



2016

# FINANCIAL REPORT SANPO



Financial Committee Report  
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## **FINANCIAL REPORT**

### **1. INTRODUCTION**

Mister President,

If we dissect the Financials of SANPO, the following elements manifest.

We have income which stems from a couple of revenue streams.

1. Income from Membership fees @ R 50 per member which equate to about 3680 members paid.
2. Income from Sales of Stock, mainly life rings.
3. Income from Interest we generate from the various funds we have on hand.
4. Income from the One Day Lofts.
5. Income we acquire from donations from members, direct and indirect.

If we look at expenditure items, we have various requirements of which the following denote the major aspects.

1. Expenditure for SANPO's congresses;
2. Expenditure to attend various Government or other Stakeholder meetings.
3. Expenditure to acquire Stock, which is then translated to Revenue.
4. Expenditure on One Day Lofts, mainly the Kroonstad and the E-Cape loft at present.
5. Expenditure on Honorariums.
6. Expenditure on Audit and Taxation matters.
7. Expenditure on Legal fees.
8. Expenditure on Dope testing related matters.

However, during our discussions with our previous auditors in Bloemfontein, Mister Claase stated that SANPO is in effect surviving on the interest generation capacity alone. This is a concern, and he has apparently warned SANPO about this situation for the previous years. I could not find any minute containing this warning Mister President, so if the previous management were informed, it seems that the message has been lost in translation.

Therefore, and irrespective of what and how we reflect the income and expenditure, we need to be conscious of this statement.



## **2. FINANCIAL MANAGEMENT**

On a financial management point of view, the logic would be to curb expenses. This seems straight forward and quite easy from a layman's point of view, but in fact is not as easy as it would seem given our history and the various aspects we had to contend with during this year to rectify various matters.

### **2.1 SANPO Congress**

The SANPO Congresses are expensive, but let me deal with that in the context of SASCOC and related Sport Federations requirements. As a collective Mr President, we need to determine if we want the Sport to grow in South Africa or let it decline.

Let me clarify, there is a distinct expectation from SASCOC that we need to market the sport to all South Africans and that our house need to be in order on an administrative level, before they will consider assisting us. With our recent discussions SASCOC has alluded to various forms of assistance from which we can benefit, but as always there is a requirement that has to be met.

To start the process, SASCOC's Presidential committee has agreed that all Federations will re-organise in Provincial context as far back as 2012. The reason was that all SPORT federations could then on a National as well as a Provincial level apply for funding to assist in developing the Sport and could also acquire funding for the congresses, if I understand the processes correctly.

SANPO, mister President, failed to do that since the inception of this process. The question that I am forced to ask is WHY have we not started this process three (3) years ago? Why could the Fancy Pigeons acquire funding and the rest of SANPO could not?

### **2.2 Marketing Material**

In addition, Mister President we have to learn three (3) years later that SASCOC is willing to provide assistance to send our Sport's marketing material to ALL other Federations, at no cost to SANPO.

We have to develop the marketing material, but that would be a small component of the cost. This would enable cross marketing of our Sport to other Sport Federations. We missed these opportunities as well.

### **2.3 International Event**

In the same vein Mister President, I must inform the assembly that SANPO has the power to declare any race event in South Africa as an INTERNATIONAL event, and inform SASCOC of this aspect in writing. SASCOC will then inform Super Sport, which will then film the event, at no cost, and provide some airtime to the Sport. SANPO can



decide based on specific criteria;( i.e. 60% of the entrants are International participants, or that X amount of countries are presented), that the one day loft's race is an International event and all the hotspots and the final races could then be covered. I think Mister President that we need to avail ourselves of these opportunities.

## **2.4 Legal Processes**

On a Legal environment, SASCOC has a panel of arbitrators, which we need to understand how they can assist in arbitrating specific aspects of the various conflicts that we are engaged with.

We do not yet have the full terms of reference, but we need to ascertain the process of engagement. I do not think, Mister President, that any of us was aware of these facilities. This has the potential to assist in diminishing the Legal fees, if we can acquire the mechanism to activate the processes correctly and can understand their processes.

SASCOC has indicated that SANPO should consider the same process but that SANPO could also engage with SESSA or other type of companies with this kind of infrastructure.

## **2.5 Doping**

From a Doping perspective Mister President, we have been engaging via SASCOC with SAIDS (South African Institute against Drugs in Sport), and we need to provide all our manuals and lost cases to them in order for them to assist us.

They have already identified a Professor in UCT which we will work with us to acquire an understanding of how the processes and methodologies as well as the test need to be upgraded. SASCOC has a clear and definitive point of departure on Drugs in Sport, and they are brutal in their approach. If they acquire the methods, they want us to test every team every week. We know it is not possible, either practically as well as financially, but that provides an indication of how serious they consider doping.

We will need to understand more, but they are concerned that we use fellow fanciers to test other fanciers and indicated that even if they are trained, that impartiality in a court of law may be an issue. This could once again cost us Mister President, so we will need to consider these elements and the way forward for this year on Dope testing, carefully.

## **2.6 Government Induced Meetings**

The attendance of Government induced meetings is not at our request, but for the Pigeon Sport in South Africa, we have to attend it. These meetings are irregular and



cannot be sufficiently planned for. In most instances we are required to attend to defend our sport, like our meeting with the DEA, and the various meetings with SASCOC. May I add Mr President that in most of these meetings no members of the board raised any claims to SANPO for travel and subsistence and therefore there was no financial implication to SANPO, except the aeroplane tickets. My thanks to those members for their generosity.

## **2.7 NSPCA**

The NSPCA meeting was required due to our history with the NSPCA and to put an open Court order to bed. The execution of the tests and the effect thereof, we have successfully transported to the Unions or Federations who want to participate on those distances, and therefore SANPO has no immediate financial liability. Once again, no member who attended this meeting raised any claim to SANPO for travel and subsistence. My thanks to those members as well.

## **2.8 Stock Procurement**

Regarding stock procurement, mainly the life rings, the financial committee has drafted a tender for life ring manufacturing. Mister President, the price of rings in Euro, does not make economic sense, and therefore I implore the Council to consider an alternative approach. If we refer to the sheet provided, we will see that +- 540 000 life rings were sold last year at an enormous cost. The other stock items rand value is low in comparison and can be sourced locally.

## **2.9 SANPO One day Lofts**

The SANPO one day lofts is a concern Mister President, and although the E-Cape loft is on the uptake for this year, SANPO had to carry this loft now for two years. In all fairness, the Kroonstad loft **was** in limbo due to the Lotto application, which was circulated to all council members.

We are still awaiting the outcome of that process. Not to detract from the proposal that we agreed upon, Mister President, we will need to move the loft to the premises in Cape Town sooner rather than later, as I do not know the current state of the loft on the farm. I have an unsigned copy of the contract with Mister Erasmus, but I think there is a limit on goodwill, as the loft is not currently in operation.

To clarify the situation Mister President we also need to note that the bigger financial investment in the loft was the cement floor and the foundations. This cannot be removed and it should have been designed differently if the correct oversight transpired. These items are a dead loss to SANPO.

I must therefore state that the One Lofts Financials currently do not make a lot of sense, and there are various one day lofts which provide these facilities to fanciers. We need therefore to carefully consider our way around these aspects, and I did inform the chairman of the SANPO constitution about the possibility of having a separate clause for one day lofts and how SANPO can deal with them.

## 2.10 SAMDPR

Mister President, then allow me to brief the assembly on the success that SANPO had with the discussions with the SAMDPR. Mister Holt has given SANPO three (3) auctions as fund raisers, and has made a significant contribution towards electronic rings for disadvantageous fanciers.

In addition, Mister Holt has also agreed to provide SANPO with a write up of the rules and regulations for one loft race facilities.

If we can consider these aspects succinctly Mister President, we can as a collective develop a model in which these lofts can also become a constant revenue stream for SANPO, and my simple proposal would be that SANPO ask for one auction from every one loft race, dedicated to SANPO's development fund.

## 2.11 Morality

Next, Mister President, on a moral request, I think it is fair for all members of SANPO to ensure that one day lofts birds that they have in their possession is legally obtained. It would seem that a lot of our members has "stray" birds in their lofts and in the case of the SAMDPR each constitute a \$1000 dollar loss to the loft. SANPO will need to consider its position in this regard.

## 2.12 Contract Management

I need to re-iterate the guidance from SASCOC, Mister President. SANPO as a collective under the Accounting Officer's guidance, your esteemed self, must ensure adherence to all demand and supply management principles in accordance to the various laws on the subject. Therefore Mister president, we have to have a financial policy, as policy outlive individuals, and we have to ensure succinct governances are in place to ensure our status of "Good Standing" with SASCOC.

This translates that whenever SANPO develop a contract, that the operational policy, standards, procedures and guidelines need to be developed to ensure that we do not spend money on items, which was not received, controlled and signed for delivery.

This Mister President **means** that you in your personal capacity can be held responsible for any loss so incurred, if you do not ensure that a contracts execution framework is in place and not monitored correctly. The previous Doping Contract with



Mister Schalk de Kok comes to mind mister President, as the execution framework by admittance of the previous Financial officer was not in place as per e-mail received, and payment transpired without proper controls to ensure effective delivery had transpired, as nobody verified the amount of doping tests concluded versus the actual invoice before payment was conceded. These practices cannot be repeated Mister President as all are now aware of the liability. I therefore implore the assembly to apply their minds to the financial policy issues on the table as we need to reach agreement on those items as soon as possible.

### **3. FINANCIAL PROGRESS**

With regard to the financial progress for this year, I think it is fair to put all matters in perspective.

#### **3.1 Data Capture**

I am in a position to report Mister President that all data on the financials are now captured in Pastel as agreed with the previous auditor of SANPO and as endorsed by the current auditor of SANPO.

#### **3.2 Frozen Accounts**

The council need to take note that Mister Schack only started effectively on the 1<sup>st</sup> of November and had to acquire all data and re-capture it into Pastel for the auditors. During the same period the PWDC assisted SANPO with payments to ensure the transition process could be concluded due to the fact that there were no facilities to ensure payment to any entity. We apologise for the inconvenience if any, but all SANPO accounts were frozen due to the fact that we had to get the new signatures aligned and then establish an electronic banking service as well.

#### **3.3 Consolidated Accounts**

To date the Treasurer has physically engaged in person with the bank to get all payments executed, and it took both of us about five weeks of engagement with Nedbank to conclude the matter to a working state. We would therefore promote Mister President that SANPO consider having a single account for operations and an investment account for the rest. All other lofts or ventures can then acquire their own T account in the General Ledger and Mister Schack can do the calculations of interest accrued on that basis. The fact that SANPO has an account for every aspect is costing us money which we do not want to spend, and if there is no activity for a given period, Nedbank just locks the account.

### **3.4 Interest on Accounts**

In support of the above proposal, Mister President, we have been interrogating ways and means in which we can acquire more interest on our accounts, and I have acquired a conservative estimate from Old Mutual of 6.5 to 18.5 % depending on which fund we want to put our money into. All funds still have the capability of withdrawal upon a time frame of notice, and the council will hear more input to this matter in due course. Fact is this is a council decision and one which we can only recommend in order to generate more income for SANPO.

### **3.5 Legal Fees**

The payment of R 100 413.62 of legal fees to the PWDC was actually incurred in 2013, when the then President of SANPO stated that SANPO will pay the legal fees as SANPO was the one who made the decision to change the race rules which were put into dispute. This statement, Mister President, should according General Accepted Accounting Principles, have led to either a note or a provision in the Financial statements of SANPO that indicated the future liability. I could not acquire such inscription in any of the past two year's financial statements, and therefore, as the previous process did not make provision for this payment, it reflects only in this financial statement as a final payment. This put the current financial statement in a negative position as the payment was not provided for as it should have been. This was a serious oversight as SANPO was fully aware of this liability as advice by council Adv. N Dreyer in 2013 and 2014.

### **3.6 Honorariums and Provision for Honorarium**

The expenditure on honorariums for 2015, Mister President, as indicated in the financial statements, has been rolled forward and accrued under the honorariums.

The way that we were advised to do it is to ensure provision is made therefore in advance of the payment as we know what the amount is to be, and therefore there is a double impact on this item, the year as paid previously (2014) and the provision (2015).

This would then indicate a double payment on the statements for this year, 2015, only.

In addition, you will see there is no additional honorarium for the various lofts, as that has been cancelled Mister President. As agreed in April, it does not make sense to pay an R 10 000.00 honorarium per loft, if the administration thereof is 300 to 500 entries and 100 payments per annum. Why this situation was not previously monitored and reviewed Mister President, we do not know.

In addition, the honorarium paid in the previous financial year will be drastically diminished as this expense item have been consolidated and will stabilise to what the board has given instruction to, only a honorarium and no extra tax payments. The amount shown in the financial statements will therefore be the amount paid.

### **3.7 Kroonstad Fixed Asset rectification**

It must be mentioned that on the 2014 Financial statement the Kroonstad loft on the fixed asset base included the liquid asset of the R301 781 investment in the bank account. This was an error in the financials and rectified.

### **3.8 Revenue Streams**

In order for SANPO to develop new revenue streams, the following:-

- Mister George Le Roux, the Vice President has provided the school concept which individual members are driving at this point in time.
- The efforts with the SAMDPR have rendered three (3) individual sales to SANPO's benefit.
- The Lotto application has been completed, and we are awaiting the results.
- The SASCOC engagements have confirmed SANPO's status, but have also given us potential access to mechanisms which may be utilised to save cost for SANPO.
- The various engagements with the clock committee has resulted in indirect benefits as CAN's will be opened to all clocks and Mister Shane Gerber is on the verge to acquire commitment from the various ETS suppliers to open clocks to read various rings. In this we foresee better competition for the market and more value for the South African fanciers.
- The life ring tender has been developed and upon approval and possible amendments, it can be published to test the water for less expensive life rings for South African fanciers.
- Proposal for accrual of interest on different mode of investment has been researched and is pending a discussion.

### **3.9 Financial Management**

On a Financial Management note Mister President, the historical information as well as the audit reports were used to develop an approach and a financial policy document, but with the various elements of several committees' that may be influenced, we will possibly have to reconsider certain aspects.

Therefore, the Financial committee, needs to present a couple of principles for discussion to guide the council and to test specific assumptions in order to generate a realistic budget.

1. Principle number one is to advocate a tender for foot rings, which we deem can be a cost saver and put the rand /euro aspect to bed. To this effect we have projected that Income from Sales could reach a total of :- R 1.2 million based on +/- 570 000 foot rings @ R2.10 per ring, while the cost of sales would then be R 860 000, given no price increase of the ring cost. The price above may differ depending on where we can acquire the best prices for foot rings and / or if the tender is approved. Therefore we promote a tender process to test the water in the market.
2. Principle two is Membership fees. With all due respect, if we have to be in several places across South Africa to meet Government and other stakeholder demands, our expenditure on Travel and Subsistence will increase. In the absence of any alternative funding we have to mention that a Membership fee of R 50.00 per annum is totally undervalued for what the fanciers are acquiring in return. To this effect we would like to propose an increase in Membership fees to the extend of R 20.00 to R 70.00 per member with a principle escalation of CPIX % increase at the end of February every year. Conservatively estimated this should provide SANPO with R 257 600 per annum. We have projected these amounts based on the paid up members of 2015.
3. Principle three is All Pigeon Fanciers need to contribute to the SANPO funding of Membership fees. Mister President, we are all aware that there are various members who do not pay and procure rings from Pet Shops or other fanciers. We are therefore aware that there are members and organisations who are not paying any fees. This must be addressed in order for SANPO to acquire agreement to close the gap on this aspect. We currently argue that there must be about 4500 fanciers in which we know, only 3680 is paying. We require serious commitment per Province and per region from all Council members to address this issue. The deficit here is estimated at about R 57 400.
4. Principle four; an additional revenue stream has been identified in the light of SANPO's agreement with the SAMDPR, and towards that principle, we would like to promote that every one day loft dedicate one sale to SANPO's development fund. This fund will then be created to develop the sport and all



provinces / regions would need to apply and request funding which the full council need to approve for the next financial year.

5. Principle five is Lotto funding. The Lotto fundraising and application has been agreed to by our first application in 2015. SANPO need to accept as a principle that on a National level, SANPO will apply for funding based on the pillars as identified for the total SPORT research and development on a National level as distributed, but that every Province will apply for funding on a Provincial level as well. This will necessitate some co-ordination, but as that is the 2012 agreement on SASCOC's Presidential council, SANPO will have to execute the re-structuring in this financial year. In principle we would then promote that SANPO only cover the cost of one Provincial delegate to the SANPO Council meeting, but that the Province has the right to send a second council member from Provincial level to the SANPO Council Meeting at their own cost.
6. On Legal expenditure, it must be stated that various aspects of Legal costs will arise and to that effect, the Financial Committee propose membership to SESSA or a similar institution, as well as a clear and unambiguous process to determine how and when the SASCOC structures can be invoked.
7. On the income generated from our investments, the Finance Committee has defined that one consolidated account for all investments need to be created and that this investment then needs to be re-structured conservatively with a major role player like Old Mutual to acquire a better interest than the 4.5% on accounts. The Finance Committee thinks this revenue can easily double if we invest wisely under proper governances.
8. The audit fees in 2015 is still split between Audit fees and then Accounting fees which were paid to the same company due to the fact that they re-captured the hand written records to Pastel. We promoted and agreed that NO accounting fees will be payable, as agreed in 2015, due to the fact that the present Treasurer must accomplish this task.
9. The honoraria per loft, has also been cancelled, as it does not make sense to pay a honorarium for entries which actually form part of the treasurers accountability as a whole.
10. The VAT aspects must be analysed by the new auditors to determine liability and position for SANPO.
11. The PAYE on any honorarium is cancelled in total as none apply due to the amount to be paid as honoraria, therefore there is no IRP5, and the onus is on

every office bearer to declare his or her honoraria as part of his income to SARS.

12. Due to advice acquired from the SANPO auditors, we promote a radical different approach to known expenditures. In this we promote a provision in the financial year in which we know a specific expenditure will occur.
13. For Sport Development, we feel strongly that SANPO needs to develop material that SASCOC can distribute to other Sport Federations as promised. This material needs to be defined and promoted in order for the Sport Development component of SANPO to request a budget.

### 4. BUDGET / FORECAST

As indicated and based on some of the principle agreements, the following is presented as a high level “Income and Expense” budget with provision for specific items as discussed. As input was requested from other SANPO committee’s, said input has not been fully acquired, and therefore the following is deemed as a “Forecast” only.

<b>BUDGET FORECAST SANPO - 2016</b>			
<b>INCOME</b>	<b>R</b>	<b>EXPENDITURE</b>	<b>R</b>
Sales of Stock	R 1 200 000	Procurement of Stock	R 860 000
Membership fees	R 257 600	SANPO Conferences	R 220 000
Interest from Investments	R 85 000	Honorariums	R 121 950
One Loft Auctions	R 15 000	Auditing Fees	R 25 000
		Telephone and Communication Expenses	R 28 000
		Insurance	R 8 000
		Donations	R 10 000
		Development Funding	R 35 000
		Bank fees	R 2 000
		Petrol etc.	R 3 000
		Printing and Sundries	R 6 000
		Trophies	R 3 500
		Travel and Expense - Gov &SASCOC	R 60 000
		Loft Movement and Erection	R 50 000
		General Expense & Petty Cash	R 24 000
		FCI	R 3 000
	<u>R 1 557 600</u>		<u>R 1 459 450</u>

Income over expenditure forecast:- R 98 150

## 5. TREASURER REPORT – SANPO 2015

### 5.1 Issues

The following issue was resolved when processing the FICA requirements with Nedbank - Mr R van Rooyen was still one of the authorised signatories on the Nedbank system. The onus rests with the SANPO management and the defined Financial Committee, to ensure that with the election of new representatives, the FICA requirements are in place at the respective financial institutions. As this was not done, the processes of changing the credentials took more time.

### 5.2 Expenses reflected in 2015 as part of 2014 or prior years expenses

5.2.1 As indicated and discussed, the following expenses as presented in the 2015 financial statements should have been dealt with in the 2014 or previous financial statements, and is therefore part of the legacy of SANPO that had to be cleared or cleaned in this financial year:

a) Accounting fees	R 10 100.00
b) Audit fees	R 12 900.00
c) Legal fees (paid to the PWDC)	R 100 413.62
d) Honorarium	
- WA Venter	R 32 726.66 - (R 8 181.66 – PAYE)
- F Gillmer	R 17 600.00 - ( R 4 400.00 – PAYE)
- Y Coertzen	R 102 026.66 - (R 25 506.66 – PAYE)
- Telephone Expenses	R 3 417.26

*(The payment of PAYE to SARS by SANPO are in these instances considered as being part of the Honorarium payments to the relevant officials and are thus included in the abovementioned figures. It also need to be reflected that R16 216 was paid as honorarium per Loft and reflected as "Administration Cost"..)*

The total expenses reflected in the 2015 Financial statements include the expenses relating to the 2014 years honorarium amounting to R 156 199.98 as well as a provision of R 121 950 for the 2015 financial year. The Council will see an immediate decline in honorarium as indicated.

5.2.2 After discussions with the new auditors it became clear that it is very unlikely that SANPO will be able to claim back the amounts for PAYE paid, from SARS. This

means that SANPO has in effect lost **R 38,088.32** in the 2014 to 2015 financial year alone.

- 5.2.3 Considering the above information in the context of pro-active financial management, **the loss of R 163 510.59 as reflected in the 2015 financial statements could in actual fact have been a profit/surplus of R 115 673.61.** This would have realised had these expenses been reflected in and attributed to the correct year/years in which they relate to, or have been committed to by SANPO, as the legal provision methodology dictate.

### 5.3 Extraordinary Expenses

- 5.3.1 The following "extraordinary" expenses were incurred in the 2015 financial year:

Two Board meetings were held during the year and the related expenses are as follows:

- Cape Town	R 94 949.46
- Durban	<u>R 97 279.14</u>
Total amount for travel and accommodation	R 192 228.60

- 5.3.2 Extraordinary Audit

An audit was conducted during the 2015 financial year and the net costs incurred amounted to R 71 085. I wish to thank the two sponsors for their contribution of R 16 550.00 towards these expenses.

The audit resulted in identifying the loss on PAYE as indicated above. SANPO were not liable for the PAYE on the honorariums paid to individuals as this honorarium was below the threshold of taxation and issuing of an IRP5. This assisted in identifying the lack of a Financial Policy.

The question on the loss and irregular expenditure attributable to a lack of policy and guidance to the effect of R 104 000 on dope testing's that was not concluded has been discussed with SASCOC. SANPO need to ensure contracts are managed as the previous auditor indicated that he had no contract to determine the terms of reference or the terms of payment. Therefore as an auditor, he could not question any of the aspects and had to believe the payment transpired correctly. These aspects will turn into personal liability aspects in future, so as a collective we will have to ensure all aspects of contract management is in place.

It also identified the issue of the Kroonstad Loft in which the R 344 938.00 were used for a loft in which +- 60% is sunken cost into foundations and cement floors which

cannot be removed by SANPO, as the contract management was left to the owner of the estate.

It identified the issue on VAT payments on Membership fees, which is totally irregular, and also identified that SANPO was paying a Treasurer, an Accounting Principle, who was then also the Auditing Principle, the same entity. This is an irregular practise.

The question of depreciation has been provided for in the financial policy, and in this sense the advice acquired is sound. SANPO need to show a fixed asset, irrespective of its final value, as it still retains value even if full depreciation has been accounted for. This element is part of the financial policy that the council need to discuss

SANPO has been paying on average an amount of R 500.00 every two months to provide a VAT return to SARS, which in most cases is a zero return and can be done on-line or at least if one does not have on-line facilities for as little as R100.00 per return. As stated previously SANPO need to consider the consequences of de-registration. This has been given to Meintjies and Vermooten to establish.

An amount of R 1 500.00 was also paid in respect of the 2015 IRP reconciliation to the same auditors that developed and audited the books for SANPO.

In continuation of the audit report, Mister President and according to the "AUDITING PROFESSION ACT, 2005 (ACT 26 OF 2005)" the following has pertinence:-

"audit" means the examination of, in accordance with prescribed or applicable auditing standards of the-

- (a) financial statements with the objective of expressing an opinion as to their fairness or compliance with an identified financial reporting framework and any applicable statutory requirements; or
- (b) financial and other information, prepared in accordance with suitable criteria, with the objective of expressing an opinion on the financial and other information;

In order for SANPO to acquire a succinct solution and advance warning of future aspects, SANPO need to enable the treasurer and auditor with guidance to indicate which aspects is of crucial importance to SANPO. To this end the financial policy was developed for review and consideration. It needs to be re-iterated that , in the absence of the financial policy, any auditor will only look at how the material has been

developed according to General Accepted Accounting Principles, and express an Opinion only.

SANPO would then lose the possible advance warning and advice from the auditing firm. These issues need to be unambiguously addressed in policy. The cold fact is, there has been no written financial policy in existence for SANPO, only word of mouth and minuted guidance elements which was subject to interpretation. This modus operandi gave rise to a loss of income on various aspects as the previous treasurer on various aspects had no guidance or explicit instruction.

The bottom line is Mister President; the organisation's management prepares the financial report. It must be prepared in accordance with legal requirements and financial reporting standards and an agreed policy to assist the various role players.

If this is not in place our appointed officials are at their own devices and mistakes are made. In this context, and specifically in the absence of an agreed policy, the Accounting Officer is ultimately responsible for any loss or gain in his personal capacity, as the officials are operating in a vacuum. We need to remedy this historical legacy as soon as possible.

## **5.4 Trade debtors and Trade creditors**

### **5.4.1 Trade debtors**

The SANPO policy is that organisations pay up front for their ID rings when placing their orders. There is then always a reconciliation after the rings has been delivered and the final account is paid. In previous years, and in some cases SANPO had to pay back monies if the exchange rate was less but in most cases the organisations had to pay in some money if the exchange rate was worse than when the rings was ordered.

This year 2015, the figure of R 325 836.91 for trade debtors is excessively high as a result of the increase in the selling price of the rings due to the excessive fall in the Rand/Euro exchange rate during December 2015. This caused a severe impact by the time the overseas supplier was paid, and the major contributor in this aspect is the Federated Board, which need to be consulted to settle their debt.

#### 5.4.2 Trade creditors

At year end we had to provide for the payment of the ID rings to the overseas supplier. This amounted to a Rand amount of R 627 825.73.

This payment only took place on the 12<sup>th</sup> of January 2016, due to the fact that ALL SANPO accounts was frozen by NEDBANK due to the fact that signature changes took NEDBANK four weeks to resolve. In addition, a part of the extra delay in the payment was also due to the fact that SANPO first had to comply with the FICA requirements of Nedbank before they would allow us to transact on the bank accounts.

SANPO did however, (with the approval of the member committee of the Pretoria Wedvlugduiwe Combine) execute banking transactions via the PWDC's banking facility in order to pay some of SANPO's creditors. This amount was paid in full to the PWDC as soon as all aspects were resolved.

## 5.5 Provisions as part of financial policy

The provisions indicated below, were made to keep in line with the matching principle, ie provide for the cost/expense in the year to which they relate to, therefore specific Provisions have been made for the following:-

- a. Computer expenses as we know that the Web Site and specific tools need to be revised or acquired;
- b. Travel and subsistence for this AGM (March 2016);
- c. Honorariums (2014) :-
  - i. Honorarium for 2015 (President) R 18 000.00
  - ii. Honorarium for 2015 (Secretary) R 34 650.00
  - iii. Honorarium for 2015 (Treasurer) R 34 650.00
  - iv. Honorarium for 2015 (Stock controller) R 34 650.00
- d. Provision for 2015 audit fees R 15 000.00
- e. Telephone expenses incurred but not yet paid R 1 993.77

## 5.6 General

In general there is a request from the Treasurer to ensure:-

- 1) Payment by means of EFT – NO cash deposits if at all possible. The latter incurs additional costs to SANPO, and it is proposed that an additional 3% on the payment must be levied if organisations want to pay cash.

- 2) When making payments, please quote as reference the organisation's name, not just "Rings" or similar. This is required to ensure alignment of payment to the correct account.
- 3) The Treasurer wishes to thank those organisations who responded to his e-mails at the time he sent out their statements and invoices. The mode of communication is via e-mail in order to acquire an audit trail for all communication, as mistakes can then easily be rectified.

## **6 CONCLUSION**

Mister President this year was one in which we had to focus on legacy and historical issues, and we all knew it would not be without some sacrifices. The administrative legacy of SANPO is one in which open interpretations influenced the situation and very little constructively could be achieved as an assembly of councillors. SANPO was primarily re-active and non-responsive to the future environment nor pro-active to the demands of the fanciers in general.

These are the mainline items which cause the current reflection of a loss on the balance sheet. If we reverse their effect, we would have made a modest income of R **115 673.61** .

With these items catered for mister President, and with guidance according best practises, as well as final guidance from the Council on the Financial policy, the various procurement mechanisms and the other SASCOC mechanisms, I think the stage is set to take SANPO on an even keel in which the financials will be open to all members. As you are aware it has been our intention for the past year to provide monthly income and expenditure figures to all councillors. This will now transpire after our report has been finalised.

I thank you.

Willem van Wyk

SANPO: Chairman Financial Committee

2016-03-12