South African Maritime Safety Authority (SAMSA)		
- Included in trade receivables, prepayments and advances is an amount due from the SAMSA of R0 (2016: R 10 340 665.68)	-	33 094
- Payments made for the current year	197 285	189 297
- Outstanding balance payable as at 31 March	10 650	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2017 (Continued)

	2017 R'000	2016 R'000
21 RELATED PARTIES (Continued)		
21.5 Key personnel		
Deputy Director-General: M Manny		
Payments made for the current year	-	36
Outstanding balance payable as at 31 March	-	-
Acting Deputy Director-General: S Ndudane		
Payments made for the current year	111	136
Outstanding balance payable as at 31 March	3	-

22 FRUITLESS AND WASTEFUL AND IRREGULAR EXPENDITURE

22.1 FRUITLESS AND WASTEFUL EXPENDITURE

Fraudulent payments from donor funds	214	183
Deviation for appointment of legal advisor	1 060	
Interest on late payment	-	42
	1 274	225

The current year amount of R171 655 (2016: R182 605) relates to fraudulent payments from donor funds that occurred during the 2009/10 financial year. The staff members involved resigned before the internal disciplinary hearings were completed. Criminal charges were laid with the SAPS. Both Accused 1 and 2 has entered into a plea bargain with the State whereby it was agreed that the Accused will repay the fraudulent payments. To date R10 900 has been recovered from Accused 1. To date R72 394.96 has been recovered from Accused 2.

The current year fruitless and wasteful expenditure relates to the appointment of external services which could have been avoided.

During the current year the Fund incurred interest of R0 on a late payment of a supplier (2016: R12 906)

Opening Balance	225	228
Fruitless and Wasteful expenditure incurred during the year	1 060	13
Recovered during the year	(11)	(16)
Condoned during the year	-	-
Closing balance	1 274	225

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2017 (Continued)

	2017 R'000	2016 R'000
22.2 RECONCILIATION OF IRREGULAR EXPENDITURE		
Opening Balance	12 772	312
Non-compliance to PPPFA and PPR requirements	48 823	12 460
Irregular expenditure with regard to Samsa: Maritime		
Special Projects	41 805	-
Condoned during the year	-	-
Closing balance awaiting condonement	103 400	12 772

During the current financial year the Fund incurred irregular expenditure to the total of R48 822 628.26. There were procurement transactions which were found to be non-compliant with SCM processes and priscrpts and the awarding of the harbor management contract to implementers based only on their experience and not other PPPFA requirements.

Irregular expenditure to the amount of R41 805 440.38 was incurred as a result of non-compliance with Supply Chain Management processes during the procurement of goods and services by South African Maritime Safety Authority (SAMSA). SAMSA is responsible for the management of vessels on behalf of the Fund.

23 FINANCIAL RISK MANAGEMENT

23.1 Financial risk factors

The management of the Fund have overall responsibility for the establishment and monitoring of the Fund's risk management policies and procedures which have been established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and interest rate risk.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Fund's income. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return.

(i) Foreign exchange risk

The Fund operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the Euro. Foreign exchange risk arises from, recognised assets and liabilities. The Fund has a medium foreign exchange risk for accounts payable as a result of not taking cover against unfavourable changes in the exchange rate. Foreign exchange risk arises when recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2017 (Continued)

23 FINANCIAL RISK MANAGEMENT (continued)

23.1 Financial risk factors (continued)

(b) Credit risk

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Fund's receivables from customers. An allowance for impairment is established based on management's estimate of losses in respect of specific trade and other receivables. Bad debts identified are written off as they occur. The Fund's exposure to credit risk is influenced mainly by the individual characteristics of each customer. There is no significant concentration of unsecured credit risk. Reputable financial institutions are used for investing and cash handling purposes.

(c) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. The liquidity risk is deemed to be low, because the Fund has adequate funds at its disposal.

(d) Interest risk

The Fund's exposure to changes in interest rates is on a floating rate basis relating to funds invested with reputable financial institutions.

(e) Capital management

The policy of the Fund's management is to maintain a strong capital base so as to maintain public sector confidence and to sustain future development of the Fund. There were no changes in management's approach to capital management of the Fund during the year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2017 (Continued)

23 FINANCIAL RISK MANAGEMENT (continued)

23.1 Financial risk factors (continued)

Interest risk

The carrying amount of financial assets and financial liabilities represent the maximum interest exposure.

The maximum exposure to interest risk at the reporting date was:

31 March 2017	Floating Interest rate R'000	Non-interest bearing R'000	Total R'000
ASSETS			
Trade and other receivables	10 912	-	10 912
Cash and cash equivalents	159 452	-	159 452
Total assets	170 364	-	170 364
LIABILITIES			
Trade and other payables	-	(74 725)	(74 725)
Total liabilities	-	(74 725)	(74 725)
Net financial assets/(liabilities)	170 364	(74 725)	95 639

31 March 2016	Floating Interest rate R'000	Non-interest bearing R'000	Total R'000
ASSETS			
Trade and other receivables	24 552	-	24 552
Cash and cash equivalents	162 656	-	162 656
Total assets	187 208	-	187 208
LIABILITIES			
Trade and other payables	-	(52 597)	(52 597)
Total liabilities	-	(52 597)	(52 597)
Net financial assets/(liabilities)	187 208	(52 597)	134 611

Interest risk

Financial assets and liabilities	Carrying amount	Interest rate risk	
		+50 basis - points	50 basis points
Cash and cash equivalent	159 452 519	-797 258	797 258

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2017 (Continued)

23 FINANCIAL RISK MANAGEMENT (continued)

23.1 Financial risk factors (continued)

Interest risk (continued)

At 31 March 2017, if market interest rates had been 50 basis points higher or lower with all other variables held constant, the deficit for the year would have been R797 258 lower/higher (2016: R813 280 lower/higher), mainly as a result of the higher/lower interest income on floating rate cash and cash equivalents. The figures of R797 258 is based on the cash and cash equivalent of R159 452 519 as end of March 2017.

Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2017 R'000	2016 R'000
Trade and other receivables	10 883	24 523
Staff loans	29	29
	10 912	24 552
The ageing of trade receivables at the reporting date was:		
Current	3 979	26 724
31-60 Days	641	(852)
61 Days plus	6 292	(1 320)
	10 912	24 552
The movement in the allowance for impairment in respect of trade receivables over the year was:		
Balance at the beginning of the year	1 592	908
Increase in impairment provision	(543)	684
Balance at the end of the year	1 049	1 592

Currency risk

There were no open forward exchanges contracts at year-end. The funds net exposure to foreign currency risk at the reporting date was:

	2017 Foreign currency	2016 Foreign currency	2017 R'000	2016 R'000
Included in trade and other payables				
AU\$	-	1 080	-	93 124
GBP	-	158	-	7 323
US\$	1 439	196	19 650	13 142
EURO	23 667	374	345 813	21 990
N\$	480 014	-	480 014	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2017 (Continued)

23 FINANCIAL RISK MANAGEMENT (continued)

23.1 Financial risk factors (continued)

At 31 March 2017, if the Rand had strengthened or weakened by 10% against major foreign currencies with all other variables held constant, the deficit for the year would have been R84 548 lower (2016: R180 557), mainly as a result of foreign exchange gains/losses on translation of foreign currency denominated trade payables. Conversely, if the Rand had weakened by 10% against major foreign currencies with all other variables held constant, the deficit for the year would have been R84 548 (2016: R180 557) higher.

FOREIGN CREDITOR ACCRUALS	YEAR END AMOUNT	CURRENCY	FOREX	RATE	
Seafo	480 014.04	Namibian dollars	480 014.04	1.00	
Iccat	345 812.97	Euro	23 667.34	14.61	
Wildlife computers	2 867.21	Us dollar	210.00	13.65	
Inmarsat	16 783.72	Us dollar	1 229.27	13.65	
	845 477.94				
EFFECT ON ACCOUNTS PAYABLE					
+10%	NEW AMOUNT	MOVEMENT	-10%	NEW AMOUNT	MOVEMENT
0.9	432 012.64	-48 001.40	1.10	528 015.44	48 001.40
13.15026	311 231.67	-34 581.30	16.07	380 394.26	34 581.30
12.28806	2 580.49	-286.72	15.02	3 153.93	286.73
12.28806	15 105.34	-1 678.38	15.02	18 462.08	1 678.37
		-84 547.79			84 547.79

Liquidity risk

The carrying amounts of financial liabilities at the reporting date was:

Trade and other payables

74 725 69 273

74 725 69 273

The contractual maturities for all borrowings and payables outstanding at 31 March 2017 are 12 months or less.

23.2 Fair value estimation

The face value of cash, trade receivables and trade payables less any estimated credit adjustments, are the approximate fair values on 31 March 2017, as a result of the short-term maturity of these assets and liabilities.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2017 (Continued)

24 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL INFORMATION

- 24.1 The approved original and final budgets of the Fund are prepared on an accrual basis and covers the period 1 April 2016 to 31 March 2017.

The approved original budget was submitted to the Executive Authority in line with the Public Finance Management Act, 1999, Chapter 6 Public Entities, part 2 par 53. The Fund performed a budget reprioritisation exercise during 2016/17 and adjusted the initial approved budget. All changes to the initial budget were approved by the Executive Authority.

- 24.2 The Fund does not budget for a surplus. The R4 110 000 surplus in the original budget and the R14 351 823.00 shown in the final budget was budgeted as capital expenditure of which R4 256 752.94 was spent during 2017/18. A reconciliation of the budgeted and actual surplus is provided. Refer to note 24.5.

24.3 Revenue

The Fund recorded total revenue of R407 296 000 which is 80% of its final budget.

24.3.1 Operational revenue

The Fund collected 87% of its operational budget during 2016/17.

24.3.2 Other income

Revenue from Other income includes the amounts recognised in the current financial year relating to the conditional government grants received by the entity for the financial year as well as the realised deferred government grants (unspent earmarked funds) from the previous financial years. The conditional grants are only recognised in the statement of financial performance to the extent that the Fund has complied with the criteria, conditions or obligations.

Vessel Operating Costs:

The total government grant allocated to the MRLF during 2016/17 for vessel operating costs was R162 868 000. This amount was fully utilised in 2016/17. The total vessel operating costs expenditure for 2016/2017 was R211 637 215.08, the entity only received an amount of R162 868 000 as grant from National treasury, this resulted in a shortfall of R48 769 215.08. The entity had to finance the shortfall from own operating revenue funding.

Other projects:

Included in the revenue budget is earmarked funds for two projects to the total value of R20 398 214. The first project amounting to R9 398 214 relates to a collaborated effort between China and South Africa for the establishment of an aquaculture demonstration and training centre. This project is funded for the next three years. An amount of R3 563 499 was spent as end of March 2017.

The second project amounting R11 000 000 was initially for the Scientific Observer Programme which was cancelled as a result lack funding to further the projected. The amount initially allocated to the programme was used to fund the shortfall on vessel operating costs.

Working for Fisheries projects:

The budget allocation for the Working for Fisheries Projects (EPWP) in 2016/17 was R71 131 100. Also included in the budget of 2016/17 is the unspent amount of 2015/16 of R58 224 000. During the year the entity incurred expenditure of R38 339 000 on the Working for Fisheries Projects and this amount was recognised in the statement of financial performance. The unspent amount of R91 016 000

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2017 (Continued)

24 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL INFORMATION (continued)

24.3.2 Other income (continued)

is recognised as a liability in the statement of financial position and will be utilised in the next financial year on the various committed projects which are all multi-year projects. Two larger invoices were accrued for at end March 2017 relating to harbour project in the Kalk Bay and Hout Bay and fishing infrastructure development project in the Northern Cape.

Operation Phakisa

Included in the revenue budget is R15 736 000 for earmarked funds for the establishment of Operation Phakisa Ocean Economy units within MLRF. The money was received from Department of Environmental Affairs. During the year the entity incurred expenditure of R7 908 000. As at March an additional amount of R13 700 000 was received from Department of Environmental Affairs.

24.4 Expenditure

The Fund recorded operational expenditure of R496 928 111.22 during 2016/17 93% of the approved operational expenditure budget).

24.4.1 Consumables used

The main reason for the underspending on consumables is the challenges faced during the year to obtain quotations from various suppliers for the procurement of specific goods. The delays experienced resulted in some goods not being procured as planned.

24.4.2 Depreciation and Amortisation

The Fund does not budget for depreciation and amortisation expenditure but budget for the additions on tangible and intangible assets.

24.4.3 Transportation costs

The overspending of R 19 288 000 is due to increased transportation costs, i.e. higher fuel prices and the increase in the daily and kilometre rates for the use of Government Motor Transport vehicles. Further to this there was a significant increase in land based compliance efforts of officials due to the termination of a contract for the monitoring of catch landings. This required officials to perform more official trips resulting in increased transportation costs.

24.4.4 Surplus/Deficit

The deficit is as a result vessel operating costs funded out of own revenue of the fund. The amount allocated to MLRF from the Department was not enough to cover the vessel operating costs for the current financial year.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2017 (Continued)

24.5 RECONCILIATION BETWEEN THE STATEMENT OF FINANCIAL PERFORMANCE AND THE APPROVED FINAL BUDGET

	2017 R'000
Net deficit per the Statement of Financial Performance	(57 140)
Adjusted for:	
Expenditure items not included in budget	27 911
Donor funds expenditure	350
Depreciation and amortisation	27 314
Movement in impairment provision for trade receivables	-
Bad debt write-off for the year	203
Loss on the sale of property, plant and equipment	44
Other losses	
Budgeted capital expenditure not in Statement of Financial Performance	(14 352)
Budget (not spent)/overspent	(60 403)
Consumables used	(2 835)
Transportation cost	17 461
Advertising cost	(3 822)
Operating lease payments	(540)
Other deficits	(44)
Vessel operating costs	43 140
Financial contributions	(82 036)
Other operational costs	(31 727)
Finance cost	-
Revenue items not included in budget	(1 441)
Donor funds revenue	(350)
Foreign exchange surplus	(112)
Other income	(979)
Revenue (in excess of budget)/not received	(12 955)
Operating revenue	14 502
Other income	(26 973)
Finance income	(484)
Unspent conditional grants recognised in the Statement of Financial Position	118 380
Net surplus/(deficit) per approved final budget	-

DETAILED STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 31 March 2017 (Continued)

NOTES		2017	2016
		R'000	R'000
Operating revenue		115 819	112 889
Application fees		5 226	16 727
Chartering of departmental vessel			764
Harbour fees		6 075	4 968
Levy on fish products		65 400	55 471
Licenses and permits		33 582	34 959
Donor funds revenue		350	618
Other income		280 531	340 847
Net confiscated assets and fish products		45 791	38 633
Confiscated assets and fish products		33 389	27 310
Net movement in confiscated inventory		12 402	11 323
Fines		2 323	1 639
Grants and other transfer payments	11.2	170 628	202 862
Surplus from the disposal of plant and equipment			2
Realisation of deferred income		60 810	97 610
Other income		979	101
Consumables used		(6 845)	(5 313)
Depreciation and amortisation		(27 314)	(29 001)
Depreciation-computer equipment		(1 055)	(1 266)
Depreciation-plant and equipment		(2 706)	(3 322)
Depreciation-motor vehicles		(639)	(947)
Depreciation-office furniture		(1 161)	(1 148)
Depreciation-vessels		(21 490)	(22 068)
Amortisation-computer software		(263)	(251)
Transportation costs		(42 577)	(50 607)
Advertising costs		(790)	(3 323)
Donor funds expenses	8	(350)	(618)
Operating lease payments		(2 659)	(3 068)
Other deficits		(44)	(233)
Vessel operating costs		(211 637)	(229 542)
Financial contributions		(50 158)	(85 969)
Other operational costs		(122 059)	(92 942)
Audit fees		(2 873)	(2 472)
Net write-off of trade receivables		(203)	(1 064)
Bad debt write-off for the year		(203)	(380)
Increase for impairment provision of trade receivables		-	(684)

DETAILED STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 31 March 2017 (Continued)

NOTES	2017 R'000	2016 R'000
Bank charges	(137)	(168)
Commission paid	(6 143)	(5 911)
Confiscation expenses	(4 105)	(4 818)
Consultancy and outsourced services	(57 971)	(38 075)
Entertainment	(132)	(465)
Hire of equipment		(1)
Legal costs	(5 469)	(1 826)
Membership fees, licenses and training	(4 480)	(5 373)
Minor assets purchased	(60)	(58)
Other expenses	(878)	(763)
Postage and telecommunication	(10 096)	(10 140)
Printing	(814)	(1 597)
Repairs and maintenance	(764)	(1 087)
Service fees	(2 263)	(1 916)
Subsistence	(25 669)	(17 208)
International	(2 165)	(1 073)
Local	(23 504)	(16 135)
Operating deficit for the year	(67 736)	(46 261)
Foreign exchange surplus	112	79
Finance income	10 484	10 880
Finance cost		(13)
Deficit for the year	(57 140)	(35 315)

[illegible]

