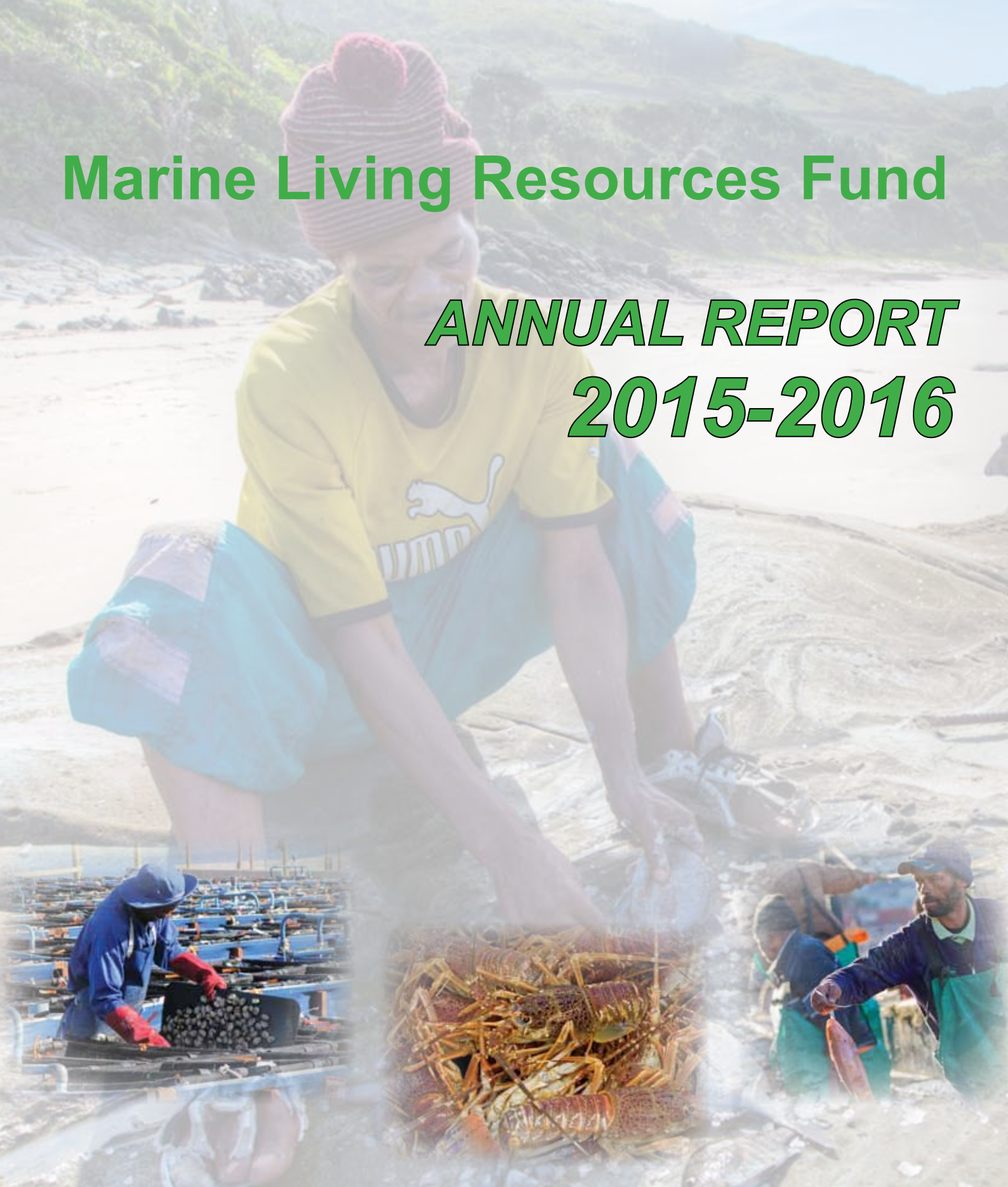


Marine Living Resources Fund

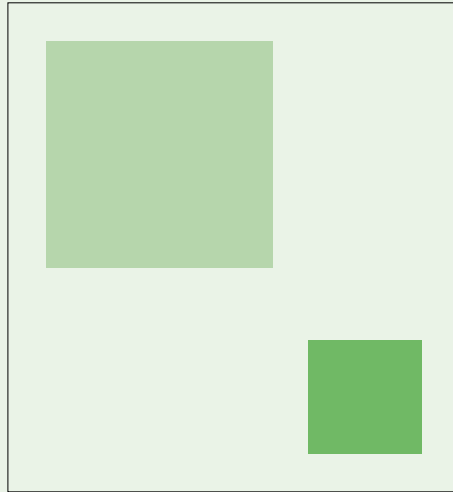
ANNUAL REPORT 2015-2016



agriculture,
forestry & fisheries

Department:
Agriculture, Forestry and Fisheries
REPUBLIC OF SOUTH AFRICA





2015-2016

Annual Report

MARINE LIVING RESOURCES FUND

Department of Agriculture, Forestry and Fisheries
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Tel: 012 319 6000
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Front cover: Small-Scale Fisher with his catch

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Minister of Agriculture, Forestry and Fisheries

Annual Report 2015/16

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 is proud to present a clean 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 audited financial statements for the MLRF for the 2015/16 financial year.



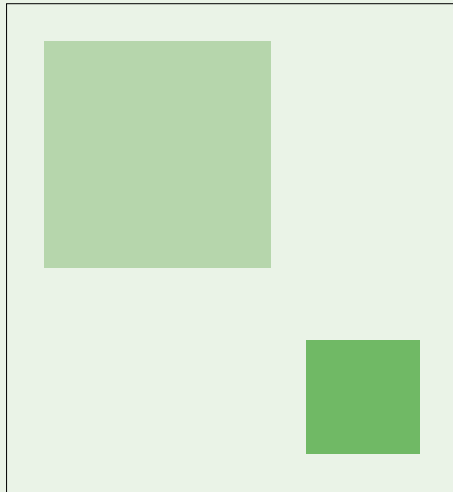
A handwritten signature in black ink, appearing to read 'M Mlangana', written over a light grey rectangular background.

Mike Mlangana
Director-General
Department of Agriculture, Forestry and Fisheries

Date: 29 July 2016

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Executive summary

EXECUTIVE SUMMARY OF THE ANNUAL REPORT

The Marine Living Resources Fund (MLRF) finances the operations of the Fisheries Management Branch (Fisheries) 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 ecosystems, and to ensure the growth of the aquaculture sector. The MLRF covers the operational costs of 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 9 annual targets in its 2015-2016 Annual Performance Plan. Four of these deliverables were successfully completed as follows:

- Four Operation Phakisa Aquaculture Projects were supported through the provision of technical, advisory services and compliance.
- The carrying out of 5 566 compliance and enforcement measures in the 4 prioritised sectors, namely Hake, Abalone, West Coast Rock Lobster and Linefish.
- The completion of 47 monitoring, control and surveillance efforts.
- The development of Recovery Plans for Abalone, West Coast Rock Lobster and Deep-water Hake.
- The compilation of Research Reports to indicate stock levels for West Coast Rock Lobster, Deep-water Hake and Abalone.
- The conducting of 2 new research studies on genetics and nutrition for aquaculture species.

In terms of governance issues, the MLRF is committed to maintaining the highest standards of governance to ensure that public finances and resources are managed economically, effectively and efficiently. The MLRF has an independent and fully functioning External Audit Committee, while Internal Audit is an outsourced service managed from the Office of the Deputy Director-General. 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. However, Risk Management continues to be an area that requires more resources and attention in the new financial year.

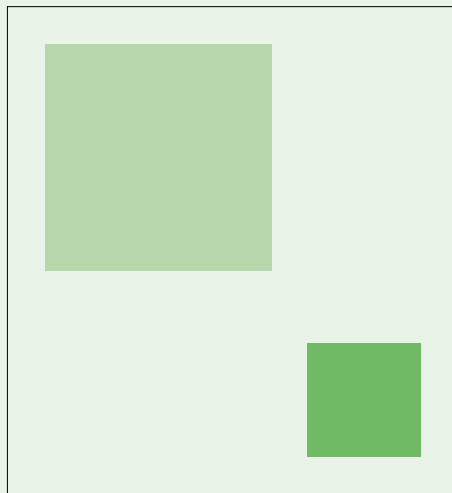
EXECUTIVE SUMMARY OF THE ANNUAL REPORT (Continued)

The Marine Living Resource Fund received an unqualified audit report with findings. The Entity will ensure that management measures are put in place to address the audit findings and will pay particular attention to the repeat audit findings.

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 2016

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 to 19.

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 2016. 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 2015 to 31 March 2016. 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.

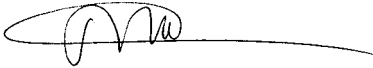
In the opinion of the accounting authority, based on the information available to date, the annual financial statements fairly present the financial position of the fund at 31 March 2016 and the results of its operations and cash flow information for the year and that the Code of Corporate Practices and Conduct has been adhered to.

**STATEMENT OF RESPONSIBILITY
for the year ended 31 March 2016 (Continued)**

The annual financial statements for the year ended 31 March 2016, set out on pages 22 to 83, were submitted for auditing on 31 May 2016 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:



Jacob Hlatshwayo
Acting Chief Financial Officer
Date: 29 July 2016

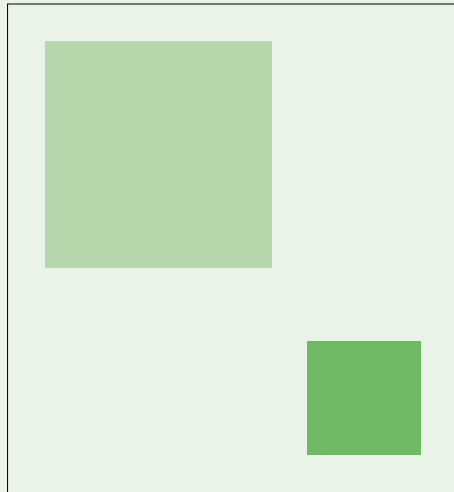


Siphokazi Ndudane
Deputy Director-General: Fisheries Management
Date: 29 July 2016



Department of Agriculture, Forestry and Fisheries
Date: 29 July 2016





Report of the Audit committee

REPORT OF THE AUDIT AND RISK COMMITTEE for the year ended 31 March 2016

We are pleased to present our report for the 2015/2016 financial year. The Audit and Risk Committee reports that it has complied with its responsibilities arising from Section 76 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 comprised five independent members: Ms T Moja (Chairperson); Ms S Somo; Ms N Mnconywa; Mr M Burton; Mr A Amod.

Meetings held

The Committee held four meetings during the year under review, and attendance by members is reflected in the schedule below.

***The member was unable to attend the meeting due to the rescheduled date and the apology he submitted was accepted by all members.**

Committee Member	ORDINARY MEETINGS		SPECIAL MEETINGS	
	Scheduled	Attended	Scheduled	Attended
Ms T Moja (Chairperson)	4	4		
Ms S Somo	4	4		
Ms N Mnconywa	4	4		
Mr M Burton	4	3*		
Mr A Amod	4	4		

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 designed systems and procedures, that the assets are adequately safe guarded against material loss of unauthorised acquisition, use or disposition, and the pre-determined objectives are met.

Whilst the members of the Audit Committee believe that the system of internal controls largely covers organisational, financial and operating risks, control weakness are periodically identified during the Internal and External audit processes. The committee closely monitors management's actions to remedy these deficiencies.

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

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

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

REPORT OF THE AUDIT AND RISK COMMITTEE for the year ended 31 March 2016 (Continued)

Internal Audit. The Entity had inadequate human resource capital to support the business activities and in some instances was unable to uphold the existing system of controls as intended.

Risk Management

The Audit and Risk Committee has appointed one of its members, Mr M Burton to Chair the Risk Management Committee for purpose of close oversight but unfortunately the Committee could not discharge its responsibilities due to the ineffectiveness of the Risk Management System Environment that persisted throughout the year. The Entity did not fill the vacancy nor had staff appropriately trained to carry out the responsibilities of the Chief Risk Officer since the re-allocation of the previous incumbent.

The MLRF has an approved Risk Management Framework and Fraud Prevention Plan, however, due to the reasons stated above these governance documents could not be reviewed for relevance and implementation during the year under review.

The Internal Audit Risk based Plan which was approved was based on the Risk Universe determined by Internal Auditors utilising sources like previous audit reports and potential risks defined during system descriptions.

The Audit and Risk Committee has raised its concern regarding the matter before management who undertook to address the matter.

Internal auditing

The Audit and Risk Committee notes that during the year under review, a reasonable amount of internal audit work was performed. All internal audits for the 2015/2016 financial period were carried out in accordance with the approved plan.

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 for the Entity remains relevant and critical areas are adhered to consistently.

We are satisfied as the Committee that the internal audit company provided a supportive role to management and the Audit Committee.

Matters Requiring Specific Mention

The Audit and Risk Committee commend the MLRF Authority for having provided stability at the Entity's leadership level through the appointment of the DDG: Fisheries

The Committee met with the Executive Authority and the Accounting Authority to raise its concerns regarding the various current structures of MLRF against the founding statutes, inadequate staff capacity to support the functions of the Entity and uphold good governance, lack of opportunity for management to design and implement enhanced Internal control systems and comply with laws and regulations.

Evaluation of the Annual Financial Statements and Performance Information

The Committee has: -

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

REPORT OF THE AUDIT AND RISK COMMITTEE for the year ended 31 March 2016 (Continued)

The monitoring of the performance against pre-determined objectives is a key function of management and executive management of the Entity. 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 department, remain robust and are addressed routinely in the audit plans. The Committee also obtained assurance from management and internal audit that the department's performance management system adequately and effectively reports appropriate and relevant information. The MLRF performance management system is maintained and incorporated into the system of the Department of Agriculture, Forestry and Fisheries..

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 and compliance to the framework set by National Treasury.

In Conclusion

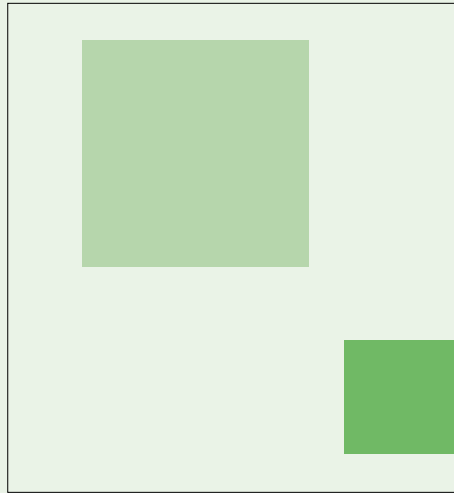
I would like to thank all members of the Committee for their contribution, guidance and the professional way in which meetings were conducted. The Committee wishes to express to the Minister of Agriculture, Forestry and Fisheries, the Director-General of the Department, management and staff of MLRF and the department, our sincere appreciation for the engagement, support and commitment provided during the year under review.

The Committee congratulates the MLRF in obtaining an unqualified audit opinion under the challenging environment they operate in.



Ms Thebi Moja
Chairperson of the Audit Committee
22 July 2016





Report of the Auditor-General

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

Report on the financial statements

Introduction

1. I have audited the financial statements of the Marine Living Resources Fund set out on pages 45 to 81, which comprise the statement of financial position as at 31 March 2016, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), 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.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. 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 2016 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the PFMA.

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

Emphasis of matter

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

Material underspending of the budget

8. As disclosed in the note 22 to the annual financial statements, the entity has materially underspent the budget on Fisheries Research and Development; Monitoring, Control and Surveillance; and Aquaculture and Economic Development by R52 162 000 (10%). This was as a result of the underspending on its conditional grant for the Working for Fisheries Programme (WfFP) by R58 224 504

Additional matter

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

Unaudited supplementary schedules

10. The supplementary information set out on pages 82 to 83 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.

Report on other legal and regulatory requirements

11. 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 report the following findings on the reported performance information against predetermined objectives of selected strategic goals presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

12. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected strategic goals presented in the annual performance report of the Marine Living Resources Fund for the year ended 31 March 2016:
 - Strategic goal 2: enhanced production, employment and economic growth in the sector, on pages 26 – 28
 - Strategic goal 3: enabling environment for food security and sector transformation, on page 29 and 30
 - Strategic goal 4: sustainable use of natural resources in the sector, on page 27 and 28
13. I evaluated the reported performance information against the overall criteria of usefulness and reliability.



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

14. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned strategic goals. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information*.
15. I 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 selected strategic goals:
 - Strategic goal 2: enhanced production, employment and economic growth in the sector on pages 26 – 28
 - Strategic goal 3: enabling environment for food security and sector transformation page 29 and 30
 - Strategic goal 4: sustainable use of natural resources in the sector on page 27 and 28

Additional matters

17. I draw attention to the following matters. Our conclusion is not qualified in respect of these matters:

Achievement of planned targets

18. Refer to the annual performance report on pages 26 to 30 for information on the achievement of the planned targets for the year.

Unaudited supplementary information

19. The supplementary information set out on pages 1 to 25 does not form part of the annual performance report and is presented as additional information. We have not audited these schedules and, accordingly, we do not express a conclusion on them. I have not audited these schedules and, accordingly, I do not report on them.

Compliance with legislation

20. I performed procedures to obtain evidence that the entity had complied with legislation regarding financial matters, financial management and other related matters. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

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

Procurement and contract management

21. Goods and services of a transaction value above R500 000 were procured without inviting competitive bids, as required by treasury regulation 16A6.1.
22. Invitations for competitive bidding were not always advertised for a required minimum period, as required by treasury regulation 16A6.3(c).

Internal control

23. I considered internal control relevant to my audit of the financial statements, performance report and compliance with legislation. 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

24. The leadership of the entity did not exercise adequate oversight over compliance with laws and regulations governing supply chain management as the policy implemented is in contravention with the applicable laws and regulations which resulted in supply chain management process not being followed. Consequently irregular expenditure was not prevented.

Financial and Performance Management

25. The review and monitor of compliance with applicable laws and regulations were not adequately performed by management, as due care was not exercised to ensure that bids are advertised for the minimum days as required by the supply chain management prescripts.

Auditor-General

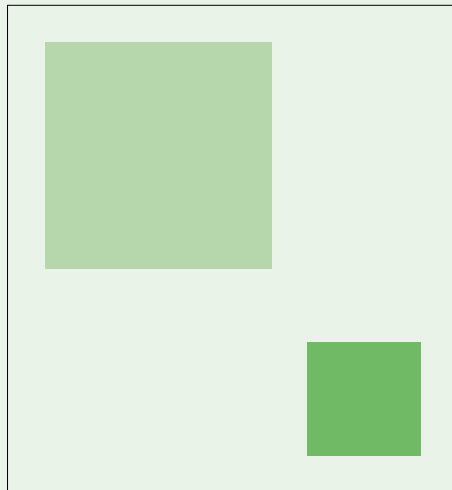
Cape Town
29 July 2016



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence





Annual financial statements

REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2016

The accounting authority presents the annual report, which forms part of the audited financial statements of the fund for the year ended 31 March 2016.

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 May 2015 – 31 March 2016)
Deputy Director-General	:	KCM Mannya (1 – 30 April 2015) S Ndudane (1 May – 31 March 2016)
Acting Chief Financial Officer	:	L Mouton (1 April – 31 December 2015) J Hlatshwayo (1 January – 30 March 2016)

The Deputy Director-General, Mr KCM Mannya, was transferred to the Department of Agriculture, Forestry and Fisheries from 1 May 2015. Ms S Ndudane was appointed as the Acting Deputy Director-General on 1 May 2015 and was subsequently appointed permanently with effect from 1 February 2016. 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 after the departure of Ms Mouton at the end of December 2015.

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 payments were made to the Acting Director-General, Mr KCM Mannya.

During this financial expenditure was incurred and payments to the value of R36 144, 75 were made to Mr. KCM Mannya in his capacity as Deputy Director-General for Fisheries Management and R136 569,10 was paid to Ms S Ndudane for subsistence, travel and other related reimbursement costs.

Expenditure was incurred and payments to the value of R13 913, 63 were made to the Acting Chief Financial Officer, Ms L Mouton, for subsistence, travel and other related reimbursement costs from the MLRF, while no disbursements were paid to Mr J Hlatshwayo.

REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2016 (Continued)

GOVERNMENT DEPARTMENT

Department of Agriculture, Forestry and Fisheries

ADDRESS

Foretrust Building	Private Bag X2
Martin Hammerschlag Way	Roggebaai
Foreshore	8012
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:

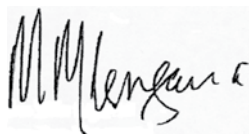
- Constitution of the Republic of South Africa, 1996
- Sea Fisheries Act, Act 12 of 1988
- Marine Living Resources Act, Act 18 of 1998
- National Environmental Management Act, Act 107 of 1998
- National Environmental Management Act: Integrated Coastal Management Act, Act 24 of 2008
- Marine Pollution 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 2016 (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 2016.



Mike Mlengana
Director-General
Department of Agriculture, Forestry and Fisheries
Date: 29 July 2016

PERFORMANCE INFORMATION FOR THE MARINE LIVING RESOURCES FUND (MLRF)

PERIOD UNDER REVIEW: 1 APRIL 2015 – 31 MARCH 2016

Purpose

To promote the development, management, monitoring and sustainable uses of South Africa's marine living resources and to foster the development of aquaculture. The programme comprises six sub-programmes, namely **Aquaculture and Economic Development; Fisheries Research and Development; Marine Resource Management; Monitoring, Control and Surveillance; Fisheries Operations Support and the Chief Financial Officer.**

Aquaculture and Economic Development: Will ensure aquaculture growth and fisheries economic development for sustainable livelihoods by providing public support and an integrated platform for management of aquaculture. During the period under review, the Directorate participated actively in the work of Operation Phakisa, Ocean's Economy and was the lead Department in the Aquaculture component of the Project. To this end, four (4) Phase I Operation Phakisa projects were supported, namely Blue Oceans Mussels (Pty) Ltd in the Western Cape; AMS Cobble CC (Limpopo); Clean Air Nurseries 63 (Pty) Ltd (Gauteng); and Reitz Braaikuijens (Pty) Ltd (Limpopo). Although the target of submitting the Aquaculture Bill to Parliament for approval was not achieved, the Draft Bill has been developed and has undergone an extensive Public Consultation Process. The Chief Directorate has also developed a Draft Inland Fisheries Policy, and has also continued to embark upon collaborative research in the development of new aquaculture species.

REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2016 (Continued)

Fisheries Research and Development: To ensure the promotion of the sustainable development of fisheries resources and ecosystems by conducting and supporting appropriate research. The Chief Directorate managed to complete stock assessments and provide scientific advice in all 22 commercial sectors. Recovery Plans and Research Reports on the stock level status were developed for 3 prioritised sectors, namely Abalone, West Coast Rock Lobster and Deep Water Hake. The Status of the South African Marine Fishery Resources Report was produced in June 2015 and the annual International Fish Stock Assessment Peer Review Panel was held. The Department continued to produce the highly regarded African Journal of Marine Science and participated in the commissions and scientific meetings of the Indian Ocean Tuna Commission (IOTC), the Commission for the Conservation of Southern Bluefin Tuna (CCSBT); the Commission for the Conservation of Atlantic Tunas (ICCAT); the Commission for the Conservation of Antarctic Marine Living Resources (CCAMLR) and the South East Atlantic Fisheries Organisation (SEAFO), amongst others.

Marine Resource Management: Ensures the sustainable utilisation and equitable and orderly access to the marine living resources through improved management and regulation. During the past year the Department processed and finalized the more than 900 appeals received against the Fishing Rights Allocation Process (FRAP) of 2013. Although the Department did not meet its target of allocating fishing rights under the FRAP 2015 process due to requests from potential applicants for more time to complete their application forms, the Department did commence the process of distributing and receipting applications in the 10 sectors due for re-allocation. The Department has received 5 597 applications and is in the process of capturing and verifying the information provided before final allocation can be made around June 2016.

The implementation of the Small-Scale Fisheries Policy also gained momentum through the passage of the Marine Living Resources Amendment Act into law, thereby recognizing small-scale fishers for the first time in South Africa's history and making legal provision for the allocation of small-scale fishing rights to small-scale co-operatives and communities. The Department has also embarked on an extensive process of registering small-scale fishing communities and verifying their members.

Monitoring, Control and Surveillance: Ensure the protection and promotion of sustainable use of marine living resources by intensifying enforcement and compliance. In addition to achieving the set targets for the conducting of a number of compliance and enforcement measures in the four prioritized sectors, namely Hake, Abalone, West Coast Rock Lobster and Linefish, the Department also participated actively in the Compliance and Ocean Governance Lab under Operation Phakisa which is beginning to produce results through the better co-ordination and alignment of enforcement efforts. The improved co-ordination was also assisted by the Department's four patrol vessels being fully operational during the period under review.

Fisheries Operations Support: Provides support services to the Fisheries Branch and the Marine Living Resources Fund. Under the Working for Fisheries Programme, the Department created 658 Full-time Equivalent, with 58.6% being youth, 55% women and 2% disabled.

Chief Financial Officer: is responsible for the financial management of the MLRF. Although the budget constraints of the Fund are impacting on operations, the Fund remains solvent and well managed.





REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2016 (Continued)

Strategic Objectives

SO 1: Coordinate government food security initiative

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

SO 3: Increase growth, income and sustainable job opportunities in the value chain; and increase market access for South African agricultural, forestry and fisheries products domestically and internationally

Programme/Sub-programme

Performance Indicator	Actual Achievement 2014/2015	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement 2015/16	Comments on deviations
Number of aquaculture catalyst projects identified and listed under Operation Phakisa supported	11 fish farms supported through the provision of technical, advisory services and compliance	4 phase 1 Operation Phakisa projects supported	Four (4) Operation Phakisa projects supported. 1. Blue Oceans Mussels (Pty) Ltd in the Western Cape 2. AMS Cobble CC (Limpopo) 3. Clean Air Nurseries 63 (Pty) Ltd (Gauteng) 4. Reitz Braaiuikens (Pty) Ltd (Limpopo)	0	-
Aquaculture Bill approved as per Operation Phakisa	Aquaculture draft Bill was approved by EXCO on 30 March 2015	Bill submitted to state law advisors for review and certification Bill submitted to Parliament for approval	The Minister approved the submission to gazette the Draft Aquaculture Bill. Provincial HODs of the Department of Agriculture were requested to support the Public Consultative	The Aquaculture Bill has not been submitted to state law advisors for review and certification The Aquaculture Bill has not been submitted to Parliament for approval.	The execution of Q2 deliverables were delayed due to the newly introduced requirement to complete a Socio Economic Impact Assessment System tool;

REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2016 (Continued)

Performance Indicator	Actual Achievement 2014/2015	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement 2015/16	Comments on deviations
Number of Full-time Equivalent (FTE's) jobs (Working for Fisheries Programme)	658 Full-time Equivalents were achieved	535 FTEs	Workshops that took place in March 2016. Public Consultative Workshops on the Draft Aquaculture Bill were successfully conducted in all 9 Provinces. 658 FTEs were achieved, as follows: 58.6% Youth 55% Women 2% Disabled		The above had a knock-on effect to the planned Q2, Q3 and Q4 targets
Integrated Fisheries Security Strategy (IFSS) implemented	5 541 sea-based and land-based inspections, and investigations of rights holders in the 4 prioritised fisheries sectors conducted	4 548 compliance and enforcement measures in the 4 prioritised fisheries sectors: hake abalone, rock lobster and linefish implemented 26 operations Comp = 12 M&S = 6 FPV = 8	5 566 compliance and enforcement measures in the 4 prioritised fisheries sector: Hake, abalone, rock lobster and linefish implemented 47 operations Comp = 17 M&S = 9 FPV = 21	1 018 more inspections were completed Comp = +5 M&S = +3 FPV = +13	The Fisheries Protection Vessels were fully operational; conducive sea weather conditions provided impetus for the directorates: Fisheries Protection Vessels and Compliance to exceed their annual targets. The functioning of the Fisheries Protection Vessels and the introduction of





REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2016 (Continued)

Performance Indicator	Actual Achievements 2014/15	Planned Target 2014/15	Actual Achievement 2014/15	Deviation from planned target to Actual Achievement 2014/15	Comments on deviations
Plan to recover and maintain prioritised fish stocks	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 the 3 sectors: Abalone, WCRL and deep water hake updated	0	Operation Phakisa for the protection of Marine resources provided impetus for directorates: Fisheries Protection Vessels and Compliance to exceed targets.
	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.	Research report to indicate fish stock levels compiled for: West Coast rock lobster; Deep-water hake; and Abalone.	0	-
Number of aquaculture research projects conducted	1 research project on reproduction and nutrition was conducted successfully	2 new research studies on genetics and nutrition for aquaculture species conducted	2 new research studies on genetics and nutrition for aquaculture species were conducted	0	-

REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2016 (Continued)

Performance Indicator	Actual Achievements 2014/15	Planned Target 2014/15	Actual Achievement 2014/15	Deviation from planned target to Actual Achievement 2014/15	Comments on deviations
Small-scale Fisheries Policy Implemented	Draft regulations were published for public	Rights allocated to registered small-scale	Published promulgation of amended Marine	Small-Scale fishing rights could not be allocated.	A number of delays were experienced in getting the
			<p>Genetics: Genetic manipulation of a popular fresh water commercial catfish (barbel- <i>Clarias gariepinus</i>) to produce sterile offspring for commercial production in conservational sensitive areas. Induction of genetic manipulation completed. Catfish in grow-out phase to maturity. Progress report compiled.</p> <p>Nutrition: Managed to test the effect of non-conventional dietary ingredients on the growth performance of spotted grunter, <i>Pomadourys commersonni</i>. The addition of de-activated torula yeast in commercial diet significantly improves growth of fish compared to commercial diet. Technical report completed. Article completion in progress.</p>		





REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2016 (Continued)

Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement 2015/16	Comments on deviations
Rights allocated to 9 fishing sectors	comment and road shows were conducted to explain the draft regulations to stakeholders and to receive their inputs. During the road shows, approximately 3000 stakeholders were engaged in 27 venues, covering 4 coastal provinces. Draft regulations were also presented at the inaugural Small-scale Fishery Forum meeting and to NEDLAC	fisheries cooperatives	Living Resources Act and approved Small-scale Fishing Regulations. Verification protocol completed. NC, WC & EC community visitation schedule completed for registration and verification of fishers per community. Started the registration and verification process in communities. Approved Small-scale fisher regulations translated into Afrikaans, isiXhosa and isiZulu	Fishing Rights were not allocated.	legal framework in place which was outside the control of the directorate.
Rights allocated to 9 fishing sectors	Final draft FRAP Framework was approved by the Deputy Director-General	Develop sector-specific policies and allocate rights to 9 fishing sectors	10 Sector-specific policies developed.	The Directorates have not achieved this target due to: 1. Initial closing date i.e., 22 January 2016 for submission of applications was moved to 12 February 2016; and 2. Further, the closing date of 12 February 2016 was moved to Friday, 26 February 2016. These extensions were to enable potential applicants more time to complete the forms and to collate their supporting documentation.	

REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2016 (Continued)

Strategy to overcome areas of under performance

Sustainable Aquaculture Management

Draft Aquaculture Bill: The execution of quarterly targets on this strategic deliverable in 2015/2016 could not be done as per the original annual performance plan due to the introduction of the new requirement to conduct Socio-Economic Impact Assessment Tools. The plan to overcome the unforeseen delays is to concurrently review the Socio-Economic Impact Assessment Systems Report for the Aquaculture Bill as the Draft Aquaculture Bill is developed. This is already happening with the support from officials from DPME (i.e. the SEIAS Report has already been reviewed twice and is due for a third review once the Second Draft Aquaculture Bill is developed). The position of Assistant Director: Policy Specialist that was vacated by the co-ordinator of the Draft Aquaculture Bill project in August 2015 has now been filled, with effect from 01 April 2016 and the new Assistant Director is fully engaged in the consolidation of comments received from the Public Consultative Workshops on the Draft Aquaculture Bill. The Minister has received the Cabinet Memo for tabling at Cabinet, the aim, as advised by both the DAFF and DEA Ministers, is to sensitize Cabinet about this critical Bill to ensure its prioritisation and approval when it is finally submitted in Cabinet. Part of the plan is to sensitize the Office of the State Law Advisors about this Bill before it is submitted to them to facilitate its speedy assessment.

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 allocation of small-scale fishing rights is part of a phased implementation process. The delays that were encountered last year mainly pertained to finalizing the legal framework for small-scale fisheries. The entire legal framework is now in place and the subsequent phases of the implementation process leading up to the allocation of small-scale fishing rights have started in last year. The allocation of small-scale fishing rights as a strategic deliverable has been carried over from 2015/16 to 2016/17.

Fishing Rights Allocation Process (FRAP)

Rights will be allocated in staggered-manner during the 2016/17 fiscal year therefore new right holders that will be granted rights under FRAP2015/16 will commence harvesting their allocations when the new fishing seasons commence.



**REPORT OF THE ACCOUNTING AUTHORITY
for the year ended 31 March 2016 (Continued)**

**ANNUAL SERVICE DELIVERY IMPROVEMENT PLAN PROGRESS
REPORT 2015/2016**

Introduction

The Annual Service Delivery Improvement Plan Report (ASDIPR) reflects 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.

Key service

Issuing of permits and fishing vessel licenses.

Situational Analysis

PREVIOUS SITUATION 2014/2015	CURRENT SITUATION 2015/2016
Average 728 permits and 131 vessel licenses issued per month	Average 809 permits and 131 vessel licenses issued per month
Up to 3 079 permits and 811 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 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)
Certain applicants submitted incomplete applications and others not submitting all the required documents and capturing of incorrect permit headers on receipt of the applications.	There is currently a drop in the number of applicants that are submitting incomplete documents and there is a drop in 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
Previously issued permits and vessel licenses were not collected timeously by applicants or their authorized representatives. This caused a delay in applicants carrying-out their fishing activities.	SMS service has been introduced to update to clients when a permit and/or vessel licence is ready for collection. This has proven to be more efficient than calling clients via 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.
There were a high number of disputes amongst the shareholders and/or members of fishing entities. There were also a high number of contractual disputes between right holders and those providing services to right holders such as catching, processing and/or marketing services.	The number of contractual disputes has decreased compared to the previous financial year i.e, 2014/15.

**REPORT OF THE ACCOUNTING AUTHORITY
for the year ended 31 March 2016 (Continued)**

Situational Analysis (continued)

PREVIOUS SITUATION 2014/2015	CURRENT SITUATION 2015/2016
<p>There were a high number of application forms that were not legible or incomplete e.g. completed incorrectly, relevant documents were not attached.</p>	<p>Most application forms are now typed and completed correctly, relevant documents are attached e.g. 3rd party authorization letter, etc.</p>
<p>Proof of payment not attached to individual applications as some companies were paying in bulk.</p>	<p>This challenge has improved during the financial year under review.</p>
<p>Agreed turn-around time for processing of permits was 7 working days.</p>	<p>Agreed turn-around time for processing of permits was 15 working days.</p>
<p>Despite a number of applications being issued within the set turn-around time, there were certain permits, in particular for the Directorate: Small-Scale Fisheries Management (“D: SSFM”) that were issued after the set turn-around time. Abolishment of critical positions within the Chief Directorate: Marine Resources Management (“CD: MRM”) also contributed to permits being issued after the agreed turn-around time of 7 working days.</p>	<p>Despite a number of permits being issued within the agreed turn-around time, 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 need to be reinstated to ensure that permits and vessel licenses are processed and issued within the agreed turn-around time.</p>
<p>There was no Assistant Director post available in the Directorate: Small-Scale Fisheries Management (“D: SSFM”) and section 13 of the Marine Living Resources Act (“the MLRA”) had not been delegated to either Deputy Director or Director in D: SSFM thus resulting in delays in approving permits in fisheries managed by D: SSFM.</p>	<p>A post of Assistant Director 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>



**REPORT OF THE ACCOUNTING AUTHORITY
for the year ended 31 March 2016 (Continued)**

Unit Costing

PREVIOUS SITUATION 2014/2015	CURRENT SITUATION 2015/2016
The catch permit application tariff was R1 071.00	The permit reprint tariff was R150
The transport permit tariff was R505.00	The permit amendment tariff was R265
The export permit tariff was R690 + R200 for every additional specie	The export permit tariff was R690 + R200 for every additional specie
The import permit tariff was R690 + R200 for every additional specie	The import permit tariff was R690 + R200 for every additional specie
The Fish Processing Establishment permit tariff was R1 902.00	The Fish Processing Establishment permit tariff was R1 902.00
The EEZ and gear permit tariff was R3 765	The EEZ and gear permit tariff was R3 765
The extension of gear permit tariff was R550	The extension of gear permit tariff was R550
The permit reprint tariff was R150	The permit reprint tariff was R150
The permit amendment tariff was R265	The permit amendment tariff was 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 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
Transfer of ownership (vessel licence) was R265	Transfer of ownership (vessel licence) was R265
Vessel change was R240.00	Vessel change was R240.00
The foreign vessel licences under joined venture tariff was R15 584	The foreign vessel licences under joined venture tariff was R15 584
The foreign vessel licence tariff was R240 + R1 962	The foreign vessel licence tariff was R240 + R1 962
The high seas vessel licence tariff was R240 + R1 962	The high seas vessel licence tariff was R240 + R1 962

**REPORT OF THE ACCOUNTING AUTHORITY
for the year ended 31 March 2016 (Continued)**

Problem Statement

PREVIOUS SITUATION 2014/2015	CURRENT SITUATION 2015/2016
<p>The processing of permits and licence applications is a key service where most of the Branch: Fisheries Management’s clients demand improvement. 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>✓ The same</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>✓ The same</p>
<p>Financial challenges and service delivery challenges: Insufficient funds have resulted in delays in service delivery. Owing to a 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 to provide a decentralised service.</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>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.</p> <ul style="list-style-type: none"> • 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) do not have financial services (ORACLE) therefore payments cannot be made at this station. 	<p>✓ The same</p>



REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2016 (Continued)

Quantity: Current Status and Projected Targets

Key Services	Service Beneficiaries	Current Standard		Desired Standard	Achieved level of performance for 2015/2016
		2014/2015	2015/2016	2015/2016	2015/2016
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 10 315 (in which 8 738 is for permits issued and 1 577 is for vessel licences issued)	The number of permits issued depends on the number of applications received however an average of 809 permit applications and 131 vessel licenses applications received and processed per month. A total of 10 411 (in which 8 837 is for permits and 1 574 is for vessel licenses processed and issued) during the 2015/16 financial year.	100% of permit and vessel license applications received are issued within 15 working days in which the turn-around is hoped to be reduced to 7 working days.	Up to 90% of the permits were issued within the turnaround time of 15 working days.

Current Professional Standards and Projected Targets

Key Services	Service Beneficiaries	Current Standard		Desired Standard	Achieved level of performance for
		2014/2015	2015/2016	2015/2016	2015/2016
Processing of all permit and Fishing vessel license applications (except applications)	Fishing industry; Fishing rights holders; Recreational fishers; Foreign and local vessel owners;	Professional Standards	N/A	N/A	N/A
		Legal Standards	The permits are issued in terms of the Marine Living Resources Act,	Introduce E-permitting and Smart card to ensure efficiency.	1st phase of outgoing SMS notification system for acknowledgment

**REPORT OF THE ACCOUNTING AUTHORITY
for the year ended 31 March 2016 (Continued)**

Current Professional Standards and Projected Targets (continued)

Key Services	Service Beneficiaries	Current Standard		Desired Standard	Achieved level of performance for 2015/2016
		2014/2015	2015/2016		
related to exemptions)	Fish import and export industry.		1998 (Act No. 18 of 1998) ("the MLRA") as amended.	Decentralise services for coastal provinces and including inland provinces for aquaculture. Implement 1st phase of outgoing SMS notification system for acknowledgement and information on the finalised permits.	and information on the finalised permits. 95% of permits were captured, processed and issued error free.



**REPORT OF THE ACCOUNTING AUTHORITY
for the year ended 31 March 2016 (Continued)**

Batho Pele Principles: Current and Projected targets

Key Services	Service Beneficiaries	Batho Pele principal 2014/2015	Current standard	Desired Standard 2015/2016	Achieved level of performance for 2015/2016
Fishing vessel license applications (except applications related to exemptions)	Fishing rights holders; Recreational fishers; Foreign and local vessel owners; Fish import and export industry.	Consultations	Clients are consulted via meetings and presentations. The relevant offices including CSC also communicates via E-mail Letters Phone calls SMS Fax Website	Clients are consulted via meetings and presentations. The relevant offices including CSC also communicates via E-mail Letters Phone calls SMS Fax Website	Meetings were held with stakeholders through Management Working Groups and Roadshows were affected by FRAP2015/16. Share call number: 0860003474 is in place. Several SMS were sent to clients in 2015/16 on receipt and completion of their applications. Application forms and requirements for permits and vessel licences were uploaded on the website.
		Courtesy	Emails and other correspondences are attended to by relevant Managers within of the relevant Directorates. Ensure clients provide their cell phone numbers in order to be able to send them a sms.	Acknowledge receipt of email enquiry including letters and faxes and attempt to respond within two (2) days if required information needs researching. Ensure clients provide their cell phone numbers in order to be able to	Most clients' complaint via telephone and the matter is attended to immediately and resolved normally (90%) within one working day unless it required an in-depth investigation and escalation to a higher level. Several SMS were sent to clients in 2015/16 on receipt and completion of their applications.

**REPORT OF THE ACCOUNTING AUTHORITY
for the year ended 31 March 2016 (Continued)**

Batho Pele Principles: Current and Projected targets (continued)

Key Services	Service Beneficiaries	Batho Pele principal 2014/2015	Current standard	Desired Standard 2015/2016	Achieved level of performance for 2015/2016
			Cross-cutting complaints are forwarded to the office of the CD: MRM by the CSC consultant. Public is also encouraged to report any suspected contravention of the MLRA to 086 000 3474 and thereafter fax their complaint to 021 425 7324 for attention: Chief Director: Monitoring, Control and Surveillance.	send them a sms. Attempt to resolve complaint within two (2) working days unless complaint requires in-depth investigation and escalation to a higher level.	Most complaints received have been resolved and feedback provided to a Complainant
		Access	Compliance offices and Fishery Development Workers along the coast Walk-in Centre: Foretrust Building Martin Hammerschlag Way Foreshore 8012 Share-Call: 0860003474	Compliance offices and Fishery Development Workers along the coast Walk-in Centre: Foretrust Building Martin Hammerschlag Way Foreshore 8012 Share-Call: 0860003474	Satellite office in Port Elizabeth is functional though there are certain challenges such as access to ORACLE.



**REPORT OF THE ACCOUNTING AUTHORITY
for the year ended 31 March 2016 (Continued)**

Batho Pele Principles: Current and Projected targets (continued)

Key Services	Service Beneficiaries	Batho Pele principal 2014/2015	Current standard	Desired Standard 2015/2016	Achieved level of performance for 2015/2016
			<p>Telephone: 021-40239111; 021-4023259; 021-4029180; 021-4023436</p> <p>Emails: MagdalenaB@daff.gov.za AurielleD@daff.gov.za ; NaeemA@daff.gov.za Fax: 021-4023362</p> <p>Letters: Private Bag X2; Rogge Bay; 8012</p> <p>Website: www.daff.gov.za</p> <p>Promotion of Access to Information (PAIA)</p>	<p>Telephone: 021-40239111; 021-4023259; 021-4029180; 021-4023436</p> <p>Emails: MagdalenaB@daff.gov.za AurielleD@daff.gov.za ; NaeemA@daff.gov.za Fax: 021-4023362</p> <p>Letters: Private Bag X2; Rogge Bay; 8012</p> <p>Website: www.daff.gov.za</p> <p>Promotion of Access to Information (PAIA)</p>	
		Information	<p>Through Customer Services Centre Updated Notices, brochures and pamphlets were made available.</p> <p>Ensure Education and Awareness</p>	<p>Ensure updated notices brochures and pamphlets are available at the CSC.</p> <p>Ensure Education and Awareness Campaigns are conducted</p>	<p>Ensured availability of updated information on the website e.g. application forms, permit fees and requirements for applications</p>

**REPORT OF THE ACCOUNTING AUTHORITY
for the year ended 31 March 2016 (Continued)**

Batho Pele Principles: Current and Projected targets (continued)

Key Services	Service Beneficiaries	Batho Pele principal 2014/2015	Current standard	Desired Standard 2015/2016	Achieved level of performance for 2015/2016
			<p>Campaigns are conducted continuously on processes of services rendered.</p> <p>Ensure availability of updated information is on the website e.g. permit application forms, fees, etc.</p> <p>Post on website any new changes or new requirements</p>	<p>continuously on processes of services rendered.</p> <p>Ensure availability of updated information is on the website e.g. permit application forms, fees, etc.</p> <p>Post on website any new changes or new requirements</p>	
		Openess and transparency	<p>Continued to inform clients of changes in services or service standards via public announcements and through Fishery Control Offices along the coast.</p> <p>Gazette any changes about the service (cost and process).</p> <p>The service standards are published in the service catalogue.</p>	<p>Continued to inform clients of changes in services or service standards via public announcements and through Fishery Control Offices along the coast.</p> <p>Gazette any changes about the service (cost and process).</p> <p>The service standards are published in the service catalogue.</p>	<p>DAFF website was updated regularly.</p> <p>Public notices were issued and posted on the website.</p> <p>The service standards were recorded in the service catalogue.</p> <p>Continuous engagements (sms, landline, email) with clients regarding the status of their applications</p>



**REPORT OF THE ACCOUNTING AUTHORITY
for the year ended 31 March 2016 (Continued)**

Batho Pele Principles: Current and Projected targets (continued)

Key Services	Service Beneficiaries	Batho Pele principal 2014/2015	Current standard	Desired Standard 2015/2016	Achieved level of performance for 2015/2016
		Redress	<p>Establish and implement the compliments and suggestion feedback box and respond to complaints via letters / email.</p> <p>One-on-one meetings, roadshows and MWG were also used as platforms to address complaints.</p>	<p>Establish and implement the compliments and suggestion feedback box and respond to complaints via letters / email.</p> <p>One-on-one meetings, roadshows and MWG were also used as platforms to address complaints.</p>	<p>Most clients' complain via telephone and the matter is attended to immediately and resolved normally within one working day unless it requires in-depth investigation and escalation to a higher level.</p> <p>The 'compliments/suggestion box was introduced at Customer Service Centre.</p> <p>One-on-one meetings, roadshows and MWG were also used as platforms to address complaints.</p>
		Value for money	<p>Issuing of permits and vessel licenses enables service beneficiaries to utilise their fishing rights optimally and therefore contributes to the success of their businesses.</p> <p>Continued to providing the best possible value for money to the service beneficiaries in the money to the</p>	<p>Issuing of permits and vessel licenses enables service beneficiaries to utilise their fishing rights optimally and therefore contributes to the success of their businesses.</p> <p>Continued to providing the best possible value for money to the service beneficiaries in the service</p>	<p>Issuing of permits and vessel licenses enables service beneficiaries to utilise their fishing rights optimally and therefore contributes to the success of their businesses.</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</p>

**REPORT OF THE ACCOUNTING AUTHORITY
for the year ended 31 March 2016 (Continued)**

Batho Pele Principles: Current and Projected targets (continued)

Key Services	Service Beneficiaries	Batho Pele principal 2014/2015	Current standard	Desired Standard 2015/2016	Achieved level of performance for 2015/2016
			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.	area/s through easy access and at minimal cost based on efficiency which results in enabling environment for economic growth	efficiency which results in enabling environment for economic growth
		Human Resources	57 human resources in total Details: 2 Officials for Directorate: Sustainable Aquaculture Management 13 Officials for Directorate: Stakeholder	169 human resources in total Details: 35 Officials for Directorate: Sustainable Aquaculture Management 28 Officials for Directorate: Stakeholder	6 interns for CD: MRM are assisting with permits and 1 intern for CD: SAD is assisting with permits and 1 intern for D: SE is assisting with permits
		Cost	See 4.1 of the SDIP report	Introduce a charge / fee for representative on board applications	Cost remained the same, see 4.1 of the SDIP report.
		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 3-7 working days.



**REPORT OF THE ACCOUNTING AUTHORITY
for the year ended 31 March 2016 (Continued)**

Challenges, Mitigations and Recommendations

CHALLENGES / GAPS ENCOUNTERED PER SERVICE	MITIGATION FACTORS / INTERVENTIONS PER SERVICE	SUGGESTIONS / RECOMMENDATIONS
The constant increase in application volumes	N/A	Identified critical posts within Chief Directorate: Marine Resources Management must be recreated and reinstated in the establishment of the Chief Directorate.
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 recreated and reinstated in the establishment of the Chief Directorate. Decentralised offices to bring services closer to the public.
Limited budget to implement better systems e.g. electronic permitting system Limited space for filing / storage of old permits	Introduction of E-permitting system and smart card. Introduction of catch data monitoring system for a real time catch data.	Treasury to allocate adequate budget to DAFF Decentralised offices to bring services closer to the public and revive the satellite office in Saldanha.
Limited space for filing / 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.

STATEMENT OF FINANCIAL POSITION
for the year ended 31 March 2015

	NOTES	2016 R'000	2015 R'000
ASSETS			
Non-current assets			
Plant and equipment	2	362 631	388 906
Intangible assets	3	329	376
		362 960	389 282
Current assets			
Inventory	4	42 218	30 895
Trade and other receivables	5	24 552	27 590
Cash and cash equivalents	6	162 656	162 836
		229 426	221 321
Total assets		592 386	610 603
LIABILITIES			
Current liabilities			
Deferred income	7	94 359	118 010
Donor funds	8	1 652	1 845
Trade and other payables	9	52 596	28 330
Total liabilities		148 607	148 185
Net assets		443 779	462 418
NET ASSETS			
Accumulated surplus		443 779	462 418
Total net assets		443 779	462 418



STATEMENT OF FINANCIAL PERFORMANCE for the year ended 31 March 2016

	NOTES	2016 R'000	2015 R'000
Revenue			
Operating revenue	10	112 889	104 246
Other income	11	340 847	326 125
Confiscated assets and fish products		38 634	27 107
Fines		1 639	1 610
Grants and other transfer payments		202 862	155 082
Realisation of deferred income		97 610	142 118
Other income		102	208
Foreign exchange surplus		79	36
Finance income	13	10 880	11 811
Donor funds revenue	14	618	705
Service in kind	16	329 911	304 912
		795 224	747 835
Expenses			
Consumables used		(5 313)	(4 964)
Depreciation and amortisation		(29 001)	(30 888)
Transportation cost		(50 607)	(42 771)
Advertising costs		(3 323)	(871)
Operating lease payments		(3 068)	(2 433)
Other deficits		(233)	(71)
Vessel operating costs		(229 542)	(224 169)
Financial contributions		(69 292)	(63 541)
Other operational costs		(92 942)	(78 610)
Finance cost		(13)	(18)
Donor funds expenses	8	(618)	(705)
Service in kind	16	(329 911)	(304 912)
		(813 863)	(753 953)
Deficit for the year		(18 639)	(6 118)

STATEMENT OF CHANGES IN NET ASSETS
for the year ended 31 March 2016

	NOTES	Accumulated surplus R'000	Total net assets R'000
Balance at 1 April 2014		468 536	468 536
Deficit for the year	15	(6 118)	(6 118)
Balance as at 1 April 2015		462 418	462 418
Deficit for the year		(18 639)	(18 639)
Balance at 31 March 2016		443 779	443 779



CASH FLOW STATEMENT
for the year ended 31 March 2016

	NOTES	2016 R'000	2015 R'000
Cash flows from operating activities			
Cash receipts from customers		494 511	137 551
Cash paid to suppliers		(772 421)	(463 093)
Net cash utilised by operations	15.1	(277 910)	(325 542)
Finance cost		(13)	(18)
Finance income		10 880	11 811
Net cash outflow from operating activities		(267 043)	(313 749)
Cash flows from investing activities			
Purchases of plant and equipment	2	(2 687)	(2 769)
Purchases of plant and equipment funded by Government grants	7	–	–
Proceeds from disposal of plant and equipment		1	–
Purchases of intangible assets	3	(205)	(380)
Net cash outflow from investing activities		(2 891)	(3 149)
Cash flows from financing activities			
Proceeds from grant received	7	269 754	244 586
Net cash inflow from financing activities		269 754	244 586
Net decrease in cash and cash equivalents			
		(180)	(72 312)
Cash and cash equivalents at the beginning of the year		162 836	235 148
Cash and cash equivalents at the end of the year	6	162 656	162 836

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL INFORMATION
for the year ended 31 March 2016

	NOTES	Original Approved Budget	Final Budget	Actual	Difference Final Budget and Actual
		2015/16 R'000	2015/16 R'000	2015/16 R'000	2015/16 R'000
Revenue	22.3				
Operational revenue		106 500	111 244	112 889	1 645
Other income		362 737	416 032	340 847	(75 184)
Foreign exchange surplus		-	-	79	79
Finance income		6 500	10 000	10 880	880
Donor funds revenue		-	-	618	618
		475 737	537 276	465 313	-71 962
Expenses	22.4				
Consumables used		7 016	8 308	5 313	(2 995)
Depreciation and amortisation		-	-	29 001	29 001
Transportation cost		24 023	40 223	50 607	10 384
Advertising cost		3 077	4 741	3 323	1 418
Operating lease payments		2 779	3 232	3 068	164
Other deficits		-	-	233	233
Vessel operating costs		219 003	219 454	229 542	10 088
Financial contributions		107 721	133 164	69 292	(63 871)
Other operational costs		109 841	123 372	92 942	(30 431)
Finance cost		2	3	13	10
Donor funds expenses		-	-	618	618
		473 461	532 497	483 952	(48 545)
Deficit for the year	22.2	2 276	4 779	(18 639)	(23 417)



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

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 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 judgements, 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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 30 of Directive 5. The guides are as follow:

Reference	Description
GRAP 20	Related Party Disclosures

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

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
GRAP 18	Segment Reporting

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 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.

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.



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

1.6 PLANT AND EQUIPMENT (continued)

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 2016 (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 2016 (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 2016 (Continued)

I.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.

I.12 PROVISIONS AND CONTINGENCIES

Provisions

Provisions are recognised when the Fund has a legal or constructive present obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or services potential will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Provisions are recognised as the best estimate of the expenditure required to settle the present obligation at the reporting date. Risks and uncertainties that inevitably surround many events and circumstances shall be taken into account in reaching the best estimate of a provision.

Where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflect current market assessments of the time value of money and the risks specific to the liability. The discount rate shall not reflect risks for which future cash flow estimates have been adjusted.

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

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.

I.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.



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

1.13 REVENUE (continued)

1.13.1 Revenue from exchange transactions

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

Application fees, licences 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.

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.

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

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 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.

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.



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

1.14 FINANCIAL INSTRUMENTS (continued)

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 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.

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

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.

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

1.18 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.



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

1.19 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.

1.20 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 2016 (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	Total R'000
	Carrying value 1 April 2015	8 384	1 995	1 322	5 552	371 653	388 906
	Cost price	39 317	7 063	20 112	11 575	598 626	676 693
	Accumulated depreciation	(30 933)	(5 068)	(18 790)	(6 023)	(226 973)	(287 787)
	Additions	810	-	1 515	362	-	2 687
	Disposals/Retirements	-33	-	-153	-26	-	-212
	Cost price	-153	-	-475	-37	-	-665
	Accumulated depreciation	120	-	322	11	-	453
	Depreciation	-3 321	-947	-1 266	-1 148	-22 068	-28 750
	Carrying value 31 March 2016	5 840	1 048	1 418	4 740	349 585	362 631
	Cost price	39 974	7 063	21 152	11 900	598 626	678 715
	Accumulated depreciation	-34 134	-6 015	-19 734	-7 160	-249 041	-316 084
	Carrying value 1 April 2014	11 479	2 949	2 853	5 970	393 757	417 008
	Cost price	37 745	7 079	20 174	10 936	598 721	674 655
	Accumulated depreciation	(26 266)	(4 130)	(17 321)	(4 966)	(204 964)	(257 647)
	Additions	1 733	32	327	677	-	2 769
	Disposals/Retirements	(1)	-	(9)	(15)	(36)	(61)
	Cost price	(161)	(48)	(389)	(38)	(95)	(731)
	Accumulated depreciation	160	48	380	23	59	670
	Depreciation	(4 827)	(986)	(1 849)	(1 080)	(22 068)	(30 810)
	Carrying value 31 March 2015	8 384	1 995	1 322	5 552	371 653	388 906
	Cost price	39 317	7 063	20 112	11 575	598 626	676 693
	Accumulated depreciation	(30 933)	(5 068)	(18 790)	(6 023)	(226 973)	(287 787)



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

2	PLANT AND EQUIPMENT (continued)	2016 R'000	2015 R'000
	Other information		
	Plant and equipment fully depreciated still in use		
	Cost	57 266	46 376
	Accumulated depreciation	(57 259)	(46 371)
	Net book value	7	5
	<p>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.</p>		
3	INTANGIBLE ASSETS		
	Computer software		
	Opening carrying value	376	74
	Additions	205	380
	Amortisation charge	(252)	(78)
		329	376
	At 31 March		
	Cost	8 373	8 168
	Accumulated amortisation	(8 044)	(7 792)
		329	376
4	INVENTORY		
	Confiscated products	42 218	30 895
		42 218	30 895
5	TRADE AND OTHER RECEIVABLES		
	Trade receivables – local	14 957	18 497
	Less: Provision for impairment of trade receivables	(1 592)	(908)
	Trade receivables – net	13 364	17 589
	Prepayments and advances	10 935	9 751
	Other receivables	252	250
		24 552	27 590

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

5	TRADE AND OTHER RECEIVABLES (continued)	2016	2015
		R'000	R'000
5.1	Trade and other receivables from exchange transactions		
	Trade receivables from exchange transactions – local	9 421	8 251
	Less: Provision for impairment of trade receivables from exchange transactions	(366)	(154)
	Trade receivables from exchange transactions – net	9 055	8 097
	Prepayments and advances	10 935	9 751
	Other receivables	252	250
	Total trade and other receivables from exchange transactions	20 242	18 098
5.2	Trade and other receivables from non-exchange transactions		
	Fines	510	183
	Levy of fish products	5 026	10 063
	Less: Provision for impairment of trade receivables from non-exchange transactions	(1 226)	(754)
	Trade and other receivables from non-exchange transactions – net	4 310	9 492
	Total trade and other receivables	24 552	27 590
	Included in trade receivables, prepayments and advances is a receivable from the South African Maritime Safety Authority (SAMSA) of R10 340 665.68 (2015: R9 194 098.10).		
	The fair value of trade and other receivables approximate their carrying values.		
	The value of trade receivables past due but not impaired is R5 866 000 (2015: R4 116 000). The ageing of trade receivables past due but not impaired at the reporting date was:		
	31–60 Days	(852)	–
	61 Days plus	(1 320)	4 116
		2 172	4 116
	Movements on the provision for impairment of trade receivables are as follows:		
	At the beginning of the year	908	949
	Increase in provision from prior year	684	(41)
	At the end of the year	1 592	908



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

5 TRADE AND OTHER RECEIVABLES (continued)

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
R'000**

	2016 R'000	2015
Cash at bank and on hand	(7 506)	(1 119)
Short-term investments	170 162	163 955
	162 656	162 836
Cash and cash equivalents include the following for the purposes of the cash flow statement:		
Cash at bank and on hand	162 656	162 836
	162 656	162 836
Included in the short-term investments are the following call deposit accounts:		
Operational contributions	31 983	18 145
Earmarked Funds	136 216	143 740
Donor Funds	1 963	2 070
	170 162	163 955

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

7 DEFERRED INCOME	2016	2015
	R'000	R'000
7.1 Deferred Income – Vessel Operating Costs		
Balance at the beginning of the year	35 451	79 369
Conditional grants received	184 003	180 251
Expenditure incurred	(219 454)	(244 169)
Operational projects	(219 454)	(224 169)
Capital projects	–	–
Balance at the end of the year	–	35 451
7.2 Deferred Income - Operations		
Balance at the beginning of the year	21 759	24 617
Conditional grants received	–	–
Expenditure incurred	(1 361)	(2 857)
Operational projects	(1 361)	(2 857)
Balance at the end of the year	20 398	21 760
7.3 Deferred Income – Working For Fisheries Programme		
Balance at the beginning of the year	60 797	59 891
Conditional grants received	67 551	64 335
Expenditure incurred	(70 124)	(63 429)
Balance at the end of the year	58 224	60 797
7.4 Deferred Income – Operation Phakisa		
Balance at the beginning of the year	–	–
Conditional grant received	18 200	–
Expenditure incurred	(2 464)	–
Balance at the end of the year	15 736	–
Total Deferred Income balance at the end of the year	94 359	118 010



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

8 DONOR FUNDS

Balance at the beginning of the year	1 845	2 102
Donor receipts	315	315
Finance income earned	111	133
Donor expenses	(619)	(705)
Operational expenses	(619)	(705)
Capital expenses	-	-

Balance at the end of the year	1 652	1 845
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9 TRADE AND OTHER PAYABLES

Trade and other payable from exchange transactions consist of:

Trade payables – local	50 787	28 330
Trade payables – foreign	1 809	-
	52 596	28 330

The fair value of trade and other payables transactions

	2016	2015
	R'000	R'000

Accrued expenses	43 802	18 420
Income received in advance	3 474	3 614
Trade payables from non-exchange	5 320	6 296
Trade payables from non exchange	4516	5 840
Employee claim control	358	248
Creditors with debit balance	72	47
Debtors with credit balances	370	161
Other	3	-
	52 596	28 330

10 OPERATING REVENUE

10.1 Revenue from exchange transactions

Application fees	16 727	4 877
Chartering of departmental vessel	764	-
Harbour fees	4 968	5 176
Licences and permits	34 959	33 853
Total operating revenue from exchange transactions	57 418	43 906

10.2 Revenue from non-exchange transactions

Levy of fish products	55 471	60 340
Total operating revenue from non-exchange transactions	55 471	60 340

Total operating revenue	112 889	104 246
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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2016 (Continued)**

II OTHER INCOME

II.1 Revenue from exchange transactions

Confiscated assets and fish products	38 634	27 108
– Confiscated assets and fish products	27 310	14 017
– Net movement in confiscated inventory	11 324	13 091
Surplus from the sale of plant and equipment	1	-
Other income	101	208
Total other income from exchange transactions	38 736	27 316

The revenue from confiscated assets and fish products includes an amount of R5 059 137 from the sale of 7 foreign fishing vessels on public auction during the year

II.2 Revenue from non-exchange transactions

Fines	1 639	1 610
Grants and other transfer payments	202 862	155 081
Other income – realisation of conditional grants	97 610	142 118
Total other income from non-exchange transactions	302 111	298 809

Total other income

340 847	326 125
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12 OPERATING EXPENDITURE

2016	2015
R'000	R'000

Operating deficit is stated after:

Operating lease charges	3 068	2 433
Auditors' remuneration		
– Audit fees	2 472	2 836
Professional fees	38 075	32 687
Decrease in impairment provision for trade receivables	684	(41)
Bad debt write-off for the year	380	636
Commission paid	5 911	6 058
Depreciation and amortisation		
– A detailed analysis of depreciation and amortisation can be found in the detailed statement of financial performance	29 001	30 888
Legal costs	1 826	1 761
Minor assets purchased	58	73
Repairs and maintenance	1 087	1 183
Vessel operating costs	229 542	224 169

13 FINANCE INCOME

Revenue from exchange transactions

Interest earned on investments and cash balances	10 557	11 699
Other outstanding amounts	323	112
	10 880	11 811



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

14 DONOR FUNDS REVENUE

Revenue from non-exchange transactions

Donor funds realised	618	705
	2016	2015
	R'000	R'000

15 CASH FLOW INFORMATION

15.1 Cash utilised by operations

Operating deficit	(18 639)	(6 118)
Non-cash items and items dealt with separately:		
Bad debt write-off	380	636
Depreciation and amortisation	29 001	30 888
Finance income	(10 880)	(11 811)
Finance cost	13	18
Realisation of deferred income	(293 404)	(290 453)
Increase in provision for impairment of trade receivables	684	(41)
Loss on disposal of plant and equipment	211	61
Surplus on foreign exchange translation	(79)	(36)
Cash utilised by operations before working capital changes	(292 713)	(276 856)
Working capital changes		
Inventory	(11 323)	(13 091)
Trade receivables	1 974	(12 758)
Trade payables, accruals and provisions	24 345	(22 580)
Donor funds	(193)	(257)
	(277 910)	(325 542)

In the cash flow statement, proceeds from disposal of plant and equipment comprises:

Loss on disposal of plant and equipment	(211)	(61)
Proceeds from disposal of plants and equipment	2	-

2016	2015
R'000	R'000

16 SERVICES IN KIND

As disclosed in note 19 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.	257 856	236 086
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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.

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

16 SERVICES IN KIND (continued)

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.

72 055 68 826

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.

2016 2015
R'000 R'000

17 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	368	846
Later than 1 year, but not later than 5 years	139	302
Later than 5 years	-	-
	507	1 148

18 CONTINGENT LIABILITIES

Litigation:

As was reported in the prior year, litigation was initiated against a service provider who installed an integrated 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	1 080
Possible losses:	3 193	3 193



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

18 CONTINGENT LIABILITIES (continued)

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	200
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	100
Possible losses:	251	251

A Magistrates Court matter where the applicant sues the Department for damages pursuant to a motor vehicle accident.

Estimated legal costs:	36	50
Possible losses:	110	100

A Magistrates Court matter where the applicant sues the Department for damages pursuant to a motor vehicle accident.

Estimated legal costs:	17	-
Possible losses:	50	-

A Magistrates Court matter where the applicant sues the Department for damages pursuant to a motor vehicle accident.

Estimated legal costs:	20	-
Possible losses:	63	-

A matter was instituted in the Regional Court Western Cape against the Department for damages

Estimated legal costs:	100	-
Possible losses:	300	-

A Magistrate Court matter where the applicant sues the Department for unlawful and wrongful arrest.

Estimated legal costs:	100	-
Possible losses:	350	-

A Magistrates Court matter where the applicant sues the Department for damages pursuant to a motor vehicle accident.

Estimated legal costs:	10	-
Possible losses:	31	-

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

	2016 R'000	2015 R'000
19 RELATED PARTIES		
The following related parties were identified:		
19.1 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.	257 856	236 086
The lease expenditure for the premises which are utilised by the Fund for administration purposes, were paid by the DAFF	72 055	68 826
Government Grants received from DAFF in terms of Earmarked Funds in a Medium Term Expenditure Framework:		
Operational grants received	191 072	186 996
Financial contribution	7 069	6 745
Vessel Operating costs	184 003	180 251
Working for Fisheries conditional grant (refer note 7)	67 551	64 335
Payments made for the current year	5 035	1 946
Outstanding balance payable as at 31 March	718	45
19.2 Department of Environmental Affairs (DEA)		
Operation Phakisa Open Economy financial assistance	18 200	
Included in trade receivables, prepayments and advances is an amount due from the DEA of R0 (2014: R306 989).		307
Payments made for the current year	-	-
Outstanding balance payable as at 31 March	-	-
The total amount for the financial assistance for Operation Phakisa Project is R20 700 000. In 2015/16 MLRF was given R 9 400 000 as advance payment for the project. The remaining balance of R 8 800 000 was paid on the 31 March 2016.		
19.3 Department of Justice		
Payments made for the current year	2 082	1 649
Outstanding balance payable as at 31 March	2 531	1 505
19.4 Department of Defence		
Payments made for the current year	-	38
Outstanding balance payable as at 31 March	-	684



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

	2016 R'000	2015 R'000
19 RELATED PARTIES (continued)		
19.5 South African Maritime Safety Authority (SAMSA)		
Included in trade receivables, prepayments and advances is an amount due from the SAMSA of R 10 340 665.68 (2015: R 9 194 098).	33 094	9 194
Payments made for the current year	189 297	53 613
Outstanding balance payable as at 31 March	-	-
19.6 Key personnel		
Minister S Zokwana		
No subsistence, travel and other related reimbursement costs have been paid	-	-
Director-General: E Vries		
Payments made for the current year	-	-
Outstanding balance payable as at 31 March	-	-
Acting Director-General: M Manny		
Payments made for the current year	-	-
Outstanding balance payable as at 31 March	-	-
Deputy Director-General: M Manny		
Payments made for the current year	36	105
Outstanding balance payable as at 31 March	-	2
Acting Deputy Director-General: S Ndudane		
Payments made for the current year	136	-
Outstanding balance payable as at 31 March	-	-
20 FRUITLESS AND WASTEFUL AND IRREGULAR EXPENDITURE		
	2016 R'000	2015 R'000
20.1 FRUITLESS AND WASTEFUL EXPENDITURE		
Fraudulent payments from donor funds	183	199
Interest on late payment	42	29
	225	228

The current year amount of R 182 605 (2015: R198 895) 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 R61 534.96 has been recovered from Accused 2.

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

20.1 FRUITLESS AND WASTEFUL EXPENDITURE (continued)

During the current year the Fund incurred interest of R12 906 on a late payment of a supplier (2015: R17 896)

	2016	2015
	R'000	R'000
Opening Balance	228	235
Fruitless and Wasteful expenditure incurred during the year	13	18
Recovered during the year	(16)	(25)
Condoned during the year	-	-
Closing balance	225	228

20.2 IRREGULAR EXPENDITURE

Reconciliation of irregular expenditure	2016	2015
	R'000	R'000
Opening Balance	312	125 431
Non-compliance to PPPFA and PPR requirements	12 460	144 878
Condoned during the year	-	(269 997)
Closing balance awaiting condonement	12 772	312

During the current financial year the Fund incurred irregular expenditure to the total of R 12 459 729. There were five procurement transactions which were found to be non-compliant with the PPPFA and PPR requirements. The one transaction related to the awarding of a contract where two suppliers have scored equal points, the contract was awarded to the supplier scoring highest points for price instead of highest points for B-BBEE status. The other four transactions related to the awarding of the harbor management contract to implementers based only on their experience and not other PPPFA requirements.

21 FINANCIAL RISK MANAGEMENT

21.1 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.



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

21 FINANCIAL RISK MANAGEMENT (continued)

21.1 Financial risk factors (continued)

(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.

(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 2016 (Continued)

21 FINANCIAL RISK MANAGEMENT (continued)

21.1 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:

	Floating Interest rate R'000	Non-interest bearing R'000	Total R'000
31 March 2016			
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	-	52 596	52 596
Total liabilities	-	52 596	52 596
Net financial assets/(liabilities)	187 208	(52 596)	134 612
	Floating Interest rate R'000	Non-interest bearing R'000	Total R'000
31 March 2016			
ASSETS			
Trade and other receivables	27 590	-	27 590
Cash and cash equivalents	162 836	-	162 836
Total assets	190 426	-	190 426
LIABILITIES			
Trade and other payables	-	28 330	28 330
Total liabilities	-	28 330	28 330
Net financial assets/(liabilities)	190 426	(28 330)	162 096

At 31 March 2016, 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 R813 280 lower/higher (2015: R814 177 lower/higher), mainly as a result of the higher/lower interest income on floating rate cash and cash equivalents.

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

21 FINANCIAL RISK MANAGEMENT (continued)

21.1 Financial risk factors (continued)

Credit risk

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

	2016	2015
	R'000	R'000
Trade and other receivables	24 523	27 560
Staff loans	29	30
	24 552	27 590

The ageing of trade receivables at the reporting date was:

Current	26 724	23 475
31-60 Days	(852)	(270)
61 Days plus	(1 320)	4 385
	24 552	27 590

The movement in the allowance for impairment in respect of trade receivables over the year was:

Balance at the beginning of the year	908	949
Increase in impairment provision	684	(41)
Balance at the end of the year	1 592	908

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

21 FINANCIAL RISK MANAGEMENT (continued)

21.1 Financial risk factors (continued)

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:

	2016		2016		2015
	Foreign	2015	R'000	2015	R'000
	currency	Foreign		currency	
Included in trade and other payables					
AU\$	93 124	-	1 080	-	-
GBP	7 323	-	158	-	-
US\$	13 142	-	196	-	-
EURO	21 990	-	374	-	-
			1 809		-

At 31 March 2016, 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 R 180 577 lower (2015: R0), 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 will all other variables held constant, the deficit for the year would have been R 180 577 (2015:R0) higher.

Liquidity risk

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

Trade and other payables	52 596	28 330
	52 596	28 330

The contractual maturities for all borrowings and payables outstanding at 31 March 2016 are 12 months or less.

21.2 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 2016, 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 2016 (Continued)

22 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL INFORMATION

- 22.1 The approved original and final budgets of the Fund are prepared on an accrual basis and covers the period 1 April 2015 to 31 March 2016.

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 2015/16 and adjusted the initial approved budget. All changes to the initial budget were approved by the Executive Authority.

- 22.2 The Fund does not budget for a surplus. The R2 276 102 surplus in the original budget and the R4 778 863 shown in the final budget was budgeted as capital expenditure of which R2 892 431 was spent during 2015/16. A reconciliation of the budgeted and actual surplus is provided. Refer to note 22.5.

22.3 Revenue

The Fund recorded total revenue of R465 313 354 which is 87% of its final budget.

22.3.1 Operational revenue

The Fund collected 102% of its operational budget during 2015/16. In the prior year, the operational budget estimate for 2014/15 was adjusted downward during the year due to the FRAP 2013 appeals process not being finalised to date. In the current year the budget was adjusted upward during the year due to application fee paid for FRAP 2015 which is in process.

22.3.2 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 2015/16 for vessel operating costs was R184 003 000. The unspent amount at 31 March 2015 was R 35 451 000 and was included in the 2014/15 budget for vessel operating costs. This amount was fully utilised in 2014/15. For the year ending 31 March 2016, a total of R 219 454 000 of the conditional grants available (R 219 454 000) for 2015/16 for vessel operating costs was recognised in the statement of financial performance. This amount was fully utilised in 2015/16.

Other projects:

Included in the revenue budget are earmarked funds for two projects to the value of R21 000 000 for which only R 601 785 (R 10 000 000) was spent on one and no expenditure was incurred for the other project (R11 000 000) in the current financial year. The bid for the Scientific Observer Programme was cancelled. This programme requires the appointment of a service provider to deploy observers on commercial vessels to gather scientific data for research purposes. The second project relates to a collaborated effort between China and South Africa for the establishment of an aquaculture demonstration and training centre. This will be implemented by the Free State Department of Agriculture on behalf of the DAFF. Their contract between DAFF and the Free State Department of Agriculture was only finalised in March 2015. This project is funded for the next three years.

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

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

22.3.2 Other projects (continued)

Working for Fisheries projects:

The budget allocation for the Working for Fisheries Projects (EPWP) in 2014/15 was R67 551 000. Also included in the budget of 2015/16 is the unspent amount of 2014/15 of R60 797 000. During the year the entity incurred expenditure of R 70 124 000 on the Working for Fisheries Projects and this amount was recognised in the statement of financial performance. The unspent amount of R 58 224 404 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. There was a delay in the approval of the General Policy for the Appointment of Working for Fisheries Projects' Implementers. This meant that only 4 new implementers were appointed in 2015/16. Further to this, some of the implementers with existing Memorandum of Agreement in place had difficulty to finalise the planning phase of their respective projects which meant that spending on the projects did not take place in 2015/16 as planned.

Operation Phakisa

Included in the revenue budget is R 18 200 000 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 R 2 464 000.

22.4 Expenditure

The Fund recorded operational expenditure of R 483 952 000 during 2015/16 (91% of the approved operational expenditure budget).

22.4.1 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.

22.4.2 Depreciation and Amortisation

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

22.4.3 Transportation costs

The overspend of R 10 384 000 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.



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

**22 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL INFORMATION
(continued)**

22.4.4 Other operational costs

Vessel Operating Costs:

During 2015/16 the Fund utilised all the deferred funds of 2014/15. The new allocation for vessel operating costs for 2015/16 was R184 003 000, entity utilised full amount. No amount will be deferred to the next financial year.

Financial Contributions: Working for Fisheries projects:

The budget for financial contributions relates mainly to the Working For Fisheries Projects (WFFP). This is a conditional grant of R67 551 000 for 2015/16 and a deferred unspent amount of R60 797 000 from 2014/15. The grant income is only recognised in the statement of financial performance to the extent that the Fund has complied with the criteria, conditions or obligations. An amount of R70 124 000 (55%) was spent in the 2015/16 financial year. There was a delay in the approval of the General Policy for the Appointment of Working for Fisheries Projects' Implementers. This meant that only 4 new implementers were appointed in 2015/16. Further to this, some of the implementers with existing Memorandum of Agreement in place had difficulty to finalise the planning phase of their respective projects which meant that spending on the projects did not take place in 2015/16 as planned. The unspent amount of R58 224 000 will defer to the 2016/17 financial year for continued spending on committed multi-year projects.

Other operational costs:

Included in the budget of Other operational costs are the earmarked funds for two projects to the value of R21 000 000 for which only R 601 785 was spend and no expenditure was incurred on the other projects in the current financial year. The bid process for the Scientific Observer Programme is still in progress which resulted in funds not being spent in this financial year. This programme requires the appointment of a service provider to deploy observers on commercial vessels to gather scientific data for research purposes. The second project relates to a collaborated effort between China and South Africa for the establishment of a demonstration and training centre for aquaculture. This will be implemented by the Free State Department of Agriculture on behalf of the DAFF. There contract between DAFF and the Free State Department of Agriculture was only finalised in March 2015. This project is funded over three years.

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

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

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

	2016 R'000
Net deficit per the Statement of Financial Performance	(18 639)
Adjusted for:	
Expenditure items not included in budget	30 916
Donor funds expenditure	618
Depreciation and amortisation	29 001
Movement in impairment provision for trade receivables	684
Bad debt write-off for the year	380
Loss on the sale of property, plant and equipment	212
Other losses	21
Budgeted capital expenditure not in Statement of Financial Performance	(4 779)
Budget (not spent)/overspent	(79 460)
Consumables used	(2 995)
Transportation cost	10 384
Advertising cost	(1 418)
Operating lease payments	(164)
Vessel operating costs	10 088
Financial contributions	(63 871)
Other operational costs	(31 495)
Finance cost	11
Revenue items not included in budget	(9 599)
Donor funds revenue	(618)
Foreign exchange surplus	(79)
Other income	(102)
Operation Phakisa	(8 800)
Revenue (in excess of budget)/not received	(12 797)
Operating revenue	(4 645)
Other income	(7 272)
Finance income	(880)
Unspent conditional grants recognised in the Statement of Financial Position	94 359
Net surplus/(deficit) per approved final budget	-



DETAILED STATEMENT OF FINANCIAL PERFORMANCE for the year ended 31 March 2016 (Continued)

	NOTES	2016 R'000	2015 R'000
Operating revenue		112 889	104 246
Application fees		16 727	4 877
Chartering of departmental vessel		764	-
Harbour fees		4 968	5 176
Levy on fish products		55 471	60 340
Licenses and permits		34 959	33 853
Donor funds revenue		618	705
Other income		340 847	326 125
Net confiscated assets and fish products		38 633	27 108
Confiscated assets and fish products		27 310	14 017
Net movement in confiscated inventory		11 323	13 091
Fines		1 639	1 610
Grants and other transfer payments	11.2	202 862	155 081
Surplus from the disposal of plant and equipment		2	-
Realisation of deferred income		97 610	142 118
Other income		101	208
Consumables used		(5 313)	(4 964)
Depreciation and amortisation		(29 001)	(30 888)
Depreciation-computer equipment		(1 266)	(1 849)
Depreciation-plant and equipment		(3 322)	(4 827)
Depreciation-motor vehicles		(947)	(986)
Depreciation-office furniture		(1 148)	(1 080)
Depreciation-vessels		(22 068)	(22 068)
Amortisation-computer software		(251)	(78)
Transportation costs		(50 607)	(42 771)
Advertising costs		(3 323)	(871)
Donor funds expenses	8	(618)	(705)
Operating lease payments		(3 068)	(2 433)
Other deficits		(233)	(71)
Vessel operating costs		(229 542)	(224 169)
Financial contributions		(69 292)	(63 541)
Other operational costs		(92 942)	(78 610)
Audit fees		(2 472)	(2 836)
Net write-off of trade receivables		(1 064)	(595)
Bad debt write-off for the year		(380)	(636)
Increase for impairment provision of trade receivables		(684)	41

DETAILED STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 31 March 2016 (Continued)

	NOTES	2016 R'000	2015 R'000
Bank charges		(168)	(121)
Commission paid		(5 911)	(6 058)
Confiscation expenses		(4 818)	(7 057)
Consultancy and outsourced services		(38 075)	(32 687)
Entertainment		(465)	(268)
Hire of equipment		(1)	(14)
Legal costs		(1 826)	(1 761)
Membership fees, licenses and training		(5 373)	(3 607)
Minor assets purchased		(58)	(73)
Other expenses		(763)	(660)
Postage and telecommunication		(10 140)	(9 742)
Printing		(1 597)	(730)
Repairs and maintenance		(1 087)	(1 183)
Service fees		(1 916)	(848)
Subsistence		(17 208)	(10 370)
International		(1 073)	(853)
Local		(16 135)	(9 517)
Operating deficit for the year		(29 585)	(17 947)
Foreign exchange surplus		79	36
Finance income		10 880	11 811
Finance cost		(13)	(18)
Deficit for the year		(18 639)	(6 118)





Notes

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