

2022/23 ANNUAL REPORT



NQUTHU LOCAL MUNICIPALITY

*Prepared in terms of Section 121 of the
Municipal Finance Management Act No. 56 of
2003.*

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PART A:
**NARRATIVE: 2022/23 NQUTHU LOCAL
MUNICIPALITY ANNUAL REPORT**

CHAPTER 01

COMPONENT A: MAYOR'S FOREWORD

MAYOR'S FOREWORD



His Worship the Mayor: Cllr IL Shabalala

Vision

Nquthu Local Municipality vision for the current council terms is:

“To govern with integrity through servant leadership, accountability and responsive governance in order to meet the developmental needs of the people of Nquthu”

The municipality will always strive to attain this vision. In the 2022/23 financial year, the municipality made some progress in pursuit of its IDP objectives and initiated quite a number of infrastructure, local economic development and social programmes and also improving the audit outcome.

Key Policy Developments

During this financial year, amendments were made to the Municipal Systems Act with an aim of improving governance and professionalizing in local government. Among measure changes made is to provide for the permanent appointment of senior managers to enhance their security of tenure and improve institutional memory across different council terms.

All municipalities are now required to cascade performance management to all employees as of 1 July 2022 after the promulgation of Municipal Staff Regulations. I am happy to report that Nquthu Municipality has put all systems in place and is progressing well in ensuring that the performance of all employees is properly managed and measured.

Key Service Delivery Improvements

The primary objective of the municipality is to deliver services to the people of Nquthu. In terms of service delivery, the municipality did make serious progress in the following areas:

- **Electricity:** The municipality is doing extremely well regarding connecting electricity to the grid and is close to achieving universal connection status. In the current financial year, a total of 475 households were connected to the grid in Ward 01 Qhudeni area, which was the only area without bulk lines and electricity, and in other areas across the municipality where unconnected households were identified.
- **Community halls:** a total of 6 community halls were constructed and 5 were completed and are now in use, 1 community hall was still under construction at the end of the financial year.
- **Early childhood development centres:** An Early Childhood Development centre was built in Ward 16 and was duly handed over to the local community.
- **Access roads:** a total of 10 access roads were still under construction with 6 roads completed and 4 still under construction. The roads that were completed are now in use by local communities and have greatly improved mobility and movement in affected areas.
- **Road maintenance:** All reported/identified potholes were fixed within the set municipal turn-around time and 59.44 km of gravel roads were graded.
- **Residential development:** The municipality demarcated land to establish new residential and commercial amount to an estimated 250. Roads, and bulk infrastructure like electricity, water reticulation, sewerage and roads are being developed to support new sites that will be sold to the public. The Nquthu Substation will also be progressively upgraded to meet future demand. As the Mayor I am very grateful to the KZN Department of Human Settlement which has committed over R 70 million in this project.

Public Participation

Public participation is one of the most critical aspects of good governance and accountability. There is a variety of platforms that the municipality utilizes for purposes of public participation, including; IDP roadshows, invitation of public comments, SOD turnings, project hand-overs, Facebook page, community meetings, etc. The municipality's ward committee system is functioning very well is receiving good rating of 100% from COGTA assessments. In preparation for the 2023/24 IDP, the municipality adopted an unusual but very effective approach of all existing platforms and events where the Mayor was addressing communities to incorporate Draft IDP and Draft Budget in order to engage our communities without resorting to separate events for this purpose. The IDP/Budget Roadshow was held jointly with Umzinyathi District Municipality to save time and costs.

Future Actions

Notwithstanding the fact that the municipality is making good progress in terms of service delivery, there is still ample room for improvement in the area of maintaining existing assets like roads and municipal buildings. More still need to be done reach the real potential of this municipality which include, among others:

- The municipality improved its audit outcome from qualified to unqualified with findings outcome. The audit action plan will be developed and implemented to address all existing weaknesses with the aim of further improving performance, financial management and compliance.

- After COVID the municipality never recovered the losses made and underperformance in revenue collection. The municipality developed Revenue Enhancement Strategy with the assistance of Provincial Treasury and more effort will be put in implementing that strategy.

Agreements / Partnerships

The municipality is in long standing partnership with Bornem Municipality of Belgium which has produced very good results in the areas of waste management, local economic development and early childhood development. Another partner is Assupol Community Trust which has made an immense contribution in the early childhood development sector. Five (5) ECDs have been built and two (2) ECDs have been renovated by Assupol this financial year. The municipality also signed a memorandum of understanding with the Gift of the Givers which is an international non-profit organization based in South Africa and, as part of this partnership, there has been quite a number of interventions that has been made in the area of poverty alleviation through the distribution of food packs to highly impoverished households.

Conclusion

Looking ahead, I reassert our dedication to guiding an administration characterized by cleanliness, effectiveness, efficiency, and economic prudence. Our central goals encompass bolstering good governance, refining financial management practices, and advancing service delivery mechanisms. We will exert relentless efforts to secure transparency, accountability, and responsiveness to the needs of our residents.

Furthermore, it is noteworthy that in the 2022/23 financial year, the municipality received an unqualified audit opinion with findings. This underscores our ongoing commitment to financial integrity and responsible governance.

In conclusion, I extend appreciation to all stakeholders, AmaKhosi aseNdlunkulu who continues to provide guidance and land to the municipality for the municipality to develop infrastructure, executive committee colleagues, municipal council, management, employees, and supporting government departments. Collaboratively, we will persist in constructing a municipality distinguished by excellence, integrity, and an unwavering commitment to service excellence.

MAYOR: CLLR IL SHABALALA

NQUTHU LOCAL MUNICIPALITY

COMPONENT B: EXECUTIVE SUMMARY

1.1. EXECUTIVE SUMMARY BY THE MUNICIPAL MANAGER

I am pleased to present the Executive Summary of the Nquthu Local Municipality's Annual Report for the financial year 2022/23. This period has seen significant achievements and improvements, reflecting our commitment to fostering a thriving community.

The municipality achieved a commendable performance rate of 70% in the 2022/23 financial year. While this is a positive outcome, we acknowledge the need for continuous efforts to ensure the attainment of all set targets. Our focus remains on enhancing service delivery, infrastructure development, and community well-being.

I am delighted to report a notable improvement in our audit outcome, transitioning from a qualified audit in the 2021/22 financial year to an unqualified audit with findings in the current year. This accomplishment is a testament to the dedication and collaborative efforts of the Mayor, the entire municipal council, management, and all municipal employees. Special gratitude is extended to our valued partners, including government departments such as KZN COGTA, Provincial Treasury, the Audit Committee, internal auditors, and financial consultants, whose support played a pivotal role in this achievement.

We extend our sincere appreciation to the government departments that have provided financial grants, enabling us to elevate our service delivery efforts. Special thanks to the KZN Department of Agriculture and Rural Development, KZN Human Settlement Department, and KZN COGTA for their continued support. These grants have significantly contributed to the enhancement of our programs and initiatives for the benefit of the community. Also thanks to the Auditor-General South Africa for their audit which help us to identify weaknesses and gaps and enable us to become better.

The entire leadership of Nquthu Municipality, both political and administrative, remain committed to the people of Nquthu as well as clean, accountable and responsive governance. We aspire to do even better in future so that the living conditions of the people of Nquthu are greatly improved.

As we move forward, I affirm our commitment to leading an administration that is clean, effective, economical, and efficient. Our primary objectives include strengthening good governance, enhancing financial management practices, and further improving service delivery mechanisms. We will work tirelessly to ensure transparency, accountability, and responsiveness to the needs of our residents.

MR MB JIYANE

MUNICIPAL MANAGER

NQUTHU LOCAL MUNICIPALITY

1.2. MUNICIPAL POWERS AND FUNCTIONS

In terms of the Municipal Structures Act, Nquthu Local Municipality has designated powers and functions, other powers and functions in terms of service delivery are the competency of the Umzinyathi District Municipality, the provincial government of KwaZulu-Natal and the national government of the Republic of South Africa. Water and sanitation, for example; are the competency of the district municipality under which Nquthu falls. Nquthu has the following powers:

- Access roads and storm water
- Billboards regulation
- Street cleaning
- Local amenities
- Sports and other public facilities
- Local tourism
- Development planning and building regulations

1.3. NQUTHU LOCALITY

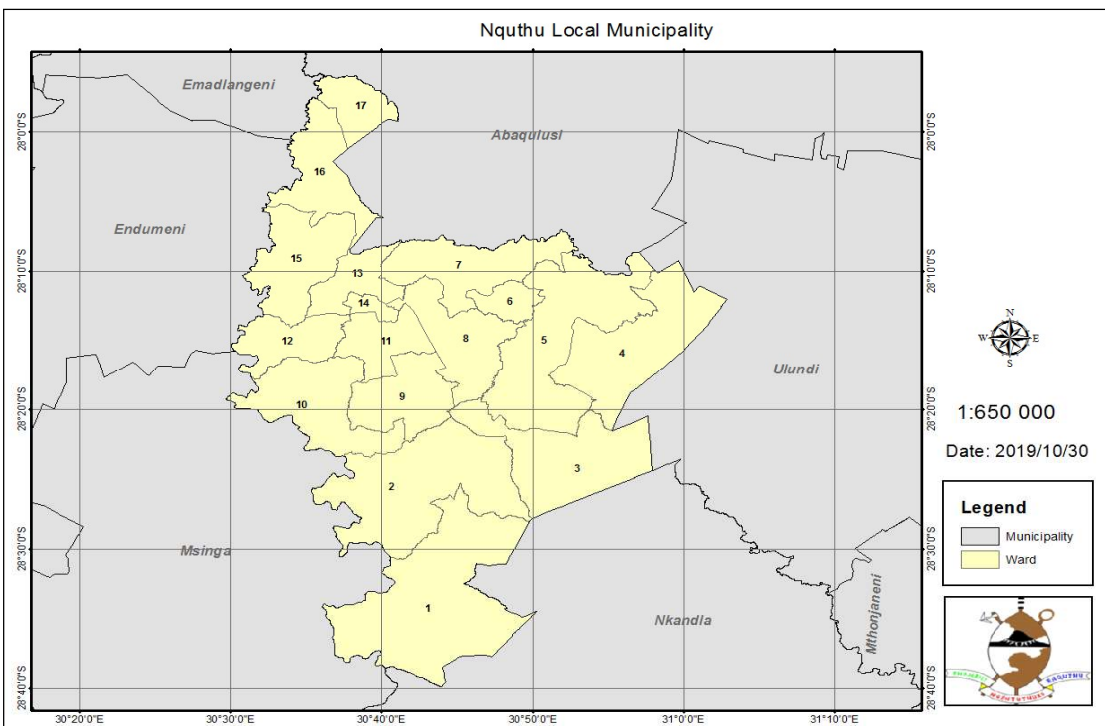


Figure 1: Nquthu locality

Nquthu LM is located north east of the province of the Province of KwaZulu-Natal and seats at the north eastern boundary of Umzinyathi DM and share borders with the following local municipalities:

- eMadlangeni and Abaqulusi local municipalities on the North. Abaqulusi LM is located within Zululand DM while eMadlangeni is located within Uthukela DM;
- Ulundi LM on the East which is also located within Zululand DM;
- Nkandla LM on the South which is located within King Cetshwayo DM; and

- Msinga LM and Endumeni LM to the West both of which are located within Umzinyathi DM and are sister municipalities of Nquthu LM.

1.4. WARD INFORMATION

The municipality is currently demarcated into 17 wards after the Demarcation Board increased them from 15 wards in May 2011 before local government elections. The **Figure 1** above shows the location of Nquthu within Umzinyathi District Municipality as well as its position in relation to neighbouring municipalities and also depict ward boundaries which were altered after the 01 November 2021 local government elections when the number of wards increased from 17 to 19 as shown below.

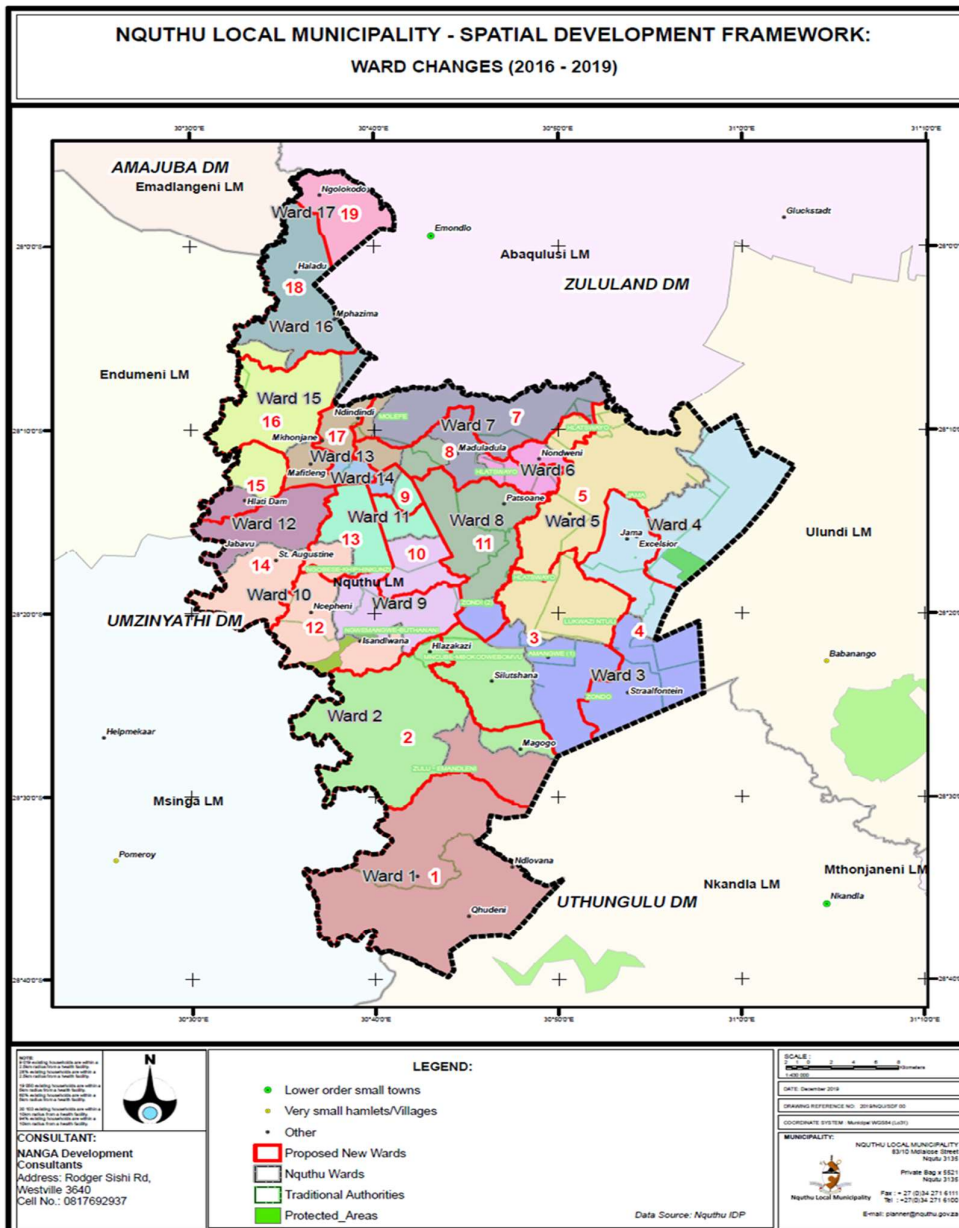


Figure 2: Nquthu wards from 01 November 2021

1.5. DEMOGRAPHICS

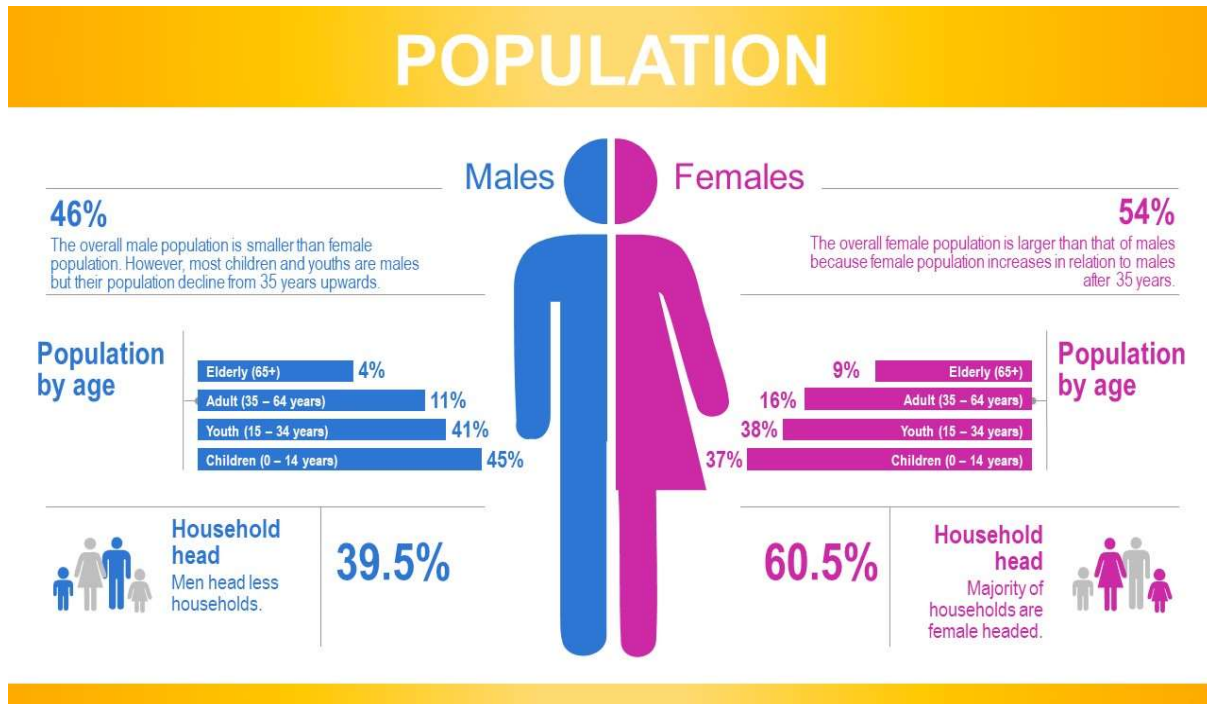


Figure 3: Population infographic

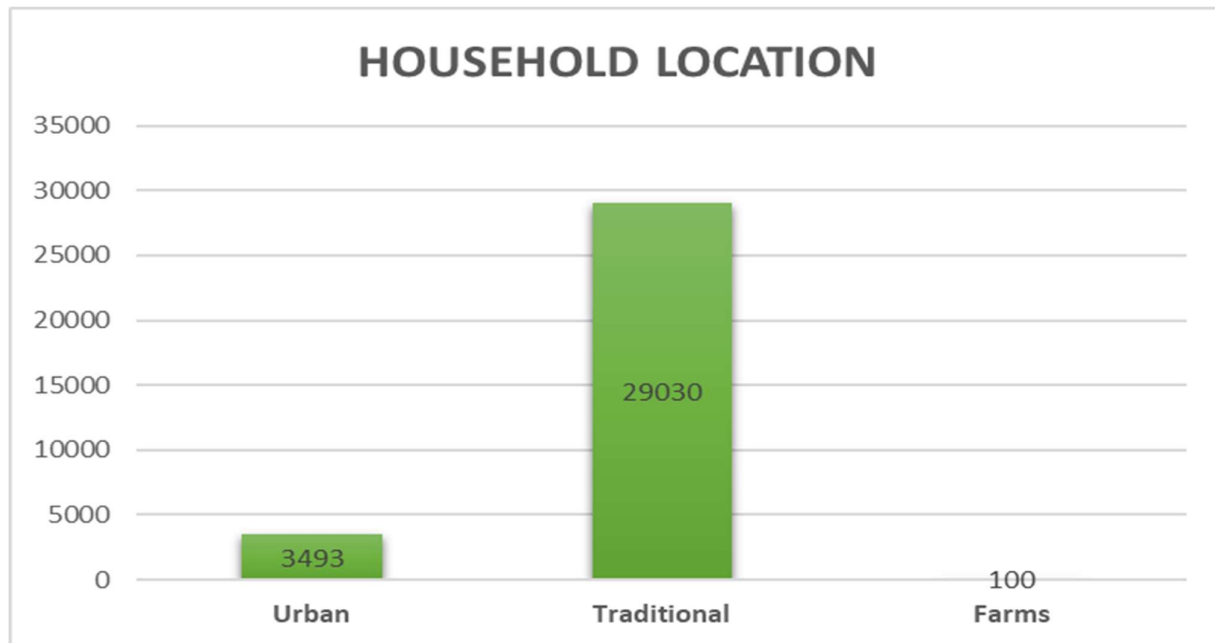


Figure 4: Households

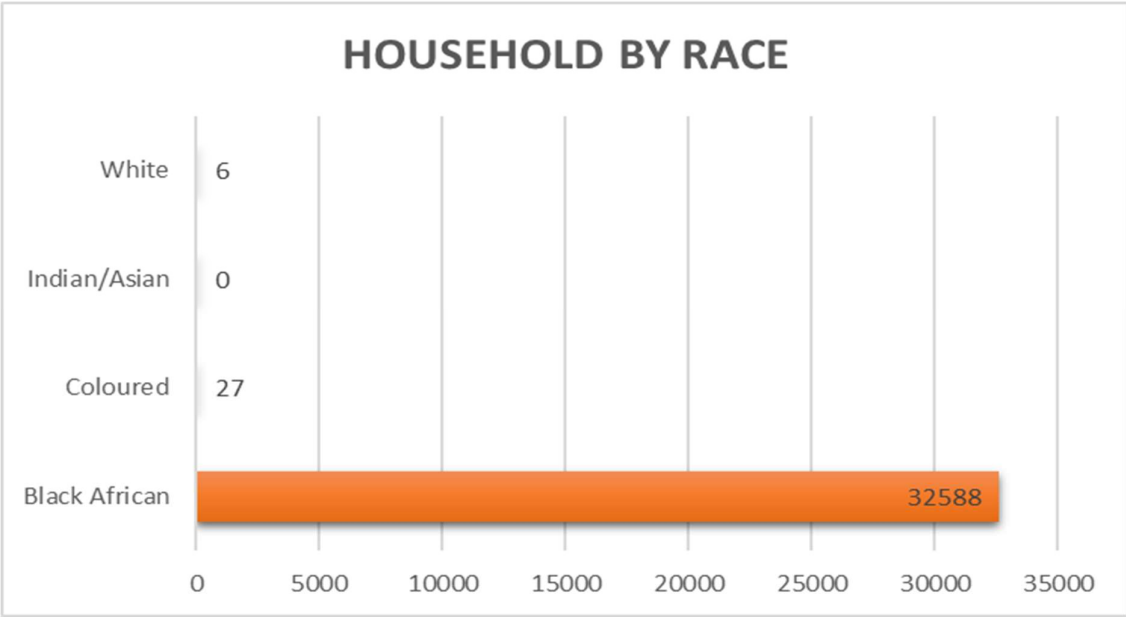


Figure 5: Household by race

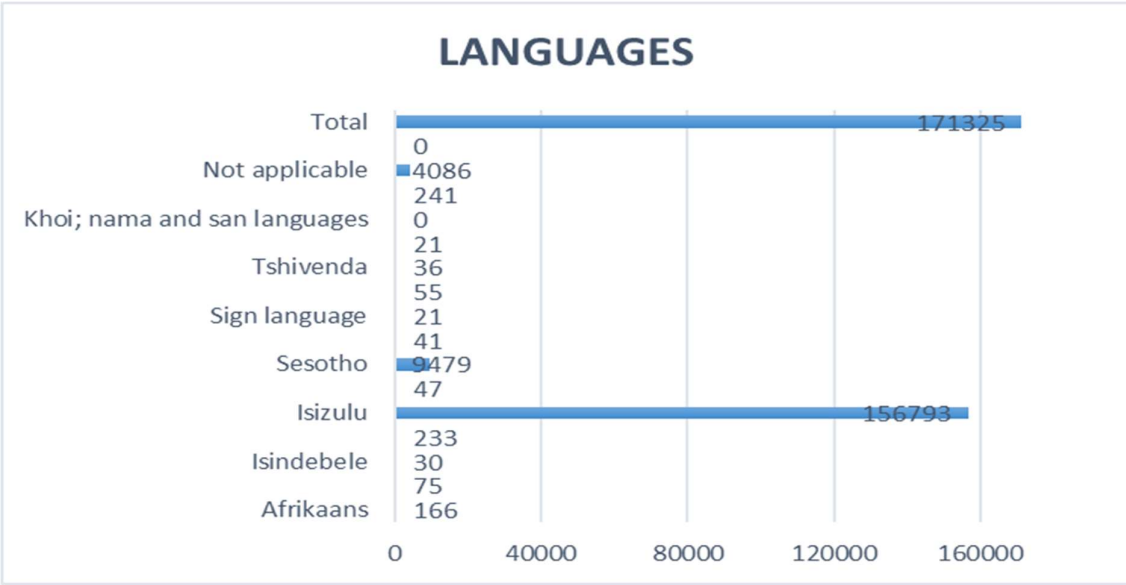


Figure 5: Spoken languages

Nquthu is a largely rural municipality with African population group overwhelmingly in majority. In terms of CS 2016 figures, our population stands at 171 325, although we know that there has been a sizeable amount of growth since these figures were released in 2016. The development implications of the overall demographic outlook of Nquthu can be summarized as follows:

- The municipality is an overwhelmingly rural municipality with 89% of households located in rural areas which are underdeveloped in the main;
- Almost 100% of the households and/or population is African due to the traditional character of the area;

- Females constitute 54% of the population while males are at 46% and similarly, 60.5% of households are female-headed, this means that in order to make a development impact, women development and emancipation should be prioritized;
- Nquthu is a youthful place with an overwhelming 79% of the population consisting of persons from 0 to 34 years which makes the youth an important population category in terms of development, and
- Males are the largest group in terms of births, but their population declines dramatically after 35 years onwards which may be due to either migration or mortality rate.

1.6. SOCIO-ECONOMIC CONDITIONS

This section deals with all social and economic conditions which constitute main indicators which are used to determine or assess the living conditions of communities.

1.6.1. UNEMPLOYMENT RATE

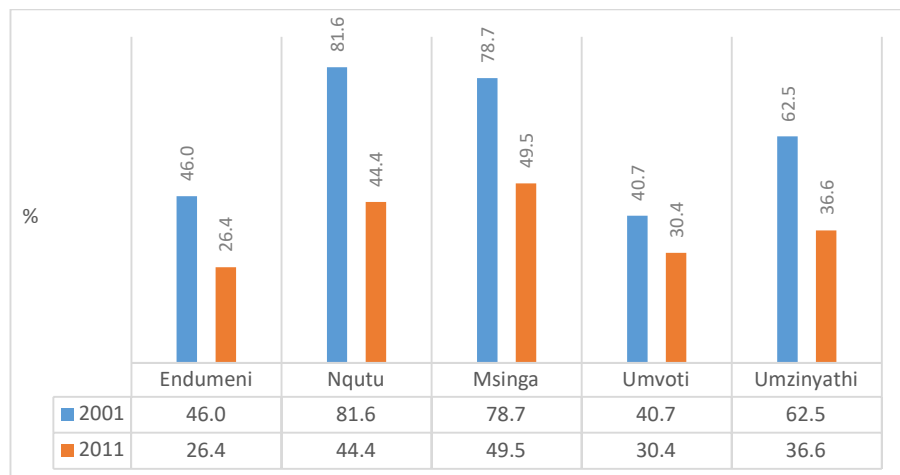


Figure 6: Unemployment rate

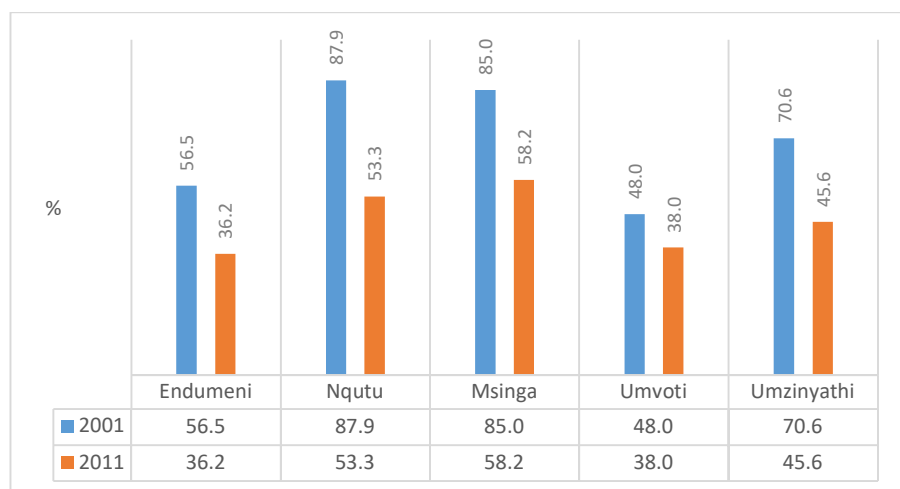
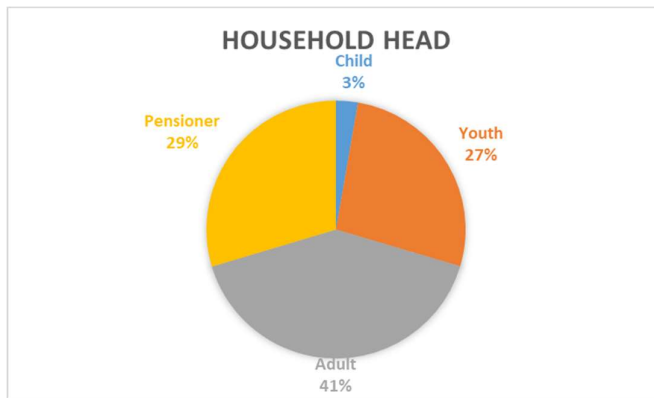


Figure 7: Youth unemployment rate

Unemployment is one of the major challenges in Nquthu, especially among the youth who constitute the biggest population group in the municipality. While unemployment remains high in the whole country, our unemployment rate far exceeds the national rate which is mainly due to the rural nature of the municipality.

1.6.2. HOUSEHOLD HEADS



While majority of households are headed by adults, **29%** are headed by pensioners, **27%** by youth and **3%** by children. When the general and youth unemployment rate is taken into account that paints a very bleak picture about the living conditions in most households, especially those headed by children.

Figure 8: Household head

1.6.3. EDUCATION

1.6.3.1. Attendance

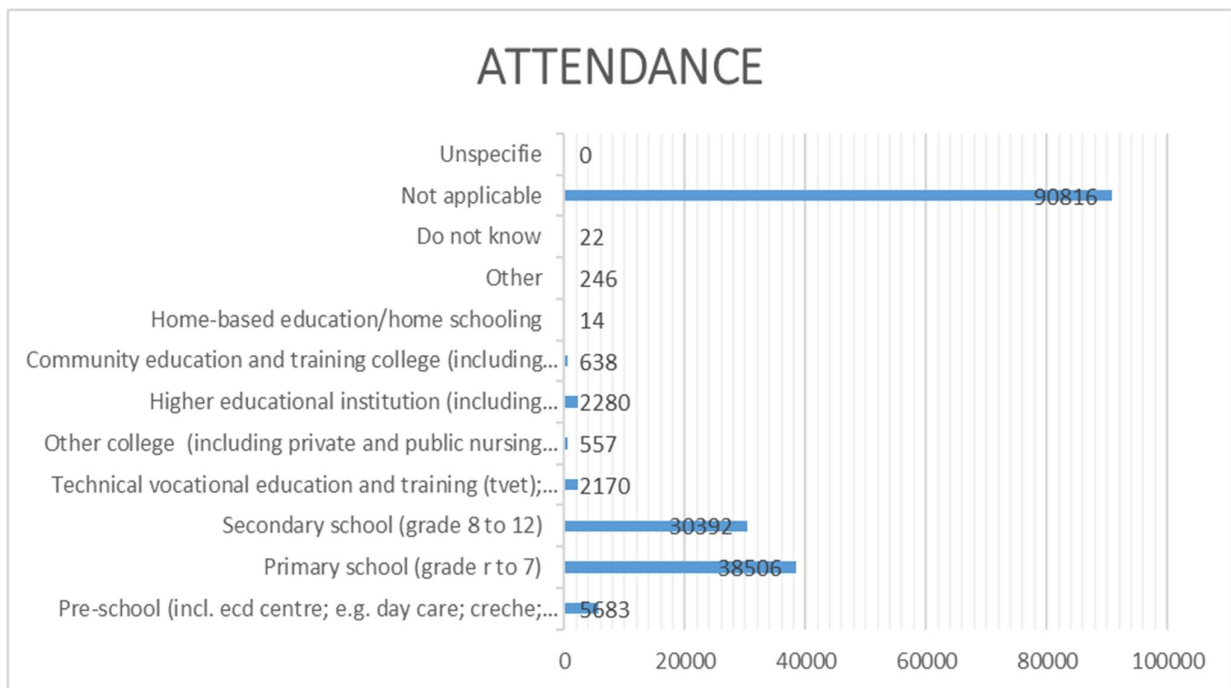
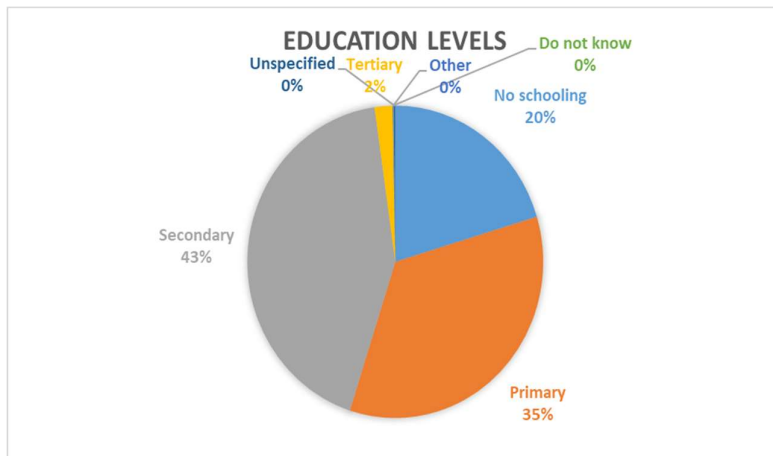


Figure 9: Attendance

1.6.3.2. Education levels



As outlined in **Figure 8** and **9**, only 2% of the population has post school qualifications which is a sign of low skills levels. And, by today's norms, the literacy rate of 20% is quite high but at least that relates to adults and elders who are the victims of the past.

Figure 10: Education levels

1.6.4. ACCESS TO BASIC SERVICES

1.6.4.1. Water

Water provision is the function of UDM which is an official water service provider in terms of the law. There is a serious water challenge in Nquthu to a variety of factors that unfortunately falls outside the scope of the municipality. However, the municipality always invite UDM at its strategic planning sessions to solicit explanations and plans that UDM has to address the water challenge. In the past, there have been further engagements regarding the water challenge involving KZN COGTA, Nquthu rate-payers' association, Nquthu LM and UDM but unfortunately the water situation is not improving. The engagements are continuing but water continues to be a challenge. These are Stats SA official figures but must be read within the context of challenges discussed above.

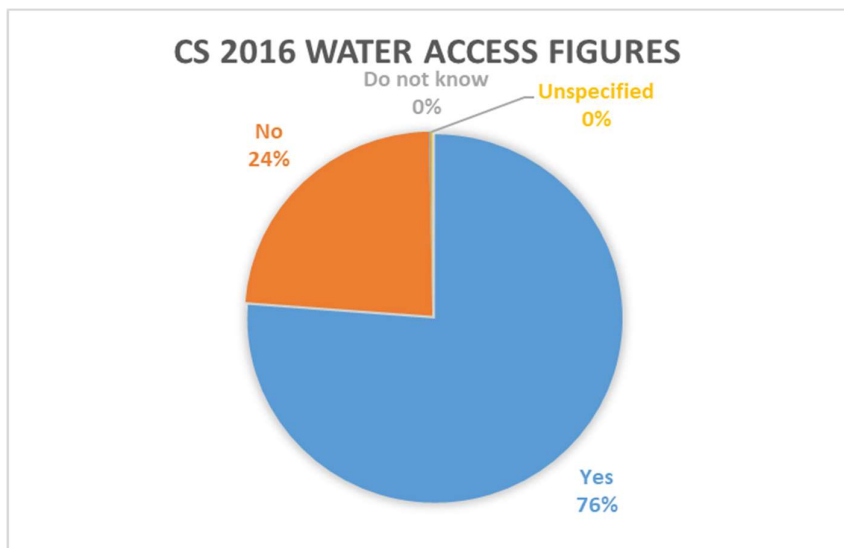


Figure 11: Access to water

1.6.4.2. Sanitation

Sanitation, similar to water provision, is also the function of UDM. There were sanitation projects that UDM within the municipality which resulting in a number of sanitation projects that inevitable resulted in some changes in the backlog.

1.6.4.3. Electricity

The municipality is doing extremely well when it comes to electricity provision, especially considering the fact that this municipality is 89% rural with some areas having quite scattered settlement patterns. Electrification figures are listed below consisting of official Stats SA figures, however; it is worth noting that these figures are around three years old and there has been changes since some electrification projects were implemented since that time.

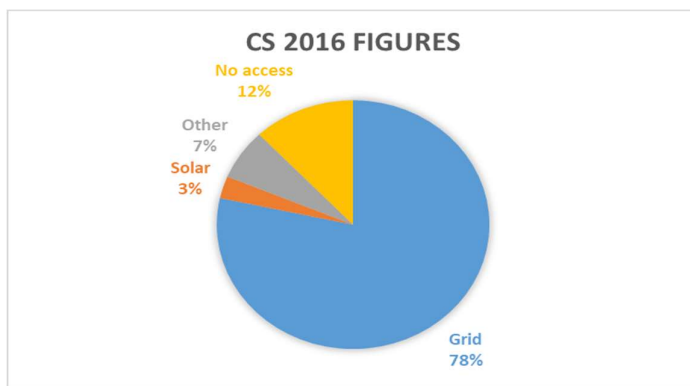


Figure 12: Access to electricity

1.6.4.4. Refuse removal

Refuse removal is the function of the municipality and there are currently three thousand four hundred and seventeen clients whom the municipality provide waste collection to. The municipality has a licenced Dump Site located in Nondweni area in Ward 5. The figures below provide official Stats SA figures regarding refuse removal as well show the municipal dump site.

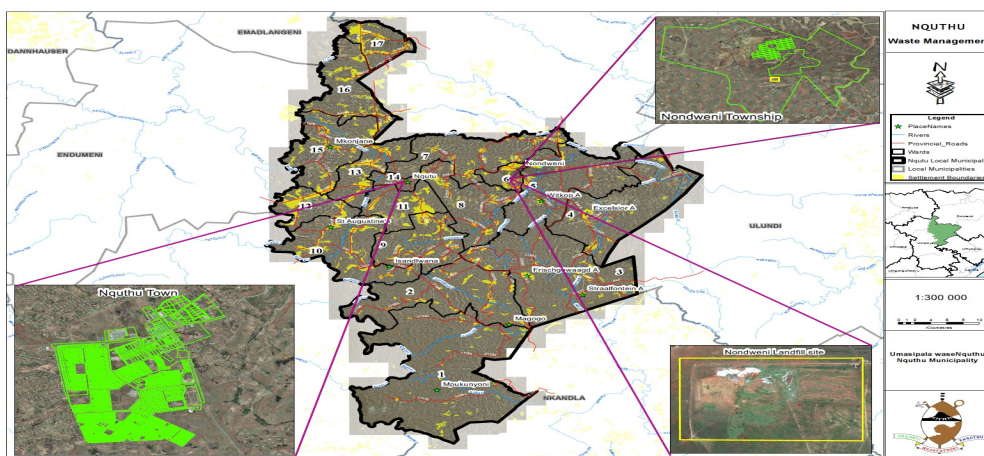


Figure13: Waste collection areas

1.6.5. ACCESS TO PUBLIC FACILITIES AND SERVICES RENDERED

1.6.5.1. Education facilities

While there is a sizeable number of schools within the municipality, there are communities where learners have to travel a bit longer to reach schools which has necessitated that scholar transport be used. **Figure 14** in the following pages illustrate the location of schools within the municipality.

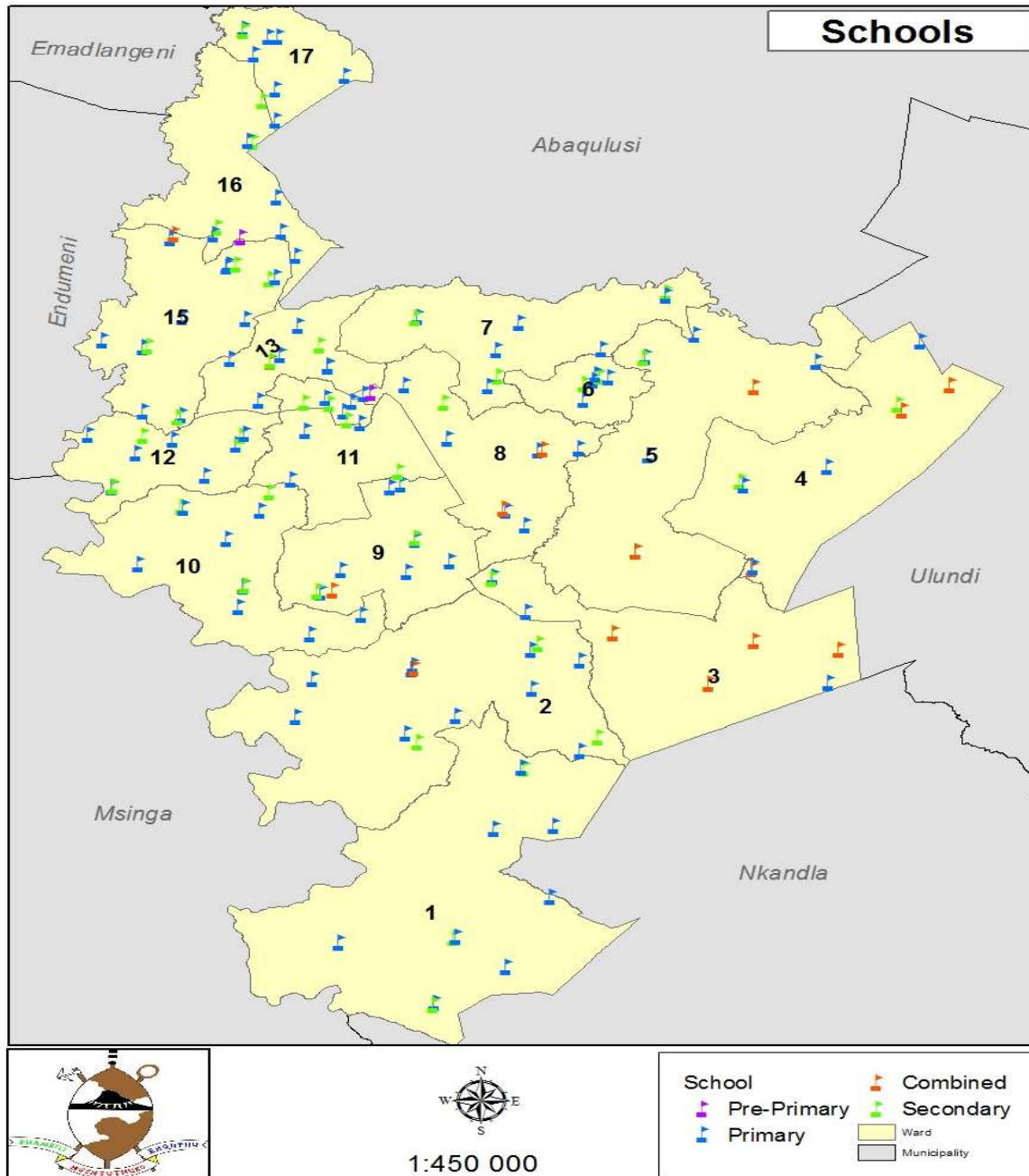


Figure14: Education facilities

1.6.5.2. Health facilities

Nquthu has one hospital, fifteen clinics and four mobile clinics to attend to far flung areas. These health facilities are listed in the figure below listing all UDM health facilities.

Endumeni	Msinga	Nquthu	Umvoti
1. Dundee Gateway	1. COSH Gateway	1. CJM Gateway	1. Greytown Gateway
2. Empathe Clinic	2. Collessie Clinic	2. Clinic Felani Clinic	2. Amakhabela Clinic
3. Glenridge Clinic	3. Cwaka Clinic	3. Hlathi Dam Clinic	3. Amatimatolo Clinic
4. Sakhimpilo Clinic	4. Douglas Clinic	4. Isandlwana Clinic	4. Ehlanzeni Clinic
5. Siphimpilo Clinic	5. Elandskraal Clinic	5. KwaNyezi Clinic	5. Eshane Clinic
6. Wasbank Clinic	6. Ethembeni Clinic	6. Mangeni Clinic	6. Kranskop Clinic
	7. Gunjana Clinic	7. Manxili Clinic	7. KwaSenge Clinic
	8. Mandleni Clinic	8. Masotsheni Clinic	8. Muden Clinic
	9. Mawele Clinic	9. Mhlungwane	9. Ntembisweni Clinic
	10. Mazabeko Clinic	10. Mkhonjane Clinic	10. Pine St Clinic
	11. Mbangweni Clinic	11. Nkande Clinic	11. Sibuyane Clinic
	12. Mhlangana Clinic	12. Nondweni Clinic	12. Ukuthula Clinic
	13. Mumba Clinic	13. Ntinini Clinic	
	14. Ngubevu Clinic	14. Thathezakhe Clinic	
	15. Ngabayena Clinic	15. Zamimpilo Clinic	
	16. Nocomboshe Clinic		
	17. Qinelani Clinic		
	18. Rorkes Drift Clinic		
	19. Mkhuphula Clinic (to be opened)		
	20. Msizini Clinic (to be opened)		

Figure15: Health facilities

1.6.5.3. Halls

Halls are part of the instrument to ensure socially cohesive and vibrant society by providing suitable places of gathering hold meetings and events. In terms of CSIR standards, Nquthu has sufficient community halls and the municipality would have to deeply assess the need before building more halls in future.

1.6.5.4. Libraries

The municipality has four main libraries which are Nquthu Public Library located in Nquthu Town (Ward 14), Nondweni Library located in Nondweni (Ward 6) semi-township area, Ngolokodo Library located in Ngolokodo area (Ward 17) and Patsoane Library located in Patsoane area (Ward 8). In addition to these main libraries, there are six satellite or outpost libraries consisting of two mobile libraries and four school based libraries, namely;

- Sandlwana mobile library located in Sandlwana are (Ward 9);
- Mhlungwane mobile library located in Mhlungwane area (Ward 7);
- Sicelimfundo Combined School library (Ward 3);
- Umsimbu High School library (Ward 2);
- Kwanyezi Primary School library (Ward 3), and
- Ntanyandlovu School library (Ward 9).

1.6.5.5. Sports-fields

No sports-field was built or revamped in the 2022/23 financial year. However, existing sports-fields are being maintained by the municipality.

1.6.5.6. Service centres

Service centres are made up of Tutsong Centre, libraries (which are specifically discussed in this report) and municipal offices where some services are provided. There is one Tutsong centres located in Ward 16 and it currently not functioning according to its capacity.

1.6.6. FINANCIAL HEALTH

1.6.6.1. Budget and treasury department

The budget and treasury department had a permanent CFO for the duration of the financial year. All the units in the department had permanent heads except for Expenditure Unit which had an acting incumbent who was appointed fulltime towards the end of the financial year. The municipality always recruit financial interns which has always been absorbed in the past after the end of their internship contracts as part of capacitating the budget and treasury department and as a form of succession planning but this may be impossible going forward due to the fact that the municipality is currently struggling with the employee related cost that is now above the set norm.

1.6.6.2. Revenue

	Approved budget Figures in Rand	Adjustments	Final Budget	Final Budget Actual amounts on comparable basis	Difference between final budget and actual
Statement of Financial Performance					
Revenue					
Revenue from exchange transactions					
Service charges	43,969,538	(13,362,543)	30,606,995	23,571,545	(7,035,450)
Construction contracts	-	-	-	5,795,021	5,795,021
Rental of facilities and equipment	592,350	58,325	650,675	792,131	141,456
Other income	420,429	4,822	425,251	572,943	147,692
Interest revenue	3,027,261	5,102,458	8,129,719	10,948,772	2,819,053
Total revenue from exchange transactions	48,009,578	(8,196,938)	39,812,640	41,680,412	1,867,772
Revenue from non-exchange transactions					
Taxation revenue					
Property rates	41,056,984	(2,395,913)	38,661,071	36,644,801	(2,016,270)
Property rates - penalties imposed	4,199,589	(2,615,775)	1,583,814	1,885,688	301,874
Licenses and Permits	884,245	(116,411)	767,834	956,938	189,104
Transfer revenue					
Government grants & subsidies	221,822,000	364,046	222,186,046	212,625,046	(9,561,000)
Fines, Penalties and Forfeits	-	-	-	827,540	827,540
Donation Income	-	-	-	2,005,220	2,005,220

	Approved budget Figures in Rand	Adjustments	Final Budget	Final Budget Actual amounts on comparable basis	Difference between final budget and actual
Total revenue from non-exchange transactions	267,962,818	(4,764,053)	263,198,765	254,945,233	(8,253,532)
Total revenue	315,972,396	(12,960,991)	303,011,405	296,625,645	(6,385,760)

Based on the audited figures in the table above, an in-depth analysis of Nquthu Municipality's revenue performance and trends based on the figures for the 2022/23 financial year is set out below:

(a) Revenue from Exchange Transactions

Service Charges

The actual amount collected is significantly lower than the final budget, resulting in a negative difference of R 7,035,450 and reasons for such a substantial shortfall must be investigated, especially because the budget (i.e. revenue projections) was adjusted downwards by over R 13 million during the adjustment budget. Possible factors could include lower demand for services or challenges in fee collection.

Construction Contracts

The actual amounts match the final budget, indicating successful budget adherence for construction contracts.

Rental of Facilities and Equipment

The actual revenue exceeded the final budget by R 141,456, suggesting potential opportunities for increased revenue from renting facilities and equipment in the future.

Other Income

The actual income from other sources is higher than the final budget, indicating potential diversification opportunities for the municipality's revenue streams.

Interest Revenue

Interest revenue exceeded the final budget by a significant R 2,819,053. This may be due to higher-than-expected interest rates or effective management of investments.

Total Revenue from Exchange Transactions

The overall performance in exchange transactions is positive, with actual amounts exceeding the final budget by R 1,867,772 Rand.

(b) Revenue from Non-Exchange Transactions

Taxation Revenue - Property Rates

There's a shortfall in property rates revenue, with actual amounts lower than the final budget. Explore reasons for this, such as possible challenges in property rate collections or adjustments in rates.

Property Rates - Penalties

Penalties exceeded the final budget, indicating potential issues with timely payments or an effective penalty enforcement system.

Licenses and Permits

The actual revenue is higher than the final budget, suggesting successful revenue generation from licenses and permits.

Transfer Revenue - Government Grants & Subsidies

There's a significant shortfall in government grants and subsidies, raising concerns about the municipality's ability to secure expected funds. Investigate the reasons for this shortfall and its potential impact on planned projects.

Fines, Penalties, and Forfeits

Actual revenue from fines and penalties is higher than expected, indicating effective enforcement measures.

Donation Income

The municipality received donation income that was not part of the final budget, indicating potential additional financial support.

Total Revenue from Non-Exchange Transactions

Despite the challenges in property rates and government grants, the total revenue from non-exchange transactions is relatively close to the final budget, with a difference of R 8,253,532.

(c) Overall Assessment

Total Revenue

While there are variances in individual revenue categories, the overall total revenue is slightly below the final budget, with a difference of R 6,385,760. Investigate the specific factors contributing to this overall shortfall.

(d) Recommendations for Improvement

- Conduct a detailed analysis of factors contributing to shortfalls in property rates and government grants.
- Assess and optimize strategies for service charge collection to bridge the gap between the final budget and actual amounts.
- Explore opportunities to further capitalize on revenue sources that performed well, such as interest revenue and rental income.

- Consider revisiting budget assumptions and making adjustments based on the findings to improve accuracy in future budgeting.

This analysis provides a comprehensive overview of Nquthu Municipality's revenue performance, highlighting both positive and concerning trends. Further investigation into the specific reasons behind variances will be crucial for informed decision-making and future financial planning.

1.6.6.3. Budget

The municipality's budget was funded and credible. Of course, there are pressures with regard to insufficient financial resources and competing development priorities but the municipality managed to produce a good and balanced budget that community supported during public participation processes. The actual figures are outlined and analysed in the AFS part of this report, however; attention is drawn to the fact that the municipality incurred an unauthorised expenditure of R 10 588 682. Going forward, the municipality will have to ensure that it confines its spending to the allocated budget, except in circumstances where deviating from approved budget is unavoidable.

1.6.6.4. Expenditure

Expenditure should be incurred in line with the budget and in cases where a there is a need to deviate such deviation was authorized through an adjustment budget and the unspent amounts carried over as savings. However, expenditure was not entirely and necessarily incurred in line with the approved budget and the municipality is working hard to address that weakness.

1.6.6.5. Collection rate

The overall collection rate was 89% which is 6% behind the recommended collection rate norm. The municipality has a serious challenge of a high number of poor households which makes it very difficult to make adequate collection, but the municipality is doing everything within its power to improve collection. The municipality has developed a revenue collection strategy that is expected to yield positive results going forward, provided that it is implemented to the letter.

1.6.6.6. Unauthorized, Irregular, fruitless and wasteful expenditure

Despite efforts to eliminate unauthorized, irregular and fruitless and wasteful expenditure, and also despite reductions in such expenditure compared to the previous financial year; incurrence of such expenditure remains a challenge that the municipality is grappling with. But as mentioned before, there has been a reduction, and the municipality intends to continue that trend going forward.

1.6.6.7. Sustainability

Despite its dependence on government grants, the municipality is financial stable and sustainable due to good leadership and effective and efficient management of its finances. As at 30 June 2023, the municipality had an ability to meet its operational requirements for at least 5 months.

1.6.7. ORGANIZATIONAL DEVELOPMENT

1.6.7.1. Critical posts

The municipality has five departments and Section 54 and 56 posts were filled with full-time incumbents for the whole of 2022/23 financial year. Therefore, all departments had HODs and the municipality intends to maintain this trend going forward.

DESIGNATION	STATUS OF THE POST
Municipal Manager	Filled post
Chief Financial officer	Filled post
Director Corporate & Community Services	Filled post
Director Planning, Housing and LED	Filled post
Director Technical Services	Filled post

1.6.7.2. Staff establishment

The municipal staff establishment is three hundred (300). There was a staff compliment of two hundred and sixty-two (262) employees as at the end of the financial year. The staff vacancy rate was sitting at 12.6% as at 30 June 2023. This excludes contract employees who are hired specifically to ensure uninterrupted provision of services during holidays, especially the festive season where most employees take leaves.

1.6.7.3. Policy review

In order to ensure compliance and a stable human resource administration, the municipality embarked on an exercise to review or update its human resource policies in order to establish a conducive environment for effective management of human capital. These policies are listed in the table below.

NO.	POLICY	REVIEW DATE
1	Recruitment, selection and appointment policy	30-June-23
2	Induction policy	30-June-23
3	Placement policy	30-June-23
4	Promotion, transfer and secondment policy	30-June-23
5	Relocation policy	30-June-23
6	Acting allowance policy	30-June-23
7	Job evaluation policy	30-June-23
8	Termination of service policy	30-June-23
9	Overtime, stand-by, shift and night work allowance policy	30-June-23
10	Leave policy	30-June-23
11	Training and skills development policy	30-June-23
12	Experiential training policy	30-June-23
13	Succession plan policy	30-June-23
14	Internal bursary policy	30-June-23
15	Disciplinary code and procedure	30-June-23
16	Grievance policy	30-June-23

NO.	POLICY	REVIEW DATE
17	Diversity management policy	30-June-23
18	Employment equity policy	30-June-23
19	HIV and AIDS policy	30-June-23
20	Occupational health policy	30-June-23
21	Sexual harassment policy	30-June-23
22	Smoking in the workplace policy	30-June-23
23	Employee assistance policy	30-June-23
24	Work attendance policy	30-June-23
25	Bereavement policy	30-June-23
26	Dress-code, uniform and protective clothing policy	30-June-23
27	Information and communication usage policy	30-June-23
28	Housing allowance policy	30-June-23
29	Remuneration policy	30-June-23
30	Payroll management and administration policy	30-June-23
31	Performance management policy	30-June-23
32	Human resource strategy	30-June-23

Table 1: Reviewed HR Policies

1.6.7.4. Vacancy rate

The municipality intend optimizing internal capacity through closing all vacancies. At the end of the financial year the vacancy rate was as detailed in table below:

DEPARTMENTS	TOTAL	FILLED	VACANCIES	RATE
Office of the Municipal Manager	18	15	3	16.6%
Planning, LED, Housing and Tourism	15	12	3	20%
Corporate	39	35	4	10.2%
Community Services	65	63	2	3.0%
Budget and Treasury	49	34	15	30.6%
Technical Services	114	103	11	9.6%
TOTAL VACANCY RATE	300	262	38	12.6%

Table 2: Vacancy rate

1.6.7.5. Skills development

At the beginning of each financial year the municipality developed a workers' skills plan and set aside the budget and an amount of R 300 000 was allocated for 2023/ 2024 financial year to implement this plan. Skills development is one critical element in ensuring that the municipality attains the institutional capacity that allows it to deliver on its delivery mandate. The municipality spent 25% of the WSP budget during the year due to limitation of budget allocation for accommodation.

1.6.7.6. Employment equity

The municipality is an equal opportunity employer and is committed to ensure a demographic balance of its workforce. The municipality has an employment equity plan in place but it has not reached

its targets in full despite its efforts. Employment Equity Plan was adopted by Council on the 07 February 2023 and the reviewed plan was submitted to Department of Employment and Labour in 09 January 2024. The municipality have a total of 08 disabled workers.

1.6.7.7. Injury on duty

The municipality has been fortunate enough not to experience serious fatalities by any worker on duty, especially for staff members doing hazardous work like fire-fighting, electricity maintenance and waste collection. For this financial year, the municipality was able to maintain optimum safety standards for its employees.

1.6.7.8. Suspensions

There were zero employees on suspension during the financial year and there are 04 pending cases.

1.6.7.9. Employee wellness programme

The productivity of staff is dependent on a number of factors and one of them is their wellness either socially, economically, physically and emotionally. The municipality always strive to ensure that its employees' wellness is looked after by initiating a number of programmes aimed at supporting them. In this financial year an employee wellness event was held on 21 November 2023 and the following activities were undertaken:

- Presentation by Natal Joint Municipal Pension Fund;
- Financial education – Financial Sector Conduct Authority (FSCA)

In addition to this, most all employees underwent a medical examination which would also inform some of the interventions that the municipality may embark on in future. The municipality is in the process of appointment a Clinically Psychologist who will assist employees with their problems ranging from abuse, drug problems, emotional, physical problems etc.

1.6.7.10. LLF functionality

The municipality's LLF is well functioning considering the fact that it is able to hold meetings and also able to consider matters referred to it and engage on them robustly until productive outcomes are realized.

1.6.7.11. Job evaluation

The job evaluation was successfully implemented as per the municipality's policy and SALGA assessment outcomes. Outstanding issues that remain unresolved are being attended to using applicable processes.

1.6.7.12. Labour unrest/strikes

All labour related issues are discussed in the LLF and whenever employees have grievances they accordingly follow prescribed grievance procedures. As a result, there were no labour unrest or strikes in the year under review.

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

2.1. WARD COMMITTEES

Ward Committees status and functionality

Ward Committees are established in all 19 wards in the municipality. The municipality submit reports, minutes of meetings and attendance registers to KZN COGTA for assessment in order to determine functionality of ward committees. Ward Committees sits on a monthly basis to discuss community challenges and development interventions and submits report.

However, there is still more work to be done to improve the overall capacity and ensure better functioning of ward committees through training and better information dissemination to ward committees through its chairpersons who are ward councillors.

The functionality of Ward Committees is monitored through the submission of ward reports regarding Ward Committee Performance, which basically assesses the performance of Ward Committees within Nquthu. The performance is measured in terms of the following indicators: -

- Number of Ward Committee Meeting held – 1 per month;
- Number of Ward Committee Meetings chaired by the Councillor – 1 per month;
- Percentage of attendance – 50 plus 1;
- Number of community meetings held – 1 per quarter;
- Number of sectoral reports – 10 per month; and
- Number of reports submitted to the municipality – 1 per quarter.

The municipality is doing very well in terms of public participation especially with regard to the functioning of its ward committees which 100% functional, please also note the information below.

NUMBER OF WARDS	NO OF FUNCTIONAL WARDS	% OF FUNCTIONAL WARDS	FUNCTIONAL WARDS	NO OF NON-FUNCTIONAL WARDS	% NON-FUNCTIONAL WARDS	REASONS FOR NON-FUNCTIONALITY
19	19	100%	All wards	0	0%	Non

NUMBER OF WARDS	NUMBER OF COMMUNITY MEETINGS HELD	NUMBER OF WARDS WHICH HELD COMMUNITY MEETINGS	WARDS WHICH CONVENE COMMUNITY MEETINGS	% WARDS WHICH CONVENE MEETINGS
19	66	19	All wards	100%

2.2. SOCIAL SECTOR FORUMS

The municipality established and funds social sector forums which creates a platform for social groups to engage and mobilise support to address their common daily life challenges. These forums are listed below:

- ✓ Women's Forum
- ✓ Men's Forum
- ✓ Disability Forum
- ✓ Senior Citizen Forum

- ✓ Support Group Forum
- ✓ Local Aids Acouncil (LAC) and Local Task Team (LTT)
- ✓ Youth Council

All these forums a fully functional and hold meetings regularly with the full logistical support of the municipality.

COMPONENT D: CORPORATE GOVERNANCE

2.3. RISK MANAGEMENT

Risk management unit

The risk management unit is located within the office of the municipal manager and consist of a dedicated risk management official.

Risk management committee

There is a risk management committee consisting of an independent chairperson (who is also a member of the audit committee), risk management officer, all HODs and risk champions representing all departments.

Risk management forum

The risk management forum consists of risk champions representing all departments and also the risk management officer. This forum is responsible for coordinating the work of risk champions and preparing reports to the risk management committee where final decisions are taken. This committee is fully functional.

Risk management processes

The risk register was compiled and the municipality duly compiled such register with the assistance and support of the Provincial Treasury.

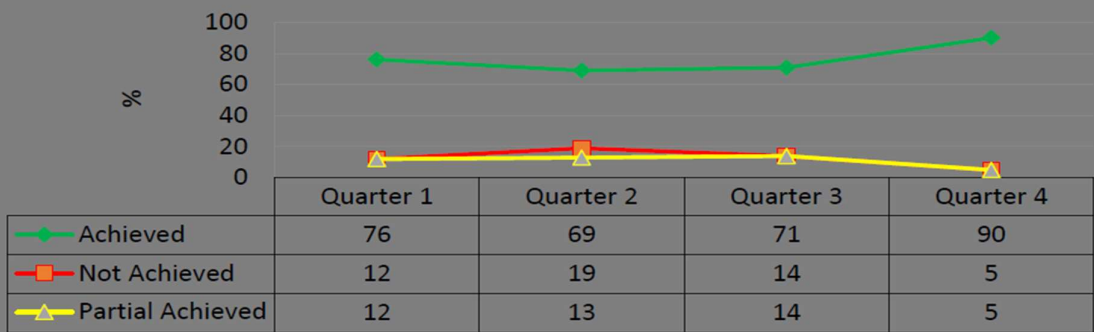
2.4. ANTI-FRAUD AND CORRUPTION

Anti-fraud and corruption mitigation is incorporated as part of risk management. The municipality develop an anti-fraud and corruption register with the assistance and support of the Provincial Treasury. As such, fraud and corruption is mitigated as part of risk management function.

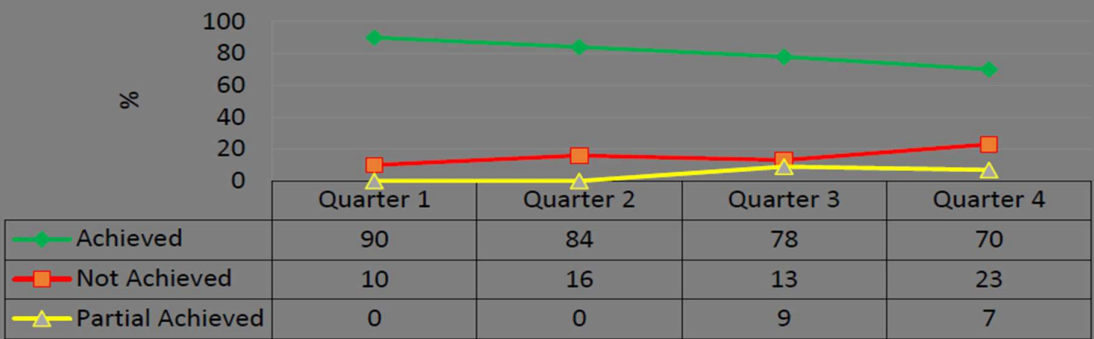
In the detailed analysis presented on the subsequent page, the performance of the municipality in executing the critical task of risk management is meticulously illustrated. The primary objective underlying this comprehensive assessment is to proactively mitigate and, where possible, eradicate the likelihood of all potential risks materializing. The figures provided offer a visual representation of the municipality's strategies and actions undertaken to address a spectrum of risks.

DERP	QUARTER 1			QUARTER 2			QUARTER 3			QUARTER 4		
	A	NA	PA	A	NA	P	A	NA	P	A	NA	P
OMM	89%	11%	0%	69%	23%	8%	88%	6%	6%	92%	8%	0%
BTO	79%	9%	15%	75%	11%	14%	73%	10%	18%	68%	12%	17%
TSD	83%	17%	0%	67%	11%	22%	71%	0%	29%	56%	45%	0%
PLD	100%	0%	0%	86%	7%	7%	94%	0%	6%	100%	0%	0%
CSD	78%	22%	0%	77%	10%	13%	82%	8%	10%	87%	9%	4%
IT	76%	12%	12%	69%	19%	13%	71%	14%	14%	90%	5%	5%
STRA	90%	10%	0%	84%	16%	0%	78%	13%	9%	70%	23%	7%
FRAU	96%	4%	0%	88%	8%	4%	83%	10%	8%	91%	9%	1%

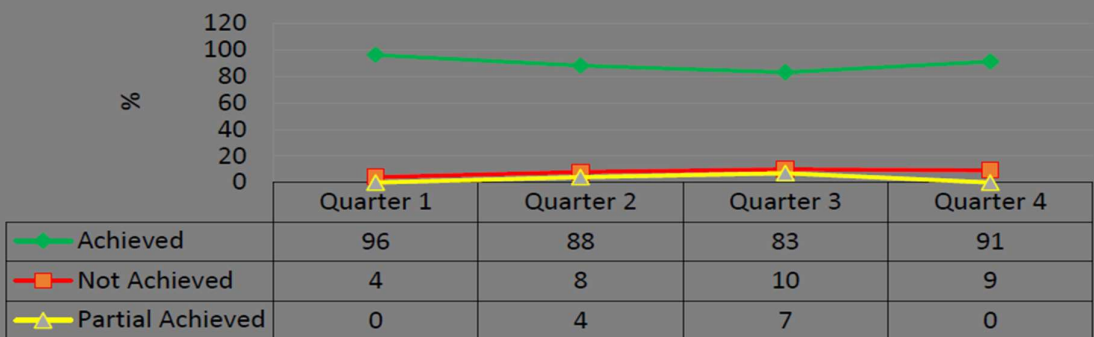
INFORMATION AND TECHNOLOGY



STRATEGIC RISK REGISTER



FRAUD RISK REGISTER



2.5. SUPPLY CHAIN MANAGEMENT

There is the SCM located in the budget and treasury department having a staff compliment of a manager, practitioners and four clerks. This unit manages the work of all bid committees and such committees are in place, function and its members are duly appointed and trained. The only matters that was raised by AG during the audit was the issue of the composition of the bid adjudication committee as prescribed by Section 29(2)(ii) of the SCM regulations, this matter has been addressed.

These committees are functional and sit regularly to attend all procurement matters. There was not a single appeal about any decision or award of any tender which is an indication that bids are evaluated correctly.

2.6. BY-LAWS

The municipality has by-laws that regulates different aspects of municipal business especially as it relates to business administration, traffic management, pounding, land management, development planning, etc.

2.7. POLICIES

The municipality has a number of policies some of which regulated matters of internal operations while have implications for the public in general depending on purpose and scope of each policy.

2.8. BACK TO BASICS / MFMA CIRCULAR 88

The B2B programme was introduced as a catalyst to ensure that there is compliance and service delivery in municipalities. The most important municipal functions were selected as main areas of focus upon which all municipalities shall report are submitted COGTA on a quarterly basis. The B2B has been replaced with MFMA Circular 88 from last financial year and indicators were reported and submitted on a quarterly basis.

2.9. MUNICIPAL WEBSITE

The municipal website is a very important instrument communication tool of the municipality. There has been challenges with the functioning of the website but corrective measures and interventions are being undertaken to improve the functioning and quality of the municipal website.

2.10. PUBLIC SATISFACTION SURVEY

Public satisfaction survey is an important method to evaluate the levels of satisfaction or confidence that the public have about the ability of the municipality to deliver services, but such exercise is expensive and requires that it is conducted professionally to ensure the credibility of its outcomes. Fortunately, the municipality's public participation systems as well as complaint management system enables the municipality to solicit the views of the public on a continuous basis in order to get an idea of satisfaction levels. Further to that, the KZN Provincial Government do commission or partner with Stats SA to conduct public satisfaction survey in the province of KZN and municipality take advantage of that data.

2.11. INTERNAL AUDIT

The municipality has a permanent internal auditor but due to capacity constraints he is supported by a professional and reputable auditing company to ensure that the internal auditing function is performed effectively.

The scope of internal audit is wide to cover as many areas as possible to ensure that internal control deficiencies are identified early enough so that suitable intervention can be made. The internal audit unit conducted an audit and issued nearly 20 reports in the 2022/23 financial year:

2.12. AUDIT COMMITTEE

All Audit Committee vacancies are filled with suitably qualified and experienced individuals with different areas of specialization or expertise, namely; performance management, auditing, legal, risk management and accounting. However, the specialist for performance management became vacant during the course of the financial year and it has not been filled.

CHAPTER 02: GOVERNANCE

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

2.13. POLITICAL GOVERNANCE

2.13.1. Political structure

The municipality's highest decision-making structure is Council which is presided over by the Speaker. The structure which looks into the day-to-day business of the municipality is the Executive Committee which is presided over by the Mayor and has subcommittees which are generally referred to as 'portfolio committees'. All chairpersons of portfolio committees are EXCO members and report and/or make recommendations to EXCO which subsequently reports to Council through the Mayor. Portfolio committees are made up by all members of Council and cover all aspects of municipal functions by considering reports and making specific recommendations about specific matters. MPAC is the primary oversight arm of Council and play an oversight role over EXCO and also produce an oversight report on behalf of Council. MPAC reports directly to Council.

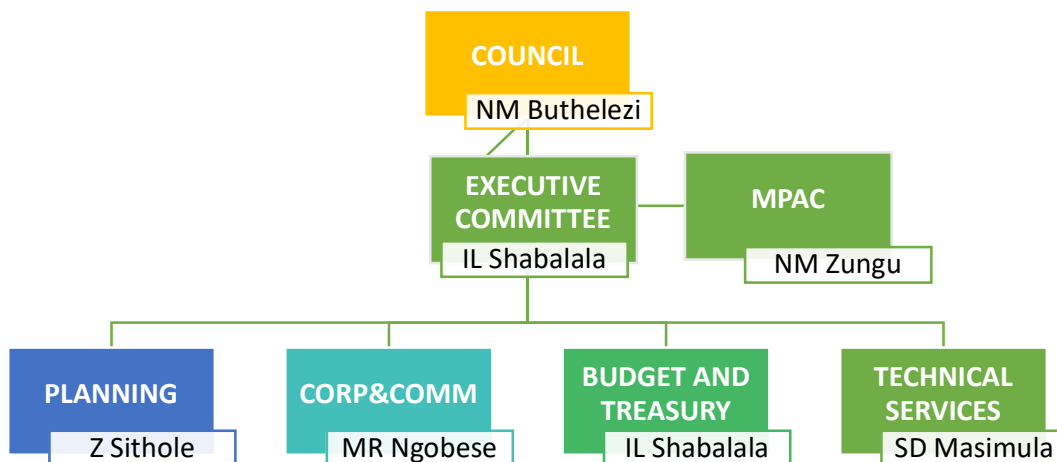


Figure 1: Political structure (including names of structures and chairpersons)

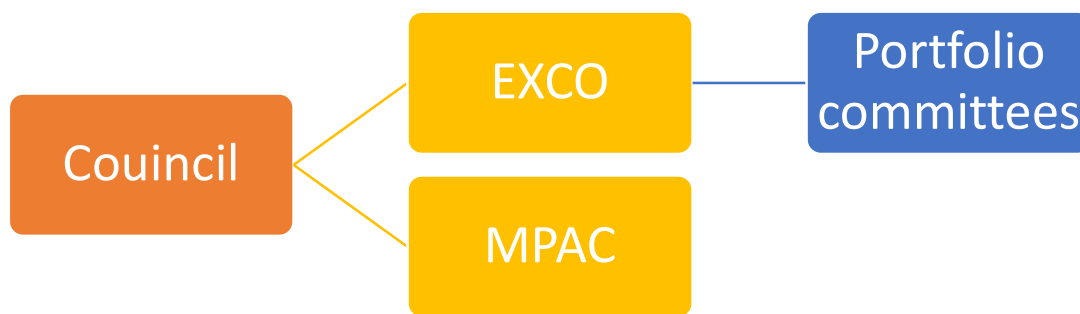


Figure 2: Relationship between council and its structures

2.13.2. Executive committee

Members of the Executive Committee of the municipality are shown below.

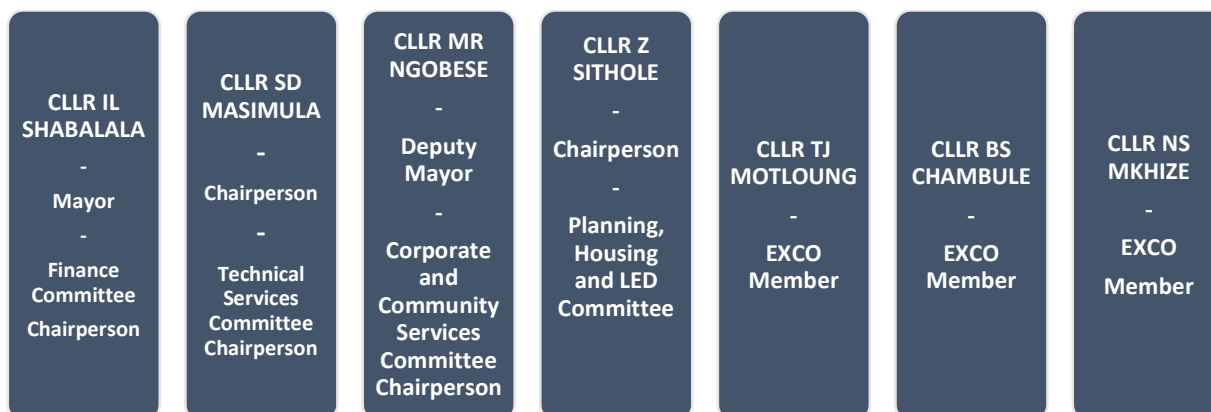


Figure 3: Members of the Executive Committee

2.13.3. Full time councillors

The municipality has three full-time councillors consisting of the Mayor, Deputy Mayor and Speaker, as shown in the figure below.

MAYOR	• Cllr IL Shabalala
SPEAKER	• Cllr NM Buthelezi
DEPUTY MAYOR	• Cllr MR Ngobese

Figure 4: Full-time office bearers

2.13.4. Other municipal committees

MUNICIPAL PUBLIC ACCOUNTS (MPAC)			
COUNCILLORS NAME	DESIGNATION	GENDER	PARTY
1.Cllr. NM Zungu	Chairperson	Female	IFP
2.Cllr G.A. N. Buthelezi	Member	Female	IFP
3.Cllr T.A Dlamini	Member	Male	IFP
4.Cllr S.B Simelane	Member	Male	IFP
5.Cllr J.N Khoza	Member	Male	IFP
6.Cllr S.M.C Zikode	Member	Male	ANC
7.Cllr T.M Hadebe	Member	Male	ANC
8.Cllr S.Y Nyoka	Member	Female	EFF
9.Cllr K.A Msimango	Member	Male	ABC
10. Cllr S.S Langa	Member	Male	ANC

Table 3: Municipal Public Accounts Committee members.

2.13.5. Portfolio committees

2.13.6. Functional analysis

All these structures mentioned above function optimally as they hold meetings as requires by law and/or the municipality's schedule of meetings. However, there isolated incidents where a quorum is not met due to work related commitments by councillors but that is rectified by referring matters that were tabled before it to EXCO or defer them to the next meeting if those matters are not of an urgent nature.

2.14. ADMINISTRATIVE GOVERNANCE

2.14.1. Administration structure

All the municipality's administrative powers are vested in the MM and duly delegated to all lower levels of administration which has different departments dealing with specific municipal functions and each headed its own HOD.

2.14.2. Management committee (MANCO)

MANCO is composed of the MM and HODs and sits regularly to attend to all administrative matters. This committee is fully functional and execute all its responsibility effectively.

CHAPTER 03: SERVICE DELIVERY PERFORMANCE

COMPONENT A: BASIC SERVICES

3.1. WATER PROVISION

Water shortage is a serious challenge in Nquthu and the district as a whole. Water provision is UDM function and all water related matters are reported at a district level. The municipality will engage the reports of the district to fully familiarize itself with the actual water service provision actuals.

3.2. SANITATION

Sanitation, just like water provision, is the function of UDM but the municipality was consulted about some of the sanitation projects being undertaken in Nquthu.

3.3. WASTE MANAGEMENT

The last few years have seen South Africa taking significant steps towards improved waste management at a policy, legislation and planning level; most significantly with the promulgation of the National Environmental Management: Waste Act 59 of 2008 (hereafter Waste Act), the revised National Waste Management Strategy GN 344 of 2011 (NWMS) and a number of guidelines which have been published. In terms of Schedule 5B of the Constitution of South Africa, 1996 Constitution (Act 108 of 1996) (the Constitution) waste management is a local government competency that must be executed to protect human and environmental health. Hence it is largely at the local authority level where waste policies and plans are physically implemented and hence it is vital that waste planning at this level receives the attention it deserves. Integrated waste management planning plays a key role in this.

3.3.1. Internal capacity

The waste management unit adequately staffed in terms of personnel, however; this section has a capacity challenge when it comes to waste collection infrastructure like pedestrian bins, skip bins and a not well equipped landfill site that is not entirely compliant.

3.3.2. Waste collection

Waste collection is divided into two categories, there is billed waste collection for Nquthu Town and also minimal waste collection at the out-flung rural areas which is performed in terms of the municipality's recycling project. The recycling project is being developed because its advantage is three fold; it provides income for waste pickers and waste ambassadors, extend waste collection of the municipality and also improve recycling.

3.3.3. Recycling

The municipality have a functional Buy Back Centre that is dedicated to sorting, measuring, packaging and storing recyclable waste for selling to recyclers. This facility is properly equipped and employs seven staff and is operated by the service provider.

The following equipment was procured for the Buy Back Centre to run its operations:

- Recyclable waste collection truck;
- Five (5) Ton forklift for moving around heavy loads at the centre;
- Bailing machine;
- Other recycling related equipment.

One of the benefits of the recycling programme is to divert the amount of waste form going to the landfill site thus making an impact in extending its lifespan. In the 2022/23 financial year, 177 tons of waste was diverted from the landfill site.

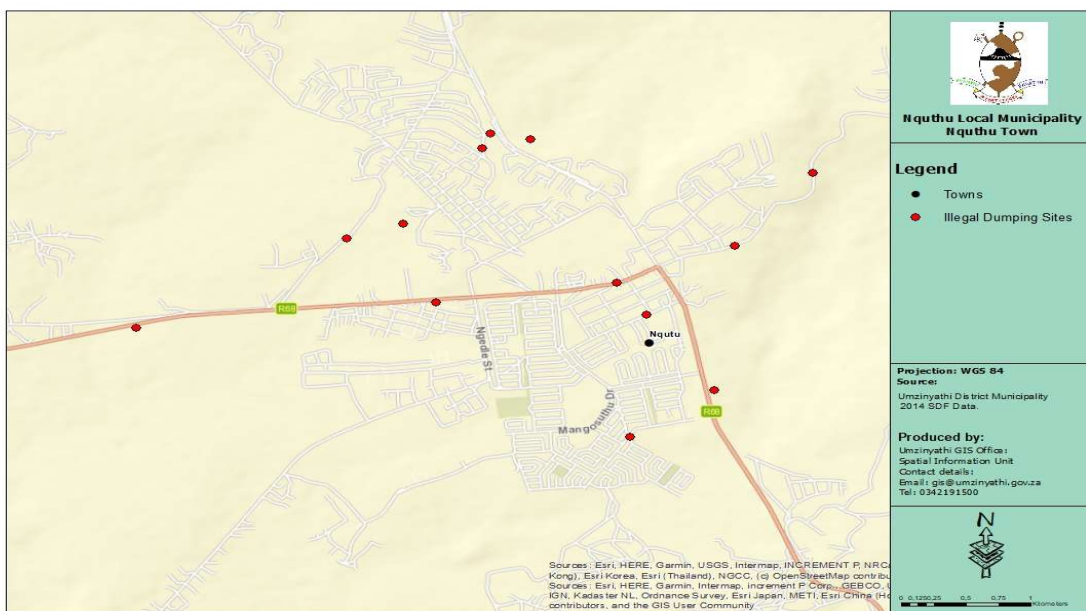
3.3.4. Landfill site

The municipality has a licenced landfill site locates at Nondweni. This site is annually audited to ensure that all matters that need to be rectified are attended to. Furthermore, KZN Economic Development, Tourism and Environmental Affairs also audit and issued a non-compliance certificate.

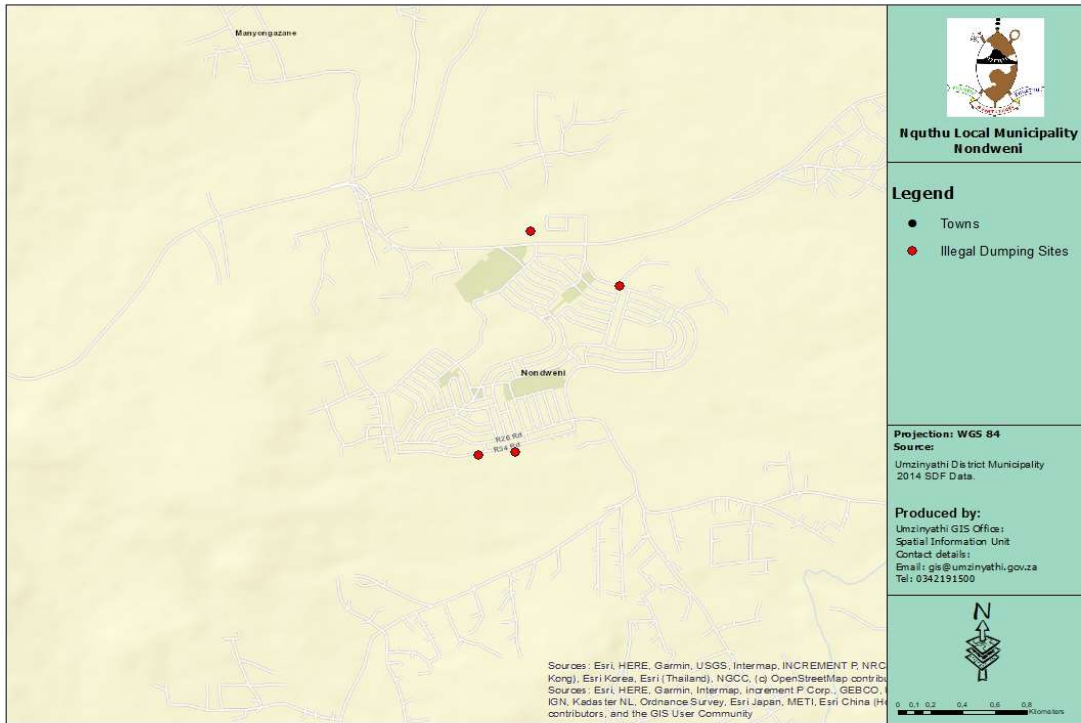
3.3.5. By-law enforcement

The municipality has a functional development compliance committee which seeks to enforce waste management bylaws, among other things. The municipality is struggling with the challenge of illegal dumping and identified a number of areas where illegal dumping is a serious challenge, as shown in the maps below.

Nquthu Town



Nondweni area



3.3.6. Awareness campaigns

Littering and illegal dumping is partly due to a lack of waste management awareness campaigns. Public awareness on the issues of illegal dumping needs to be improved and the public needs to be informed of who to contact should they witness illegal dumping and what details should be recorded. The municipality normally conducts clean-ups and awareness campaigns at least once per quarter, but we need more in order to achieve positive results. The municipality have an intensive waste management related campaigns in order to inform communities about the role they can play to ensure a cleaner Nquthu.

The municipality conducted two waste management campaigns in the identified hotspot areas to alert communities about best waste disposal practices and the dangers of illegal dumping.

3.3.7. Challenges

While the municipality is doing its best to improve waste management within Nquthu, there are still challenges that need to be addressed going forward, including:

- Lack of adequate environmental/waste management education especially in rural areas;
- Street vendors are continuing with burning of waste in Nquthu CBD;
- Extremely inadequate pedestrian bins which promote the culture of throwing litter directly on the streets;
- Illegal dumping seems to be the problem especially along the river banks, and

- Insufficient capacity in terms of equipment and financial resources.

The municipality is utilizing the Development Compliance Committee which a municipality multidisciplinary committee that make recommendations and take collective actions to address challenges of this nature.

3.4. ELECTRICITY

While electricity provision is one of the functions of the municipality but it performs this function in conjunction with Eskom since a larger portion of national electrification grants allocated to Nquthu are channelled into Eskom in terms of DORA. The municipality is fully responsible for electricity reticulation and maintenance in the licenced municipal area which include Nquthu Town and Nquthu township located in Ward 9 (Ward 14 before 01 November 2021). The rest of Nquthu is under the control of Eskom but the municipality does implement electricity connection projects in Eskom areas and hand over those projects to Eskom after completion.

Over 300 new households were connected to the electricity grid and over 47 000 50kw/h free electricity units were provided to households in Nquthu. The municipality also continues to process applications for new electricity connections within an average time of 14 days.

When all the current electricity projects are finalized, Nquthu will then be assessed to determine if it has reached the universal electricity connection status meaning there are no unelectrified areas within the municipality except for new households and few households that may have been omitted by mistake during electricity projects.

3.5. FREE BASIC SERVICE AND INDIGENT SUPPORT

The municipality make provisions for qualifying households by providing FBE and rebates on rates and the municipality seeks to improve the management of its indigent programme going forward to ensure compliance with all applicable laws.

COMPONENT B: ROAD TRANSPORT

3.6. ROADS

the construction of six (6) access roads was completed and these roads are now in use, and four (4) access roads were still under construction as at 30 June 2023 and will be completed in the new 2023/24 financial year. Access and movement have been greatly improved for communities that are serviced by or use these roads.

The municipality continues to meet the set turn-around time to fix potholes in Nquthu Town. Access roads, amounting to 59.44km, in all wards were maintained by, mostly, blading.

3.7. TRANSPORT

The role of function of the municipality as far as transportation is concerned is currently limited to issuing of operating permits and approval of routes to taxi operators and also the maintenance of

taxi ranks in terms of ablution facilities and refuse collection. However, plans are underway to develop the municipality's Integrated Local Transport Plan which will become a blueprint for transportation regulation within the municipality.

3.8. STORMWATER

Water drainage system is a very critical in managing water flow especially during heavy rains to prevent uncontrolled flooding or dangerous accumulation of water on the road, especially in Nquthu Town. The bulk stormwater project was completed at the end of the 2022/23 financial year. The main purpose of this stormwater is to channel water away from Nquthu Town's residential areas to prevent potential flooding that may result from heavy rains. The municipality has extensive stormwater network but the maintenance and/or cleaning remains a challenge due to a low repairs and maintenance budget.

COMPONENT C: PLANNING AND DEVELOPMENT

3.9. PLANNING

3.9.1. Integrated development planning

The IDP unit is located in the office of the MM and is two officials consisting of the manager and officer. Chapter 5 of MSA direct the municipality to undertake an integrated development planning which ultimately culminate into the adoption of the municipal IDP which becomes the primary development blueprint of the municipality. It is the IDP that provide a basis for or informs the municipality's budget and performance management.

IDP Process Plan

Section 27 of MSA directs the municipality to design a process to followed in developing the IDP and involve the public in that process. The process plan was duly developed in line with the provisions of MSA and it then became a guiding document in the development of the municipality's 2023/24 IDP.

Strategic planning

The municipality held a strategic planning session in 20 February 2023 to 24 February 2023 to plan for the 2023/24 financial year by deeply taking stock and analysing the overall developmental situation in terms of progress made, service delivery backlog, financial position, strengths, weaknesses and development priorities. Ultimately, resolutions were taken and subsequently table to Council for approval and implementation.

Public consultation

Integrated development planning must respond to the needs of the people and therefore public consultation is a critical part of the process. When the first IDP draft is approved by Council it is then issued to the public for comments and also sent to provincial COGTA for preliminary assessment. The IDP was duly issued to the public for comments and the roadshow was also conducted to engage communities directly. Further to that, the rate payers of Nquthu Town and AmaKhosi were also met

separately to ensure an even broader consultation. All the inputs received were considered in compiling the final draft which was also made public after adoption.

The 2023/24 IDP and Annual Budget Roadshow was conducted jointly with Umzinyathi District Municipality in order to cut costs and also due to the fact that the stakeholders or participants required by both municipalities are similar.

IDP credibility

The MSA requires that the IDP be sent to provincial COGTA after approval by Council. The IDP was duly sent to COGTA for assessment and after assessment the MEC issued a letter to guide the municipality on areas where improvement is required. Further to that, the municipality's IDP credibility rating for 2022/23 IDP was rated at 81.67% by KZN COGTA which constituted a marginal improvement from a previous financial year. The 2023/24 IDP which was developed and adopted in 2022/23 financial year has improved to a credibility rating of 84.80%.

3.9.2. Spatial and development planning

Spatial and development planning is the function of the Town Planner who heads the development planning section. This section is responsible for the following:

Programmes/projects

No.	Programmes/project name	Responsible section
1.	Spatial Development Framework Review	Development Planning
2.	Development of Precinct Plans	Development Planning
3.	Processing Development Applications	Development planning
4	Number of Development Compliance Committee meetings	Development planning
5	Scheme Register update	Development planning
6	Land administration	Development planning
7	Management of Development Planning Risk Register	Development planning
8	Drafting Municipal comments on Developmental matters	Development planning
9	Management of outdoor advertisement	Development planning

Achievements:

- There is a functional Municipal Manning Tribunal.
- There is a Municipal Authorised officer.
- There is a Development Compliance Committee to enforce compliance.
- There are planning tools in place.
- The municipality received funding from DARD to review the SDF.

Challenges:

- There is a need of budget on activities such as SDF review and precinct plans because they are multidisciplinary.

- Land invasion remains a pervasive challenge and very difficult to contain.
- Shortage of local area plans in strategic areas.
- Shortage of municipal land for development.

3.10. GEOGRAPHICAL INFORMATION SYSTEMS (GIS)

The municipality has an in-house GIS unit which initially had a fulltime and suitably qualified GIS practitioner and also a plotter machine and all required software which the municipality is continuously upgrading. The GIS practitioner did leave the position to occupy a more senior position after which all GIS matters were handled by interns but under his supervision. No permanent GIS practitioner had been appointed at the end of the financial year. The GIS Steering Committee was also established and is fully functional. This unit is primarily responsible for gathering and managing all geographical and statistical data to ensure that the municipality has credible basis for planning and reporting. This unit also provides services to the community especially local learners and architects and also government departments by providing them with maps and printing services.

This unit has been very instrumental in providing mapping and spatial data analysis services to the municipality's IDP and Development Planning sections. Further to that, sector departments, learners as well as the general public make use of this unit for mapping, research or printing of building plans since this unit has a plotter machine. GIS Day was also held to raise awareness about the functions and the usefulness of GIS and different National and Provincial stakeholders participated to impart knowledge to all attendees which included learners, municipal staff and sector departments.

3.11. LOCAL ECONOMIC DEVELOPMENT

3.11.1. Internal capacity

One of the biggest challenges facing Nquthu is low economic growth, economic participation by the majority and high unemployment rate, therefore; the primary function of this department is to spearhead and coordinate all programmes and projects aimed at dealing with this challenge. For this reason, it becomes very important that this department is well resource in order to be able to tackle these difficult challenges. The municipality's LED unit is located in the planning, housing and led portfolio committee and consists of four officials. In terms of budget, there is a serious shortage due to the low capacity nature of the municipality but every effort is made to make the best out of the meagre available financial resources.

3.11.2. Implementation of LED programmes

The LED unit has developed and implemented a number of LED related programmes which are set out and reported below. Some of the programmes are implemented with the support of other external stakeholders like sector departments, SEDA, tertiary institutions, etc.

3.11.2.1 Poverty alleviation programme

Fencing projects

The main purpose of this project is to provide fencing material so that communities can be able to protect their crop and grazing fields since a number of families rely on subsistence farming. Fencing Application forms were distributed to ward councilors and the closing date was on the 5th of August 2022. A total of 45 applications were received and 22 beneficiaries were identified. Fencing material was procured and delivered to qualifying beneficiaries. The total budget spent for this financial year was R1 816 438.



Capitalization of cooperatives

On this programme, 27 cooperatives were awarded, 100% of those projects were handed over to beneficiaries in all wards. Among categories that were covered in this financial year, were the following, list in an order not indicating priority.

- Tents
- Poultry
- Sewing machines
- Manufacturing equipment
- Fencing materials
- Car wash equipment



Driver's License Development Programme

This programme targets mainly the youth that do not have financial ability to acquire a driver's license since we all know that it is the requirement for almost all job applications. The 2022/2023 intake, we have received 69 applications, and 46 beneficiaries were awarded. On the 21st of December 2022, the welcoming event was hosted where the Mayor was welcoming new beneficiaries for the current intake. Mzwempi Driving School is the appointed service provider to undertake the work with 46 beneficiaries with a total budget of R562 800. Classes for leaner licenses commenced on the 16th of January 2022.

Clothing and Textile Development Program

Small business development is one of the key priorities for the South African government to reduce unemployment and creation of job opportunities. It is also one of key important aspect to address the unemployment challenges and human development at Nquthu Local Municipality.

One of the responsibilities of the office of local Economic Development is to support Small medium and micro enterprises to stimulate our local economy and address poverty also to create job opportunities. The program that the office resolved to embark on this financial year is to support the Cloth-

ing and Textile Cooperative with training on how to make school uniforms and overalls, sewing equipment (Industrial sewing machine, overlocker, tables and chairs) where they will be able start their businesses and obtain enough skill to grow and sustain their businesses.

We have distributed and received application forms from all 19 wards around Nquthu. Internal requisitions are submitted to finance department for procuring of the equipment. We have requested one of our stakeholders, SEDA to assist with the Training Facilitator.

Subcontracting programme

The LED section took the initiative to develop Small Medium Micro Enterprises within Nquthu Municipality by establishing a Subcontracting Program. The Program is aimed at growing these businesses through Subcontracting on Municipal Big Projects. The Municipality through the LED Section facilitates the process of linking appointed main contractors with potential Local Subcontractors. The objectives of this programme are as follows:

- To encourage and promote the transfer of skills from well-established enterprises to small enterprises;
- Give effect to the provisions of the Constitution and all economic empowerment laws of South Africa;
- Grow, strengthen and regulate the municipality's subcontracting programme;
- Nurture, empower and grow local emerging and small enterprises;
- Encourage and promote the transfer of skills from established enterprises to small enterprises, and
- Broaden the economic benefits of public procurement.

Since the inception of the programme few years ago, a total of 32 emerging contractors have benefited from this programme. Moreover, we have sub-contractors that have fully graded from stage 1 to stage 2 and continues to strive for more advanced grades. In this financial year, a total of 5 emerging contractors benefited from this programme.

Women in Business Development Seminar

Nquthu Local Municipality hosted Woman in Business Development Seminar on 20 May 2023 whereby we were encouraging and motivating our woman entrepreneurs in different business aspects, the event was a good success and we had presentations from different stakeholders, including:

- Department of Economic Development, Tourism and Environmental Affairs;
- Small Enterprise Development Agency (SEDA), and
- Department of Health; Old Mutual; Nquthu SMME's.

Each stakeholder was tackling different issues that affects the smooth running of their day-to-day business and make it difficult for them to realize their full potential. They also have been instrumental

in supporting our SMMEs through trainings and other material support, All the attendees were extremely happy and grateful to the municipality for this support, they were given Umbrellas that will assist in marketing, promoting and serving as a working tool to our SMMEs and the municipality.



COMPONENT D: COMMUNITY SERVICES

3.12. COMMUNITY FACILITIES

3.12.1. Library services

Libraries hold significant importance within communities due to their multifaceted contributions. They serve as hubs for knowledge dissemination, education, and social interaction. Libraries play a crucial role in communities, serving as vital centers for knowledge sharing, education, and fostering social connections. They are invaluable resources that provide access to a wide range of information and learning opportunities. Libraries not only offer a diverse collection of books, but they also provide access to digital resources, technology, and educational programs. These institutions promote literacy, empower individuals to acquire new skills, and facilitate lifelong learning. Additionally, libraries serve as inclusive spaces that encourage community engagement and cultural enrichment. By recognizing the importance of libraries, communities can ensure the availability of these invaluable resources for the betterment of their residents.

Library services is one area in which the municipality is performing with the assistance and support of the Department of Arts and Culture which build and fund part of municipal library services.

Services and programmes

In addition to standard library services, there are also a number of other services and/or activities that the library carries out the following highlights are reported for the 2022/23 financial year:

- **Basic Computer Skills training:** The municipality realizes the importance of computer literacy in the current digital environment. Our libraries provide a platform whereby communities are given basic computer skills as a form of skills development. These trainings have assisted a number of youth with computer basic skills.
- **Library Outreach Programme:** Our libraries conduct outreach programmes in order to alert the community about the services rendered in libraries. These outreach programmes are mostly done in local schools and community meetings. A total of 22 outreach activities were conducted in the 2022/23 financial year.

3.12.2. Community halls

The municipality has over fifty community halls and has surpassed the CSIR standard that is applied to determine community hall accessibility level in rural areas. This is due to the fact that the municipality has invested a lot in infrastructure development in the past, especially community halls. In the year under review, a total of five (5) community halls were completed and are now available for booking and use by the public. One community hall was still under construction and will be completed in the 2023/24 financial year.

3.12.3. Cemeteries

Cemeteries in Nquthu are divided into two categories comprising formalized cemeteries that are controlled by the municipality and those that are controlled by traditional authorities which are under Ingonyama Trust land. The existing municipal cemeteries are full and burial space is rapidly running out which requires the municipality to source land as soon as possible.

COMPONENT E: ENVIRONMENTAL PROTECTION

3.13. POLLUTION CONTROL

The municipality lacks the capacity perform the pollution control both in terms of prevention and enforcement. However, the municipality does take the matter of pollution control very seriously and through its recycling project the municipality contribute in collecting and selling waste that would otherwise be primary sources of pollution.

3.14. BIODIVERSITY

Nquthu is very rich in terms of tourism due to its history and also its biodiversity, therefore; biodiversity is not only an environmental issue for the municipality, but is also an economic development issue because of the potential that tourism has in Nquthu.

The municipality has not yet designed specific programmes and projects dealing with matters of biodiversity due to capacity constraints, however; the municipality through its Spatial Development

Framework identifies areas that need constant attention of the municipality so that the biodiversity nature and character of Nquthu as a whole and also to ensure that all developmental programmes and projects are geared promote biodiversity protection.

COMPONENT F: SAFETY AND SECURITY

3.15. TRAFFIC MANAGEMENT

The municipality's traffic management unit is responsible for traffic management within the area of jurisdiction of the municipality but focuses in Nquthu Town and its surroundings due to capacity constraints. This unit is responsible for all traffic management related functions which includes the following:

- Road traffic management or enforcement of traffic laws on road users;
- Livestock control through pounding of stray animals;
- Issuing of licences and permits, and
- Providing by-law enforcement services to the municipality.

The municipality's traffic management unit also works hand in hand with other national law enforcement agencies to promote and ensure law enforcement.

3.15.1. Internal capacity

The unit has a complement of seventeen employees, namely; eight traffic officers, two examiners, one licencing officers, two cashiers, one data captures and three general workers. This unit has dedicated offices and three vehicles. There are six vacancies within the department and processes to procure additional patrol vehicle were under way at the end of the financial year to further improve capacity.

3.15.2. Traffic management programmes and activities

The municipality's traffic management unit conducts its own road block and speeding trap exercise but also conduct multidisciplinary road blocks with other law enforcement agencies like RTI and SAPS, especially during busy Easter holidays or festive season. The municipality's traffic department is working tirelessly to enforce traffic management laws in Nquthu as shown by the figures contained in the table below.

DESCRIPTION	NO.
<i>Road blocks conducted</i>	57
<i>Written notices issued (tickets)</i>	1130
<i>Chargers against offenders</i>	1540
<i>Suspension notices (un-roadworthy cars removed from the road)</i>	47
<i>Road obstructions attended to</i>	3030
<i>Warrants executed</i>	97
<i>Incidents attended (accidents)</i>	42
<i>Awareness campaigns</i>	12

Direct charge / Arrest	5
Number of stray animals impounded	56

Table 4: Traffic police work done

Animal control/pounding

The municipality has an animal pound where it keeps stray animals after which the owners of such animals collect them after paying the charged fine. The animals are auctioned if the owner has not been successfully identified after the prescribed timeframe. A total of 56 stray animals were pounded in this financial year. In the past, Nquthu had a serious challenge of stray animals in Nquthu Town but numbers has gone down since the animal pound was constructed.

3.15.3. Testing ground

The municipality has a licencing division in which provide drivers' licence, professional driving permits and learners licence services.

DESCRIPTION	NUMBER	TARIFF
Professional Driving Permit category G and P	1211	R150.00
Temporary Driving Permit	700	R90.00
Drivers' Licence renewal	1998	R250.00
Learner's Licence	1121	R150.00
Duplicate Learners' Licence	29	R80.00

In overall, a total of 5 059 community members/applicants received a licences and permits services from the traffic management unit. More services will be included once the municipal testing ground offices commence its operations in the near future.

3.15.4. Testing ground

The construction on the testing ground which will allow the traffic management unit to expand its scope provide vehicle testing and drivers' licence testing services is underway. Once completed, rendering of services will commence as soon as is practically possible. The only construction work that is left is the incorporation of ablution facilities which were not part of the initial scope.

3.16. DISASTER MANAGEMENT AND FIRE FIGHTING

Nquthu is a disaster-prone place and one of the major contributors to disaster incidents are lightning strikes/thunderstorms and flooding/drownings. The fire-fighting unit is integrated into the disaster management unit which is primarily responsible for mitigation and responding to disasters. The fire-fighting service is actually the backbone of disaster management because it is the provider of trained personnel and vehicles required to respond to any form of disaster.

3.16.1. Internal capacity

As mentioned above, fire incidents are a serious concern in Nquthu and the municipal fire-fighting unit's capacity is stretched to its limits especially when incidents are in remote areas with terrible terrain making it even more difficult to respond as rapidly as possible. The municipality is doing everything in its power to respond to fire emergencies and disasters within set turn-around time standards. However, there are far flung areas which may make it difficult to respond should fire emergencies occur in those areas and this remains a possibility that the municipality is not in a good position to respond to due to capacity constraints.

Moreover, disaster management personnel are not sufficient and construction of the Fire Station is not yet completed due to poor performance by contractors. However, notwithstanding these challenges, the municipality is doing everything within its power, together with all stakeholders and partners, to implement prevention measures and improving response to disasters.

3.16.2. Disaster Management Plan

Disaster Management Plan was developed in 2012 as a lead guide to respond to whole spectrum of Disaster Management at local level i.e., prevention, preparedness, mitigation, response, recovery, and rehabilitation. Nquthu Disaster Management Centre acts as an implementing, co-ordinating and monitoring body as per National Policy which Disaster Management Act 57 of 2002. The plan gets reviewed and updated regularly. The plan was last reviewed in June 2023.

The updates and amendments in the Disaster Management plan will strengthen the institutional structure and further enhance the disaster management preparedness and emergency response measures. It will also ensure enhanced disaster risk resilient communities.

3.16.3. Disaster preparedness for 2022 summer season

Following activities were undertaken before the onset of summer: -

- Summer season local contingency response plan was reviewed.
- Stakeholder contacts details were updated.
- Equipment and apparatus were serviced accordingly.
- Staff rosters and standby personnel were beefed up.
- Relief Items were procured and sourced from various partner and service providers.

3.16.4. Disaster management advocacy and awareness

As part of the municipality's disaster mitigation strategy, it has embarked on continuous awareness campaign drive to ensure that our public is informed and vigilant against any possible disaster situation so that they can respond rapidly and in an informed manner. These campaigns mostly target schools since school going learners constitute the most vulnerable groups as they are exposed to lightening and have to cross water flood paths on their way home when there are heavy rains. There is also an SMS service whereby communities are warned about coming or potential extreme weather

situations which may have dire outcomes for communities, since almost all disasters are weather related.

- **Schools disaster risk awareness campaigns:** School disaster safety has the overall objectives of Awareness, Preparedness and Mitigation. The whole team was engaged in creating awareness among the students and school community and promoting activities for better preparedness against local hazards and mitigation of their impact.
- **Community disaster awareness:** A community disaster training program focusing on thunderstorms, floods and fires was implemented in Nquthu during 2022-2023 financial period. It covered mitigation, preparedness, and response aspects of natural disaster management. Hundreds of community members participated in the training program delivered by 04 local officials. This program evaluated the impact of participation in this program. Disaster-related cognitions (i.e., disaster expectation, worry about future disasters, loss estimations if a disaster occurs, beliefs in the possibility of mitigation and preparedness) and reported preparedness behaviours were assessed.

The relationship of sociodemographic, previous disaster experience, anxiety, and locus of control variables with disaster-related cognitions and behaviours was examined. Results showed that participants in the training program had more disaster expectation, worry and loss estimation and more preparedness behaviours. Results of regression analyses, examining the relationship of the variables of the study with disaster cognitions, affect and actual preparedness behaviours showed that gender, education, being a participant in the training program, anxiety and locus of control are important variables related to different kinds of disaster-related cognitions. However, reported preparedness behaviours were quite low and this result needs to be viewed with caution. These results have important implications for the modification of programs for targeting sustainable behavioural change, which is likely to reduce the impact of future disasters. The table below contains details of areas where community disaster risk awareness campaigns were rolled out.

No.	Date	Ward	Area	Audience
1.	13 July 2022	18	Slonjane	War room Community members
2.	14 July 2022	09	Nquthu town	Buy Back Centre staff
3.	10 Aug 2022	09	Nquthu town	Life Changing Academy - Primary
4.	10 Aug 2022	10	Nkalankala	Life Changing Academy – High
5.	11 Aug 2022	05	Ogazini	Ogazini Hall (community)
6.	29 Aug 2022	15	Hlathi dam	Hlath Dam Clinic (community)
7.	29 Aug 2022	14	Masotsheni	Masotsheni Clinic
8.	30 Aug 2022	03	Mbokodwe	Felani Clinic

9.	30 Aug 2022	12	Isandlwana	Isandlwana Clinic
10.	31 Aug 2022	02	Mangeni	Mangeni Clinic
11.	31 Aug 2022	01	Manxili	Manxili Clinic
12.	13 September 2022	13	Mtshongweni	Mtshongweni hall (community)
13.	28 September 2022	12	Magaga	Mampunga Primary School
14.	20 February 2022	17	Zicole	Intoyethu Primary School
15.	20 February 2022	17	Mafihleng	Mafitleng Primary School
16.	21 February 2022	03	Hlinzeka	Hlinzeka Primary School
17.	23 February 2022	03	Chibide	Shekelela Primary School
18.	24 February 2022	15	Bayabonga	Bayabonga Primary School
19.	28 February 2022	01	Nqgulu	Kwa-Bhojongo Community
20.	20 April 2023	10	Ntanyandlovu	Ntanyandlovu Primary School
21.	20 April 2023	10	Khayelisha	Bongumenzi High School
22.	24 April 2023	10	Ngwebini	Ngwebini Primary School
23.	11 April 2023	13	KwaNgedla	Ntshisekelo Community Hall
24.	16 May 2023	7	Mhlungwane	Mhlungwane Primary School
25.		11	Mbewunye	Mbewunye Primary School
26.	17 May 2023	6	Patsoana	Patsoana Primary School
27.		7	Siyabuswa	Siyabuswa Primary School
29.	18 May 2023	6	Nondweni 5	Mhayise Secondary School
30.	13 June 2023	16	Ohaleni	War room Community members

3.16.5. Response to disasters

During the financial year 2022-2023, Nquthu faced multiple human-induced and natural calamities and Nquthu Disaster Management Centre remained at the forefront in proactively responding to the all the challenges as a custodian unit, addressing whole spectrum of disaster management. The district and provincial bodies and all relevant stakeholders were kept on board through various coordination meetings and consultations. The calamities, their effects and the response measures taken in each case are covered below.

Thunderstorm/lightning strikes and heavy winds

- **Thunderstorm 13 October 2023** – Three houses were affected by severe lightning strikes in various parts of Nquthu in the afternoon of Sunday. Affected areas are Mcijampi of Ward 05 and Sunrise within Ward 10. Fortunately, no casualties were recorded.
- **Thunderstorm 17 October 2023**- Another three houses were affected by the severe lightning strikes in Ward 11 Mabululwane, Ward 13 Batshe, and Ward 16 Ohaleni. In all the houses affected, only one person was injured.
- **Thunderstorm 18 October 2022**- A severe thunderstorm accompanied by lightning and heavy rains affected parts of Nquthu and left communities devastated. Affected areas are Ward 18 Slanjane, Ward 16 Munwana and Mkhonjane, Ward 10 Dunusa and Shayamoya, and Ward 05 Mazicentele.
- **Thunderstorm 19 October 2022**- Another severe thunderstorm affected several houses in Nquthu. The storm was mainly accompanied by lightning with strong winds and heavy rain. One of the affected houses caught fire after being struck by lightning. Affected areas are Ward 01 Nqqulu, Ward 2 Nkunyana, Ward 4 Ntinini, Ward 14 Mqhedlana, Ward 10 Khayelisha ,and Ward 7 Mahlungulu.
- **Thunderstorm 20 October 2022**- Three houses were damaged by lightning on Sunday afternoon. Only Ward 12 Dunudunu and Engwaqeni was affected by the storm. No injuries and/or fatalities were recorded.
- **Thunderstorm 27 October 2022**- On Sunday night, three houses were affected by thunderstorm accompanied by hail, lightning, and strong winds. All three houses were struck by lightning and had their roof damaged by strong winds. Hail stones also damaged the said houses. Fortunately, no casualties were recorded.
- **Thunderstorm 05 November 2023**- A severe thunderstorm mainly accompanied by strong winds affected a total number of 37 households within Nquthu. The thunderstorm lasted only seven minutes, but its impact was severe to the point where some residents had to seek shelter from neighbours. The storm was also accompanied by lightning and rain. Affected wards are Ward 05, 15, 04, and 07. Only one person sustained minor injuries.
- **Thunderstorm 17 November 2022**- Only three households were affected by lightning and strong wind in a minor thunderstorm that raged through parts of Nquthu. The affected households are located in Ward 12 KwaNhloya, Ward 15 Hlathi dam, and Ward 13 Gwetshana area.
- **Thunderstorm 24 November 2022**- A total number of eight households were affected by the effects of thunderstorm that was accompanied by lightning, heavy rain, and strong winds. The houses affected are in Ward 11 Mbilane, Ward 1 Obengwane, Ward 19 Nkande, Ward 4 Womothi, Ward 5 Ogazini, and Ward 13 Gubazi. Most of these houses were affected by lightning.
- **Severe thunderstorm 19-20 December 2022**- Nquthu Municipality- A strong line of storms moved through eastern parts of Nquthu on Tuesday and Wednesday, leaving several buildings damaged in Ward 04 Nhlengile, Ward 12 Sandlwana and Nhloya, Ward 19 Nkande, Ward 08 Mbilane, Ward 14 Dalala, Ward 01 Qhudeni, Ward 02 Nkunyane, Ward 07 Nsekwini, Ward 5 Nyakaza, Ward 03 Thula, Ward 11 Mbewunye and KwaVuna, Ward 10 Ngwebini and Phologo,

and Ward 08 Mahlhungulu. Much of the heaviest damage is in Mahlhungulu area of Ward 08, where high winds sent trees, roofs and powerlines crashing down in the villages and damaged some local businesses.

- **Lightning 05 January 2023**- Fourteen households were greatly affected by lightning in a minor thunderstorm that raged through parts of Nquthu. The affected households are in Ward 17 - Kwa-Biya, Batshe & Zicole; Ward 01 Manxili & Mpofana; Ward 16 – Nomathinta; Ward 02 – Magogo; Ward 04 – Gezahlale & Ward 16 – Munywana.
- **Thunderstorm 28 January 2023**- A minor thunderstorm affected a total number of eight houses in Nquthu Ward 14, 16, and 01. Out of eight, only three houses were affected by lightning strikes. Fortunately, no injuries and fatalities were recorded.
- **Thunderstorm 28 January 2023** - A minor thunderstorm affected a total number of eight houses in Nquthu Ward 14, 16, and 01. Out of eight, only three houses were affected by lightning strikes. Fortunately, no injuries and fatalities were recorded.
- **Thunderstorm and Heavy rain 16-18 February 2023**- Lightning strikes affected four (04) households within Nquthu Municipal area. Three (03) Houses were destroyed by structural fires in separate incidents. Ninety-three (93) houses were greatly affected by heavy rains where communities were left devastated. A total number of (664) people were negatively affected by effects of the heavy rains, lightning and structural fires that damaged and destroyed their properties. No fatalities and injuries were reported.
- **Lightning 29 April 2023**- Two families in Mabululwane area of Ward 11 were dealing with devastating damage after two homes were hit by lightning during the recent storms. In both homes, no casualties were recorded but properties were damaged.
- **Lightning 07 May 2023**- A single roomed house went up in flames after being struck by lightning in Ntinini of Ward 05. Fortunately, no one was inside the house when the fire started, but the house and its contents were all consumed by flames.
- **Lightning 02 June 2023**- The Ngobese family in ward 04 – Eskhonkwane area was significantly affected by lightning as a result they lost one permanent structure. No fatalities or injuries were reported.
- **Strong winds 04 January 2023**- Three Strong wind incidents were reported and attended to by Nquthu Fire and Disaster management at Nkande area in Ward 15. The strong winds destroyed (01) house and (01) was partially destroyed. No injuries were recorded.

Drowning incidents

- **15 January 2023**- Two young girls aged between 08– 13 years were reported missing after jumped into the strong river(Buffalo) at Qhudeni (Bagaye) in Ward 01. Nquthu Search & Rescue and South African Police Service teams worked tirelessly to try and recover their bodies without any success. The search took approximately three weeks, the drowned bodies were not recovered eve after activating advanced search measures. *Ironically, Two bodies of unknown men on separate incidents were recovered by Fire and Rescue in Ward 02 and Ward 01.*

- **10 January 2023-** Fire and Rescue intervened and recovered three bodies belonging to Nquthu family. The three attempted to cross a flooded river by a small car in Dundee, unfortunately they misjudge the river that was overflowing and too strong for crossing. Their bodies were recovered after three days of extensive search. The bodies were recovered still inside the car just few kilometres from where it was swept off by strong river currents.
- **02 March 2023-** Fire and Rescue intervened and recovered and a body of a young man that drowned in Hlajakazi area. The body was recovered in a small but deep dam. SAPS members were also part of the team that searched and recovered the lifeless body.

Communities were left without power, some without proper shelter, and some without food. The storms were accompanied by strong winds, heavy rains, and lightning. A total number of 13 people sustained injuries because of structural collapses. The extent of damages ranged from minor to major leaving some residents without groceries as everything was flooded with water after several roofs were blown off by strong winds. Some houses collapse because of prolonged heavy rainfall. Lightning also damaged and destroyed some houses.

Nquthu Disaster Management teams assessed all reported houses and issued relief stock to needy residents. A total number of 09 families were left homeless. Immediate assistance in a form of temporal houses will be appreciated.

Local Municipalities	Types of Incidents	Number of Incidents	Households Affected	Houses Destroyed		People Affected	Fatalities	Injuries	Missing Persons
				Totally destroyed	Partially Damaged				
F – Fires, FL – Floods, HR – Heavy Rains, L –Lightning, HF – House fires, D –Drowning, SF-Snowfall									
	HF	45	45	25	42	416	0	0	0
	HR	100	211	193	143	1446	0	13	2
	L	25	75	20	59	395	0	2	0
	SW	07	194	94	254	1705	0	1	0
Total		177	529	332	498	3962	0	16	02

3.16.6. Disaster risk reduction measures

Listed below are some of the measures in place geared to mitigate disasters:

- **Lightning conductors’ installations:** the Municipality installed 180 lightning conductors in various electoral Wards.
- **Donation received from KZN PDMC:** the Municipality received 25 conductors from KwaZulu Natal Provincial Disaster Management Centre. The devices were installed in two Wards.

- The municipality prioritises areas highly prone to lightning strikes when installing lightning conductors to prevent re-occurrence.
- **Dissemination of Weather Forecasting messages:** In order to enhance disaster preparedness capacity and weather forecasting capabilities, the Centre continues to work closely with SAWS to receive and disseminate early warning messages.
- **Revision of disaster management plan:** Nquthu Disaster Management Centre initiated revision of the Local Disaster Management Plan. The purpose of the project is to revise the complete DMP in line with national priorities and international obligations. The project was initiated in June 2023 and includes strengthening DMC's capabilities for information collection and analysis of variety of natural hazards and disasters such as rainfall, inundation, seismic data, etc. Moreover, it covers basic strategy of DRR and its effectiveness based on the results of the risk assessment.
- **Basic first aid training for firefighters and disaster management staff:** The Centre in collaboration Human Resources Unit conducted Basic First Aid Training for 21 staff members.
- **Ward committees' workshop on disaster management:** To enhance public awareness on disaster resilience, the Centre conducted a disaster risk management workshop for 190 Ward Committee members. The workshop was aimed at capacitating the ward committee members on general issues relating to disaster response, reporting, and assessment.

COMPONENT G: SPORTS AND RECREATION

3.17. SPORTS

The Sports unit is located in the Community Services component of the Corporate and Community Services department and has a dedicated employee in the form of the Senior Sports Coordinator. The municipality has done very well in all the categories it is participating in. The municipality's normal sports calendar was previously disrupted due to COVID restrictions but is now back on track.

2022 Golden Games

Local selections was done on the 27 July 2022 at Nquthu stadium, all wards that have clubs were represented on the day. The following code was participating on the day.

- | | |
|------------------|--------------------|
| • Athletics | • Ball pass & kick |
| • Juskie | • Passing the ball |
| • Ring the stick | • Goal shooting |
| • Duck walk | • Rugby ball throw |
| • Ball relay | • Dress up |
| • Netball | • Umlabalaba |

Refreshments for players, Councilors and officials were arranged on the day, transport for players was arranged on the day we hired 17 minibuses to transport participants to Nquthu stadium.

District selection was held on the 10 August 2022 at Greytown sports field under Umvoti Municipality, transport, meals and refreshments for players were arranged on the day, the municipality also arranged the apparel for players, Councilors and official's during the district selections, Provincial golden games were held on the 12 -14 August 2022 at EThekweni Municipality during the Provincial golden games we faced many challenges the district fail to provide transport & apparel for participants, refreshments, as Nquthu municipality we booked accommodation for Sport portfolio Committee members, Exco members, office bearers and officials, we also arranged lunch for our delegations.

2022 Indigenous Games

Local selections was done on the 09 July 2022 at Nquthu stadium, all wards that have clubs were represented on the day. The following code was participating on the day.

- Dibeke
- Juskie
- Drie Stokkies
- Induku
- Umlabalaba
- Incuva

Refreshments for players, Councilors and officials were arranged on the day, transport for players was arranged on the day we hired 08 minibuses to transport participants to Nquthu stadium.

District selection was held on the 24 July 2022 at Pomeroy sports field under UMSinga Municipality, transport, meals and refreshments for players were arranged on the day, the municipality also arranged the apparel for players, Councilors and official's during the district selections, Provincial indigenous games was held on the 05 -07 August 2022 at Ilembe District Municipality during the Provincial indigenous games we faced many challenges the district fail to provide transport & apparel for participants, refreshments, as Nquthu municipality we booked accommodation for Sport portfolio Committee members, Exco members, office bearers and officials, we also arranged lunch for our delegations.

3.18. TOURISM, ARTS, CULTURE AND HERITAGE

Nquthu Municipality has very important historical places that makes it a very viable tourist destination. The Tourism unit is located within the LED unit which is under the Planning department. Nquthu boast very important heritage sites which include, among others; iSandlwana battlefield and Ncome battlefield. At iSandlwana there is always an annual commemoration of the battle of iSandlwana which is always graced by the presence and address of His Majesty the King of the Zulu Nation.

A number of programmes were successfully implemented in this financial year, including events that included participation by members of the public, as shown in the reports below accounting for each programme that was implemented or event that was hosted.

Tourism educational visit

The Tourism unit planned to have Tourism educational visits annually, with the aim of sharing the information from the Portfolio Councillors on how they do their budget and other activities, including the Board members who run the day to day work of the Nquthu Community Tourism Organization

(NCTO) on how they handle themselves, plan their activities, their roles and responsibilities and accountability of their own finances, and lastly information sharing from the tourism officials on how to attract the tourists/investors. These tripartite alliances are the core drivers of the Tourism in Local area.

This financial year a visit was made to Ukhahlamba Local Municipality from 20-30 November 2022 to engage tourism bodies and stakeholders in this municipality, which is one of the most recognized tourism regions in KwaZulu-Natal. A focus was on cannabis commercialization which has potential in Nquthu if necessary investment is made in this emerging field which has immense potential.

KwaZulu-Natal Tourism Indaba

Nquthu Tourism unit participates yearly on the Africa's Travel Indaba known as Tourism Indaba for the purpose of marketing the Nquthu Tourism, Nquthu tourism products and businesses. This event attracts local and international markets, tourists, and media across the world. The Africa's Travel Indaba is the largest tourism event on the annual events calendar of South Africa. It showcases the widest variety of Africa's best tourism products. The Nquthu Municipality gives local tourism business owners the platform to meet other business owners to share business idea, innovation and improve themselves in the business wise spectrum, while exploring business global trend for new venture.

This year's trade show was conducted from the 7th -11th of May 2023. Nquthu Municipality was able to pay for the stand (18 square meters) and stand design that was flamboyant and attractive. We were also able to accommodate 4 Tourism stakeholders to be part and parcel of the trade show, however every Nquthu tourism business/ stakeholder was represented by brochures and business cards. We had over hundred visitors on our place, and we manage to conduct one on one meeting with buyers from overseas and local stakeholders in our stand. We were also providing with brochures, pamphlets from businesses, tourism branded keyholders and products we have in Nquthu, DVDs for our annual events were being played on the screen and sold throughout the show and displayed one of the best craftworks from our crafters as part of promotional material. The Municipality was able to book accommodation for all attendees, provide them with lunch with the assistance of NCTO and transport them to and from the show.

One of the achievements that can be highlighted in this year's event are the following:

- We were able to meet with CEO of Amafa, which is the entity that is looking after our historical sites/attractions.
- Our accommodation businesses were able to get information on the Grading system and criteria, for their businesses to be graded and marketed worldwide.
- We also networked with tourism SETA which is soon going to conduct capacity building Programmes for our Tourism stakeholders.
- Numbers of calls we are receiving have increased at our Tourism officer, enquiring about our accommodations, travel agents and our local history (and our tourism offerings at large).
- We were also honored to receive buyers from abroad who passed by our office, and they stated that they've seen our brochure at KZN Tourism, and it was interesting.

- There are Programmes, which soon are going to be driven with Tourism KZN particularly community tourism awareness as an outcome of our engagements during Indaba.
- Scholar Tourism competition called “Ingakithi” we will run it as well.



Royal Reed Dance

People make the journey to the King of the Zulu nation’s royal residence Enyokeni Palace. at kwa-Nongoma, every September month, young Zulu maidens take part in a cultural festival, the Royal Reed Dance festival or Umkhosi womhlanga in the Zulu language. A key purpose of the Zulu Reed Dance ceremony is to encourage young girls to keep their virginity until they are ready to get married. This ceremony was re-introduced in 1984 for this purpose by the late Zulu King after he attended a human Unity Conference focused on HIV/AIDS. In 1987, the KwaZulu natal provincial government started supporting the ceremony financially to ensure that it could be attended and be well received by the whole nation. The Government continues to provide transport, accommodation and meals at the event for attending maidens. The King uses the platform to address medians and the society.

The planning meeting for the main event was held at umzinyathi district board room on the 26 August 2022. There were 658 maidens, from Nquthu who attend this ceremony on the 16th - 18th of September 2022. The Task team was working hand in hand with 53 Nquthu Matrons. This year Nquthu Municipality was able to hire 8 Buses to Enyokeni. Department of Arts and Culture was able to provide us with 1 bus. In total from Nquthu we had 9 buses. The municipality also provided food packs for 3 days.

Ingoma yoMama neZintombi (Mokgibo wabo Mme na Bana)

Nquthu Municipality hosted ingoma yoMama nezintombi, Mokgibo wabo Mme na Bana competition in celebration of woman's month. The purpose was to sustain and encourage appropriate growth in ingoma for women. Hence it was a women's month. Both in Isizulu and SeSotho culture in a form a competition. This report will high light the objectives, outcomes of the competition.

Ingoma yomama nezintombi is an annual competition which is part of woman's month celebration it took place on the 31 August 2022. This completion was to encourage both the SeSotho and Zulu cultural activities and to promote the social cohesion between the two cultures.



2023 Nquthu Gospel Festival

The Municipality is developing performing art in Gospel. Most of the genres have been attended to, but there are some that still need an attention from the Municipality. It is for this reason that the Department of Planning and Economic Development puts up this concept for promotion of Gospel Genre. The promotion of this genre is in a form of Competition, it is divided into 3 categories gospel

with instrument, gospel without instrument and Zion. The fundamental intention about this event is to roll it out as an annual event. This year, the festival was held on 22 April 2023.

2023 Nquthu Horse Race Competition

Nquthu municipality hosted a Nquthu June horse race on the 17th of June 2023 at uMkhonjane area, the propose was to sustain and encourage appropriate growth in Nquthu horse racing and to formalise rural horse racing so that it could contribute to the social and economic development of the area. There was also a platform for exhibitors to show case their hand work. Social cohesion- sport and recreation have the potential to create National unity. This programme has the potential to bring together people of all age groups. Horse racing provides a healthy lifestyle alternative for the youth to engage in positive activities and it includes all genders. It takes full advantage of Tourism opportunities. The event was marketed various media platforms including social media.

This event was hosted for two days as follows:

Day 1- Street parade

The event started off with street carnival show parading of horses that include oMama besigekle and oMama be SeSotho, culture with traditional clothing, motorcycles and Councillors ridding the horses.

Day 2 main event

The second day was the main race day, that featured 7 races, which included ladies' race. The day also features fashion designers, exhibition of crafters, Tourism and SMME. music, dance and a wide range of hospitality experience and different marquees.

The sponsors of this event, to which the municipality is very grateful, were:

- Ithala Bank
- Spar Supermarket
- ABSA Bank
- Kunjani Clinic
- aQuelle Water

COMPONENT H: SOCIAL INTERVENTIONS

3.19. YOUTH AND EARLY CHILDHOOD DEVELOPMENT

The municipality has a dedicated youth development unit which is located in the office of the MM. This unit has a compliment of three employees consisting of a youth manager and two officers. There are a variety of youth development programmes that were implemented in the 2022/23 financial year. Early childhood development is the function of the youth development unit. Below are some of the programmes that were undertaken.

Mandela Day

On the 22 September 2022, His worship the Mayor, led the Nelson Mandela Celebration, at VA Makhoba Hall. About 240 youth headed household members were provided with food vouchers. The mayor also gave token of presents to the senior citizen's whom were 100 years or above in age.

Outreach programmes

PERIOD	ACTIVITY
Quarter One	1. Assupol Community Trust together with Nquthu Local Municipality visited about six traditional administration centres. The purpose of the engagement was to inform Amakhosi about the partnership between Assupol Community Trust and Nquthu Local Municipality on the infrastructure development projects. Amakhosi welcomed the intervention and gave their blessings to all the projects. The construction of eight Early Childhood Development Centres had started in seven different wards around Nquthu.
Quarter Two	2. The office invited the University of South Africa to visit Nquthu and register the matriculates that are willing to continue with their higher academic qualifications. The registration took place on the 04 October 2022, at Nquthu Public Library. Approximately 41 students were attended and successfully placed in the university system. 3. The KwaZulu-Natal legislature has invited the municipality to be part of the public hearing on the Children Amendment Bill (B18B-2020) The hearing took place on the 22 October 2022, at CICIL EMMET Hall, under Abaqulusi Local Municipality. The youth manager attended the public meeting. 4. Makhumba Youth Empire in partnership with Nquthu Municipality conducted the career day on the 29 October 2022, at Mnxangala Community Hall under ward 3. Learners from the surrounding secondary schools attended with their educator's providing guidance on the academic issues and educational careers. The KwaZulu-Natal office of the Premier graced the event. Umzinyathi District Municipality was among the main speakers of the day. 5. Nquthu Municipality in partnership with the department of labour has conducted the youth career exhibition on the 29 November 2022 at Ntshisekelo Crech, Ward 13. Different departments, including the department of Labour, Health, DSD, EDTEA, Majuba TVET College, CEDARA Agricultural College and the Office of Premier in KwaZulu-Natal. All the mentioned stakeholders made the presentation and rendered their services.
Quarter Three	6. The youth office has partnered with several departments and stakeholders to conduct the youth outreach programs. On the 23 February 2023, the youth manager directed the program at Mafitleng Community Hall, ward 16. Several government departments were able to do the presentations to the youth about their programs. It was motivational to witness the business exhibition that took place on that day as the youth showcase their work. 7. Assupol Community Trust has conducted the community outreach at Mphondi Crech, ward 7, on the 14 February 2023. The purpose was to encourage the young

PERIOD	ACTIVITY
	mothers to take their kids to the early childhood development centres. Government departments led by the department of education made their presentations. The KZN Office of the Premier in partnership with Nquthu Municipality youth office has conducted the youth outreach programs where the youth was empowered in a rural community. Amongst the visited ward were ward 5, 6 and ward 18.
Quarter Four	<p>8. On the 17 May 2023, the youth office attended the Operation Sukuma Sakhe Operation Mbo, at Qhudeneni Area, ward 1. Charles Johnson Memorial Hospital led the campaign. The purpose was to bring the departments and their services to the community. Social Cluster departments visited the area and provided the services. It was evident that working with the private sector can bring development to the most deprived communities. Standard Bank, Nedbank, ABSA and Sanlam were amongst the private companies that rendered their services. Ward 1 under Nquthu Local Municipality is regarded as the poorest and most deprived in the whole province of KwaZulu-Natal.</p> <p>9. On the 23 May 2023, the Child Protection Forum, led by the department of Social Development visited the Luvisi Primary School to conduct the child protection campaign. There are many cases which are reported with child abuse especially the sexual abuse in boys. The youth office was part of that campaign.</p> <p>10. Isandla Somusa Organization invited the youth office to a community meeting on the 24 May 2023, at Nkande Community Hall, ward 19. The purpose of the meeting was to bring the youth empowerment program to the community. The local departments delivered their speeches and interventions to the attendees. Amongst the invited departments were: The KwaZulu-Natal office of the premier, Department of Social Development, Department of Agriculture and Rural Development and the Department of Labour. The youth was able to ask questions and the panel responded accordingly. The department of labour was able to register the unemployed youth into the unemployed register.</p> <p>11. Assupol Community Trust conducted the outreach program on the 26 April 2023 at Kwayisa Primary School, ward 2. The department of Health, Department of Social Development and FOR Africa Organization also joined the campaign. These campaigns are the true evidence of the good relationship between Nquthu Municipality and the Private sector.</p>

Capacity building in the ECD sector

On the 1st – 3rd September 2022, Learn and Play volunteers embarked to the capacity building session that took place at Babanango Hotel. The purpose of the capacity building is to empower and to share the ideas about the Learn and Play program.

Equipment/material for ECDs and Care Centres

- His Worship the Mayor of Nquthu Local Municipality led the council to hand over the Community Care Centre Materials. About six centres were visited on the following dates:

Date	Care Centre	Ward
24 October 2022	Philani Community Care Center	13
24 October 2022	Community Shelter and Orphanage	14
25 October 2022	Nquthu Development Centre	12
25 October 2022	Kwanele Care Centre	14
26 October 2022	Qhudeni Community Care Centre	01
28 October 2022	Nondweni Zmimpilo Care Centre	06

- His worship the Mayor, Cllr. IL Shabalala handed over the crech materials on the dates below.

Date	Name of the Creche	Ward
09 May 2023	Inkosi Hlatshwayo Creche	Ward 6
16 May 2023	Ntshisekelo Creche	Ward 13
22 June 2023	KwaNqulu Creche	Ward 01

Youth Headed Households

The municipality has catered for 190 youth headed household. Each family was provided with a food voucher with an amount of R1000-00 each. The handing over of the vouchers took place on the 22 December 2022 at Nondweni Community Hall and on the 23 December 2022 at Nquthu Stadium respectively.

Career Exhibition

Nquthu Municipality in partnership with the department of Education invited secondary schools to participate in the career exhibition that took place on the 9 March 2023, at VA Makhoba Hall. Tertiary institutions made their presentations to the grade 12 learners on how to apply for admission for the next academic year.

School uniform for indigent pupils

Nquthu Local Municipality visited 19 schools to donate with school uniform. Each school received ten full uniforms to support the deprived and needy learners. His worship, the mayor conveyed the message of support to the teachers, parents, and learners.

Skills development

His Worship the Mayor, Cllr. IL Shabalala launched the Business Analysis Support Practice Learnership on the 20 April 2023. A company called 2323 SD PTY LTD will conduct such leadership to 26 learners for the period of 12 months with a stipend of R1800-00 per month for each learner.

Take a child to work programme

On the 08 June 2023, the youth office conducted the program at Charles Johnson Memorial Hospital at Nquthu. About ten science learners from Ekucabangeni Secondary School were invited to take part. Learners were taken to the different working station within the hospital.

Youth Day Commemoration

The youth commemoration took place on the 20 June 2023 at Sizamile Community Hall, ward 6. The youth was able to listen to the useful presentation from the Department of Labour, Economic Development, Tourism and Environment Affairs, Independent Electoral Commission and Nedbank. The mayor also issued the agricultural vouchers to 19 agricultural cooperatives each voucher with an amount of R10 000 each.

Grade 12 Excellence Awards

His Worship, the Mayor has congratulated the grade 12, class of 2022 for their achievement. The event took place on the 2 February 2023 at VA Makhoba Hall. The school's managers and matriculants were recognised for their efforts in the upgrading of such results. The certificates and trophies were awarded on the following categories.

- Top ten best performing schools.
- Top five schools with most bachelor pass
- Mayor's discretionary awards
- Best performing learners in subjects
- Best performing learners under Umzinyathi District

Top ten best performing learners under Nquthu. The mayor donated about ten laptops to these students as they were already admitted to the institution of the higher learning. This will assist them to study in the tertiary institutions.

3.20. VULNERABLE GROUPS AND SOCIAL PROGRAMMES

The municipality has put as one of its priorities the development and safeguarding the welfare of the vulnerable groups in our communities, including the elderly, women, children, people living with disabilities, people living with HIV, etc. For purposes of ensuring that this function is performed optimally, the municipality has dedicated an official dealing with all these issues and located her under community services department.

Material/equipment were provided for vulnerable groups to enable them to run their self-help programmes geared to support one another and fight poverty.

The mentioned below forums was benefited in the 2022/2023 financial budget:

- Disability forum from ward 2, 5, 9, 10,13, 14, 17 and 19.
- Woman forum from ward 13, 17 and 18.
- Widows and widower's forum from ward 01, 07, 08, and 12.

PART B:
AUDITED 2022/23 ANNUAL PERFORMANCE
REPORT

1. INTRODUCTION

The municipality compiles an annual performance report at the end of each financial year and submits such report to the Auditor General South Africa (AG) for auditing. One this report has been audited; it is incorporated into the municipality's Annual Report which also includes the audited Annual Financial Statements, Audit Committee report, audit report issued by AG, action plan to address issues raised in the audit report, Council oversight report as well as the narrative report which seeks to simplify and visualize reported municipal information and/or activities. In this regard, this report has been compiled in line with guidelines issued by KZN COGTA for submission and auditing by AG South Africa.

2. LEGISLATIVE FRAMEWORK AND POLICIES

The Nquthu Local Municipality's Annual Performance Report for the 2022/23 financial year has been prepared in compliance with the statutory requirements outlined in Chapter 6 of the Municipal Systems Act (No. 32 of 2000) and Chapter 12 of the Municipal Finance Management Act (No. 56 of 2003). These acts govern the municipal performance reporting process and specify the roles of each level of government involved. As per Section 40 of the Municipal Systems Act, municipalities are required to establish mechanisms to monitor and review their Performance Management System (PMS). This includes measuring, monitoring, reviewing, evaluating, and enhancing performance at various levels, such as organizational, departmental, and employee levels. Additionally, Section 34 of the MSA mandates an annual review of the Integrated Development Plan (IDP). During this review, Key Performance Areas, Key Performance Indicators, and Performance Targets are also reassessed, forming the basis for evaluating the Organizational Performance Management and Performance Contracts of Senior Managers. Senior managers are appointed based on the 2014 Regulations on the Appointment of Municipal Managers and Managers Directly Reporting to the Municipal Manager. These regulations define competency standards for senior managers, and their performance evaluations must ensure compliance with these standards.

According to the Municipal Planning and Performance Management Regulations (2001), a municipality's performance management system should encompass a comprehensive framework that outlines the cycle and processes of performance planning, monitoring, measurement, review, reporting, and improvement. This framework also assigns specific roles to different stakeholders involved in the process (Chapter 3, Section 7, Municipal Planning and Performance Management Regulations, 2001).

Furthermore, Section 46 of the Municipal Systems Act (Act 32 of 2000) establishes certain provisions which need to be followed,

“Annual performance reports

46. (1) A municipality must prepare for each financial year a performance report reflecting–

(a) the performance of the municipality and of each external service provider during that financial year;

(b) a comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year; and

(c) measures taken to improve performance.

(2) An annual performance report must form part of the municipality's annual report in terms of Chapter 12 of the Municipal Finance Management Act."

In terms of the applicable legislation as discussed above, the municipality's compliance can be summarized as follows:

- The IDP was reviewed, and the public was consulted for inputs which had to be considered when the final draft was approved. The 2022/23 Draft IDP was approved on 29 May 2022 and the Final 2022/23 IDP was approved on 26 May 2022, together with the 2022/23 Annual Budget and Performance Management Policy Framework. However, due to gaps there were identified in the municipality's strategic workshop, the IDP was amended in terms of Section 34 of the MSA and comments were invited for the public to make inputs on the report that was approved on 25 January 2023, the amended IDP was approved by Council on 24 February 2023.
- After the approval of the IDP and Budget, the SDBIP was prepared and approved by the Mayor within 28 days and published as required by law. The SDBIP was also reviewed after the adjustment budget and was signed by the Mayor on 20 March 2023 for submission to Council on 30 March 2023 for approval.
- Performance reports are prepared on a quarterly basis to monitor performance and make necessary interventions where necessary. Performance reports are submitted to internal auditors for auditing and also tabled to Council. Internal auditors issue audit reports on a quarterly basis and raise a number of findings which management respond to. In the main, the issues that are raised relate to nonalignment between the IDP and performance scorecard, non-adherence to SMART principle, inadequate supporting evidence, non-provision of reasons for variance and inadequate corrective measures. The findings raised are attended to and those that are not resolved taken into account in the following financial year to prevent their recurrence.

3. PURPOSE OF THE REPORT

The main purpose of this report is to give effect to the legislative provisions discussed above and also to account to the citizens of Nquthu Local Municipality on progress made by the municipality in improving the lives of the community through service delivery. Furthermore, the report is a key performance report to the communities and other stakeholders in keeping with the principles of transparency and accountability of government to the citizens. It subscribes to the South African developmental nature of participatory democracy and co-operative governance and responds to the principles of the Constitution, Batho Pele, White Paper on Local Government, Municipal Systems Act and Municipal Finance Management Act.

Further to the what is discussed above, the annual performance report is the main carrier of performance information that the Auditor-General relies on to conduct an audit to test the credibility of the reported achievements and compliance to ensure that the performance information contained in the municipality's Annual Report has been duly audited.

4. PERFORMANCE MANAGEMENT PROCESS

The municipality has a Performance Management Policy Framework in place which sets out the process that must be followed by the organization in the formulation systems that designed to enable effective monitoring, management and evaluation of performance. To date the performance framework has been reviewed internally by the IDP/PMS Unit. The framework has been adopted by the Council with the final IDP review for 2022/23 financial year. The standard COGTA guidelines in conjunction with the framework have been used to execute all performance related matters within the municipality.

The performance management processes and other processes related to performance management are summarized below as follows:

- **IDP formulation:** when the IDP is being formulated, the public is consulted in order to determine the needs of the people. These needs become municipal development priorities and translate and they are translated into IDP objectives. When IDP objectives have been determined, the municipality devise strategies that shall be employed to ensure the realization of those objectives.
- **Organizational performance scorecard:** National key performance areas and IDP objectives and strategies form the basis of the municipality's organizational scorecard. Key performance indicators for each objective are developed and target(s) are set for each indicator.
- **Municipal budget:** the budget is allocated and prioritized with the sole purpose of ensuring that the IDP objectives are realized. Therefore, the budget is aligned to the IDP. After the IDP and budget have been approved, the Mayor approves the SDBIP which becomes an instrument to accurately link the IDP and the budget and form the basis upon which municipal performance shall be measured and also form the basis for performance agreements of senior managers.
- **Performance reporting:** in addition to operational or verbal report in different departments and units, MSA, the Regulations as well as municipal performance management policies prescribe a formal performance reporting processes and procedures. These processes and procedures are briefly outlined below-
 - Monthly operational reports are submitted to Portfolio Committees within one week after the end of a calendar month;
 - Quarterly Departmental OPMS reports are being submitted to the Municipal Manager on a quarterly basis and then to Council for approval;
 - When the OPMS reports are submitted to the Municipal Manager they are than submitted to Internal Audit for review as a requirement;
 - Internal Audited Report goes to the Audit Committee as Nquthu Municipality has a fully functional Audit Committee which oversees all the municipal performance;
 - The municipality then compile the Annual Performance Report based on the quarterly reports that were submitted throughout the financial year. The Annual Performance Report is than submitted to the Internal Audit and Audit Committee before it is submitted to the relevant stakeholders, especially to AG for auditing, and

- After AG completes the audit and has issued the report, the annual performance report is incorporated into the annual report which is made public to account to the public about the governance, financial management and performance of the municipality.

5. EVIDENCE TO SUPPORT REPORTED PERFORMANCE

The municipal scorecard approach unpacks the six (6) Key Performance Areas, municipal objectives and the municipal targets set to achieve those objectives which are linked to key performance indicators. For the municipality to ascertain whether set targets has been achieved, adequate and credible evidence must be produced and be subjected to auditing processes, both internally and externally. The portfolio of evidence has been continuously produced for internal auditing throughout the year and this will also be subjected to auditing by the Auditor-General. Although the kind of evidence that is required is outlined in the performance scorecard, a number of weaknesses are identified in the reporting and auditing processes that are conducted by internal auditors during quarterly performance reviews and the Annual Performance Report must address those weaknesses by identifying adequate evidence to enable the Auditor-General to ascertain reported performance. The municipality would also benefit from the findings of external auditors during the audit to identify relevant and adequate evidence to support reported performance and also improve the credibility of the report.

6. ANNUAL PERFORMANCE REPORT SUMMARY

6.1. Overall performance

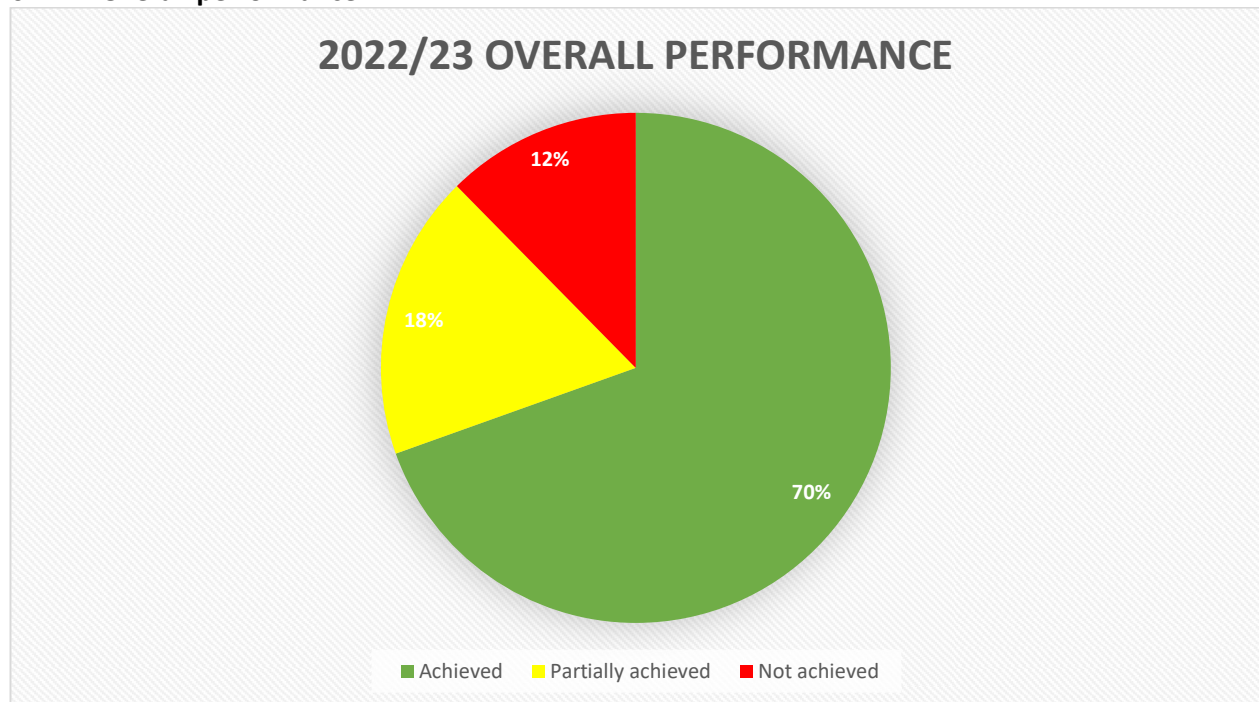


Figure 1: Overall performance

Overall, the municipality has achieved a satisfactory level of performance across the various Key Performance Areas, at least in relation to the previous financial year. However, there are still many areas that require attention and improvement because the number of partially achieved and unachieved

targets is too high. This report must serve as a valuable foundation for future planning and decision-making to further enhance the municipality's performance and service delivery.

6.2. Performance comparison

6.2.1. Performance comparison per KPA

KPA	No. of KPIs	NUMBER OF KPIs ACHIEVED	NUMBER OF KPIs PARTIALLY ACHIEVED	NUMBER OF KPIs NOT ACHIEVED
KPA 01: MUNICIPAL INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION	11	8	3	0
KPA 02: SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT	31	20	8	3
KPA 03: LOCAL ECONOMIC AND SOCIAL DEVELOPMENT	18	14	1	3
KPA 04: GOOD GOVERNANCE AND PUBLIC PARTICIPATION	15	13	2	0
KPA 05: FINANCIAL MANAGEMENT AND VIABILITY	21	13	3	5
KPA 06: CROSS CUTTING	9	5	2	2
TOTAL	105	73	19	13

Table 1: Overall performance per KPA

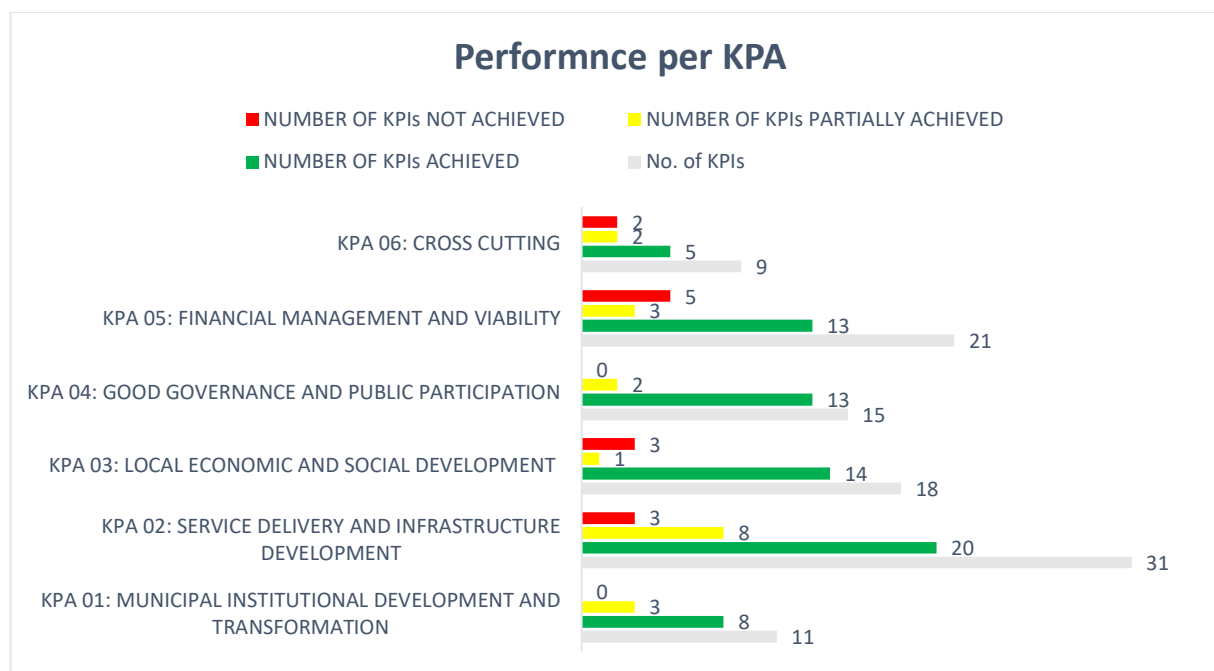


Figure 2: Overall performance per KPA

Performance per KPA in terms of achieving set targets are as shown below:

- KPA 01: Municipal Institutional Development and Transformation (72.73%)
- KPA 02: Service Delivery and Infrastructure Development (64.52%)
- KPA 03: Local Economic and Social Development (77.78%)
- KPA 04: Good Governance and Public Participation (86.67%)
- KPA 05: Financial Management and Viability (61.90%)
- KPA 06: Cross Cutting (55.56%)

The figures above indicate that the Good Governance and Public Participation KPA has the highest performance rate at 86.67% and followed by Local Economic and Social Development KPA at 77.78%. The Service Delivery and Infrastructure Development KPA is among the KPAs that have not performed well due to a number of projects that were not finalized on time. Financial Management and Viability KPA has also not performed well due to financial ratios prescribed by MFMA Circular 71 that are within prescribed norms.

6.2.2. Comparison with previous financial years

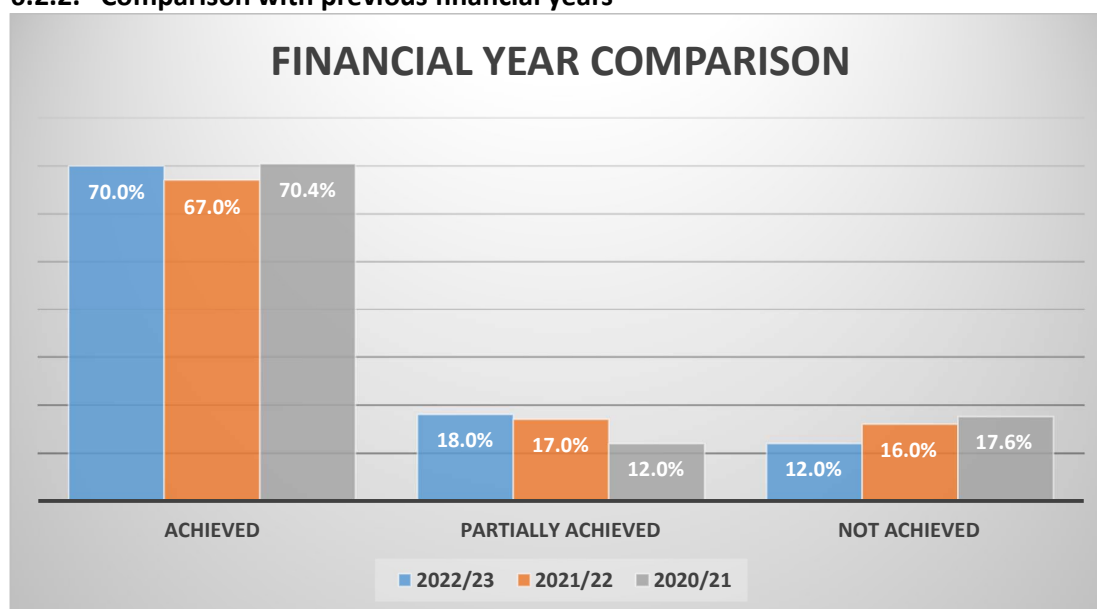


Figure 3: Comparison with previous financial years

Performance trends over three financial years can be summarized as follows:

- The achieved percentage has remained relatively stable over the three financial years, ranging from 67.0% to 70.4%. This suggests a consistent level of performance in achieving the defined targets.
- The partially achieved percentage has shown some variation, with the highest value in 2022/23 (18.0%) and the lowest in 2020/21 (12.0%). This indicates fluctuations in the extent to which certain targets were partially met.
- The not achieved percentage has also fluctuated over the years, ranging from 12.0% to 17.6%. This represents the proportion of targets that were not met in each financial year.
- While the achieved percentage has remained relatively consistent, there's room for improvement to push it closer to 100%. Consistent achievement is commendable, but aiming for continuous growth can lead to higher levels of success.

- The percentages for partially achieved and not achieved targets vary between years. Reducing the proportion of partially achieved and not achieved targets can lead to more effective goal fulfillment and overall performance improvement.
- Incremental improvements each year can lead to significant long-term growth. By consistently striving for better results, organizations can achieve higher levels of success and positively impact their goals and objectives.

6.3. Quarterly performance trends

Performance is measured through performance reports every quarter for purposes of performance monitoring to enable the municipality to identify performance gaps on time and make necessary interventions and adjustments where applicable. The charts below illustrate quarterly performance levels and/or trends during the 2023/24 financial year.

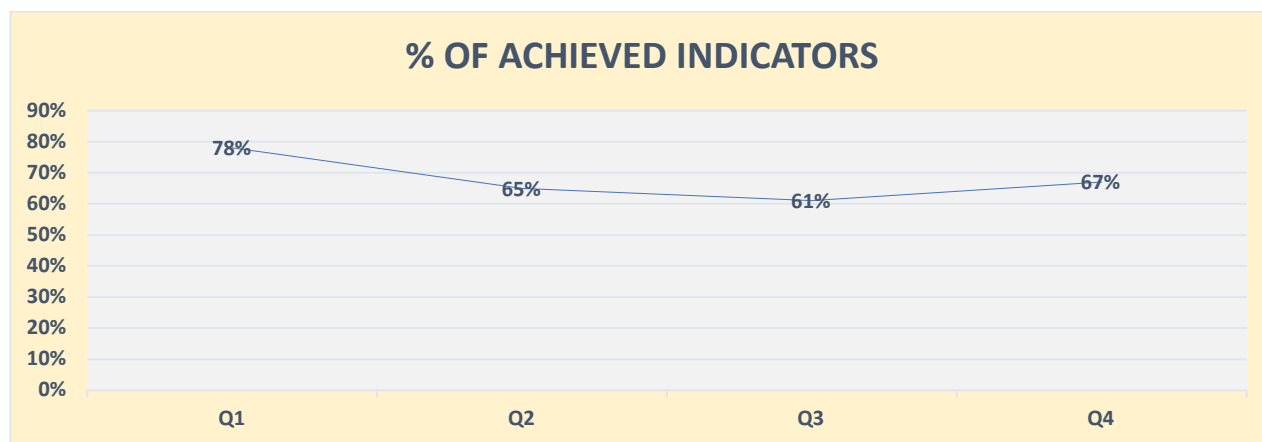


Figure 4: Quarterly trends for achievement of set targets

The figures above shows that performance decreased by 11% between quarter one and quarter four. There is a need to ensure that good performance is maintained and improved on.

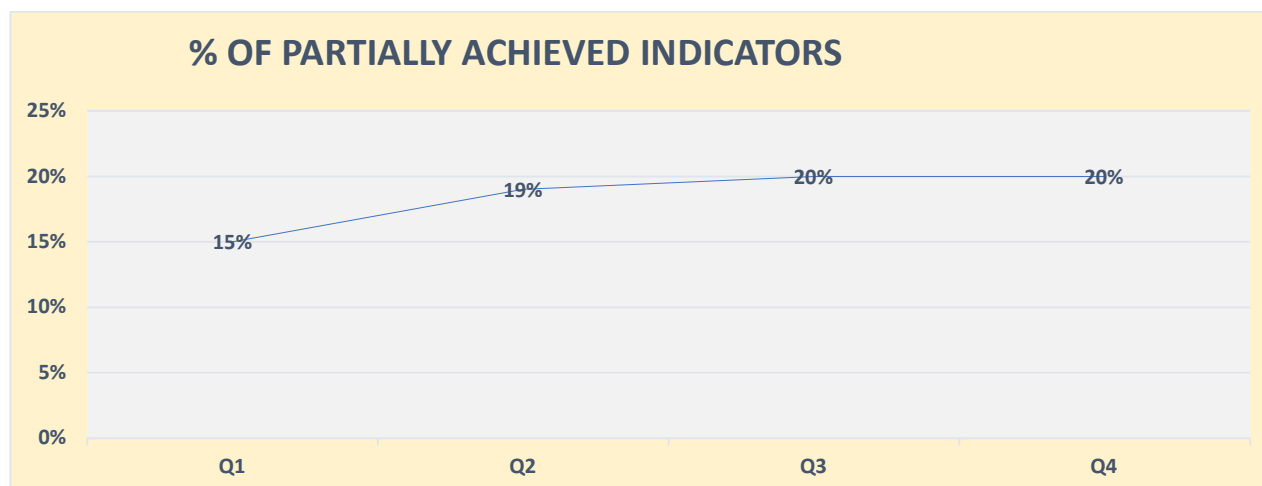


Figure 5: Quarterly trends for partial achievement of set targets

Number of partially achieved targets increased by 5% from quarter one to quarter four which is a direct a result of not achieving all set targets.

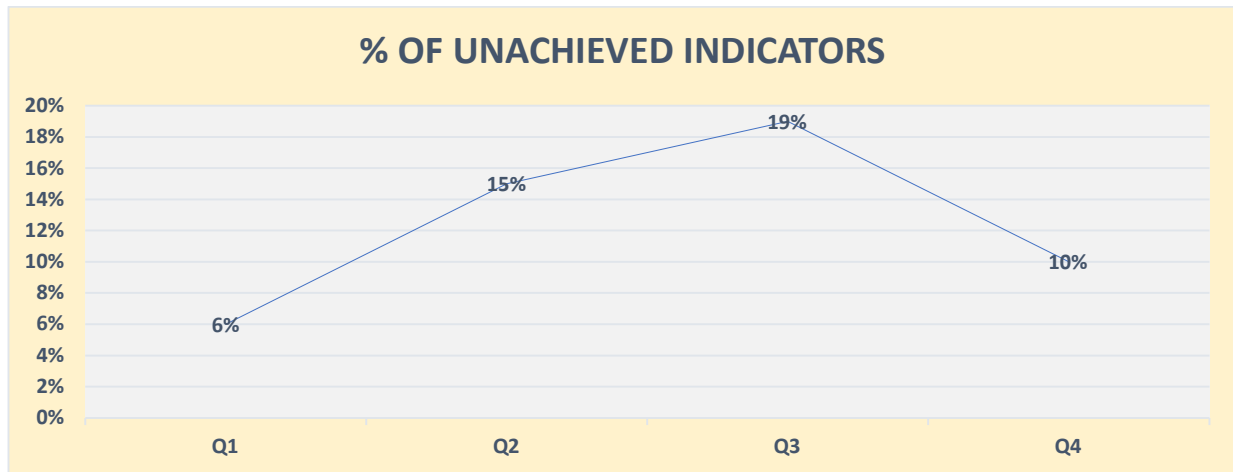


Figure 6: Quarterly trends for non-achievement of set targets

Unachieved targets increased by 4% from quarter one to quarter four which may be a result of either setting inappropriate corrective measures or failing to implement corrective measures even when they are adequate or appropriate.

6.4. Performance highlights per key performance area

6.4.1. Municipal Transformation and Institutional Development

(a) Performance highlights

The Municipal Transformation and Institutional Development KPA showed positive performance across several key indicators. Exceeding targets and effective training programs were some of the highlights. However, there were challenges related to budget constraints, delayed policy reviews, and fuel cost overruns, which were addressed through various corrective measures. Moreover, it needs to be emphasized that while the number of workers and councillors trained was exceeded by a large margin, this achievement is accompanied by a deviation from WSP which prescribe the actual disciplines in which workers must be trained, while the training received was also necessary and add value, it will be important to ensure WSP implementation in future.

(b) Challenges

Challenges in relation to this KPA can be summarized as follows:

- **Deviation from existing plans:** despite a high number of workers and councillors trained, there was a deviation from WSP which assesses the municipality's training needs and determines necessary interventions in the order of priority.
- **Employment Equity Plan implementation:** there has been a major improvement in trying to meet employment equity targets, but the set target remains elusive.
- **Failure to regulate fuel usage:** despite the fact that fuel prices are ever increasing, the fuel bill in the municipality has simply got out of hand. Different measures have been put in place but have not yet produced the intended results.

(c) Measures to improve performance.

The following measure will be implemented to improve performance:

- **Improving WSP implementation reporting:** a template for WSP implementation will be developed to accurately align spending and WSP targets. Reports would then be tabled to the Local Labor Forum, MANCO and Corporate Services Portfolio Committee to ensure effective monitoring.
- **Onsite fuel supply:** the municipality is in the process of appointing a service provider that will install onsite fuel reservoirs and supply the municipality with fuel at a rate that is below the zonal market price. A dedicated official will be assigned to regulating fuel usage with the intention to prevent suspected abuse. The municipality will also try to avoid unnecessary vehicle trips and promote joint or sharing for official travelling to the same destination.

6.4.2. Service Delivery and Infrastructure Development

(a) Performance highlights

This KPA deals with what can be defined as the core business of the municipality or the most important reason for the existence of the municipality. Performance highlights for this KPA in terms of infrastructure development and delivery of basic services can be summarized as follows:

- **Access roads:** the construction of six (6) access roads was completed and these roads are now in use, and four (4) access roads were still under construction as at 30 June 2023 and will be completed in the new 2023/24 financial year. Access and movement have been greatly improved for communities that are serviced by or use these roads.
 - Gubazi Road in Ward 13 was at 79% construction progress as at 30 June 2023.
 - Ntuzuma Road in Ward 7 was complete and already in use at the end of the financial year.
 - Nsubeni Road in Ward 4 was complete and in use at the end of the financial year.
 - Ophindo Road in Ward 3 was also complete and in use by the community at the end of the financial year.
 - Construction progress for Nomkhosi Road in Ward 19 was at 85% as at 30 June 2023 and is projected to be finalized before the end of August 2023.
 - Construction progress for Nkalankal Road in Ward 10 was at 85% as at 30 June 2023 and is projected to be finalized before the end of February 2024.
 - Slonjani Road in Ward 16 was certified complete on 7 December 2022 and has been in use by the public since then.
 - Mbilane Road in Ward 11 was certified complete on 21 April 2023 and is now in use.
 - Hwanqana Road in Ward 14 was certified complete on 11 October 2022 and is already in use.
 - Philani Road in Ward 14 is still under construction and is projected to be finalized before the end of February 2024.
- **Road maintenance:** the municipality continues to meet the set turn around time to fix potholes in Nquthu Town. Access roads, amounting to 59.44km, in all wards were maintained by, mostly, blading.
- **Community halls:** a total of five (5) community halls were completed and are now available for booking and use by the public. One community hall was still under construction and will be completed in the 2023/24 financial year.

- Hlathi Dam Community Hall in Ward 15 was certified complete on 15 August 2022 and is now available to the public for booking.
 - Ezinkondlwaneni Community Hall in Ward 17 had construction progress of 60% at 30 June 2023 and is projected to be completed in the 2023/24 financial year.
 - Gobinsimbi Community Hall in Ward 14 was certified complete on 12 April 2023 and has been open to the public for use since then.
 - Sizamile Community Hall in Ward 6 was certified complete on 9 February 2023 and is now open for bookings by the public.
 - Sigubudu Community Hall in Ward 12 was certified complete on 26 May 2023 and is now in use.
 - KwaBiya Community Hall in Ward 13 was certified complete on 24 June 2023 towards the end of the financial year and is now in use.
- **Creches (early childhood development centers):** one creche, Msawethu Creche in Ward 16, was constructed and completed and more creches are planned for construction in the 2023/24 financial year.
 - **Electricity services:** Over 300 new households were connected to the electricity grid and over 47 000 50kw/h free electricity units were provided to households in Nquthu. The municipality also continues to process applications for new electricity connections within an average time of 14 days.
 - **Expansion of Nquthu Town (Residential and commercial site development):** the municipality demarcated land to establish new residential and commercial amount to an estimated 250. Roads, and bulk infrastructure like electricity, water reticulation, sewerage and roads are being developed to support new sites that will be sold to the public. The Nquthu Substation will also be progressively upgraded to meet future demand.

(b) Challenges

Despite big progress that has been made, there are still a lot of challenges that hampers service delivery and infrastructure development, these include:

- **Sports field development and maintenance:** there was no sports field constructed despite there being a need, plans to construct Ngonini Sports field have not yet produced results. Further to that, most sport fields are not properly maintained, and their condition quickly deteriorate, and some are vandalized.
- **Slow construction progress:** most projects are not finalized in time due to poor planning, under-performance by service providers and poor contract management and project monitoring on the part of the municipality.
- **Construction overruns:** variation orders have become a norm rather than an exception due to poor planning and poor monitoring mentioned above.
- **Poor waste management:** waste management function is not as effective and there is a serious challenge of illegal dumping in various areas in Nquthu, especially in and around Nquthu Town.

- **Electricity losses:** the municipality continues to incur electricity losses which result in serious financial losses. This may be due to the tariff structure, aging infrastructure, illegal connections and inaccurate billing.

(c) Measures to improve performance.

The municipality has already implemented different measures and will also introduce new measures to improve performance in this area, these include:

- **Improved fundraising efforts:** the Municipal Manager has instructed all HODs and himself embarked on an intensive fundraising campaign and has already secured approvals for over R100 million from different sector departments. The fundraising campaign will be intensified going forward.
- **Improved infrastructure planning, project monitoring and contract management:** the municipality will establish the Infrastructure Project Planning and Monitoring Committee to ensure proper prioritization and planning of all infrastructure projects as well as ensuring project monitoring.
- **Improved contract management:** a position of contract manager has been created to adequately capacitate the contract management unit. All contracted services will be strictly regulated to adhere to the conditions of the contract and necessary steps will be taken if such conditions are violated.

6.4.3. Local Economic Development and Social Development

(a) Performance highlights

- **Formalizing small businesses:** the municipality is committed to improving economic development of the community, as a result the support is provided SMMEs in regard to business registration with CIPC. The registration process is usually finalized within 90 days from the date of application.
- **Swift processing of business license applications:** business Licenses are issued within 30 days for the valid applications received by the municipality.
- **Developing local contractors:** the municipality has a launched Sub-Contracting Programme which is aiming to transfer skills to local emerging contractors. Seven (7) subcontractors benefitted from the programme during 2022/23 financial year.
- **Capacity building of small businesses:** 6 trainings were conducted to capacitate SMMEs. Youth in Business Informal Traders Training conducted on the 16 May 2023. Business Compliance Education and Awareness Programme conducted by EDTEA on the 11 January 2023. SEDA POS Training conducted on the 10 January 2023. Informal Traders Training conducted by ITHALA Bank on the 14 June 2023.
- **Annual events:** annual events were successfully conducted on the 24-26 December 2022 in order to promote social cohesion and talent through artistic genres.
- **Promoting rural horse racing:** Nquthu municipality hosted a Nquthu June horse race on the 17th of June 2023 at uMkhonjane area, the propose was to sustain and encourage appropriate growth in Nquthu horse racing and to formalize rural horse racing so that it could contribute to the social and economic development of the area.

- **Equipping local youth with driver's licenses:** forty-six (46) beneficiaries benefitted from Drivers License Programme.
- **Agricultural development:** all wards also benefitted from fencing material support to enable the fencing of grazing fields and crop fields to protect both their livestock and plantations. Twenty-Two (22) beneficiaries benefitted from Fencing Project and twenty-seven beneficiaries from poverty alleviation programme
- **Job creation:** Two Hundred and Fifty-Two (252) jobs created through EPWP, CDW, Solid Waste Pickers, and MIG Project.
- **Sports development:** the municipality is one of the best performers in sports and it did participate in all district and provincial competitions and made serious achievements in most codes.

(b) Challenges

- **Financial constraints:** financial resources do not allow the municipality to implement all its plans, and this hinders its ability to make maximum impact.
- **Lack of economic indicator data:** economic indicator figures are not readily available, and this makes it difficult for the municipality to develop economic development programmes that are informed by credible economic indicator figures.
- **High unemployment rate and low economic growth:** high unemployment rate and dependency rate remains too high, and this put much pressure on the already scarce municipality resources which have to be diverted to make interventions instead of investing more on economic growth and economic infrastructure.
- **Low investment levels:** the municipality is not attracting investment at an optimal rate which can assist to reduce the high levels of unemployment and poverty.

(c) Measures to improve performance

- **Infrastructure investment:** investing more in economic infrastructure will produce more employment opportunities and increase the buying power of Nquthu.
- **Improved, integrated and well-coordinated:** Improve infrastructure planning to respond correctly to the spatial, economic and social needs of Nquthu.

6.4.4. Good Governance and Public Participation

(a) Performance highlights

- The municipality has a stable Council that has functioning structures and is devoid of any Council meeting disruptions.
- The municipality is doing very well in terms of public participation especially with regard to the functioning of its ward committees.
- The municipality's IDP continues to be credible and receiving positive assessment outcomes from KZN COGTA.
- The municipality has Batho Pele and related policies in place and implement them to improve its responsiveness and customer service.

- The municipality is doing well in respect of the functioning of the audit committee, internal audit unit and risk management.

(b) Challenges

- The municipality was obtained qualified audit opinion which is an improvement from the opinion of the previous two financial years.

(c) Measures to improve performance

- Implement the AG Action Plan and properly attend to internal audit reports in time and implement its recommendations as much as possible.
- Effectively mitigate risk identified on the risk register
- Continuously monitor the compliance register and make swift necessary interventions whenever necessary.

6.4.5. Financial management and Viability

(a) Performance highlights

- Funded budget and continued investment in infrastructure development from internal sources.
- The municipality's IDP and Budget Steering Committee is fully functional.
- The majority of vacant section head positions are filled, and vacancy rate is being addressed in the finance department.
- Bid committees are fully functional and trained accordingly.
- The municipality has a good liquidity ratio.

(b) Challenges

- Rapidly depleting financial reserves and investments, resulting in a decline in investment revenue.
- Continued and persistent incurrence of irregular expenditure.
- Ineffective debt management resulting in high debtor aging.
- Poor procurement plan implementation resulting in poor budget implementation.
- Poor investment in repairs and maintenance.

(c) Measures to improve performance.

- Improving and monitoring procurement plan implementation.
- Rebuilding financial reserves and improving investment practices.
- Implementing measures to prevent and strict treatment of irregular expenditure.

6.4.6. Cross Cutting

(a) Performance highlights

- GIS Data requests are responded to within 30 days from the date of request submitted.
- Awareness's are conducted to the community on Building Regulations Act and building standards.
- Fire incidents are responded to within a set turn-around time.

- Municipal roadblocks are held to enforce traffic management laws and to identify drivers with unpaid traffic fines.
- The Buy Back Centre diverts huge amount s of waste from the landfill site and also held to expand collection of recyclable waste to other areas outside Nquthu Town and Nondweni.
- The municipality has planning documents in place and conduct annual reviews where necessary.

(b) Challenges

- Insufficient funding for land administration, especially the enforcement of by laws.
- Land invasion and land disputes with some traditional authorities which negatively affects, or compromise planned development.
- Insufficient implementation of spatial provisions of the municipality’s own development plans.

(c) Measures to improve performance

- To improve the working relationship with Traditional Council in relation to land use management.
- To establish an internal municipal planning committee to ensure that all the development (especially infrastructure projects) planned by the municipality responds to the spatial, economic and social requirements of Nquthu as outlined in the municipality’s planning documents.

7. PERFORMANCE SCORECARD

The performance scorecard is the product of the SDBIP that was approved by the Mayor and also tabled to Council. During the financial year under review, the SDBIP was reviewed in response to the IDP amendment and adjustment budget. The SDBIP scorecard is used as the main instrument to (1) align the budget and the IDP (2) set IDP and budget implementation targets and (3) become a primary performance management tool. The SDBIP is structured as follows:

CONTENTS	DESCRIPTION
<i>National Key performance area (KPA)</i>	National key performance areas provide a framework for evaluating the performance of local governments, enabling comparison, benchmarking, and identification of areas that require improvement or adjustment. They play a vital role in guiding local government planning, decision-making, resource allocation, and reporting to national authorities and the public on their progress towards achieving national development objectives.
<i>IDP reference</i>	IDP reference in the SDBIP seeks to indicate what IDP priority and/or service delivery area or areas do the goals, objectives, strategies and KPIs relate to. For purposes of referencing, item A.7 was used in the IDP.
<i>Goals</i>	Municipal goals in the context of an IDP provide a roadmap for local government to work towards a desired future, effectively addressing the needs and aspirations of the community while contributing to broader national and regional development objectives.
<i>Objectives</i>	Municipal objectives provide the actionable steps to turn the municipality's strategic aspirations into reality. They guide resource allocation,

CONTENTS	DESCRIPTION
	project prioritization, and the monitoring and evaluation of progress. When effectively designed and implemented, municipal objectives contribute to the overall development, growth, and improved quality of life within the municipality.
<i>Strategy</i>	A municipal strategy refers to a well-defined and concise plan of action that outlines the specific approaches, activities, and initiatives that a municipality intends to undertake in order to achieve a particular objective within the IDP. Municipal strategies are developed as a means to operationalize the objectives set forth in the IDP, providing a detailed roadmap for implementation and inform the kind of KPIs that are required.
<i>Key performance indicator (KPI)</i>	A municipal Key Performance Indicator (KPI) refers to a quantifiable measure that is linked to a specific objective and strategy. KPIs are used to assess the progress, success, and effectiveness of a municipality's efforts in achieving its goals and implementing its strategies outlined in the IDP and SDBIP.
<i>KPI reference number</i>	KPI reference number is developed to establish a short name for the indicator on the SDBIP for ease of use by users.
<i>Formula used to measure performance (unit of measure)</i>	Formula used to measure performance (on which the unit of measure is based) is a criterion used to measure if the target set has been achieved or not. This formula or criteria also determine whether the targets shall be calculated or measured cumulatively or per each performance cycle.
<i>Baseline</i>	The baseline indicates the performance level per each KPI that was achieved in the previous year so that the municipality moves forward and not stagnate or move backwards in terms of performance.
<i>Budget</i>	Budget refers to the amount allocated to fund the operations or procure goods and services for the attainment of each KPI.
<i>Targets (annual and quarterly)</i>	A target is specific deliverable that is set to be attained at a specific time in the implementation of the KPI. The target must meet the standard set by the SMART, i.e., specific, measurable, accurate, realistic and time bound. In cases where the target was reviewed a secondary column is created on the SDBIP.
<i>Ward</i>	Ward indicates the location (in terms of ward boundary) of the projects or where the KPI is implemented.
<i>Portfolio of evidence</i>	Portfolio of evidence refers to the documentation that proves that the claimed achievement has been attained.
<i>Responsible department</i>	This indicates the internal municipal responsible department that must report and provide the relevant portfolio of evidence.

For purposes of performance reporting, three additional columns are added to the scorecard, and these are described below:

- **Comparison with previous financial years:** two columns are added the APR containing the target and actual for the previous year for purposes of assessing the extent of performance improvement or decline.
- **Comments:** comments provide additional information to contextualize the actual achieved.
- **Reason for variance:** to clearly explain the reasons for underperformance in cases where the target is not met or the reasons that caused overperformance.
- **Corrective measure:** to explain interventions that will be made to address underperformance to ensure that underperformance is addressed going forward.

ANNUAL PERFORMANCE REPORT SCORECARD																		
IDP REFERENCE	GOALS	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR	KPI REF NO.	FORMULA USED TO MEASURE PERFORMANCE (UNIT OF MEASURE)	BUDGET 2022/23	2021/22 ANNUAL TARGET	2021/22 ACHIEVED TARGET (BASELINE FOR 2022/23)	2022/23 ANNUAL TARGETS	2022/23 REVISED ANNUAL TARGET	ACTUAL PERFORMANCE	COMMENTS	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
2022/23 FINANCIAL YEAR																		
KPA 01: MUNICIPAL INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION																		
PGDP GOAL 2: HUMAN RESOURCE DEVELOPMENT																		
1.1	Ensure human capital development and improve institutional Capacity	To improve municipal capability.	Implementation of WSP by ensuring the training of staff and councillors as per the WSP	Number of staff members trained as per WSP	Corp-01	Number of staff trained (NUMBER OF EMPLOYEES)	R 300 000	100% (Previous indicator measured budget spending, not the actual number of employees trained)	100% (Previous indicator measured budget spending, not the actual number of employees trained)	68	N/A	102	While the municipality has financial constraints to fund all its training needs, a number of employees trained in different disciplines this financial year exceeded set target by 34.	A number of employees were part of risk management training as well as training conducted by COGTA and Provincial Treasury which was part of the municipality's strategic workshop.	N/A	N/A	Report of employees trained as per the WSP.	Corporate Services (HR Section)
				No. of councillors trained as per WSP [accumulative]	Corp-02	Number of Councillors trained (NUMBER OF COUNCILLORS)		100% (Indicator previously measured budget spending, not the actual number of councillors trained)	100% (Indicator previously measured budget spending, not the actual number of councillors trained)	8	N/A	84	Two workshops were organized to train councillors on different areas to enhance their oversight and decision making capabilities.	Two workshops were organized to train councillors on different areas to enhance their oversight and decision making capabilities.	N/A	N/A	Report of employees trained as per the WSP.	Corporate Services (HR Section)

ANNUAL PERFORMANCE REPORT SCORECARD																		
IDP REFERENCE	GOALS	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR	KPI REF NO.	FORMULA USED TO MEASURE PERFORMANCE (UNIT OF MEASURE)	BUDGET 2022/23	2021/22 ANNUAL TARGET	2021/22 ACHIEVED TARGET (BASELINE FOR 2022/23)	2022/23 ANNUAL TARGETS	2022/23 REVISED ANNUAL TARGET	ACTUAL PERFORMANCE	COMMENTS	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
2022/23 FINANCIAL YEAR																		
			Ensure that appointment for advertised posts are finalized on time.	Percentage of vacant posts filled within 3 months	Corp-03	Number of position filled/Number of advertised positions x 100 (PERCENTAGE OF ADVERTISED POSITIONS FILLED)	Salary budget	100%	46%	100%	N/A	100%	All appointments finalized on time.	N/A	N/A	N/A	Advertisement and appointment letter	Corporate Services (HR Section)
			Ensuring that critical (Section 54 & 56) posts and all budgeted for vacant and filled.	Number of Section 54 & 56 managers filled and maintained.	Corp-04	Number of Senior Management positions filled (NUMBER S54 & 56 FILLED)	Salary budget	100% (5) NB: Previously measured in percentage.	80% (4) NB: Previously measured in percentage.	5	N/A	5	All Senior Management positions filled.	N/A	N/A	N/A	Appointment letters	Corporate Services (HR Section)
			Provide in-service training to students who have completed their degrees/diplomas.	Number of in-service trainees/interns appointed	Corp-05	Number of interns appointed (NUMBER OF INSERVS/INTERNS APPOINTED)	Salary budget	The indicator put on hold due to financial constraints.	The indicator put on hold due to financial constraints.	5	N/A	5	Five in-service trainees getting experiential training at Finance, Planning and Corporate Services departments.	N/A	N/A	N/A	Appointment Letters of In-service Trainees or Interns	Corporate Services (HR Section)

ANNUAL PERFORMANCE REPORT SCORECARD																		
IDP REFERENCE	GOALS	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR	KPI REF NO.	FORMULA USED TO MEASURE PERFORMANCE (UNIT OF MEASURE)	BUDGET 2022/23	2021/22 ANNUAL TARGET	2021/22 ACHIEVED TARGET (BASELINE FOR 2022/23)	2022/23 ANNUAL TARGETS	2022/23 REVISED ANNUAL TARGET	ACTUAL PERFORMANCE	COMMENTS	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
2022/23 FINANCIAL YEAR																		
1.2		To enhance institutional development.	Strive to attain demographic equity in municipal workforce.	Percentage of Employment Equity Plan achieved	Corp-09		N/A	New KPI (Not measured in the previous year)	New KPI (Not measured in the previous year)	N/A (Indicator introduced during mid-year review, not on the original SDBIP)	100%	89%	While 89% of employment equity target is 11% is below the set 100% target, it is a great improvement compared to previous years. Two more female middle managers have been appointed and female representation in senior management is now 40%.	Not enough Employees in targeted groups applied for posts/were successful in recruitment process	The municipality will continue to appoint employees from targeted groups.	N/A	Employment Equity Plan and Organogram	Corporate Services (HR Section)
1.3		To ensure an effective municipal ICT system	Annual review ICT policies and ensuring a functional IT Steering Committee	Number of IT Steering Committee meetings held	Corp-06	Number of meetings (NUMBER OF MEETINGS HELD)	N/A	4	4	4	N/A	4	IT Steering Committee meetings conducted as planned.	N/A	N/A	N/A	IT Steering Committee minutes	Corporate Services (IT Section)
				Annual review of ICT policies	Corp-07	Issue ICT disaster recovery report at a prescribed date (DATE OF REPORT APPROVAL)		30-Jun	30-Jun	Not on the original SDBIP.	31-May-23 (Introduced during mid-year review)	28-Jun-23	While the set date of 31 May 2023 was not met, ICT Policies were approved before year end and as such, missing this target has no negative impact on the implementation on	IT section had to postpone tabling ICT policies to attend to try to close the gaps that had emerged .	ICT policies were eventually tabled to and approved by Council on 28 June 2023.	N/A	Approved ICT disaster recovery report	Corporate Services (IT Section)

ANNUAL PERFORMANCE REPORT SCORECARD																		
IDP REFERENCE	GOALS	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR	KPI REF NO.	FORMULA USED TO MEASURE PERFORMANCE (UNIT OF MEASURE)	BUDGET 2022/23	2021/22 ANNUAL TARGET	2021/22 ACHIEVED TARGET (BASELINE FOR 2022/23)	2022/23 ANNUAL TARGETS	2022/23 REVISED ANNUAL TARGET	ACTUAL PERFORMANCE	COMMENTS	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
2022/23 FINANCIAL YEAR																		
													these policies. A target of 31 May was set merely to coincide with IDP and Budget adoption.					
1.4		To ensure effective management of municipal performance	Table performance reports to enable Council to monitor performance	Number of Performance reports tabled to Council	MM-01	Number of performance reports tabled to Council (NUMBER OF REPORTS TABLED)- accumulative	N/A	4	4	4	4	4	Performance reports tabled to Council on a quarterly basis.	N/A	N/A	N/A	Council resolution	Office of the MM (IDP/PMS Section)
1.6		To ensure effective fleet management system	Implementation of Fleet Management Policy	To table monthly fleet management reconciliation report to MANCO.	Corp-21	Number of reports tabled (NUMBER OF REPORTS TABLED)		New KPI (Not measured in the previous year)	New KPI (Not measured in the previous year)	12	N/A	11	Fleet Management reports prepared on a monthly basis.	Reports are not tabled when MANCO did not sit, and updated reports are tabled in the following months.	To ensure that reports that were not tabled are brought to MANCO together with updated reports.	N/A	MANCO Minutes	Corporate Services (Fleet Management Section)
				Keep the fuel bill within the budgeted amount.	Corp-08	Rand value of budget spent (RANDS VALUE OF BUDGET SPENT)	R 3, 371, 555	New KPI (Not measured in the previous year)	New KPI (Not measured in the previous year)	≤R 2 400 000	≤R 3 371 555	R 3, 999, 418.14	Fuel bill exceed budget by R 627, 863. 14.	This is caused by a number of factor, which are: (1)	Incorporating fuel consumption indicator to all	N/A	Fleet Management reconciliation reports	Corporate Services (Fleet Management)

ANNUAL PERFORMANCE REPORT SCORECARD																			
IDP REFERENCE	GOALS	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR	KPI REF NO.	FORMULA USED TO MEASURE PERFORMANCE (UNIT OF MEASURE)	BUDGET 2022/23	2021/22 ANNUAL TARGET	2021/22 ACHIEVED TARGET (BASELINE FOR 2022/23)	2022/23 ANNUAL TARGETS	2022/23 REVISED ANNUAL TARGET	ACTUAL PERFORMANCE	COMMENTS	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT	
2022/23 FINANCIAL YEAR																			
															Increased travelling due to an increase in municipal events and/or outreach programmes (2) Yellow plant (including water tankers) consumption (3) suspected fuel theft.	HODs since the control of vehicles has been assigned back to departments.			Section)
KPA 02: SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT																			
PGDP GOAL 4: STRATEGIC INFRASTRUCTURE																			
2.1	Improved access to Basic services	Ensure quality of municipal road network and expansion of access road network	To ensure improved quality of municipal road network	Kilometres of gravel road maintained as per Maintenance Plan	Tech-01	(1) Kilometers of road graded / bladed	Operational budget	100% (5) NB: Previously measured in percentage.	132% (5) NB: Previously measured in percentage.	100%	48 km	59.44 km	The targeted number of kilometers exceeded by 11. 44 Km.	If circumstances allow, more kilometers are bladed.	N/A	All	Approved road maintenance report	Technical Services (Road and Storm-water unit)	
				Percentage of potholes fixed as per maintenance plan	Tech-02	((1) Number of potholes fixed / (2) Number of planned to be fixed potholes) (PERCENTAGE OF POTHOLES FIXED)	Operational budget	100%	100%	100%	N/A	100%	Potholes in Nquthu Town fixed to make roads more usable.	N/A	N/A	9	Approved road maintenance report	Technical Services (Road and Storm-water unit)	

ANNUAL PERFORMANCE REPORT SCORECARD																		
IDP REFERENCE	GOALS	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR	KPI REF NO.	FORMULA USED TO MEASURE PERFORMANCE (UNIT OF MEASURE)	BUDGET 2022/23	2021/22 ANNUAL TARGET	2021/22 ACHIEVED TARGET (BASELINE FOR 2022/23)	2022/23 ANNUAL TARGETS	2022/23 REVISED ANNUAL TARGET	ACTUAL PERFORMANCE	COMMENTS	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
2022/23 FINANCIAL YEAR																		
			To ensure the expansion of access road network	Construction of Gubazi Road in Ward 13	Tech-03	(1)Overall construction progress made (PERCENTAGE)	7,900,150.00	25%	35%	100%	N/A	79%	Construction progress was at 79% as at 30 June 2023.	1. Hard rock. 2. Local strikes. 3. Water seepage in some areas. 4. Poor performance the contractor.	1. Packer was hired to crack the hard rock. 2. Local SMME's to be appointed for the installation of kerbs and channels. 3. Rockfill procedure was done to address water seepage. 4. Construction ceded to another contractor.	13	Approved progress report or completion certificate	Technical

ANNUAL PERFORMANCE REPORT SCORECARD																		
IDP REFERENCE	GOALS	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR	KPI REF NO.	FORMULA USED TO MEASURE PERFORMANCE (UNIT OF MEASURE)	BUDGET 2022/23	2021/22 ANNUAL TARGET	2021/22 ACHIEVED TARGET (BASELINE FOR 2022/23)	2022/23 ANNUAL TARGETS	2022/23 REVISED ANNUAL TARGET	ACTUAL PERFORMANCE	COMMENTS	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
2022/23 FINANCIAL YEAR																		
				Construction of Ntuzuma Road in Ward 07	Tech-04	(1)Overall construction progress made (PERCENTAGE)	7,335,944.00	28%	22%	100%	N/A	100%	Ntuzuma Road was certified complete on 29 May 2023 and is now in use.	N/A	N/A	7	Approved progress report or completion certificate	Technical
				Construction of Nsubeni Road in Ward 4	Tech-10	(1)Overall construction progress made (PERCENTAGE)	2,405,239.00	50%	82%	100%	N/A	100%	Nsubeni Road was certified complete on 21 June 2023 and is now in use.	N/A	N/A	4	Approved progress report or completion certificate	Technical
				Construction of Ophindo Road in Ward 03	Tech-12	(1)Overall construction progress made (PERCENTAGE)	823,241.00	50%	77%	100%	N/A	100%	Ophindo Road was certified complete on 21 June 2023 and is now in use.	N/A	N/A	3	Approved progress report or completion certificate	Technical

ANNUAL PERFORMANCE REPORT SCORECARD																		
IDP REFERENCE	GOALS	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR	KPI REF NO.	FORMULA USED TO MEASURE PERFORMANCE (UNIT OF MEASURE)	BUDGET 2022/23	2021/22 ANNUAL TARGET	2021/22 ACHIEVED TARGET (BASELINE FOR 2022/23)	2022/23 ANNUAL TARGETS	2022/23 REVISED ANNUAL TARGET	ACTUAL PERFORMANCE	COMMENTS	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
2022/23 FINANCIAL YEAR																		
				Construction of Nomkhosi Road in Ward 19	Tech-25	(1)Overall construction progress made (PERCENTAGE)	1,795,620.00	New KPI (New project)	New KPI (New project)	N/A (Indicator introduced during mid-year review, not on the original SDBIP)	100%	85%	Construction progress was at 85% as at 30 June 2023 and is projected to be finalized before the end of August 2023.	1. Delays on the appointment of Local Sub-contractor. 2. Slow progress due to limited resources from sub-contractor 3. Additional work that the Project Engineer identified for the contractor to finalized.	1. The sub-contractor was appointed. 2. Sub-contractor is making progress on site. 3. Main contractor to finalized minor outstanding (snag list) as per the recommendation of the Project Engineer.	19	Approved progress report or completion certificate	Technical

ANNUAL PERFORMANCE REPORT SCORECARD																		
IDP REFERENCE	GOALS	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR	KPI REF NO.	FORMULA USED TO MEASURE PERFORMANCE (UNIT OF MEASURE)	BUDGET 2022/23	2021/22 ANNUAL TARGET	2021/22 ACHIEVED TARGET (BASELINE FOR 2022/23)	2022/23 ANNUAL TARGETS	2022/23 REVISED ANNUAL TARGET	ACTUAL PERFORMANCE	COMMENTS	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
2022/23 FINANCIAL YEAR																		
				Construction of Nkalankala Gravel Road in Ward 10	Tech-16	(1)Overall construction progress made (PERCENTAGE)	2,549,464.00	New KPI (New project)	New KPI (New project)	N/A (Indicator introduced during mid-year review, not on the original SDBIP)	60%	48%	Construction progress was at 85% as at 30 June 2023 and is projected to be finalized before the end of February 2024.	1. Removal of existing services i.e. fencing and eskom poles positioned on the centre of the road.	1. Contractor has been instructed to commence with the installation of storm-water pipes while fencing and Eskom poles issue is being resolved.	10	Approved progress report or completion certificate	Technical
				Construction of Slonjani Road in Ward 16	Tech-21	(1)Overall construction progress made (PERCENTAGE)	1,217,391.00	80%	66%	100%	N/A	100%	Slonjani Road was certified complete on 7 December 2022 and is now in use.	N/A	N/A	16	Approved progress report or completion certificate	Technical
				Construction of Mbilane Gravel Road	Tech-15	(1)Overall construction progress made (PERCENTAGE)	R763,188.00	100%	98%	100%	N/A	100%	Mbilane Road was certified complete on 21 April 2023 and is now in use.	N/A	N/A	11	Approved progress report or completion certificate	Technical

ANNUAL PERFORMANCE REPORT SCORECARD																		
IDP REFERENCE	GOALS	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR	KPI REF NO.	FORMULA USED TO MEASURE PERFORMANCE (UNIT OF MEASURE)	BUDGET 2022/23	2021/22 ANNUAL TARGET	2021/22 ACHIEVED TARGET (BASELINE FOR 2022/23)	2022/23 ANNUAL TARGETS	2022/23 REVISED ANNUAL TARGET	ACTUAL PERFORMANCE	COMMENTS	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
2022/23 FINANCIAL YEAR																		
				Construction of completion of Hanqwana Road in Ward 05	Tech-05	(1)Overall construction progress made (PERCENTAGE)	1,594,556.00	50%	72%	100%	N/A	100%	Hwanqana Road was certified complete on 11 October 2022 and is now in use.	N/A	N/A	5	Approved progress report or completion certificate	Technical
				Construction of completion of Philani Gravel Road in Ward 14 by 30 June 2023	Tech-36	(1)Overall construction progress made (PERCENTAGE)	4,175,706.08	New KPI (New project)	New KPI (New project)	N/A (Indicator introduced during mid-year review, not on the original SDBIP)	50%	55.90%	The project is 5.90% ahead of schedule and is projected to be finalized before the end of February 2024.	N/A	N/A	14		
2.2		Improvement of electricity services, affordability, access, connection, and energy sustainability	Improved affordability of electricity	Number of FBE units (50kw/h) given to consumers	Fin-22	(1)Number of 50Kw/h FBE units given to consumers	(723,479.00)	18% (NB: Percentage of households receiving FBE was measured in the previous financial year)	7.69% (NB: Percentage of households receiving FBE was measured in the previous financial year)	48000	N/A	47 219 (50kw/h) FBE units	Over 47 000 50kw/h of FBE units were distributed in the 2022/23 financial year.	Increased load shedding hours resulted in less claimed FBE than anticipated. Beneficiaries receive FBE when once a month if they buy electricity.	Ensuring that indigent families lodge applications in order to cover more beneficiaries.	All	Approved Ontec report and Eskom beneficiary schedule	Corporate (BTO)

ANNUAL PERFORMANCE REPORT SCORECARD																		
IDP REFERENCE	GOALS	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR	KPI REF NO.	FORMULA USED TO MEASURE PERFORMANCE (UNIT OF MEASURE)	BUDGET 2022/23	2021/22 ANNUAL TARGET	2021/22 ACHIEVED TARGET (BASELINE FOR 2022/23)	2022/23 ANNUAL TARGETS	2022/23 REVISED ANNUAL TARGET	ACTUAL PERFORMANCE	COMMENTS	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
2022/23 FINANCIAL YEAR																		
			To ensure improved access to electricity	Average number of days taken to process valid customer applications for new electricity connections	Tech-06	(1) Sum of the total of days per electricity connection finalized (connected)/ (2) Number of electricity connections made (NUMBER)	No budget required	100% (NB: Previously measured the percentage of connections made within 14 days.)	100% (NB: Previously measured the percentage of connections made within 14 days.)	14 Days	14 days	6 days	There was a single application for electricity connection and it was processed within 6 days.	N/A	N/A	9	New electricity application register signed by applicants and a job cards signed by applicants	Technical
				Number of new households connected to the grid [Accumulative]	Tech-07	(1)Number of new households connected to the grid	(9,549,000.00)	682	73	250	250	475	A total of 475 new households were connected to the grid.	N/A	N/A	1 (Other wards affected by in-fills still to be confirmed)	Approved progress report or completion certificate	Technical
			Improved energy sustainability	Approval of Electricity Master Plan by Council	Tech-08	(1)Date of approval of the Electricity Master Plan by Council	No budget required	New KPI (Not measured in the previous year)	New KPI (Not measured in the previous year)	30-Jun-23	N/A	Electricity Master Plan not developed	Electricity Master Plan not yet developed.	Data collection exercise still underway.	The Electricity Master Plan will be finalized before the end of October, 2023.	N/A	Approved progress report or completion certificate	Budget & Treasury (Budget Section)

ANNUAL PERFORMANCE REPORT SCORECARD																		
IDP REFERENCE	GOALS	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR	KPI REF NO.	FORMULA USED TO MEASURE PERFORMANCE (UNIT OF MEASURE)	BUDGET 2022/23	2021/22 ANNUAL TARGET	2021/22 ACHIEVED TARGET (BASELINE FOR 2022/23)	2022/23 ANNUAL TARGETS	2022/23 REVISED ANNUAL TARGET	ACTUAL PERFORMANCE	COMMENTS	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
2022/23 FINANCIAL YEAR																		
2.3		To improve access to network connectivity	To improve access to network connectivity	Compilation of the report of areas without network access	MM-20	(1) Date of approval of the report by MANCO	No budget required	New KPI	New KPI	28-Feb-23	N/A	Report compiled and tabled to Council in June.	Areas without network was compiled using data collected through ward based planning.	Ward Based Plans were completed in June.	The report was compiled and tabled to Council.	All		Municipal manager
		Improve access to public facilities in terms of community halls, Sport fields, and ECDs	Ensuring access to public facilities by construction of community hall	Construction of Fire Offices in Ward 09	Tech-26	(1)Overall construction progress made (PERCENTAGE)	6,086,956.00	100%	44%	N/A (Indicator introduced during mid-year review, not on the original SDBIP)	70%	86%	Fire Station construction progress was at 62% as at 30 June 2023.	1. Financial constrains.	1. Budget was made available during adjustment to complete the project.	9	Approved progress report	Technical
				Construction of Traffic Offices in Ward 09	Tech-27	(1)Overall construction progress made (PERCENTAGE)		100%	95%	N/A (Indicator introduced during mid-year review, not on the original SDBIP)	100%	100%	The project is 100% complete and will be ready once electricity supply is secured.	N/A	N/A	9	Approved progress report or completion certificate	Technical

ANNUAL PERFORMANCE REPORT SCORECARD																		
IDP REFERENCE	GOALS	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR	KPI REF NO.	FORMULA USED TO MEASURE PERFORMANCE (UNIT OF MEASURE)	BUDGET 2022/23	2021/22 ANNUAL TARGET	2021/22 ACHIEVED TARGET (BASELINE FOR 2022/23)	2022/23 ANNUAL TARGETS	2022/23 REVISED ANNUAL TARGET	ACTUAL PERFORMANCE	COMMENTS	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
2022/23 FINANCIAL YEAR																		
				Construction of Incubator Facilities Phase 2 in Nquthu Town	Tech-22	(1)Overall construction progress made (PERCENTAGE)	3,043,478.00	New KPI (Not measured in the previous year)	New KPI (Not measured in the previous year)	100%	N/A	100%	The project is complete and will be ready for use as soon as water issues are resolved.	N/A	N/A	9	Approved progress report or completion certificate	Technical
2.4				Construction of Hlathi Dam Community Hall in Ward 15	Tech-09	(1)Overall construction progress made (PERCENTAGE)	1,590,979.00	12%	60%	100%	N/A	100%	Hlathi Dam Community Hall was certified complete on 15 August 2022 and is now in use.	N/A	N/A	15	Approved progress report or completion certificate	Technical

ANNUAL PERFORMANCE REPORT SCORECARD																		
IDP REFERENCE	GOALS	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR	KPI REF NO.	FORMULA USED TO MEASURE PERFORMANCE (UNIT OF MEASURE)	BUDGET 2022/23	2021/22 ANNUAL TARGET	2021/22 ACHIEVED TARGET (BASELINE FOR 2022/23)	2022/23 ANNUAL TARGETS	2022/23 REVISED ANNUAL TARGET	ACTUAL PERFORMANCE	COMMENTS	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
2022/23 FINANCIAL YEAR																		
				Construction of Ezinkondwandeni Community Hall in Ward 17	Tech-11	(1)Overall construction progress made (PERCENTAGE)	2,567,130.00	50%	35%	100%	N/A	60%	Ezinkondwandeni Community Hall construction progress was at 60% as at 30 June 2023.	1. Change of main structure position 2. Rain 3. Difficulties is acquiring of portal frame and steel window frame due to unavailability of materials with local suppliers.	1. Cession agreement was signed with abaphumeleli trading to supply portal frame structure and roofing and Generals for roof sheets 2. Contractor requested to submit application of extension of time and number of days lost for the re-positioning of main structure.	9	Approved progress report or completion certificate	Technical

ANNUAL PERFORMANCE REPORT SCORECARD																			
IDP REFERENCE	GOALS	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR	KPI REF NO.	FORMULA USED TO MEASURE PERFORMANCE (UNIT OF MEASURE)	BUDGET 2022/23	2021/22 ANNUAL TARGET	2021/22 ACHIEVED TARGET (BASELINE FOR 2022/23)	2022/23 ANNUAL TARGETS	2022/23 REVISED ANNUAL TARGET	ACTUAL PERFORMANCE	COMMENTS	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT	
2022/23 FINANCIAL YEAR																			
				Construction of Gobinsimbi Community Hall of Ward	Tech-13	(1)Overall construction progress made (PERCENTAGE)	1,697,689.00	50%	65%	100%	N/A	100%	Gobinsimbi Community Hall was certified complete on 12 April 2023 and is now in use.	N/A	N/A		Approved progress report or completion certificate	Technical	
				Construction of Sizamile Community Hall in Ward 06	Tech-14	(1)Overall construction progress made (PERCENTAGE)	1,362,550.00	50%	55%	100%	N/A	100%	Sizamile Community Hall was certified complete on 9 February 2023 and is now in use.	N/A	N/A	6	Approved progress report or completion certificate	Technical	
				Construction of Sigubudu Community Hall in Ward	Tech-23	(1)Overall construction progress made (PERCENTAGE)	3,604,642.00	100%	56%	100%	N/A	100%	Sigubudu Community Hall was certified complete on 26 May 2023 and is now in use.	N/A	N/A		Approved progress report or completion certificate	Technical	
				Construction of KwaBiya Community Hall in ward 13 by 30 March 2023	Tech-33	(1)Overall construction progress made (PERCENTAGE)	2,408,769.00	50%	55%	N/A (Indicator introduced during mid-year review, not on the original SDBIP)	100%	100%	KwaBiya Community Hall was certified complete on 24 June 2023 and is now in use.	N/A	N/A	13	Approved progress report or completion certificate	Technical	
			Expanding access to Early Childhood Devel-	Construction of Msawethu Creche in Ward 16	Tech-17	(1)Overall construction progress made (PERCENTAGE)	1,525,604.00		New KPI (Not measured in the previous year)		New KPI (Not measured in the previous year)	100%	N/A	100%	N/A	N/A	16	Approved progress report or completion certificate	Technical

ANNUAL PERFORMANCE REPORT SCORECARD																			
IDP REFERENCE	GOALS	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR	KPI REF NO.	FORMULA USED TO MEASURE PERFORMANCE (UNIT OF MEASURE)	BUDGET 2022/23	2021/22 ANNUAL TARGET	2021/22 ACHIEVED TARGET (BASELINE FOR 2022/23)	2022/23 ANNUAL TARGETS	2022/23 REVISED ANNUAL TARGET	ACTUAL PERFORMANCE	COMMENTS	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT	
2022/23 FINANCIAL YEAR																			
			Development facilities																
			Expanding access to Sportfield facilities	Finalize planning processes for Ngonini Sportfield	Tech-18	(1)Date of approval of planning report by MANCO	508,899.00	New KPI	New KPI	25-Jan-23	N/A	Not achieved.	Not prioritized by Council.	Change of priority by Council.	The sportsfield was removed from the 2023/24 SDBIP.	14	MANCO Minutes	Technical	
			Improvement of residential development	Construction of Bulk Storm-water in Ward 09	Tech-32	(1)Overall construction progress made (PERCENTAGE)	521,739.00	100%	97%	N/A (Indicator introduced during mid-year review, not on the original SDBIP)	100%	98%	Bulk Storm-water construction progress was at 98% as at 30 June 2023.	The project was awarded to a joint-venture contractors who had differences which affected project progress.	A sub-contractor was appointed to continue with the project to take it to its completion.	9	Approved progress report or completion certificate	Technical	

ANNUAL PERFORMANCE REPORT SCORECARD																		
IDP REFERENCE	GOALS	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR	KPI REF NO.	FORMULA USED TO MEASURE PERFORMANCE (UNIT OF MEASURE)	BUDGET 2022/23	2021/22 ANNUAL TARGET	2021/22 ACHIEVED TARGET (BASELINE FOR 2022/23)	2022/23 ANNUAL TARGETS	2022/23 REVISED ANNUAL TARGET	ACTUAL PERFORMANCE	COMMENTS	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
2022/23 FINANCIAL YEAR																		
				Construction of Nquthu Residential Phase-1 project (Preparation of land set aside for residential and commercial purposes)	Tech-20	(1)Overall construction progress made (PERCENTAGE)	R186,957.00	100%	96%	100%	N/A	100%	Nquthu Residential Phase-1 project was certified complete on 9 February 2023, phase two of the project is still ongoing, as shown in Tech-19 below.	N/A	N/A	9	Approved progress report or completion certificate	Technical
				Construction of Nquthu Residential Development phase II (Preparation of land set aside for residential and commercial purposes)	Tech-19	(1)Overall construction progress made (PERCENTAGE)	9,836,479.00	75%	42%	100%	N/A	74%	Nquthu Residential Development Phase II construction progress was at 74% as at 30 June 2023.	Project delayed due to construction being halted by dissatisfied local contractors.	The issues raised by local contractors were resolved and the project was progressing well as at the end of the financial year.	9	Approved progress report or completion certificate	Technical
KPA 03: LOCAL ECONOMIC DEVELOPMENT																		
PGDP GOAL 1: INCLUSIVE ECONOMIC GROWTH																		

ANNUAL PERFORMANCE REPORT SCORECARD																		
IDP REFERENCE	GOALS	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR	KPI REF NO.	FORMULA USED TO MEASURE PERFORMANCE (UNIT OF MEASURE)	BUDGET 2022/23	2021/22 ANNUAL TARGET	2021/22 ACHIEVED TARGET (BASELINE FOR 2022/23)	2022/23 ANNUAL TARGETS	2022/23 REVISED ANNUAL TARGET	ACTUAL PERFORMANCE	COMMENTS	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
2022/23 FINANCIAL YEAR																		
3.1		Ensure growing the local economy	Development and implementation of Agricultural Strategy.	Develop and approval by council of Draft Nquthu Agricultural Strategy	Plan-01	Date of Draft Agricultural Strategy approval by Council	To be compiled internally	New KPI (Not measured in the previous year)	New KPI (Not measured in the previous year)	30-Jun-23	N/A	Strategy not developed.	Not approved by council	Responsible official was on maternity leave for six months in the financial year and the section manager resign in the middle of the financial year.	To be compiled next financial year.	N/A	Agricultural Strategy and Council Resolution	Planning
			Promote the formalization of SMMEs	Average time taken to process business registrations	Plan-03	(1) Sum of the total working days per business registration finalized/ (2) Number of business applications finalised (NUMBER)	No budget required	N/A (Only the registration of cooperatives was measured in the previous year.)	N/A (Only the registration of cooperatives was measured in the previous year.)	90 days	N/A	90 days	Business applications are processed within an average turn around time of 90 days.	N/A	N/A	N/A	Cooperative Certificate and Register of processed applications	Planning

ANNUAL PERFORMANCE REPORT SCORECARD																		
IDP REFERENCE	GOALS	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR	KPI REF NO.	FORMULA USED TO MEASURE PERFORMANCE (UNIT OF MEASURE)	BUDGET 2022/23	2021/22 ANNUAL TARGET	2021/22 ACHIEVED TARGET (BASELINE FOR 2022/23)	2022/23 ANNUAL TARGETS	2022/23 REVISED ANNUAL TARGET	ACTUAL PERFORMANCE	COMMENTS	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
2022/23 FINANCIAL YEAR																		
			Reduce regulatory redtape to promote suitable environment for businesses thrive and attract investment	Average time taken to process business license applications	Plan-04	(1) Sum of the total working days per business application finalised/ (2) Number of business applications finalised (NUMBER)		30 days	21 days	30 Days	N/A	16 days	While majority of business licenses are processed in less than 20 days, which is 10 days below set average, in cases of delays, application are delayed by factors like non-compliance with prescribed requirements.	N/A	N/A	N/A	Signed Register and Business Licence issued	Planning
			Build the capacity of local SMMEs to make them competitive and sustainable	Number of SMMEs trained	Plan-05	Number of SMMEs trained (NUMBER)		3	3	20	N/A	6	A total of 6 trainings conducted.	Budget constraints.	Capacity building/training budget set aside for 2023/24 financial year.	N/A	Attendance Register	Planning
			Use local procurement and subcontracting as an instrument	Number of construction projects (exceeding R1 million) utilising local contractors.	Plan-06	Number of subcontractors appointed (NUMBER)		100% (NB: Previously measured in percentage.)	100% (NB: Previously measured in percentage.)	15	15	12	Due to disruptions, the programme was derailed for some time.	The programme was at some stage disrupted due to dissatisfaction by some local	The programme is back on track.	N/A	Subcontractors beneficiary list and Reports and Pictures and Contracts	Planning

ANNUAL PERFORMANCE REPORT SCORECARD																			
IDP REFERENCE	GOALS	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR	KPI REF NO.	FORMULA USED TO MEASURE PERFORMANCE (UNIT OF MEASURE)	BUDGET 2022/23	2021/22 ANNUAL TARGET	2021/22 ACHIEVED TARGET (BASELINE FOR 2022/23)	2022/23 ANNUAL TARGETS	2022/23 REVISED ANNUAL TARGET	ACTUAL PERFORMANCE	COMMENTS	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT	
2022/23 FINANCIAL YEAR																			
			to support local economic growth											contractors.					
			Support local youth enterprises to unleash their potential and innovation	Number of youth SMMEs supported	Plan-07	Number of youth SMMEs funded/trained/provided with working equipment/material	R5,457,545.00	New KPI (Not measured in the previous year)	New KPI (Not measured in the previous year)	19	N/A	0	Programme not realized due to financial constraints.	Budget constraints.	Budget allocated to different business categories and training will also be conducted as required.	N/A	Signed Report and Beneficiary list	Planning	
3.2		To ensure growing the tourism sector in the municipality	Facilitate tourism initiatives and events	Number of tourism initiatives implemented	Plan-08	Number of programmes implemented (accumulative)	R704,342.00	2	3	3	3	3	Different tourism initiatives undertaken.	N/A	N/A	N/A	Signed Reports and Pictures	Planning	
3.3		Promotion of Social cohesion through Arts and Culture	Facilitate and participate in all art, culture and	Number of Art, Culture and Heritage programmes implemented	Plan-09	Number of programmes implemented (accumulative)	R3,899,546.00	4	4	7	N/A	7	The target was exceeded in Q1 and the annual target has been met.	N/A	N/A	N/A	Signed Reports and Pictures	Planning	

ANNUAL PERFORMANCE REPORT SCORECARD																			
IDP REFERENCE	GOALS	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR	KPI REF NO.	FORMULA USED TO MEASURE PERFORMANCE (UNIT OF MEASURE)	BUDGET 2022/23	2021/22 ANNUAL TARGET	2021/22 ACHIEVED TARGET (BASELINE FOR 2022/23)	2022/23 ANNUAL TARGETS	2022/23 REVISED ANNUAL TARGET	ACTUAL PERFORMANCE	COMMENTS	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT	
2022/23 FINANCIAL YEAR																			
		development programmes	heritage activities																
3.4				Number of jobs created through municipality's local, economic development initiatives including capital projects [Tech-20(1)	(1) Simple count of the number of work opportunities provided by the municipality for the period under review (accumulative)		221	239	250	250	252	The municipality has met and slightly exceeded its job creation target.	N/A	N/A	N/A		EPWP Officer consolidated reports to the Department of Public Works	Technical
		To ensure more effective poverty alleviation	Creation of jobs to alleviate poverty by implementing EPWP, CWP, Waste Ambassadors.	Number of beneficiaries benefiting from Poverty Alleviation Projects	Plan-14	Number of beneficiaries		New KPI (Not measured in the previous year)	New KPI (Not measured in the previous year)	Not on the original SDBIP.	24 (Introduced during mid-year review)	27	The municipality has met and slightly exceeded its target for Poverty Alleviation programme beneficiaries.	N/A	N/A	All		Beneficiary List and Report	Planning
				Number of beneficiaries benefiting from Drivers License Programme	Plan-15	Number of beneficiaries	R562,800.00	New KPI (Not measured in the previous year)	New KPI (Not measured in the previous year)	Not on the original SDBIP.	46 (Introduced during mid-year review)	46	44 beneficiaries has already undergone driver's license test while 4 have secured dates in July 2023.	N/A	N/A	All		Beneficiary List and Report	Planning
				Number of beneficiaries benefiting from Pencing Project	Plan-16	Number of beneficiaries	R1,816,438.80	17 (NB: Previously indicator)	17 (NB: Previously indicator)	Not on the original SDBIP.	22 (Introduced during mid-year review)	22	The of 22 beneficiaries for fencing material met.	N/A	N/A	All		Beneficiary List and Report	Planning

ANNUAL PERFORMANCE REPORT SCORECARD																		
IDP REFERENCE	GOALS	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR	KPI REF NO.	FORMULA USED TO MEASURE PERFORMANCE (UNIT OF MEASURE)	BUDGET 2022/23	2021/22 ANNUAL TARGET	2021/22 ACHIEVED TARGET (BASELINE FOR 2022/23)	2022/23 ANNUAL TARGETS	2022/23 REVISED ANNUAL TARGET	ACTUAL PERFORMANCE	COMMENTS	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
2022/23 FINANCIAL YEAR																		
								measured number of wards which benefited from the fencing project., not the actual recipients of fencing material)	measured number of wards which benefited from the fencing project., not the actual recipients of fencing material)									
11.1	Ensure accelerated social development of the people of Nquthu	Promotion of all sports codes in the municipality	Ensure the implementation of all sports development and plans	Implementation of the municipality's sports annual plan	Corp-11	(1) Number of sports activity targets met/ (2) Number of planned activity targets x 100	R3,973,332.00	3 (NB: Previously the indicator measured the number of sports codes the municipality participated in.)	3 (NB: Previously the indicator measured the number of sports codes the municipality participated in.)	100%	N/A	100%	All planned sports activities were undertaken.	N/A	N/A	N/A	Approved sports unit report	Corporate
11.2		To ensure the welfare of vulnerable groups within the municipality	Establish and ensure the functionality of representative forums for the targeted	Number of sector groups representative forum meetings conducted	Corp-12	Number of meetings conducted (accumulative)	R40,000.00	20	20	20	N/A	29	All forums are active and functional and more forums were also activated.	Traditional Healers and LGBTQ forums were activated.	N/A	N/A	Attendance Registers	Corporate

ANNUAL PERFORMANCE REPORT SCORECARD																		
IDP REFERENCE	GOALS	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR	KPI REF NO.	FORMULA USED TO MEASURE PERFORMANCE (UNIT OF MEASURE)	BUDGET 2022/23	2021/22 ANNUAL TARGET	2021/22 ACHIEVED TARGET (BASELINE FOR 2022/23)	2022/23 ANNUAL TARGETS	2022/23 REVISED ANNUAL TARGET	ACTUAL PERFORMANCE	COMMENTS	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
2022/23 FINANCIAL YEAR																		
			social groups															
11.3		Ensuring Early Childhood Development in Nquthu	Providing support to ECD centres	Number of early childhood development programmes implemented	MM-02	Number of programmes Implemented (accumulative)	R1,554,522.00	4	4	4	N/A	6	All planned activities to support ECD centers were conducted and there were also unplanned activities.	The municipality has formed partnerships with the private sector and engages on those joint programmes as well.	N/A	All	Approved Youth Office report	Municipal manager
11.4		Ensuring youth development in Nquthu	Initiating and implementing youth development initiatives	Number of youth development programmes implemented	MM-03	Number of programmes Implemented	R2,378,605.00	100% (NB: Previously measured in percentage.)	100% (NB: Previously measured in percentage.)	6	N/A	14	All planned youth development activities were conducted and there also unplanned activities.	The municipality has formed partnerships with the private sector and engages on those joint programmes as well.	N/A	All	Approved Youth Office report	Municipal manager

ANNUAL PERFORMANCE REPORT SCORECARD																		
IDP REFERENCE	GOALS	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR	KPI REF NO.	FORMULA USED TO MEASURE PERFORMANCE (UNIT OF MEASURE)	BUDGET 2022/23	2021/22 ANNUAL TARGET	2021/22 ACHIEVED TARGET (BASELINE FOR 2022/23)	2022/23 ANNUAL TARGETS	2022/23 REVISED ANNUAL TARGET	ACTUAL PERFORMANCE	COMMENTS	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
2022/23 FINANCIAL YEAR																		
11.5		To render library services to communities.	Improve library services accessibility through different programmes	Number of outreach activities conducted	Corp-10		43,478.00	100% (NB: Previously measured in percentage.)	100% (NB: Previously measured in percentage.)	Not on the original SDBIP.	18	22	A total of 22 library outreach programmes conducted.	Even when planned outreach programmes have been conducted, additional outreaches are also conducted when circumstances allow.	N/A	All	Acknowledgement letters from schools visited	Corporate and Community Services
				Average number of library visits per library	Corp-15	(1) Total number of library visits / (2) Count of municipal libraries	R3,521,095.00	2,781	7,674	Not on the original SDBIP.	4,666	15,223.60	Library visits in Nquthu is growing.	N/A	N/A	6,9 & 11	Library visits registers	Corporate and Community Services
KPA 04: GOOD GOVERNANCE AND PUBLIC PARTICIPATION																		
PGDP GOAL 3: HUMAN & COMMUNITY DEVELOPMENT and GOAL 6: GOVERNANCE AND POLICY																		
6.1	To attain a well governed and accessible municipality that is rooted in the will of the people	Ensure effective strategic planning by developing a credible IDP	Ensure that the IDP is compliant and meet all prescribed timelines	Number of Ward Based Plans approved by Ward Councillors	MM-04	Number of Ward Based Plans approved	No budget required	New KPI (Not measured in the previous year)	New KPI (Not measured in the previous year)	19	N/A	19	19 Ward Based Plans compiled and approved	N/A	N/A	All	Signed Ward Based Plans	Municipal manager
				Tabling Draft 2023/24 IDP to the IDP Stakeholder Representative Forum	MM-05	Date of tabling the Draft 2023/24 IDP to the IDP Stakeholder Representative Forum	No budget required	New KPI (Not measured in the previous year)	New KPI (Not measured in the previous year)	15 May 2023	N/A	4-May-23	Draft 2023/24 IDP tabled to IDP Stakeholders on the 04 May 2023	N/A	N/A	N/A	IDP Stakeholder Representative Forum meeting minutes	Municipal manager

ANNUAL PERFORMANCE REPORT SCORECARD																		
IDP REFERENCE	GOALS	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR	KPI REF NO.	FORMULA USED TO MEASURE PERFORMANCE (UNIT OF MEASURE)	BUDGET 2022/23	2021/22 ANNUAL TARGET	2021/22 ACHIEVED TARGET (BASELINE FOR 2022/23)	2022/23 ANNUAL TARGETS	2022/23 REVISED ANNUAL TARGET	ACTUAL PERFORMANCE	COMMENTS	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
2022/23 FINANCIAL YEAR																		
				Submitting final 2023/24 IDP to KZN COGTA within 10 days after approval by Council	MM-06	Number of days taken to submit final 2023/24 IDP to KZN COGTA	No budget required	New KPI (Not measured in the previous year)	New KPI (Not measured in the previous year)	≤10 days	N/A	6/9/2023 (≤10 days)	Final IDP submitted to Cogta on the 09 June 2023	N/A	N/A	N/A	KZN COGTA confirmation of submission letter	Municipal manager
				Tabling of Strategic Planning Report to the IDP and Budget Steering Committee	MM-07	Date of tabling the Strategic Planning Session report to the IDP and Budget Steering Committee	No budget required	15-Mar-23	14-18 February 2023	30 March 2023	N/A	30-Mar-23	Strategic Planning conducted on time and the report submitted to Council	N/A	N/A	N/A	IDP and Budget Steering Committee minutes	Municipal manager
				Invitation of public comments on the IDP, Budget and related documents	MM-09	Number of advert issued to invite public comments		6-Apr-23	29-Mar-23	2	N/A	2	Submitted on 11 August 2022 to the relevant Service Provider to upload on the Website. Draft 2023/24 published for public comments on the 06 April 2023	N/A	N/A	N/A	Add-tise-ments (invitation of public comments)	Municipal manager
4.1		Improved municipal responsiveness	Ensure that all complaints received are attended to on time	Percentage of received complaints responded to within 14 day	MM-10	(1) Percentage of complaints responded to within 14 days / (2) Total number of complaints received x 100	No budget required	100%	100%	100%	N/A	100%	All complaints responded to within 14 Days	N/A	N/A	N/A	Updated Complaints Register	Municipal Manager

ANNUAL PERFORMANCE REPORT SCORECARD																		
IDP REFERENCE	GOALS	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR	KPI REF NO.	FORMULA USED TO MEASURE PERFORMANCE (UNIT OF MEASURE)	BUDGET 2022/23	2021/22 ANNUAL TARGET	2021/22 ACHIEVED TARGET (BASELINE FOR 2022/23)	2022/23 ANNUAL TARGETS	2022/23 REVISED ANNUAL TARGET	ACTUAL PERFORMANCE	COMMENTS	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
2022/23 FINANCIAL YEAR																		
			Ensure that all ward committees are functional	Percentage of Ward Committee Functionality	Corp-13	((1)The number of ward committees with 6 or more members)/((2)Total number of wards)*100	No budget required	100%	100%	100%	N/A	100%	KZN COGTA assessment outcome rated ward committee functionality at Nquthu to be at 100%.	N/A	N/A	N/A	Assessment Report from Cogta	Corporate
4.5		Improved council functionality	Prevent disruption of council meetings to ensure smooth functioning of council	Number of Council meetings disrupted	Corp-14	(1) Number of Council meeting disrupted	R1,967,627.00	New KPI (Not measured in the previous year)	New KPI (Not measured in the previous year)	0 (no meeting disrupted)	N/A	0	Not a single meeting of Council was disrupted as Council continues to maintain necessary decorum.	N/A	N/A	N/A	Minutes of Council meetings	Corporate
4.7		To ensure improved communication with communities	Engaging communities about all development or infrastructure projects	Number of SOD turnings and handovers for infrastructure projects	MM-12	(1)Number of sword turnings and handovers conducted (accumulative). <i>NB: One event/meeting may be used for two or projects to save costs</i>	Budget from events vote	24	29	12	N/A	26	The municipality conducted SOD turnings for new projects and handovers for completed projects.	There were new projects that were introduced at mid-year to ensure MIG spending. The municipality also participated in handing over projects built by	N/A	N/A	Sword turning and handover attendance registers	Municipal manager

ANNUAL PERFORMANCE REPORT SCORECARD																			
IDP REFERENCE	GOALS	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR	KPI REF NO.	FORMULA USED TO MEASURE PERFORMANCE (UNIT OF MEASURE)	BUDGET 2022/23	2021/22 ANNUAL TARGET	2021/22 ACHIEVED TARGET (BASELINE FOR 2022/23)	2022/23 ANNUAL TARGETS	2022/23 REVISED ANNUAL TARGET	ACTUAL PERFORMANCE	COMMENTS	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT	
2022/23 FINANCIAL YEAR																			
4.8		To ensure effective risk management	Implement the municipality's risk management policy and strategy	Percentage of risk action plan implemented	MM-13	(1)Number of risk action plan implemented / Number of risk action plans x 100		100%	80%	100%	N/A	89%	89% of risk action plans implemented to manage risks that were identified by the municipality.	Some action plans have financial implications and their implementation was hindered by budget constraints.	Funding dependant action plans will not be put on the risk register unless budget has been allocated for them.	N/A	Risk Management quarterly reports	Municipal manager	
				Number of Risk Management Committee Meeting conducted	MM-14	(1)Number Risk Management Committee Meetings conducted (accumulative)		4	5	4	N/A	4	Risk Management Committee meetings are conducted consistently.	N/A	N/A	N/A	Attendance Register	Municipal manager	

ANNUAL PERFORMANCE REPORT SCORECARD																		
IDP REFERENCE	GOALS	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR	KPI REF NO.	FORMULA USED TO MEASURE PERFORMANCE (UNIT OF MEASURE)	BUDGET 2022/23	2021/22 ANNUAL TARGET	2021/22 ACHIEVED TARGET (BASELINE FOR 2022/23)	2022/23 ANNUAL TARGETS	2022/23 REVISED ANNUAL TARGET	ACTUAL PERFORMANCE	COMMENTS	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
2022/23 FINANCIAL YEAR																		
				Number of Audit Committee reports to Council	MM-15	(1)Number of AC reports tabled to Council	No budget required	2	2	2	N/A	2	The Audit Committee does report to Council as required.	N/A	N/A	N/A	Council minutes	Municipal manager
4.9		Strive to attain a clean audit	Ensure that the AG Action Plan is implemented and that Audit Committees and reports to Council	Percentage of AG Action Plan for 2021/22 audit implemented	MM-16	(1)Number of AG findings resolved / Number of AG findings x 100	No budget required	100%	36%	100%	N/A	69%	AG Action Plan implementation as work in progress.	Not all issues raised by AG has been resolved, but all issues are being attended to.	The municipality has established a weekly Audit War Room meetings where the AG Action Plan implementation progress is being monitored. AG Action Plan implementation is also a standard item in MANCO.	N/A	Updated AG Action Plan	Municipal manager

ANNUAL PERFORMANCE REPORT SCORECARD																		
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2022/23 FINANCIAL YEAR																		
				Number of audit committee meetings	MM-17	(1)Number of AC meeting conducted	6	4	7	6	N/A	7	The Audit Committee does hold meetings as required.	When necessary, special Audit Committee meetings are also held.	N/A	N/A	Minutes of AC meetings	Municipal manager
4.1		To ensure effective records management system	Implementation of Records Management Procedure Manual	Number of Records Management Awareness conducted	Corp-16	(1)Number of records management awareness workshop conducted to staff members	No budget required	1	1	1	N/A	1	Records Management Awareness meeting was conducted and other sections were invited to also make presentations.	N/A	N/A	N/A	Attendance Register	Corporate
KPA 05: FINANCIAL MANAGEMENT AND VIABILITY																		
PGDP GOAL 6: GOVERNANCE AND POLICY																		
5.1	Improved and sound Financial management and viability	To ensure effective expenditure management	Ensuring that the municipality execute its procurement plan	Percentage of Procurement Plan implemented	Fin-01	(1)Number of budgeted items procured on the prescribed date / (2)Number of budget items x 100	Sum amount of items budget in the procurement plan	100%	85%	100%	N/A	90%	10% of the procurement plan not implemented.	Departments not properly implementing their procurement plans.	Departments will discuss procurement plan implementation at departmental meetings.	N/A	Procurement Plan report	All

ANNUAL PERFORMANCE REPORT SCORECARD																		
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2022/23 FINANCIAL YEAR																		
5.2		Ensure municipal financial sustainability	Maintain proper municipal financial sustainability	Percentage of Level of Cash Backed Reserves	Fin-02	(Cash and Cash Equivalents - Bank Overdraft + Short Term Investment + Long Term Investment - Unspent Conditional Grants) / (Net Assets - Accumulated Surplus - Non Controlling Interest - Share Premium - Share Capital - Fair Value Adjustment - Revaluation Reserve)	No budget required	100%	955%	100%	N/A	100%	Levels of cash backed reserves high.	N/A	N/A	N/A	Circular 71 approved ratio template approved by the CFO	Budget & Treasury
5.3		To ensure improved municipal liquidity position	Ensure that the municipality is in a good position to meet its short-term liabilities by maintaining a set current ratio	Current Ratio	Fin-03	Current Assets / Current Liabilities		1.5-2:1	1.7:1	2:01	N/A	2:49	Ratio within set norm.	N/A	N/A	N/A	Circular 71 approved ratio template approved by the CFO	Budget & Treasury
			Prudent management of municipal finances	Liquidity Ratio	Fin-04			1.5-2:1	2.23:1	1.5-2:1	N/A	2:49	Ratio within set norm.	N/A	N/A	N/A	Circular 71 approved ratio template approved	Budget & Treasury

ANNUAL PERFORMANCE REPORT SCORECARD																		
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2022/23 FINANCIAL YEAR																		
			to ensure sustainability														by the CFO	
			Ensure municipality's ability to meet at least its monthly fixed operating commitments from cash and short-term investment without collecting any additional revenue, during that month.	Number of months for municipality's ability to meet at least its monthly fixed operating commitments	Fin-05	((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, and Provision for Bad Debts, Impairment and Loss on Disposal of Assets)).		3 months	6 months	3 months	N/A	5 months	Ratio within set norm.	N/A	N/A	N/A	Circular 71 Template & Calculation Evidence	Budget & Treasury
5.4		To ensure improved debt management	Improve debt collection by billing of all	Net Debtors Days	Fin-06	((Gross Debtors - Bad Debt Provision) / Billed Revenue) × 365		30 days	120 days	30 Days	N/A	246 days	Net debtors days is too high and way above set norm.	Poor payment by debtors and ITB debt that is difficult	Consider writing off irrecoverable debt.	N/A	Circular 71 Template & Calculation Evidence	Budget & Treasury

ANNUAL PERFORMANCE REPORT SCORECARD																			
IDP REFERENCE	GOALS	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR	KPI REF NO.	FORMULA USED TO MEASURE PERFORMANCE (UNIT OF MEASURE)	BUDGET 2022/23	2021/22 ANNUAL TARGET	2021/22 ACHIEVED TARGET (BASELINE FOR 2022/23)	2022/23 ANNUAL TARGETS	2022/23 REVISED ANNUAL TARGET	ACTUAL PERFORMANCE	COMMENTS	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT	
2022/23 FINANCIAL YEAR																			
			municipal debtors											to resolve.					
				Collection Rate	Fin-07	Gross Debtors Opening Balance + Billed Revenue – Gross Debtors Closing Balance - Bad Debts Written Off) / Billed Revenue x 100		95%	76%	95%	N/A	89%	The collection rate is 6% below the set norm. The municipality has to improve revenue collection	Poor payment by debtors and ITB debt that is difficult to resolve.	Consider writing off irrecoverable debt.	N/A	Circular 71 Template & Calculation Evidence	Budget & Treasury	
			Keep municipal assets in good state by efficient spending of maintenance budget	Repairs and Maintenance as a % of Property, Plants and Equipment and Investment Property (Carrying Value)	Fin-08	Total Repairs and Maintenance Expenditure / Property, Plant and Equipment and Investment Property (Carrying Value) x 100		8%	2%	8%	N/A	3%	Repairs and maintenance expenditure is 5% below the set norm, indicating poor maintenance of municipal assets.	The municipality's PPE value is too high and the municipality does not have sufficient financial resources to reach the set norm in terms of expenditure.	The municipality is spending on repairs and maintenance of its assets to extent that the municipality can afford.	N/A	Circular 71 Template & Calculation Evidence	All	

ANNUAL PERFORMANCE REPORT SCORECARD																		
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2022/23 FINANCIAL YEAR																		
			Invest optimally in infrastructure by spending budgeted capital expenditure	Capital Expenditure to Total Expenditure	Fin-09	Total Capital Expenditure / Total Expenditure (Total Operating Expenditure + Capital Expenditure) × 100		10%	52%	10%	N/A	18%	Total expenditure to total expenditure is 8% above the set norm, indicating more investment in infrastructure development.	N/A	N/A	N/A	Circular 71 Template & Calculation Evidence	Budget & Treasury
5.5		To ensure improved financial management	Ensure proper budget implementation and that expenditure is incurred in acceptable standards	Percentage of a municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan	Fin-10	TBD		100%	100%	100%	N/A	84%	The 16% underspending in capital budget is attributable to underspending of MIG. However,	Underspending on Municipal Infrastructure Grant.	A recovery plan was developed and accepted by KZN COGTA and MIG. The plan is being implemented and spending has improved.	N/A	Expenditure Report	Budget & Treasury and Technical
				Percentage of operating budget spend	Fin-11			100%	118%	100%	N/A	100%	Operating budget was spent as budgeted.	N/A	N/A	N/A	Expenditure Report	Budget & Treasury

ANNUAL PERFORMANCE REPORT SCORECARD																		
IDP REFERENCE	GOALS	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR	KPI REF NO.	FORMULA USED TO MEASURE PERFORMANCE (UNIT OF MEASURE)	BUDGET 2022/23	2021/22 ANNUAL TARGET	2021/22 ACHIEVED TARGET (BASELINE FOR 2022/23)	2022/23 ANNUAL TARGETS	2022/23 REVISED ANNUAL TARGET	ACTUAL PERFORMANCE	COMMENTS	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
2022/23 FINANCIAL YEAR																		
				Percentage of irregular expenditure incurred	Fin-12			0%	43%	0%	N/A	24%	Incurrence of irregular expenditure remains a challenge in the municipality.	Non-adherence to procurement regulations in the procurement of goods and services.	Dealing with irregular expenditure in terms with applicable MFMA provisions and relevant MFMA Circulars.	N/A	Expenditure Report	Budget & Treasury
				Number of days taken to pay trade creditors	Fin-13			30 days	30 days	30 days	N/A	176 days	There are invoices that are paid in a period exceeding 30 days.	Some invoices are not paid on time due to service providers not being able to address gaps in their invoices or when there is a disagreement regarding the goods or services that have to be paid for.	Amending the invoice tracking register to include a column for the end user to certify that the invoice can be paid and a column to count the number of days taken by the service	N/A	Circular 71 Template & Calculation Evidence	Budget & Treasury

ANNUAL PERFORMANCE REPORT SCORECARD																			
IDP REFERENCE	GOALS	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR	KPI REF NO.	FORMULA USED TO MEASURE PERFORMANCE (UNIT OF MEASURE)	BUDGET 2022/23	2021/22 ANNUAL TARGET	2021/22 ACHIEVED TARGET (BASELINE FOR 2022/23)	2022/23 ANNUAL TARGETS	2022/23 REVISED ANNUAL TARGET	ACTUAL PERFORMANCE	COMMENTS	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT	
2022/23 FINANCIAL YEAR																			
															provider to address gaps in the invoice or meet any set requirements.				
				Number of Budget Steering Committee meetings convened	Fin-14			4	6	4	N/A	4	All planned IDP and Budget Steering Committee meetings conducted.	N/A	N/A	N/A	Attendance Register and Minutes	Budget & Treasury	
				Submit 2023/24 Draft Annual Budget to the Council	Fin-15			30-Mar-22	29-Mar-22	30-Mar-23	N/A	30-Mar-23	Draft 2023/24 Annual Budget tabled to Council on the planned date.	N/A	N/A	N/A	Council Resolution Budget document	Budget & Treasury	

ANNUAL PERFORMANCE REPORT SCORECARD																		
IDP REFERENCE	GOALS	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR	KPI REF NO.	FORMULA USED TO MEASURE PERFORMANCE (UNIT OF MEASURE)	BUDGET 2022/23	2021/22 ANNUAL TARGET	2021/22 ACHIEVED TARGET (BASELINE FOR 2022/23)	2022/23 ANNUAL TARGETS	2022/23 REVISED ANNUAL TARGET	ACTUAL PERFORMANCE	COMMENTS	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
2022/23 FINANCIAL YEAR																		
				Submit 2023/24 Annual Budget to the Council	Fin-16			30-May-22	26-May-23	30-May-23	N/A	30-May-23	2023/24 Annual Budget tabled to Council on the planned date.	N/A	N/A	N/A	Council Resolution Budget document	Budget & Treasury
				Ensure effective procurement management by adhering to a set average turnaround time for awarding of bids	Fin-17	TBD		90 days (Length of time previously measured in days)	90 days (Length of time previously measured in days)	3 months	N/A	3 months	All tenders are finalized within an average period of three months as per the set norm.	N/A	N/A	N/A	Tender Register	Budget & Treasury
				Ensure that electricity distribution losses does not exceed 10%	Fin-18			10%	25%	10%	N/A	33%	The municipality continues to incur electricity distribution losses.	Poor implementation of the electricity losses report recommendations.	Formation of a multi-disciplinary task team to address electricity losses.	N/A	Circular 71 Template & Calculation Evidence	Budget & Treasury
				Ensure effective and consistent	Fin-19	(1)Date of AFS submission to AG	No budget required	31-Aug-22	31-Aug-22	31-Aug-22	N/A	31-Aug-23	2021/22 AFS submitted to AG in line with the prescribed timeline.	N/A	N/A	N/A	Acknowledgement letter	Budget & Treasury

ANNUAL PERFORMANCE REPORT SCORECARD																		
IDP REFERENCE	GOALS	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR	KPI REF NO.	FORMULA USED TO MEASURE PERFORMANCE (UNIT OF MEASURE)	BUDGET 2022/23	2021/22 ANNUAL TARGET	2021/22 ACHIEVED TARGET (BASELINE FOR 2022/23)	2022/23 ANNUAL TARGETS	2022/23 REVISED ANNUAL TARGET	ACTUAL PERFORMANCE	COMMENTS	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
2022/23 FINANCIAL YEAR																		
			reporting	Tabling Section 72 (mid-year assessment) Report to Council on or before the prescribed date	Fin-20	(1)Date of tabling Section 72 Report to Council	No budget required	New KPI (Not measured in the previous year)	New KPI (Not measured in the previous year)	25-Jan-23	N/A	25-Jan-23	Section 72 mid-year assessment report was tabled to Council on the prescribed date.	N/A	N/A	N/A	Council Resolution	Budget & Treasury
				Number of S52 reports tabled to Council	Fin-21	(1)Number of Section 52 Reports tabled to Council	No budget required	4	4	4	N/A	4-Jan-00	Section 52 reports tabled to Council as required.	N/A	N/A	N/A	Council Resolution	Budget & Treasury
KPA 06: CROSS CUTTING																		
PGDP GOAL 5: ENVIRONMENTAL SUSTAINABILITY, GOAL 6: GOVERNANCE AND POLICY and GOAL 7: SPATIAL EQUITY																		

ANNUAL PERFORMANCE REPORT SCORECARD																		
IDP REFERENCE	GOALS	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR	KPI REF NO.	FORMULA USED TO MEASURE PERFORMANCE (UNIT OF MEASURE)	BUDGET 2022/23	2021/22 ANNUAL TARGET	2021/22 ACHIEVED TARGET (BASELINE FOR 2022/23)	2022/23 ANNUAL TARGETS	2022/23 REVISED ANNUAL TARGET	ACTUAL PERFORMANCE	COMMENTS	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
2022/23 FINANCIAL YEAR																		
6.1	Improve strategic Planning and municipal spatial planning	To ensure effective land use management and development planning	Reviewing of Urban Design Framework (UDF) and SDF to address spatial challenges in Nquthu Town.	Table a reviewed SDF and UDF to Council for approval	Plan -10	(1)Date of SDF and UDF approval by Council	No budget required	30-Jun-22	26-May-22	30-Jun-23	N/A	SDF not reviewed.	The SDF was not reviewed but plans were already underway to secure funding from the KZN Department of Agriculture and Rural Development, the SDF will be reviewed in the 2023/24 financial year..	SDF not reviewed internally due to intensive expertise that the municipality does not have in the areas of GIS, surveying, environment, etc. Therefore, an application was lodged with the Department of Agriculture and Rural Development (DARD) and that application was approved. The SDF review will be conducted in the 2023/24 financial year	An application was submitted and approved by DARD and processes to appoint the service provider by the department are underway..	N/A	Council Resolution	Planning

ANNUAL PERFORMANCE REPORT SCORECARD																		
IDP REFERENCE	GOALS	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR	KPI REF NO.	FORMULA USED TO MEASURE PERFORMANCE (UNIT OF MEASURE)	BUDGET 2022/23	2021/22 ANNUAL TARGET	2021/22 ACHIEVED TARGET (BASELINE FOR 2022/23)	2022/23 ANNUAL TARGETS	2022/23 REVISED ANNUAL TARGET	ACTUAL PERFORMANCE	COMMENTS	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
2022/23 FINANCIAL YEAR																		
6.2		To ensure provision of gathering, managing, and analyzing spatially related data through GIS	Implementation of GIS Policy (Strategy)	Percentage of GIS services requests responded to within 30 days	Plan -11	(1) Number of GIS requests finalized with 30 days / (2) Number of GIS requests received x 100 (PERCENTAGE)	R130,435.00	100%	100%	100%	N/A	100%	All GIS requests are processed and finalized within a 30 day turn-around time.	N/A	N/A	N/A	GIS Request register signed by applicants	Planning (GIS Section)
				Percentage of implementation of GIS Action Plan	Plan -12	(1) Number of GIS Action Plan activities conducted / (2) Number of planned activities x 100 (PERCENTAGE)	R265,218.00	100%	100%	100%	N/A	30%	The evidence provided can only support 30% of the Year 2 GIS Strategy Implementation Plan. Out of 10 deliverables for Year 2, only Hardware maintenance and review of the GIS section structure was achieved.	The GIS position is vacant and certain GIS functions are performed by the Housing Officer.	The GIS Manager and Officer positions have been included in the organogram and will be filled going forward.	N/A	GIS Action Plan and implementation report approved by Director Planning	Planning (GIS Section)
6.3	Ensure compliance with National Building Regulations Act and Building Standards and Bylaws	Creating awareness to local community National Building Regulations Act and building standards	Number of Building Regulations Act and building standards awareness conducted	Plan -13	(1)Number Building Awarenesses conducted (accumulative)	No budget required	New KPI (Not measured in the previous year)	New KPI (Not measured in the previous year)	4	N/A	14	A total of 14 awareness conducted. Awareness are conducted in two ways, (1) when there are municipal outreach programmes and (2) during sites visits.	The Housing Inspectorate unit took advantage of Ward Based Planning programme to conduct awareness about building	N/A	N/A	Attendance registers	Planning	

ANNUAL PERFORMANCE REPORT SCORECARD																			
IDP REFERENCE	GOALS	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR	KPI REF NO.	FORMULA USED TO MEASURE PERFORMANCE (UNIT OF MEASURE)	BUDGET 2022/23	2021/22 ANNUAL TARGET	2021/22 ACHIEVED TARGET (BASELINE FOR 2022/23)	2022/23 ANNUAL TARGETS	2022/23 REVISED ANNUAL TARGET	ACTUAL PERFORMANCE	COMMENTS	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT	
2022/23 FINANCIAL YEAR																			
														regulations.					
7.1	Achieve improved response to disasters and crime management	Improve mitigation effects of emergencies and disasters	Improve disaster response time and Alertness to the community	Percentage (%) of callouts responded to within 2 hours for structural fire incidents	Corp-18	(1) Number of structural fire incidents where the attendance time was less than 3 hours / (2) Total number of calls for structural fire incidents received *100 (PERCENTAGE)	R285,024.00	100%	100%	100%	N/A	100%	Fire incidents are responded to within a set turn-around time.	N/A	N/A	All wards	Incident Report	Community Services (Disaster Management Section)	
8.1	Safe municipal environment	Ensure a secure and safe municipal environment	Implementation of municipal safety plan	Approval of Municipal Safety Plan by Council	Corp-19	Date of approval (DATE)	No budget required	New KPI (Not measured in the previous year)	New KPI (Not measured in the previous year)	30-Jun-23	N/A	28-Jun-23	The Municipal Safety Plan was approved by Council and it will be reviewed annually to closed emerging gaps.	N/A	N/A	N/A	Updated Safety Plan and Evidence	Corporate	

ANNUAL PERFORMANCE REPORT SCORECARD																		
IDP REFERENCE	GOALS	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR	KPI REF NO.	FORMULA USED TO MEASURE PERFORMANCE (UNIT OF MEASURE)	BUDGET 2022/23	2021/22 ANNUAL TARGET	2021/22 ACHIEVED TARGET (BASELINE FOR 2022/23)	2022/23 ANNUAL TARGETS	2022/23 REVISED ANNUAL TARGET	ACTUAL PERFORMANCE	COMMENTS	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
2022/23 FINANCIAL YEAR																		
8.1(2)		To ensure safer local roads	Maximum enforcement of road traffic laws and municipal by-laws	Number of road blocks conducted	Corp-20	(1)Number of road blocks (NUMBER) Accumulative	No budget required	45	46	45	N/A	57	Municipal road blocks are held to enforce traffic management laws and to identify drivers with unpaid traffic fines.	Additional road blocks are always conducted when a need arises.	N/A	Selected wards	Road block report	Community Services (Traffic Management Section)
10.1	Sustainable development and environmental management	To ensure effective environmental protection	Initiating and implementation of all municipal environmental management programmes	Number of Tons diverted away from landfill site to Buyers (Accumulative)	Tech-34	Number of tons (KILOGRAMS)		400	417	200	N/A	177.634	Over 177 tons of recyclable waste was diverted from landfill site.	The Buy Back Center experienced operational challenges towards the end of the financial year.	The municipality is working on plans to expand and improve operations at the Buy back Center.	N/A	Signed Automated Weighbridge Report	Planning (LED Section)
				Number of Waste management Campaigns conducted	Tech-35	Number of campaigns (NUMBER): accumulative	Not budget required	4	4	4	N/A	2	Half of planned waste management campaigns were conducted.	Insufficient PPE for participants.	PPE to be procured in the new financial year.	6 & 9	Attendance register for participants	Technical Services (Waste Management Section)

8. EXPENDITURE TO ATTAIN IDP PRIORITIES

The 2022/23 Annual Budget was compiled to implement IDP objectives and development priorities. One of the main priorities of Nquthu is infrastructure development and the municipality continues to invest in infrastructure using own generated revenue and government grants.

9. GRANT EXPENDITURE PERFORMANCE

GRANT TYPE	AUDITED BALANCE AS AT 1-JUL- 2022	DORA ALLO- CATION FOR YEAR	RECEIVED 2022/23	SPENT & TRANS- FERRED TO INCOME 2022/23	BALANCE AS AT 2022/23	AVAILABLE FUNDS/NOT COMMITTED 2022/23
<i>Library support</i>	-	-1,964,000.00	-1,964,000.00	1,964,000.00	-	-
<i>Electrification (INEP)</i>	-	-9,549,000.00	-9,549,000.00	5,795,201.19	3,753,798.81	3,753,798.81
<i>Cybercadet</i>	-	-508,000.00	-508,000.00	508,000.00	-	-
<i>MIG</i>	-	35,231,000.00	35,231,000.00	35,231,000.00	0	0
<i>Sport field Maintenance</i>	-128,895.59	-	-	-	-128,895.59	-128,895.59
<i>Bornem Grant</i>	-	-	-1,079,045.99	1,079,045.99	-	-
<i>FMG</i>	-	-1,850,000.00	-1,850,000.00	1,850,000.00	0	0
<i>Library Modular</i>	-	-1,430,000.00	-715,000.00	715,000.00	-	-
<i>EPWP</i>	-	-1,546,000.00	-1,546,000.00	1,546,000.00	-	-
<i>Library Volunteer</i>	-247,941.24	-108,000.00	-108,000.00	96,000.00	-259,941.24	-259,941.24
TOTALS	-376,836.83	52,186,000.00	52,550,045.99	48,784,247.18	4,142,635.64	4,142,635.64

Table 2: Grant expenditure performance

Based on the figures above, it seems that many grants have been fully spent, while some have also received less funding than originally allocated. There are also cases where the full allocated amount was received but not spent. The municipality seems to have some challenges in managing the grant funds effectively, INEP is one of the grants that the municipality was not able to spend in full, which may be due to improper planning or failing to implement or stick to the plan, the municipality is committed to address this issue going forward. Although the municipality did struggle with MIG spending at some stage in the year, those issues were resolved and MIG was spent in full.

10. ASSESSMENT OF SERVICE PROVIDERS

The municipality does not have the capacity to perform all the function using available internal workforce and/or skills, therefore; service providers are appointed from time to time to undertake work for the municipality which include, but not limited to, construction projects designs and project management (engineering services), and construction of all projects, supply of goods and services, consulting services, etc. When appointed to undertake any work, service providers must be monitored to ensure that they correctly undertake the work they have appointed to do.

The monitoring of the service provider's performance is ensured through the signing of the Service Level Agreement. It is currently being done by user department levels. The end user department is

providing monthly reports to the contract management unit under SCM section. Service providers who fail to perform are reported and necessary action is taken including the termination of the contract or cancellation of an order.

Assessment Key	
Good (G)	<i>The service has been provided at acceptable standards and within the time frames stipulated in the SLA/Contract</i>
Satisfactory (S)	<i>The service has been provided at acceptable standards and outside of the timeframes stipulated in the SLA/Contract</i>
Poor (P)	<i>The service has been provided below acceptable standards</i>

Performance assessment summary

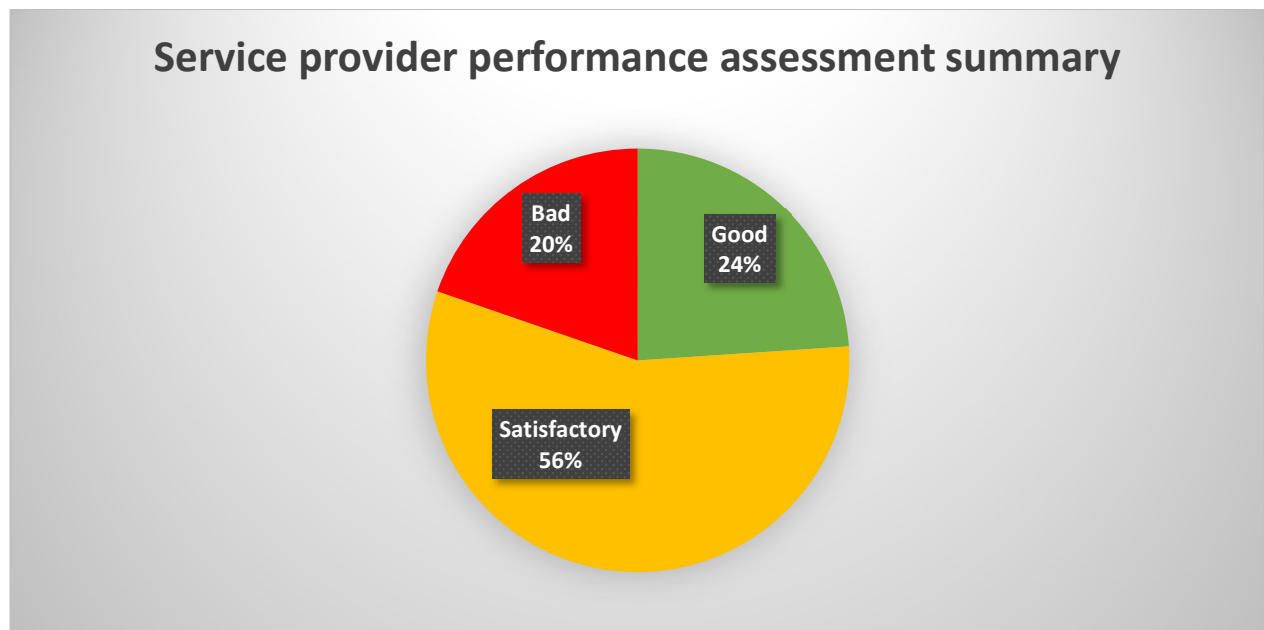


Figure 7: Service provider performance assessment summary

Figure 7 above shows that while majority (over 50%) of service providers are rated satisfactory rated satisfactory in terms of the assessment conducted and 24% are rated good, there is 20% that is rated bad in terms of their performance and this is a challenge because some of them are responsible for construction projects or other important municipal work like electrical infrastructure maintenance, for example. The ultimate goal of the municipality is for all service providers to achieve performance and contract management is going to be improved so that necessary interventions can be made in time before performance is grossly affected.

Bid Number	Name of external Service Provider	Date Contract Awarded	Service provided in terms of the SLA	Value of project	Comparison with previous year		Current Financial Year		Assessment of Service Providers Performance		
					Target	Actual	Target	Actual	G	S	P
NQU5000/041/2019-2020	NTUNGANI CONSTRUCTION JV XOLI M	30/10/2020	CONSTRUCTION OF NQUTHU BULK STORMWATER PHASE 1 -WARD 14	R 15 295 550,95	100 %	96%	100%	100%			X
NQU0040/001/2020-2021	MNUMZANE GROUP CC	26/11/2020	SUPPLY AND DELIVERY OF CLEANING MATERIAL FOR A PERIOD OF 36 MONTHS	R 599 887,97	100 %	60%	100%	90%	X		
NQU0020/030/2019-2020	ADVENTURE TRAVEL	26/11/2020	PROVISION OF TRAVEL AGENT SERVICES FOR THE PERIOD OF 36 MONTHS	R 900,10	100 %	50%	100%	85%			X
NQU0040/004/2020-2021	NISUCRAFT (PTY) LTD	23/11/2020	SUPPLY AND DELIVERY OF BATTERIES AND FITMENT OF TYRES	R 589 671,00	100 %	65%	100%	90%			X
NQU0021/006/2020-2021	TELKOM SA SOC LIMITED	16/11/2020	PROVISION OF SMS MESSAGING	R 28 930,00	100 %	60%	100%	85%		X	
NQU0018/007/2020-2021	BRAND PARTNERS (PTY) LTD	04/12/2020	SUPPLY AND DELIVERY OF NEWSLETTER, CALENDARS & DIARIES	R 2 524 274,04	100 %	40%	100%	80%		X	
NQU5000/009/2020-2021	LIBONGENI TRADING AND PROJECTS	26/11/2020	CONSTRUCTION OF MPHUNYUKA GRAVEL ROAD	R 5 300 000,00	100 %	86%	100%	100%			X
NQU0021/044/2019-2020	XTEC PMB (PTY) LTD	04/12/2020	LEASE OF MULTI-FUNCTIONAL PRINTING SERVICES FOR THE PERIOD OF 36 MONTHS	R 1 359 478,63	100 %	70%	100%	90%		X	
NQU5050/039/2019-2020	STOMP DA YARD (PTY) LTD	23/11/2020	CONSTRUCTION OF SIGUBUDU COMMUNITY HALL	R 3 773 651,75	100 %	35%	100%	85%		X	
NQU0063/042/2020-2021	NEO SOLUTIONS (PTY) LTD	16/11/2020	PROVIDE SERVICES ON LICENSE SUPPORT AND MAINTENANCE FOR 36 MONTHS		100 %	85%	100%	90%		X	

Bid Number	Name of external Service Provider	Date Contract Awarded	Service provided in terms of the SLA	Value of project	Comparison with previous year		Current Financial Year		Assessment of Service Providers Performance		
					Target	Actual	Target	Actual	G	S	P
NQU0063/043/2020-2021	COW CATCHERS CC	16/11/2020	MAINTENANCE ANIMAL POUND FOR THE PERIOD OF 36 MONTHS		100%	70%	100%	80%		X	
NQU11622/2020-2021	SIYEJABULA SECURITY SOLUTIONS	30/03/2021	PANEL FOR PROVISION OF SECURITY FOR THE PERIOD OF 36 MONTHS	R 27 934 530,12	100%	45%	100%	65%	X		
NQU11622/2020-2021	FEZILE SECURITY SERVICES	30/03/2021	PANEL FOR PROVISION OF SECURITY FOR THE PERIOD OF 36 MONTHS	R 27 120 500,00	100%	45%	100%	65%	X		
NQU11622/2020-2021	SIZOWAKHA SECURITY & CLEANING SERVICES	30/03/2021	PANEL FOR PROVISION OF SECURITY FOR THE PERIOD OF 36 MONTHS	R 26 392 500,00	100%	45%	100%	65%		X	
NQU6046/2020-2021	SIYEJABULA SECURITY SOLUTIONS	30/03/2021	PANEL FOR VIP PROTECTION FOR A PERIOD OF 36 MONTHS	R 11 340,66	100%	45%	100%	65%	X		
NQU6046/2020-2021	SIZOWAKHA SECURITY & CLEANING SERVICES	30/03/2021	PANEL FOR VIP PROTECTION FOR A PERIOD OF 36 MONTHS	R 5 629,00	100%	45%	100%	65%		X	
NQU6046/2020-2021	QOMKUFA SECURITY	30/03/2021	PANEL FOR VIP PROTECTION FOR A PERIOD OF 36 MONTHS	R 18 371,72	100%	45%	100%	65%			X
NQULM/20-21	ASIZIQALELE CONTRACTORS	30/04/2021	PANEL OF SERVICE PROVIDERS TO HIRE PLANT FOR A PERIOD OF 36 MONTHS	AS PER RATES	N/A	N/A	N/A	N/A		X	
NQULM/5/20-21	B I INFRASTRUCTURE CONSULTANTS (PTY) LTD	20/05/2021	PROJECT MANAGEMENT UNIT FOR THE PERIOD OF 36 MONTHS	R 4 046 620,00	100%	0%	100%	100%		X	
NQULM14/2020-2021	SDM ASSET MANAGEMENT AND CONSULTING	03/06/2021	PROVISION OF ASSET MANAGEMENT SYSTEM AND SUPPORT FOR THE PERIOD OF 36 MONTHS	R 2 999 416,12	100%	55%	100%	70%		X	

Bid Number	Name of external Service Provider	Date Contract Awarded	Service provided in terms of the SLA	Value of project	Comparison with previous year		Current Financial Year		Assessment of Service Providers Performance		
					Target	Actual	Target	Actual	G	S	P
NQULM15 /2020-2021	NKOSINGI-PHE INKAZ-IMULO TRADING AND PRO-JECTS	29/06/2021	PROVISION OF PANEL OF SERVICE PROVIDERS TO DO AFS FOR THE PE-RIOD OF 36 MONTHS	R 1 252 523,75	100 %	40%	100%	65%		X	
NQULM15 /2020-2021	CCG SYS-TEMS (PTY) LTD	29/06/2021	PROVISION OF PANEL OF SERVICE PROVIDERS TO DO AFS FOR THE PE-RIOD OF 36 MONTHS	R 4 457 004,37	100 %	20%	100%	20%		X	
NQULM17 /2020-2021	CCG SYS-TEMS (PTY) LTD	29/06/2021	PROVISION OF HR AND PAYROLL SYS-TEM FOR A PERIOD OF 36 MONTHS	R 3 639 190,92	100 %	45%	100%	70%			X
NQU5050/016/2019-2020	KWAMVELI HLE TRAD-ING	22/09/2021	CONSTRUCTION OF SECTION 4 CRECHE	2 373 375,00	100 %	40%	100%	100%	X		
NQULM18 /2021-2022	NEBO SOLU-TIONS PTY LTD	09/11/2021	CONSTRUCTION OF SIZAMILE HALL	R3 867 301,08	100 %	10%	100%	100%		X	
NQULM27 /2021-2022	BPG MASS IMPRAISALS	20/06/2022	PROVISION OF GENERAL VALUA-TION ROLL	R1 582 022	N/A		100%	20%		X	
NQULM23 /2021-2022	KHUSI PRO-JECTS	20/06/2022	PROFESSIONAL SERVICE PANEL OF STRUCTURAL ELEC-TRICAL AND CIVIL ENGINEERING CONSULTANTS FOR THE PERIOD OF 36 MONTHS	RATE BASED	N/A	N/A	N/A	N/A	X		
NQULM23 /2021-2022	THO-KOMELA ENGINEER-ING	20/06/2022	PROFESSIONAL SERVICE PANEL OF STRUCTURAL ELEC-TRICAL AND CIVIL ENGINEERING CONSULTANTS FOR THE PERIOD OF 36 MONTHS	RATE BASED	N/A	N/A	N/A	N/A		X	

Bid Number	Name of external Service Provider	Date Contract Awarded	Service provided in terms of the SLA	Value of project	Comparison with previous year		Current Financial Year		Assessment of Service Providers Performance		
					Target	Actual	Target	Actual	G	S	P
NQULM23 /2021-2022	DLV PROJECT	20/06/2022	PROFESSIONAL SERVICE PANEL OF STRUCTURAL ELECTRICAL AND CIVIL ENGINEERING CONSULTANTS FOR THE PERIOD OF 36 MONTHS	RATE BASED	N/A	N/A	N/A	N/A	X		
NQULM23 /2021-2022	VANGISA CONSULTING	20/06/2022	PROFESSIONAL SERVICE PANEL OF STRUCTURAL ELECTRICAL AND CIVIL ENGINEERING CONSULTANTS FOR THE PERIOD OF 36 MONTHS	RATE BASED	N/A	N/A	N/A	N/A		X	
NQULM23 /2021-2022	SIMPHULWAZI ENGINEERS	20/06/2022	PROFESSIONAL SERVICE PANEL OF STRUCTURAL ELECTRICAL AND CIVIL ENGINEERING CONSULTANTS FOR THE PERIOD OF 36 MONTHS	RATE BASED	N/A	N/A	N/A	N/A	X		
NQU17054 /2020-2021	EMALANGENI TECHNOLOGIES (PTY) LTD	29/06/2021	RE-ADVERT PROVISION OF UNCAPPED INTERNET SERVICES FOR A PERIOD OF 36 MONTHS	R 2 079 462,03	100 %	45%	100%	70%		X	
NQULM07 /2020-2021	IDWALADWALA TRADING	19/07/2021	SUPPLY AND DELIVERY OF UNIFORM FOR MUNICIPAL-STAFF FOR 36 MONTHS	1 721 200,00	100 %	20%	100%	65%			X
NQU0120/005/2020-2021	TSHIAMISO TRADING 25 CC	19/07/2021	PANEL OF SERVICE PROVIDERS FOR EMERGENCY ELECTRICITY BREAK-DOWN FOR A PERIOD OF 36 MONTHS	RATES BASED							X
NQU0120/005/2020-2021	ESINOVAYO PROJECTS TRADING ENTERPRISE PTY LTD	19/07/2021	PANEL OF SERVICE PROVIDERS FOR EMERGENCY ELECTRICITY BREAK-	RATES BASED							X

Bid Number	Name of external Service Provider	Date Contract Awarded	Service provided in terms of the SLA	Value of project	Comparison with previous year		Current Financial Year		Assessment of Service Providers Performance		
					Target	Actual	Target	Actual	G	S	P
			DOWN FOR A PERIOD OF 36 MONTHS								
NQULM17 /2020-2021	THE DOCUMENT WAREHOUSE PTY LTD	19/07/2021	PROVISION OF EXTERNAL DOCUMENTS FOR A PERIOD OF 36 MONTHS	R114 959,24	100 %	35%	100%	75%		X	
NQULM13 /2020-2021	ZANOTHA PROJECTS	19/07/2021	UPGRADE OF SPRINGLAKE	R1 689 632,97	100 %	45%	100%	100%	X		
NQULM06 /2021-2022	MAGOLWAN E & ZIPHOZONKE JV	22/09/2021	CONSTRUCTION OF NSUBENI ROAD	R6 009 715,73	100 %	30%	100%	80%	X		
NQULM11 /2021-2022	MAJKI CONSTRUCTION	22/09/2021	CONSTRUCTION OF GOBINSIMBI HALL	R3 989 670,62	100 %	40%	100%	100%	X		
NQULM12 /2021-2022	TAP TAP TRADING & PROJECTS	22/09/2021	CONSTRUCTION OF EZIKONDLWANENI HALL	R5 507 892,23	100 %	35%	100%	60%		X	
NQULM02 /2021-2022	KING MAX PTY LTD	22/09/2021	CONSTRUCTION OF OPHINDO GRAVEL ROAD	R6 826 332,14	100 %	0%	100%	75%			X
NQULM04 /2021-2022	SPHERICH PTY LTD	22/09/2021	CONSTRUCTION OF SLONJANE ROAD	R3 639 879,88	100 %	25%	100%	100%		X	
NQULM09 /2021-2022	SURE BOSS TRADING & PROJECTS	22/09/2021	CONSTRUCTION OF HWANQANA ACCESS ROAD	R5 997 741,30	100 %	20%	100%	100%		X	
NQULM10 /2021-2022	OUR KINGDOM ENGINEERING	22/09/2021	CONSTRUCTION OF NTUZUMA ACCESS ROAD	R9 843 198,76	100 %	45%	100%	100%		X	
NQULM13 /2021-2022	SELE AND MUSA TRADING AND TOURS	22/09/2021	CONSTRUCTION OF GUBAZI HALL	R12 745 722,55	100 %	15%	100%	79%			X
NQULM07 /2021-2022	GOLDEN MILLENIUM TRADING	22/09/2021	CONSTRUCTION OF MBILANE HALL	R4 099 422,20	100 %	20%	100%	100%		X	

Bid Number	Name of external Service Provider	Date Contract Awarded	Service provided in terms of the SLA	Value of project	Comparison with previous year		Current Financial Year		Assessment of Service Providers Performance		
					Target	Actual	Target	Actual	G	S	P
NQULM01 /2021-2022	ISIKHONYANE CIVILS	22/09/2021	CONSTRUCTION OF HLATHIDAM HALL	R3 653 966,28	100 %	20%	100%	100%	X		
NQULM08 /2021-2022	INDAWO YAMI CO-OP	22/09/2021	CONSTRUCTION OF KWABIYA HALL	R2 408 769,00	100 %	12%	100%	80%		X	
	BPG MASS IMPRAISALS		PROVISION OF GENERAL VALUATION ROLL							X	
NQULM02 /2022/2023	KUNENE MAKOPO RISK SOLUTIONS	R1 521 138,72	PROVISION OF SHORT-TERM INSURANCE FOR THE PERIOD OF 36 MONTHS	07/12/2022	N/A		100%	35%		X	
NQULM05 /2022/2023	NTSHIDI AND ASSOCIATES	HOURLY RATE	PROVISION OF INTERNAL AUDIT SERVICES FOR THE PERIOD OF 36 MONTHS	07/12/2022	N/A		100%	35%	X		
NQULM07 /2022-2023	SURE BOSS TRADING (PTY) LTD	R3 479 314,19	CONSTRUCTION OF NKALANKALA ACCESS GRAVEL ROAD IN WARD 10	19/01/2022	100 %	20%	100%	48%		X	
NQULM06 /2023/2023	NEBO SOLUTION (PTY) LTD	R1 811 371,21	CONSTRUCTION OF NOMKHOSI ACCESS GRAVEL ROAD	28/01/2023	100 %	20%	100%	80%	X		
NQULM01 /2022-2023	BIDVEST STEINER	R1 088 751,98	PROVISION OF SANITARY BINS FOR THE PERIOD OF 36 MONTHS	28/01/2023	N/A		100%	30%		X	
NQULM26 /2021-2022	BUTHANANI PROJECT	RATES BASES	PANEL FOR SUPPLY AND DELIVERY OF SPORT ATTIRE AND SPORT EQUIPMENT FOR NQUTHU MUNICIPALITY	15/07/2022	N/A	N/A	N/A	N/A		X	
NQULM26 /2021-2022	MATHAWULA TRADING	RATES BASES	PANEL FOR SUPPLY AND DELIVERY OF SPORT ATTIRE AND SPORT EQUIPMENT FOR NQUTHU MUNICIPALITY	15/07/2022	N/A	N/A	N/A	N/A		X	

Bid Number	Name of external Service Provider	Date Contract Awarded	Service provided in terms of the SLA	Value of project	Comparison with previous year		Current Financial Year		Assessment of Service Providers Performance		
					Target	Actual	Target	Actual	G	S	P
NQULM26 /2021-2022	BARGAIN UNIFORMS	RATES BASES	PANEL FOR SUPPLY AND DELIVERY OF SPORT ATTIRE AND SPORT EQUIPMENT FOR NQUTHU MUNICIPALITY	15/07/2022	N/A	N/A	N/A	N/A		X	
NQULM26 /2021-2022	FANA MANUFACTURING	RATES BASES	PANEL FOR SUPPLY AND DELIVERY OF SPORT ATTIRE AND SPORT EQUIPMENT FOR NQUTHU MUNICIPALITY	15/07/2022	N/A	N/A	N/A	N/A		X	
NQULM26 /2021-2022	FITI TRADING	RATES BASES	PANEL FOR SUPPLY AND DELIVERY OF SPORT ATTIRE AND SPORT EQUIPMENT FOR NQUTHU MUNICIPALITY	15/07/2022	N/A	N/A	N/A	N/A		X	
NQULM28 /2021-2022	ONTEC SYSTEMS (PTY) LTD	RATES BASED	SUPPLY, INSTALLATION AND MANAGEMENT OF A STANDARD TRANSFER SPECIFICATIONS (STS) COMPLIANT PRE-PAYMENT VENDING SYSTEM, 3RD PARTY VENDING SERVICES AND TID ROLLOVER IMPLEMENTATION	14/09/2022	N/A		100%	15%	X		
NQULM09 /2022-2023	AMAHLE TECHNOLOGIES	R430 300,00	PROVISION OF WEBSITE HOSTING FOR THE PERIOD OF 36 MONTHS	14/04/2023	N/A		100%	10%	X		
NQULM09 /2022-2023	KWAMVELUHLU JV ISIKHONYANE	R4 175 708,08	CONSTRUCTION OF PHILANI ROAD	09/05/2023	N/A		100%	55.9%	X		
NQULM12 /2022-2023	MABUNE CONSULTING	R839 000,00	DEVELOPMENT OF TRAFFIC ASSESSMENT FOR NQUTHU TOWN	29/06/2023	N/A		100%	5%		X	
NQULM13 /2022-2023	CTRACK MZANSI	R295 201,87	PROVISION OF TRACKING DEVICES	29/06/2023	N/A		100%	0%		X	

Bid Number	Name of external Service Provider	Date Contract Awarded	Service provided in terms of the SLA	Value of project	Comparison with previous year		Current Financial Year		Assessment of Service Providers Performance		
					Target	Actual	Target	Actual	G	S	P
			FOR THE PERIOD OF 36 MONTHS								
	THO-KOMELA TRADING	9 500 000.00	NQUTHU INFILLS	2022/08/16	N/A		100%	60%		X	
NQU5050/368/2018-2019	VANGISA CONSULTING	R5 932 519,93	CONSTRUCTION OF NQUTHU TRAFFIC OFFICES		100 %	89%	100%	100%			X
NQU5000/020/2019-2022	VANGISA CONSULTING	R15 025 390,44	CONSTRUCTION OF FIRE STATION OFFICES		100 %	49%	100%	62%			X
NQU5000/041/2019-2020	NTUNGANI CONSTRUCTION JV XOLI M	R15 295 550,95	CONSTRUCTION OF NQUTHU BULK STORMWATER PHASE 1 -WARD 14	2020/10/20	100 %	83%	100%	98%			X
NQU5050/018/2019-2020	MELAOKUHE TRADING	R34 163 428,27	CONSTRUCTION OF NQUTHU RESIDENTIAL DEVELOPMENT PHASE I – WATER AND SEWER	23/04/2020	100 %	85%	100%	100%		X	
NQU5050/017/2019-2020	MELAOKUHE TRADING	2R7 819 106,03	CONSTRUCTION OF NQUTHU RESIDENTIAL DEVELOPMENT PHASE 2 – ROADS AND STORMWATER	23/04/2020	100 %	62%	100%	74%		X	
NQU5050/018/2019-2020	MELAOKUHE TRADING	R10 413 904,22	CONSTRUCTION OF NQUTHU RESIDENTIAL DEVELOPMENT PHASE 3 – ELECTRICITY	23/04/2020	100 %	15%	100%	15%		X	

11. IN-YEAR PERFORMANCE AUDITING

Quarterly performance reports are audited by Internal Auditors on a quarterly basis. Internal Auditors make findings and management respond as required. In cases where issues identified by Internal Auditors that require the adjustments or review of the SDBIP, such adjustments are made during mid-year review after the tabling of Section 72 report and the adjustment budget. However, there is a need to strengthen procedures for identifying reasons for variance so that valid root causes can be identified at all times in order to ensure that corrective measures that are developed respond to or address the actual root causes. Furthermore, it must be ensured that all corrective measures are implemented to address underperformance or any other performance information gaps or weaknesses

in time. To achieve this, it is very important to take into account other audit reports for other areas or functions to identify potential root causes for underperformance of certain indicators, for example, contract management audit reports are useful to determine the actual root causes for underperformance or failing to complete the projects on time.

12. RISK MANAGEMENT

The municipality has a risk management unit that is staffed by a dedicated Risk Management Officer and a Risk Management Committee and Risk Management Forum, reporting to an independent risk management chairperson. Each department has a dedicated Risk Management Champion to guide the department on all risk management related processes. There is a concerted effort to ensure that auditing and risk management functions complement each other and share useful information so as to ensure that a combined risk management approach as required by MFMA and king code of governance. Risk Management is very relevant to performance management because there are always risk that has a potential to cause underperformance if not properly managed or mitigated.

National Treasury developed the Local Government Risk Management Framework to respond to the requirements of the Municipal Finance Management Act. The following frameworks are put in place so as to ensure that risk management is not seen as an isolated activity of Municipality:

“(1) ERM is a systematic, co-ordinated and inclusive process which uses the Institution’s strategy (IDP) and objectives (SDBIP) as the focal points to manage the range of risks and optimise opportunities to enhance the achievement of the strategy and objectives.

(2) ERM represents a response to the dilemma that risks (including opportunities) are dynamic and often highly interdependent and need to be managed through a portfolio approach rather than as separate and static events, to achieve comprehensive and integrated attention.

(3) ERM also calls for the Institution to look beyond itself, requiring the consideration of risks on performance regardless of whether events originate internally or externally. In other words, the Institution should also be concerned about risks created by other parties which could impact its performance.

(4) To give effect to 13(3), the Institution should:

a) Consider the entire value chain for producing and delivering services or goods, to understand and act on the threats and opportunities posed by the value chain participants on the Institution’s performance;

b) Communicate timeously with other organs of state and external parties in instances where the identification, evaluation and management of risk to the Institution require the participation of these organs; and

c) Identify and communicate to other organs of state and other parties risks posed to them by the Institution’s own actions or inaction.”

Necessarily, there are risks that have to be managed to ensure that the municipality’s objectives are realized and, further to that, failing to manage these risks would have untenable consequences for the municipality and the public. Through its risk management systems, the municipality has devel-

oped a strategic and operational risk registers, the operational risk registers have been used and incorporated to the 2023/24 SDBIP scorecard to highlight the identified risks that may hinder the achievement on set indicators as well as potential consequences should these risks materialize. It is important for all departments and officials responsible for the achievement of different indicators to keep in mind applicable risks and understand and realize to impact it may have and/or the potential threat it possess on performance, and continuously manage them accordingly. Therefore, risk management must be an everyday function that is integrated and entrenched in the operations of the municipality. It has also been observed that real or actual root causes for underperformance in certain areas are contained in the municipality's existing risk registers, especially the strategic and operational risk registers.

The following strategic and operational risks have been identified through an annual risk assessment and are managed and reported on a quarterly basis to risk management committee, audit committee and council for intervention where necessary:

Strategic risks

- 1) Inability to meet service delivery needs and requirements: Housing development, Roads Infrastructure, Electricity Provision, Waste collection services; and Infrastructure.
- 2) Ineffective culture of accountability and consequence management.
- 3) Failure to manage and sustain municipal finances.
- 4) Inadequate oversight over the Municipal processes.
- 5) Inadequate record keeping.
- 6) Vulnerability to Fraud and Corruption.
- 7) Inability to timeously recover normal business operations in the event of a disaster/disruptions.
- 8) Negative Audit outcomes due to poor quality of submitted information.
- 9) Violent public protests.
- 10) Failure to provide direction on information technology governance processes.

Operational risks

- 1) Inability to maintain municipal community facilities.
- 2) Failure to maintain sound financial management by incurring UIFW expenditure.
- 3) Awarding of tenders/contracts to incompetent service providers.
- 4) Inability to pay creditors within 30 days.
- 5) Inadequate reconciliation of data in the financial system

13. KEY AREAS TO NOTE

13.1. Addressing 2022/23 audit findings

Maximum effort has been put into attending to all issued identified by the Auditor-General in the previous audit to improve the quality of performance information. The main issue raised by AG related to an unclear method to calculate the actual performance which render affected indicators unverifiable. Affected indicators were revisited during mid-year review and business process for those

indicators were redesigned to align with the actual operational processes to ensure that supporting information is available and credible. There was also an extensive exercise conducted with affected departments to ensure that all reported information is supported by credible supporting evidence.

13.2. Improving performance

The municipality has improved notably in the following areas:

- Increased number of infrastructure projects and high rate of project completion and capital budget spending has improved dramatically which resulted in additional INEP and MIG grant funding.
- Connecting unconnected households to the electricity grid is continuing and Nquthu will reach the status of universal connection in the near future if the current momentum is maintained.
- There are no community unrest relating to municipal service delivery issues since service delivery protest relate mainly to water issues which is not the function of the municipality.

13.3. Deteriorating performance.

The municipality has not done well in the following areas:

- Nonalignment of the municipality's spatial vision and plans with the actual infrastructure development projects on the ground.
- There is a persistent incurrence of irregular expenditure which points non-compliance with applicable laws and regulations and may hinder the municipality in dealing with poor audit opinion.
- Failing to complete certain projects in time due to poor monitoring and/or contract management.

14. LESSONS LEARNT GOING FORWARD.

The municipality realizes the areas that it has to improve performance is committed to focus on those areas for purposes of improving performance. In this regard, in order to address underperformance and unfavorable audit outcomes, the municipality will strictly implement the following measures:

- Stringent monitoring of compliance with applicable legislation, laws and internal standard operating procedures and controls.
- Improving contract management and project management to prevent project implementation delays caused by incompetent or poor performing service providers.
- Ensuring full implementation of the municipalities sector plans to ensure that the IDP vision and development goals are realized.
- Taking full advantage of the data and information generated by risk management registers, audit reports, AG audit reports and, Audit Committee guidance to identify gaps and weaknesses that have to be addressed to ensure effective and efficient municipal processes in order to improve performance.
- Enforce discipline and implement consequence management to ensure adherence to set policies and procedures and also improve performance.

15. CONCLUSION

The municipality will build on the gains that it has achieved in the 2022/23 financial year and also invest more effort in ensuring compliance and improving performance and accelerating service delivery and infrastructure development. There is a lot of potential that still needs to be unleashed and the municipality is committed to realizing this potential by constantly engaging on a self-introspection exercise to identify and address areas of weaknesses.

PART C:
AUDITED 2022/23 ANNUAL FINANCIAL
STATEMENTS

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2023



Nquthu Local Municipality
Annual Financial Statements
for the year ended 30 June 2023

* See Note

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

General Information

Legal form of entity

Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act 108 of 1996)

Nature of business and principal activities

The provision of infrastructure and services to communities in a sustainable manner in order to promote social and economic development, and to promote a safe and healthy environment.

Mayor

Cllr I.L. Shabalala

Deputy Mayor

Cllr M.R. Ngobese

Speaker

Cllr N.M. Buthelezi

Councillors

Cllr Z. Sithole - Exco Member

Cllr B.S. Chambule - Exco Member

Cllr N.S. Mkhize - Exco Member

Cllr T.J. Motloung - Exco Member

Cllr S.D. Masimula - Exco Member

Cllr M.E. Mnguni - Chief Whip

Cllr S.M. Buthelezi

Cllr J.N. Khoza

Cllr T.A. Dlamini

Cllr S.M.C. Zikode

Cllr S.M. Kunene

Cllr L.S. Hoffman

Cllr C.T. Buthelezi

Cllr N.M. Khanya

Cllr N.M. Zungu (MPAC Chairperson)

Cllr C.S. Thusini

Cllr L. Mkhwanazi

Cllr S.S. Langa

Cllr S.B. Simelane

Cllr M.I. Khoza

Cllr S. Radebe

Cllr Z. Ndlovu

Cllr P.W.J. Buthelezi

Cllr M.C. Mnguni

Cllr T.M. Hadebe

Cllr S.H. Ngobese (17 November 2021 - 24 August 2022)

Cllr K.A. Masinga (17 November 2021 - 24 August 2022)

Cllr S. Ngcobo

Cllr R.A. Ndlovu

Cllr S.Y. Nyoka

Cllr G.A.N. Buthelezi

Cllr S.G. Hlatshwayo

Cllr Q.M. Ngobese

Cllr CN Skosana

Cllr MM Sibiya (from 1 September 2022)

Cllr FP Hlatshwayo (from 1 September 2022)

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

General Information

Amakhosi	Inkosi M.P.M Mazibuko Inkosi T.J Ngobese Inkosi F.P Hlatshwayo Inkosi PBN Molefe Inkosi ND Mncube Inkosi S.K Sithole
Accounting Officer	MR M.B Jiyane
Chief Finance Officer (CFO)	MR B.H Bhengu
Registered office	Municipal Building 83/11 Mdlalose Nquthu 3135
Business address	Municipal Building 83/11 Mdlalose Street Nquthu 3135
Bankers	ABSA South Africa
Auditors	Auditor General of South Africa
Attorneys	Rose Pereira Correira Attorneys

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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The reports and statements set out below comprise the annual financial statements presented to the Municipal council:

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
VAT	Value Added Tax
GRAP	Generally Recognised Accounting Practice
PAYE	Pay as you earn
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
SALGA	South African Local Government Authority
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSCOA	Municipal Standard Chart of Accounts
SDL	Skills Development Levy

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2024 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the grant allocation through Division of Revenue Act (DORA) for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's governance structures.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 30&31 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

The annual financial statements set out on page 8, which have been prepared on the going concern basis, were approved by the audit committee on 30 June 2023 and were signed on behalf of the council by:

Accounting Officer
MR M.B Jiyane

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2023.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 4 meetings were held.

Name of member	Number of meetings attended
Mr. GS Majola (Chairperson)	4
Ms. PSN Sihlongonyane	4
Ms. NH Thungo	4
Mr. Z Zulu	4

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the unaudited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed changes in accounting policies and practices (delete if not applicable);
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Chairperson of the Audit Committee

Date: _____

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2023.

1. Review of activities

Main business and operations

The municipality is engaged in local government and operates in South Africa. The municipality is charged with the responsibility of providing services such as refuse management, electricity, law enforcement, etc to communities in a sustainable manner to promote social and economic development, and to promote a safe and healthy environment and operates principally in South Africa].

2. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus (deficit) of 734 780 232 and that the municipality's total assets exceed its liabilities by 734 921 574.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

3. Subsequent events

Adjusting Events

The council approved a write off of R 69 894 324 on 27 July 2023, for unauthorised expenditure that was incurred in prior years.

The council approved a write off of R 71 843 on 27 July 2023, for fruitless and wasteful expenditure incurred in prior years. The council approved a write off of an amount of R 132 943 on 27 July 2023, the amount was included in other receivables.

4. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Mr MB Jiyane	South African

The annual financial statements set out on page 8 , which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2023 and were signed on its behalf by:

Accounting Officer
MR M.B Jiyane

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Inventories	3	1 528 203	2 028 225
Operating lease asset	4	107 597	145 890
Receivables from non-exchange transactions	5	24 625 032	11 841 970
Other receivables from exchange transactions	9	3 139 095	326 477
VAT receivable	6	3 155 257	3 261 481
Receivables from exchange transactions	7	4 830 215	3 816 174
Cash and cash equivalents	8	108 853 798	130 495 451
		146 239 197	151 915 668
Non-Current Assets			
Investment property	10	41 405 390	41 472 051
Property, plant and equipment	11	632 548 035	588 858 228
Intangible assets	12	16 285	24 428
Heritage assets	13	78 888	78 888
		674 048 598	630 433 595
Total Assets		820 287 795	782 349 263
Liabilities			
Current Liabilities			
Payables from exchange transactions	14	69 817 087	53 850 543
Consumer deposits	15	545 036	526 908
Long service award	16	483 000	473 000
Unspent conditional grants and receipts	17	388 834	376 834
Provisions	18	8 444 305	8 665 984
		79 678 262	63 893 269
Non-Current Liabilities			
Long service award	16	4 058 000	3 949 000
Provisions	18	1 629 959	2 232 839
		5 687 959	6 181 839
Total Liabilities		85 366 221	70 075 108
Net Assets		734 921 574	712 274 155
Reserves			
Housing Development fund	20	141 342	133 710
Accumulated surplus		734 780 232	712 140 445
Total Net Assets		734 921 574	712 274 155

* See Note 45

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	23 571 545	25 105 306
Construction contract revenue	22	5 795 021	26 801 746
Rental of facilities and equipment	23	792 131	769 443
Other income	24	572 943	992 935
Interest revenue	25	10 948 772	7 574 464
Total revenue from exchange transactions		41 680 412	61 243 894
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	36 644 801	47 110 863
Property rates - penalties imposed	26	1 885 688	2 881 794
Licences and Permits	27	956 938	1 022 912
Transfer revenue			
Government grants & subsidies	28	212 625 046	196 747 761
Fines, Penalties and Forfeits	29	827 540	671 568
Donation Income		2 005 220	-
Total revenue from non-exchange transactions		254 945 233	248 434 898
Total revenue		296 625 645	309 678 792
Expenditure			
Employee related costs	30	(87 795 683)	(88 735 878)
Remuneration of councillors	31	(13 461 732)	(13 085 499)
Depreciation and amortisation	32	(26 865 757)	(24 813 357)
Finance costs	33	(277 379)	(189 228)
Lease rentals on operating lease	34	(399 305)	(333 367)
Bad debts written off		(151 440)	-
Inventory Consumed	3	(1 501 084)	(437 128)
Bulk purchases	36	(31 383 891)	(30 663 273)
Contracted services	37	(49 389 255)	(65 545 458)
Construction contract expenditure	22	(5 795 021)	(26 801 746)
General Expenses	38	(58 531 867)	(47 102 719)
Total expenditure		(275 552 414)	(297 707 653)
Operating surplus		21 073 231	11 971 139
Profit/(Loss) on disposal of assets	11	28 083	(54 492)
Actuarial gain/(losses)	16	499 456	(149 583)
Impairment of assets	39	(3 831 677)	(614 745)
Inventories losses/write-downs	3	-	(45 509)
Debt impairment (loss)/Reversal	35	4 870 693	(13 964 781)
		1 566 555	(14 829 110)
Surplus (deficit) for the year		22 639 786	(2 857 971)

* See Note 45

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Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Changes in Net Assets

Figures in Rand	Housing development fund	Accumulated surplus	Total net assets
Opening balance as previously reported	130 173	718 001 653	718 131 826
Adjustments			
Correction of errors 45	-	(3 003 236)	(3 003 236)
Balance at 01 July 2021 as restated*	130 173	714 998 417	715 128 590
Changes in net assets			
Interest received	3 537	-	3 537
Surplus for the year as previously reported	-	10 497 997	10 497 997
Correction of errors 45	-	(13 355 969)	(13 355 969)
Net income (losses) recognised directly in net assets	3 537	(2 857 972)	(2 854 435)
Total recognised income and expenses for the year	3 537	(2 857 972)	(2 854 435)
Total changes	3 537	(2 857 972)	(2 854 435)
Restated* Balance at 01 July 2022	133 710	712 140 446	712 274 156
Changes in net assets			
Interest received	7 632	-	7 632
Net income (losses) recognised directly in net assets	7 632	-	7 632
Surplus for the year	-	22 639 786	22 639 786
Total recognised income and expenses for the year	7 632	22 639 786	22 647 418
Total changes	7 632	22 639 786	22 647 418
Balance at 30 June 2023	141 342	734 780 232	734 921 574
Note(s)	20		

* See Note 45

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Property rates		32 029 419	32 094 781
Sale of goods and services		24 903 465	28 891 071
Grants		212 625 046	196 747 760
Interest income		10 348 555	7 574 464
Housing development income		-	1 643 462
INEP Grant receipt		5 795 021	25 158 284
		285 701 506	292 109 822
Payments			
Employee costs		(102 090 960)	(98 104 010)
Suppliers		(123 909 967)	(131 491 771)
Finance costs		-	(254)
Housing development expenditure		-	(1 643 462)
INEP Projects paid		(5 795 021)	(25 158 030)
		(231 795 948)	(256 397 527)
Net cash flows from operating activities	41	53 905 558	35 712 295
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(75 547 211)	(103 416 494)
Cash flows from financing activities			
Finance lease payments		-	(20 306)
Net increase/(decrease) in cash and cash equivalents		(21 641 653)	(67 724 505)
Cash and cash equivalents at the beginning of the year		130 495 451	198 219 956
Cash and cash equivalents at the end of the year	8	108 853 798	130 495 451

* See Note 45

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	43 969 538	(13 362 543)	30 606 995	23 571 545	(7 035 450)	21&54
Construction contracts	-	-	-	5 795 021	5 795 021	
Rental of facilities and equipment	592 350	58 325	650 675	792 131	141 456	23&54
Other income	420 429	4 822	425 251	572 943	147 692	24&54
Interest revenue	3 027 261	5 102 458	8 129 719	10 948 772	2 819 053	25&54
Total revenue from exchange transactions	48 009 578	(8 196 938)	39 812 640	41 680 412	1 867 772	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	41 056 984	(2 395 913)	38 661 071	36 644 801	(2 016 270)	26&54
Property rates - penalties imposed	4 199 589	(2 615 775)	1 583 814	1 885 688	301 874	26&54
Licences and Permits	884 245	(116 411)	767 834	956 938	189 104	27&54
Transfer revenue						
Government grants & subsidies	221 822 000	364 046	222 186 046	212 625 046	(9 561 000)	28&54
Fines, Penalties and Forfeits	-	-	-	827 540	827 540	29&54
Donation Income	-	-	-	2 005 220	2 005 220	54
Total revenue from non-exchange transactions	267 962 818	(4 764 053)	263 198 765	254 945 233	(8 253 532)	
Total revenue	315 972 396	(12 960 991)	303 011 405	296 625 645	(6 385 760)	
Expenditure						
Personnel	(116 779 149)	18 646 198	(98 132 951)	(87 795 683)	10 337 268	30&54
Remuneration of councillors	(19 860 993)	5 696 680	(14 164 313)	(13 461 732)	702 581	31&54
Depreciation and amortisation	(23 372 358)	-	(23 372 358)	(26 865 757)	(3 493 399)	31&54
Impairment loss	-	-	-	(3 831 677)	(3 831 677)	39&54
Finance costs	-	-	-	(277 379)	(277 379)	33&54
Lease rentals on operating lease	(434 783)	-	(434 783)	(399 305)	35 478	34&54
Debt Impairment	(6 800 000)	-	(6 800 000)	-	6 800 000	35&54
Bad debts written off	-	-	-	(151 440)	(151 440)	54
Inventory consumed	(23 072 770)	(927 900)	(24 000 670)	(1 501 084)	22 499 586	3&54
Bulk purchases	(32 528 126)	-	(32 528 126)	(31 383 891)	1 144 235	36&54
Contracted Services	(36 622 391)	(12 728 346)	(49 350 737)	(49 389 255)	(38 518)	37&54
Transfers and Subsidies	(7 867 073)	(339 000)	(8 206 073)	-	8 206 073	54
Construction contract expenditure	-	-	-	(5 795 021)	(5 795 021)	22&54
General Expenses	(43 347 551)	(8 673 508)	(52 021 059)	(58 531 867)	(6 510 808)	38&54
Total expenditure	(310 685 194)	1 674 124	(309 011 070)	(279 384 091)	29 626 979	
Operating surplus	5 287 202	(11 286 867)	(5 999 665)	17 241 554	23 241 219	
Gain on disposal of assets and liabilities	-	-	-	28 083	28 083	11&54
Actuarial gains/losses	-	-	-	499 456	499 456	16&54

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Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Debt impairment reversal	-	-	-	4 870 693	4 870 693	35&54
	-	-	-	5 398 232	5 398 232	
Surplus before taxation	5 287 202	(11 286 867)	(5 999 665)	22 639 786	28 639 451	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	5 287 202	(11 286 867)	(5 999 665)	22 639 786	28 639 451	
Reconciliation						

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	1 476 329	551 897	2 028 226	1 528 203	(500 023)	3&54
Operating lease asset	-	-	-	107 597	107 597	4&54
Receivables from non-exchange transactions	75 541 539	(34 718 635)	40 822 904	24 625 032	(16 197 872)	5&54
Other receivables from exchange transactions	863 598	(808 767)	54 831	3 139 094	3 084 263	9&54
VAT receivable	44 417 867	175 063 138	219 481 005	3 155 257	(216 325 748)	6&54
Receivable from Exchange Transactions	15 662 802	(4 307 577)	11 355 225	4 830 215	(6 525 010)	7&54
Cash and cash equivalents	126 225 993	(114 741 364)	11 484 629	108 853 798	97 369 169	8&54
	264 188 128	21 038 692	285 226 820	146 239 196	(138 987 624)	
Non-Current Assets						
Investment property	99 873 632	(80 502 581)	19 371 051	41 405 390	22 034 339	10&54
Property, plant and equipment	568 209 072	83 862 054	652 071 126	632 548 035	(19 523 091)	11&54
Long term receivables	-	145 890	145 890	-	(145 890)	
Intangible assets	36 642	529 143	565 785	16 285	(549 500)	12&54
Heritage assets	78 888	-	78 888	78 888	-	13&54
	668 198 234	4 034 506	672 232 740	674 048 598	1 815 858	
Total Assets	932 386 362	25 073 198	957 459 560	820 287 794	(137 171 766)	
Liabilities						
Current Liabilities						
Finance lease obligation	222 776	(202 470)	20 306	-	(20 306)	54
Payables from exchange transactions	32 837 209	29 492 619	62 329 828	69 809 595	7 479 767	14&54
VAT payable	(1 079 380)	175 139 830	174 060 450	-	(174 060 450)	6&54
Consumer deposits	501 753	1 563 129	2 064 882	545 036	(1 519 846)	15&54
Long service award	-	-	-	483 000	483 000	16&54
Unspent conditional grants and receipts	11 099 880	(9 671 897)	1 427 983	388 834	(1 039 149)	17&54
Provisions	40 355 043	(27 006 564)	13 348 479	8 444 305	(4 904 174)	18&54
	83 937 281	169 314 647	253 251 928	79 670 770	(173 581 158)	
Non-Current Liabilities						
Long service award	783 585	2 016 153	2 799 738	4 058 000	1 258 262	16&54
Provisions	1 629 959	-	1 629 959	1 629 959	-	18&54
	2 413 544	2 016 153	4 429 697	5 687 959	1 258 262	
Total Liabilities	86 350 825	171 330 800	257 681 625	85 358 729	(172 322 896)	
Net Assets	846 035 537	(146 257 602)	699 777 935	734 929 065	35 151 130	

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Housing Development fund	120 032	13 676	133 708	141 342	7 634	20&54
Accumulated surplus	845 915 505	(146 271 278)	699 644 227	734 787 723	35 143 496	
Total Net Assets	846 035 537	(146 257 602)	699 777 935	734 929 065	35 151 130	

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Cash Flow Statement

Cash flows from operating activities

Receipts

Property rates	45 615 000	(18 934 000)	26 681 000	32 029 419	5 348 419	26&54
Sale of goods and services	31 886 000	(5 783 000)	26 103 000	23 730 305	(2 372 695)	21&54
Grants	200 944 000	11 693 000	212 637 000	212 625 046	(11 954)	28&54
Interest income	2 760 000	4 540 000	7 300 000	10 948 772	3 648 772	25&54
INEP grant receipt	9 549 000	-	9 549 000	5 795 021	(3 753 979)	54
Other Revenue	1 827 000	8 000	1 835 000	572 943	(1 262 057)	24&54
	292 581 000	(8 476 000)	284 105 000	285 701 506	1 596 506	

Payments

Employee costs	(136 640 000)	24 343 000	(112 297 000)	(102 090 960)	10 206 040	30&54
Suppliers	(34 714 000)	(198 883 000)	(233 597 000)	(123 909 967)	109 687 033	54
INEP Projects paid	-	-	-	(5 795 021)	(5 795 021)	54
	(171 354 000)	(174 540 000)	(345 894 000)	(231 795 948)	114 098 052	

Net cash flows from operating activities **121 227 000** **(183 016 000)** **(61 789 000)** **53 905 558** **115 694 558**

Cash flows from investing activities

Purchase of property, plant and equipment	(45 470 000)	(46 288 000)	(91 758 000)	(75 547 211)	16 210 789	11&54
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Cash flows from financing activities

Increase in other liabilities	-	1 563 000	1 563 000	-	(1 563 000)	15&54
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Net increase/(decrease) in cash and cash equivalents	75 757 000	(227 741 000)	(151 984 000)	(21 641 653)	130 342 347	
Cash and cash equivalents at the beginning of the year	168 493 000	(37 990 000)	130 503 000	130 226 072	(276 928)	

Cash and cash equivalents at the end of the year **244 250 000** **(265 731 000)** **(21 481 000)** **108 584 419** **130 065 419**

Reconciliation

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

Figures in Rand	Note(s)	2023	2022
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1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

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

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

These accounting policies are consistent with the previous period

1.1 Going concern assumption

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

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

Trade receivables / Held to maturity investments and/or loans and receivables

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

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the key assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of operational factors together with economic factors.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 16.

Allowance for doubtful debts

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships. .

Additional information is disclosed in Note 19.

Impairment of statutory receivables

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures and impairment loss. The impairment loss is measured as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, are reduced, either directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

In estimating the future cash flows, the municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable are revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.3 Investment property (continued)

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 10).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 10).

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

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

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.4 Property, plant and equipment (continued)

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

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

Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight-line	30 years
Plant and machinery	Straight-line	3-10 years
Furniture and fixtures	Straight-line	3-10 years
Motor vehicles	Straight-line	5-12years
IT equipment	Straight-line	5 Years
Infrastructure Roads & Stormwater	Straight-line	5-80 years
Community	Straight-line	30 years
Infrastructure electricity	Straight-line	30 years
Investment property	Straight-line	30 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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

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

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 11).

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.4 Property, plant and equipment (continued)

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

1.5 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
 - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

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1.6 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Intangible assets under development	Straight-line	5
Computer Software	Straight-line	5

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 12).

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.7 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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

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

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 13).

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Accounting Policies

1.7 Heritage assets (continued)

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 13).

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.8 Financial instruments

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

A derivative is a financial instrument or other contract with all three of the following characteristics:

- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

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Accounting Policies

1.8 Financial instruments (continued)

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

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

A financial asset is:

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

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

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

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

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

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

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

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1.8 Financial instruments (continued)

Classification

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of fair value through surplus or deficit category.

The municipality derecognises a financial asset when and only when; the rights to the cash flows from the financial asset expire; or it transfers the financial asset and the transfer qualifies for derecognition. The municipality first needs to evaluate the extent to which it retains the risks and rewards of ownership of the financial asset.

The municipality transfers a financial asset if and only if: the rights to receive cashflows from the asset have expired, or if the municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cashflows in full without material delay to a third party under a "pass through" arrangement; and either the municipality has transferred substantially all the risks and rewards of the asset.

The municipality removes a financial liability (or part of financial liability) from its statement of position when and only when it is extinguished i.e. when the obligation specified in the contract is discharged or called or expires. An exchange between the existing borrower and lender of debt instruments with suitability different terms is accounted for as an extinguishing of the original financial liability and the recognition of a new financial liability.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed in the Statement of Financial Performance.

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class

Receivables from exchange transactions
Receivables from non-exchange transactions
Cash and Cash Equivalent

Category

Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class

Trade and other payable from exchange transactions
Consumer deposits

Category

Financial liability measured at amortised cost
Financial liability measured at amortised cost

Nquthu Local Municipality

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Accounting Policies

1.8 Financial instruments (continued)

The entity has the following types of residual interests (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

Initial measurement of financial assets and financial liabilities.

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities.

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value
- Financial instruments at amortised cost
- Financial instruments at cost

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process. Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.8 Financial instruments (continued)

adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed

Derecognition

Financial assets

The municipality derecognises a financial asset only when:

- The contractual rights to the cash flows from the financial asset expire, are settled or waived;
- The municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- The municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
 - derecognise the asset; and

Accounting Policies

1.8 Financial instruments (continued)

- recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognises the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continues to recognise the transferred asset in its entirety and recognises a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality does not

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Accounting Policies

1.8 Financial instruments (continued)

offset the transferred asset and the associated liability.

1.9 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

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Accounting Policies

1.9 Statutory receivables (continued)

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

In estimating the future cash flows, a municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognise the receivable; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.10 Tax

Exemption

The Nquthu Local municipality is exempt from tax in terms of section 10(1)(a) of the Income Tax Act.

1.11 Leases

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

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

Nquthu Local Municipality

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Accounting Policies

1.11 Leases (continued)

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.12 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

Nquthu Local Municipality

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Accounting Policies

1.12 Inventories (continued)

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

1.13 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

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Accounting Policies

1.14 Employee benefits

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

Nquthu Local Municipality

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Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

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Accounting Policies

1.14 Employee benefits (continued)

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Nquthu Local Municipality

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Accounting Policies

1.14 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.15 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus (deficit).

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

Nquthu Local Municipality

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Accounting Policies

1.15 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 43.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.16 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.16 Commitments (continued)

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.17 Revenue from exchange transactions

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

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

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

Measurement

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

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

Sale of goods

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

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

In the case of prepaid electricity, the significant risks and rewards of ownership only transfer to the consumer at the time of consumption of the electricity. Therefore, revenue on prepaid electricity is recognised on cash basis since the municipality is unable to determine the actual consumption

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Accounting Policies

1.17 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

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

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

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

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

1.18 Revenue from non-exchange transactions

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

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

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

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

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

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Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

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

Recognition

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

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

Measurement

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

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

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Nquthu Local Municipality

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Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

1.19 Investment income

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

1.20 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

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Accounting Policies

1.20 Accounting by principals and agents (continued)

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.21 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.22 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

Unauthorised expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.23 Fruitless and wasteful expenditure

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

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.24 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy.

Irregular expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.25 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.26 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

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Accounting Policies

1.26 Segment information (continued)

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

The reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

1.27 Budget information

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

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

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

The approved budget covers the fiscal period from 2022/07/01 to 2023/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.28 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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

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

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.29 Events after reporting date

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

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

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

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

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 1 July, 2022 or later periods:

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2023 or later periods:

- GRAP 1 Presentation of Financial Statements
- GRAP 25 Employee Benefits (amendments)
- GRAP 104 Financial Instruments (amendments)
- Guideline Accounting for landfill sites
- Guideline The application of materiality to financial statement

Impact on the municipality's financial statements once implemented:

None of these standards and interpretations are anticipated to have a material impact on the municipality's financial statements.

Management has considered all of the foregoing GRAP standards issued but not yet effective and effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2023 or later periods but are not relevant to its operations:

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
3. Inventories		
Consumable stores	1 528 203	2 073 734
Inventories (write-downs)	1 528 203 -	2 073 734 (45 509)
	1 528 203	2 028 225

Inventory has been recorded using the weighted average cost method. Inventory is carried as a lower of cost or current replacement value. Stock take was conducted on 30 June 2023 to determine the quantity and value of inventory at hand.

Movement during the year

Carrying Value of inventories at the beginning of the year	2 028 225	1 476 328
Inventory Purchased During the year	1 001 062	1 034 534
Inventory recognised as an expense during the year	(1 501 084)	(437 128)
Inventory write down	-	(45 509)
	1 528 203	2 028 225

Inventory pledged as security

There was no inventory pledged as security.

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
4. Operating lease Receivable		
Current assets	107 597	145 890

Leasing Arrangements

The Municipality as Lessor:

Operating Leases relate to the following:

Lease of premises owned by the municipality to Vodacom (PTY) Ltd with lease terms of 9 years and 11 months, with no option to extend. The lessee does not have an option to purchase the property at the expiry of the lease period

Lease of premises owned by the municipality to Electoral Commission with lease terms of 60 months, with no option to extend. The lessee does not have an option to purchase the property at the expiry of the lease period

Lease of premises owned by the municipality to ATC South Africa with lease terms of 9 years and 11 months, with no option to extend. The lessee does not have an option to purchase the property at the expiry of the lease period

Lease of premises owned by the municipality to Unjani Clinic with lease terms of 60 months, with no option to extend. The lessee does not have an option to purchase the property at the expiry of the lease period

Operating leases have been straightlined in accordance with GRAP 13 requirements

Gross investment in the lease due

- within one year	127 086	316 146
- in second to fifth year inclusive	315 590	617 995
- later than five years	282 716	282 716
	725 392	1 216 857

5. Receivables from non-exchange transactions

Gross balances

Consumer debtors - Rates	59 737 428	52 105 770
Consumer debtors - Fines	4 515 550	3 861 660
	64 252 978	55 967 430

Less: Allowance for impairment

Consumer debtors - Rates	(37 297 713)	(42 015 223)
Consumer debtors - Fines	(2 330 233)	(2 110 237)
	(39 627 946)	(44 125 460)

Net balance

Consumer debtors - Rates	22 439 715	10 090 547
Consumer debtors - Fines	2 185 317	1 751 423
	24 625 032	11 841 970

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
5. Receivables from non-exchange transactions (continued)		
Summary of debtors by customer Category		
Property rates		
Current (0 -30 days)	360 908	562 664
31 - 60 days	2 226 914	4 069 287
61 - 90 days	2 050 330	4 004 439
91 - 120 days	2 004 157	2 382 843
121 - 180 days	3 936 155	3 568 423
> 180 days	49 158 964	37 518 114
	59 737 428	52 105 770
Less: Allowance for impairment	(26 698 661)	(32 681 566)
	33 038 767	19 424 204
Fines		
Current (0 -30 days)	76 000	41 200
31 - 60 days	48 100	93 500
61 - 90 days	63 700	23 300
91 - 120 days	74 420	70 500
121 - 180 days	141 400	115 200
> 180 days	4 111 930	3 517 960
	4 515 550	3 861 660
Less: Allowance for impairment	(2 330 233)	(2 110 237)
	2 185 317	1 751 423
Summary of debtors by customer classification-Property Rates		
Government	24 118 058	27 590 186
Commercial	1 888 333	1 585 549
Households	25 827 868	16 212 747
Other	7 903 169	6 717 288
	59 737 428	52 105 770
Less: Allowance for impairment	(26 698 661)	(32 681 566)
	33 038 767	19 424 204
Reconciliation of allowance for impairment		
Balance at beginning of the year	34 791 803	26 939 704
Contributions to allowance	219 996	7 852 099
Reversal of allowance	(5 982 905)	-
	29 028 894	34 791 803

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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5. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Determination of transaction amount

Property rates are governed by The Local Government: Municipal Property Rates Act 6 of 2004. Property rates values are calculated based on market value of properties as per applicable valuation roll. Provision for bad debts on statutory debtors is determined risk profile of each customer and default rate per risk profile as determined by the municipality.

Traffic fines are governed by Administrative Adjudication of Road Traffic Offences Act No 46 of 1998 (AARTO) and National Road Traffic Act, No. 93 of 1996 of South Africa. Traffic fines charged are determined by The National Road Traffic Offence Charge Book.

The transaction amount for property rates and traffic fines is determined in accordance with GRAP 23 on Revenue from non-exchange transaction

Interest or other charges levied/charged

Interest on property rate has been charged as 8% in accordance with debt policy of the municipality. There is no interest charged on Traffic fines debtor.

Basis used to assess and test whether a statutory receivable is impaired

Statutory receivables are assessed for impairment in accordance with GRAP 104. Refe to the impairment methodology document.

Discount rate applied to the estimated future cash flows

A discount rate of 8% was used against the municipality's future cash flow to be derived from gross receivable

Statutory receivables past due but not impaired

receivable accounts that have no balance outstanding longer than 30 days at reporting date are not subject to impairment. At 30 June 2023, R19 393 896 (2022:R 16 941 515) were past due but not impaired.

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

1 month past due	634 733	1 596 824
2 month past due	620 817	1 570 911
3 month past due	619 428	845 452
4-5 months past due	1 235 650	928 206
6 months and above	16 283 268	12 000 122

Statutory receivables impaired

As of 30 June 2023, Statutory receivables of R 39 982 185 - (2022: R32 306 143) were impaired and provided for.

The amount of the provision was R29 553 296.07 - as of 30 June 2023 (2022:R 34 946 048).

The ageing of these receivables is as follows:

1 month past due	1 592 181	2 472 464
2 months past due	1 429 514	2 433 528
3 months past due	1 384 729	1 537 382
4 to 6 months past due	2 700 505	2 640 217
More than 6 months past due	32 875 256	25 517 559

Factors the entity considered in assessing statutory receivables impaired

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
5. Receivables from non-exchange transactions (continued)		
The municipality took into account past trends in terms of collections Financial difficulties faced by ratepayers due to the current economic climate. Probability of recovery considering processes available to the municipality.		
6. VAT receivable		
VAT	3 155 257	3 261 481
The VAT receivable balance is comprised of:		
Undeclared VAT output	(1 672 603)	(1 238 107)
Unclaimed VAT input	4 827 860	4 499 588
	3 155 257	3 261 481
The municipality accounts for value added tax on an accrual basis but claimed/ paid over to SARS on cash basis in accordance with section 15 (2) of the value added tax act No. 89 of 1991		
7. Receivables from exchange transactions		
Gross balances		
Electricity	3 576 382	3 429 134
Rentals	1 646 568	1 553 246
Refuse	6 740 373	6 340 081
	11 963 323	11 322 461
Less: Allowance for impairment		
Electricity	(697 530)	(1 208 894)
Rentals	(1 031 117)	(960 609)
Refuse	(5 404 461)	(5 336 784)
	(7 133 108)	(7 506 287)
Net balance		
Electricity	2 878 852	2 220 240
Rentals	615 451	592 637
Refuse	1 335 912	1 003 297
	4 830 215	3 816 174
Electricity		
Current (0 -30 days)	2 135 730	1 783 988
31 - 60 days	74 430	181 717
61 - 90 days	76 972	121 790
91 - 120 days	62 760	132 525
121 - 180 days	104 373	160 377
> 180 days	1 122 117	1 052 756
	3 576 382	3 433 153
Summary of debtors by Classification- Electricity		
Government	1 594 951	1 227 872
Commercial	1 688 726	2 004 753
Household	222 545	126 162
Other	74 179	74 366
	3 580 401	3 433 153

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
7. Receivables from exchange transactions (continued)		
Refuse		
Current (0 -30 days)	295 955	283 506
31 - 60 days	111 202	94 934
61 - 90 days	110 183	83 049
91 - 120 days	100 705	76 238
121 - 180 days	184 529	151 719
> 180 days	5 937 799	5 654 107
	6 740 373	6 343 553
Summary of Debtors by Classification - Refuse		
Government	3 449 976	149 630
Commercial	343 626	196 489
Household	2 907 638	4 401 065
Other	39 133	1 596 369
	6 740 373	6 343 553
Rental		
Current (0 -30 days)	102 160	168 535
31 - 60 days	36 323	35 071
61 - 90 days	39 539	37 868
91 - 120 days	38 444	37 270
121 - 180 days	74 335	71 554
> 180 days	1 355 767	1 202 948
	1 646 568	1 553 246
Summary of Debtors by Classification- Rental		
Government	5 887	5 876
Commercial	1 640 550	1 547 247
Other	131	126
	1 646 568	1 553 249
Reconciliation of allowance for impairment		
Balance at beginning of the year	7 097 949	7 808 413
Contributions to allowance	162 114	609 050
Reversal of allowance	(521 422)	(1 319 514)
	6 738 641	7 097 949
Consumer debtors pledged as security		
There were no consumer debtors pledged as security.		
Consumer debtors past due but not impaired		
At 30 June 2023, 1 108 652 (2022: 1 220 373) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	26 334	84 569
2 months past due	28 823	55 889
3 months past due	26 882	26 821
4-6 months past due	50 458	84 238
Above 6 months	976 155	968 856

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
7. Receivables from exchange transactions (continued)		
Consumer debtors impaired		
As of 30 June 2023, consumer debtors of 8 319 787 (2022: 7 782 252) were impaired and provided for.		
The amount of provision was 6 738 641 as of 30 June 2023 (2022: a reversal of 7 097 949).		
The ageing of these loans is as follows:		
1 month past due	195 622	226 810
2 months past due	197 871	182 311
3 months past due	175 027	214 735
4-6 months past due	312 779	287 085
Over 6 months	7 438 488	6 871 311
Reconciliation of allowance for impairment of consumer debtors		
Opening balance	7 097 949	7 808 413
Allowance for impairment	162 114	609 050
Unused amounts reversed	(521 422)	(1 319 514)
	6 738 641	7 097 949

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
8. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	428 106	471 053
Short-term deposits	108 425 692	130 024 398
	108 853 798	130 495 451

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Cash and cash equivalents pledged as collateral

There was no cash and cash equivalents pledged as collateral.

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023			2022		
8. Cash and cash equivalents (continued)						
The municipality had the following bank accounts						
Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
Absa Bank - Call Account - 92 7785 1394	1 765 601	1 670 268	1 626 089	1 765 601	1 670 268	1 626 089
Absa Bank- Call Account 93 0769 5892	59 116	55 980	54 554	59 116	55 980	54 554
Absa Bank - Investment Account - 93 3821 7106	34 490	32 353	19 487 338	34 490	32 353	19 487 338
Absa Bank- Notice Select Account- 93 6596 4328	22 376	21 596	-	22 376	21 596	-
Absa Bank- Call Account- 93 7056 0646	18 381 816	17 200 025	-	18 381 816	17 200 025	-
Absa Bank- Notice Select Account - 93 7076 2765	1 424 715	44 618 252	-	1 424 715	44 618 252	-
Absa Bank- Call Account- 93 7065 2142	5 646 509	5 240 217	-	5 646 509	5 240 217	-
Absa Bank - Primary Account 40 5356 2762	428 107	471 034	14 152 841	428 107	471 034	14 152 841
Absa Bank - Investment Account - 91 4284 5014	281 893	266 646	259 602	281 893	266 646	259 602
Absa Bank - Investment Account - 20 8087 5617	15 521 247	-	-	15 521 247	-	-
FNB Bank- Investment Account - 718 4846 2554	9 377 603	8 726 874	8 344 274	9 377 603	8 726 874	8 344 274
FNB Bank- Investment Account - 623 7231 1408	9 334 533	8 769 124	8 478 713	9 334 533	8 769 124	8 478 713
FNB Bank- Investment Account - 718 4846 0889	7 929 879	7 379 610	7 056 076	7 929 879	7 379 610	7 056 076
FNB Bank- Investment Account - 744 2905 2166	15 199 556	14 160 519	13 554 747	15 199 556	14 160 519	13 554 747
Standard Bank - Investment - 308 5855 69014	6 856	6 522	6 371	6 856	6 522	6 371
Standard Bank - Investment - 308 5855 69063	23 438 340	21 875 345	21 003 295	23 438 340	21 875 345	21 003 295
Investec Bank - Investment Account- 5 0802 2455	-	-	56 717 492	-	-	56 717 492
Nedbank-investment Account - 03 7165 014 039(5)	1 161	1 067	47 478 564	1 161	1 067	47 478 564
Total	108 853 798	130 495 432	198 219 956	108 853 798	130 495 432	198 219 956

Closed Bank Accounts

There were no accounts closed in the current year:

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
9. Other receivables		
Overpayment to Councillors The councillors benefited from the payment of upper limits which was later endorsed by the MEC to be undue. The municipality and the councillors agreed that the amount will be deducted monthly until the amount is repaid in full	37 005	37 005
Prepayments Prepayments relates to the acquisition of firearm that were still to be received as at the end of the financial year, accommodation for SALGA games and SALGA membership fees for 2024	1 639 210	17 826
Overpayment of Trade Creditors	60 085	138 636
Bank Unauthorised transactions During 2022 financial year, an amount of 132 943 was deducted from municipality's bank account without the approval from municipality	-	133 010
Other Receivables Other receivables relates to disposal of assets	1 402 795	-
	3 139 095	326 477
Current assets	3 139 095	326 477

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

10. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	42 922 786	(1 517 396)	41 405 390	42 922 786	(1 450 735)	41 472 051

Reconciliation of investment property - 2023

	Opening balance	Depreciation	Total
Investment property	41 472 051	(66 661)	41 405 390

Reconciliation of investment property - 2022

	Opening balance	Depreciation	Total
Investment property	41 538 712	(66 661)	41 472 051

Pledged as security

There is no investment property pledged as security.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	201 926	256 596
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There were no direct operating expenses incurred from renting the property.

There were no contractual obligations to purchase, construct or develop the investment property. There were also no contractual obligations for repairs, maintenance or enhancements.

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	5 891 616	-	5 891 616	5 891 616	-	5 891 616
Buildings	42 816 474	(11 930 443)	30 886 031	30 243 079	(10 367 729)	19 875 350
Plant and machinery	14 606 913	(8 410 331)	6 196 582	14 862 340	(8 407 305)	6 455 035
Furniture and fixtures	4 392 173	(2 784 458)	1 607 715	3 284 544	(2 557 161)	727 383
Transport assets	38 450 557	(20 273 722)	18 176 835	41 119 851	(20 156 697)	20 963 154
IT equipment	4 400 770	(2 595 241)	1 805 529	3 837 162	(2 508 655)	1 328 507
Infrastructure - Roads and Stormwater Community	357 925 845	(93 945 455)	263 980 390	320 969 861	(80 984 761)	239 985 100
Electricity Infrastructure	269 274 507	(41 459 141)	227 815 366	258 407 257	(33 381 912)	225 025 345
Leased assets - Computer equipment	85 679 920	(10 893 646)	74 786 274	76 458 741	(11 035 594)	65 423 147
Refuse	-	-	-	-	-	-
	4 005 085	(2 603 388)	1 401 697	4 927 312	(1 743 721)	3 183 591
Total	827 443 860	(194 895 825)	632 548 035	760 001 763	(171 143 535)	588 858 228

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Adjustment of Landfill site provision	Work in Progress	Depreciation	Impairment loss	Total
Land	5 891 616	-	-	-	-	-	-	5 891 616
Buildings	19 875 350	12 652 045	(27 132)	-	-	(1 614 232)	-	30 886 031
Plant and machinery	6 455 035	914 598	(323 610)	-	-	(849 441)	-	6 196 582
Furniture and fixtures	727 383	1 141 023	(1 541)	-	-	(259 150)	-	1 607 715
Motor vehicles	20 963 154	977 414	(925 933)	-	-	(2 837 800)	-	18 176 835
IT equipment	1 328 507	979 728	(24 345)	-	-	(478 361)	-	1 805 529
Infrastructure - Roads and Stormwater	239 985 100	77 970 294	(823)	-	(41 012 447)	(12 417 759)	(543 975)	263 980 390
Community	225 025 345	31 499 314	(67 433)	-	(19 520 373)	(6 924 274)	(2 197 213)	227 815 366
Electricity Infrastructure	65 423 147	-	(3 905)	-	11 007 791	(1 253 412)	(387 347)	74 786 274
Leased Assets	-	-	-	-	-	-	-	-
Refuse	3 183 591	-	-	(922 228)	-	(156 524)	(703 142)	1 401 697
	588 858 228	126 134 416	(1 374 722)	(922 228)	(49 525 029)	(26 790 953)	(3 831 677)	632 548 035

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Adjustment of Landfill site provision	Work in Progress	Depreciation	Impairment loss	Total
Land	5 891 616	-	-	-	-	-	-	5 891 616
Buildings	21 035 585	-	-	-	-	(1 160 235)	-	19 875 350
Machinery and equipment	6 928 931	501 852	(22 919)	-	-	(952 829)	-	6 455 035
Furniture and office equipment	886 410	60 373	(12 182)	-	-	(207 158)	(60)	727 383
Transport assets	22 597 954	1 411 750	(70 090)	-	-	(2 976 460)	-	20 963 154
Computer equipment	928 600	773 123	(45 341)	-	-	(327 875)	-	1 328 507
Roads and stormwater infrastructure	213 458 314	-	-	-	38 551 079	(11 488 045)	(536 248)	239 985 100
Community	187 232 428	17 099 741	-	-	26 943 561	(6 180 826)	(69 559)	225 025 345
Electricity infrastructure	48 985 337	-	-	-	17 740 701	(1 294 013)	(8 878)	65 423 147
Leased assets - Computer equipment	64 440	-	(61 615)	-	-	(2 825)	-	-
Refuse removal	2 907 703	-	-	420 101	-	(144 213)	-	3 183 591
	510 917 318	19 846 839	(212 147)	420 101	83 235 341	(24 734 479)	(614 745)	588 858 228

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand 2023 2022

11. Property, plant and equipment (continued)

Pledged as security

No property plant and equipment has been pledged as security for any liabilities of the municipality.

There are assets under construction that are taking significantly longer to complete than expected due to delays caused by contractors on site.

Carrying value of property, plant and equipment that is taking significantly longer period of time to complete than expected:

Mafihleng Sportfield	2 388 942	2 388 942
Sheep and wool	5 382 079	5 382 079
Nquthu Stormwater and sourthen canal	4 008 735	4 008 735
Mangwebuthanani Electrification	10 725 296	10 725 296
Bucoshi Gravel Road	33 800	33 800
Borehole and water pump	137 400	137 400

The projects listed above have been delayed due to budget constraint.

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure Electricity	Included within Roads and Stormwater	Included within Community Assets	Total
Opening balance	39 535 636	82 500 101	84 071 408	206 107 145
Additions/capital expenditure	11 007 793	34 127 629	28 404 245	73 539 667
WIP Expensed	-	-	(24 460)	(24 460)
Accumulated impairment losses	-	-	(1 023 832)	(1 023 832)
Transferred to completed items	-	(75 140 076)	(47 893 716)	(123 033 792)
	50 543 429	41 487 654	63 533 645	155 564 728

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure Electricity	Included within Community	Included within Other PPE	Total
Opening balance	21 794 936	43 949 022	57 158 747	122 902 705
Additions/capital expenditure	17 740 700	39 564 489	43 364 207	100 669 396
Other movements	-	-	(139 878)	(139 878)
Transferred to completed items	-	(1 013 410)	(16 311 668)	(17 325 078)
	39 535 636	82 500 101	84 071 408	206 107 145

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Contracted services	9 445 105	25 205 031
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A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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12. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, internally generated	623 878	(607 593)	16 285	623 878	(599 450)	24 428

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software, internally generated	24 428	(8 143)	16 285

Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software, internally generated	36 642	(12 214)	24 428

Pledged as security

There are no intangible assets pledged as security:

Nquthu Local Municipality

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13. Heritage assets

	2023			2022		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	78 888	-	78 888	78 888	-	78 888

Reconciliation of heritage assets 2023

	Opening balance	Total
Art Collections, antiquities and exhibits	78 888	78 888

Reconciliation of heritage assets 2022

	Opening balance	Total
Art Collections, antiquities and exhibits	78 888	78 888

14. Payables from exchange transactions

Trade payables	27 270 039	15 345 945
Payments received in advance	9 652 401	8 754 604
Payroll Suspense Account	1 141 776	2 943 456
Retentions	23 431 814	22 493 190
Human Settlement - Housing development funds	1 624 411	1 536 559
Unallocated deposits	747 395	662 183
INEP	3 753 799	-
Bonus Accrual	2 195 452	2 114 606
	69 817 087	53 850 543

Nquthu Local Municipality

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Figures in Rand	2023	2022
15. Consumer deposits		
Electricity	434 553	429 160
Property rental	41 440	27 705
Refuse	69 043	70 043
	545 036	526 908

Upon application consumers pay consumer deposit. The deposit can be used to offset long outstanding debtors. Consumer deposits are refunded when the house is sold after the municipality has issued a clearance certificate

Nquthu Local Municipality

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16. Long Service Award

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(4 541 000)	(4 422 000)
Non-current liabilities	(4 058 000)	(3 949 000)
Current liabilities	(483 000)	(473 000)
	(4 541 000)	(4 422 000)

As at 30 June 2023, the number of members entitled to receive long service leave awards from the Municipality were:	Number of eligible employees	Weighted Average annual earnings	Salary weighted average age	Weighted past service
Female	111	229	41	9
Males	126	235	42	8
	237	232	42	9

The Municipality offers employees LSA for every five years of service completed, from five years of service to 45 years of service, inclusive.

In the month that each "Completed Service" milestone is reached, the employee is granted an LSA. Working days awarded are valued at 1/249th of annual earnings per day.

An employee with five or more years' service with the Municipality, who leaves the service of the Municipality for any reason whatsoever, excluding reasons relating to misconduct, shall receive a pro-rata LSA for any uncompleted (five-year) period of service. The pro-rata factor applicable is the number of years of service since an employee's most recent service milestone, divided by five.

The encashment or taking of LSA leave days must occur in the same year that the employee qualifies for the award.

The table below sets out the assumed rates of withdrawal from services:

Assumptions	Value		
Average retirement age	-	- 61	-
Mortality during employment	-	- 85 to 90	-
Withdrawal from service	1 Age	Female	Male
	20	9%	9%
	30	6%	6%
	40	5%	5%
	50	3%	3%
	55	0%	0%
	-	-	-

The table below reflects a summary of the benefit policy:

Completed Service (In Years)	Long service award (% of Annual Earnings)	Description
5	2.0%	5/249 x Annual earnings
10	4.0%	10/249 x Annual earnings
15	8.0%	20/249 x Annual earnings
20,25,30,35,40,45	12%	30/249 x annual earning
	-	-

Nquthu Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
16. Long Service Award (continued)		
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	(4 422 000)	(3 809 000)
Benefits paid	448 544	435 583
Net expense recognised in the statement of financial performance	(567 544)	(1 048 583)
	(4 541 000)	(4 422 000)
Net expense recognised in the statement of financial performance		
Current service cost	(618 000)	(547 000)
Interest cost	(449 000)	(352 000)
Actuarial (gains) losses	499 456	(149 583)
	(567 544)	(1 048 583)

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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Figures in Rand	2023	2022
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16. Long Service Award (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11.68 %	10.71 %
General earnings inflation rate (long-term)	6.88 %	7.15 %
Net discount rate	4.49 %	3.32 %

Demographic Assumptions

Demographic assumptions are required about the future characteristics of current employees who are eligible for LSA.

Promotional Earnings Scale.

The annual inflation rates below are in addition to the General Earnings Inflation assumption of 6.88% per annum for all employees.

Average Retirement Age

The normal retirement age of employees is 63. It has been assumed that employees will retire at age 61 on average, which then implicitly allows for expected rates of ill-health and early retirement. Employees who have passed the assumed average retirement age, have been assumed to retire at their next birthday.

Pre-Retirement Mortality

SA85-90 ultimate table, adjusted for female lives.

Withdrawal from Service

If an employee leaves, the employer's liability in respect of that employee ceases. It is therefore important not to overstate withdrawal rates.

The basis on which the discount rate has been determined is as follows:

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the employee benefit liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 11.68% per annum has been used. This yield was obtained by calculating the duration of the liability and then taking the yield from the yield curve at that duration using an iterative process (because the yield depends on the duration, which in turn depends on the liability). The corresponding liability-weighted index-linked yield is 4.49%. These rates do not reflect any adjustment for taxation, and were deduced from the interest rate data obtained from the JSE after the market close on 30 June 2023. .

The basis used to determine the General Earnings Inflation Rate, is as follows:

This assumption is more stable relative to the growth in Consumer Price Index (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, earnings inflation is between 1.0% and 1.5% above CPI inflation.

The expected CPI inflation assumption of 5.88% was obtained from the differential between market yields on index-linked bonds (5.01%) consistent with the estimated terms of the liabilities and those of nominal bonds (11.68%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as $((1+11.68\%-0.50\%)/(1+5.01\%))-1$.

Thus, a general earnings inflation rate of 6.88% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 4.49%.

It has been assumed that the next general earnings increase will take place on 1 July 2023.

Nquthu Local Municipality

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16. Long Service Award (continued)

Other assumptions

The results of the valuation are based on a number of assumptions. The extent to which the actual liability faced in the future by the Municipality differs from these results will depend on the extent to which actual experience differs from the assumptions made. The assumptions which tend to have the greatest impact on the results are:

- (i) the general earnings inflation rate assumption;
- (ii) the discount rate assumption;
- (iii) the average retirement age of employees; and
- (iv) assumed rates of withdrawal of employees from service.

Below is how the liability would change with a 1% increase or decrease in the discount rate used..

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	1 032 000	871 000

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

MIG grant	-	-
Library Volunteer	259 941	247 941
Sportsfield maintenance grant	128 893	128 893
	388 834	376 834

Movement

Balance at the beginning of the year	376 834	1 192 594
Additions during the year	43 001 046	45 737 000
Income recognition during the year	(42 989 046)	(46 552 760)
	388 834	376 834

See note 17 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

Nquthu Local Municipality

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18. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Reversed during the year	Total
Provision for landfill site	2 510 218	(644 848)	1 865 370
Leave	8 388 605	(179 711)	8 208 894
	10 898 823	(824 559)	10 074 264

Reconciliation of provisions - 2022

	Opening Balance	Additions	Reversed during the year	Total
Landfill site	1 901 143	609 075	-	2 510 218
Leave	8 629 995	-	(241 390)	8 388 605
	10 531 138	609 075	(241 390)	10 898 823

Non-current liabilities			1 629 959	2 232 839
Current liabilities			8 444 305	8 665 984
			10 074 264	10 898 823

Environmental rehabilitation provision

The municipality is required to provide for the rehabilitation of the Nondweni landfill site after the end of its useful life. The cost to rehabilitate the landfill site has been estimated by the engineers to be R1 865 370 and the remaining life is 20 years. Due to the uncertainty in timing and actual amount of the rehabilitation cost, management have made the best estimate to raise a provision based on the report. The detailed report is available for inspection at the registered office of the Municipality.

There are various limitations and assumptions that have a direct bearing on the cost estimates provided as indicated below:

- Costs are based on previous tender prices and generic costs and may vary depending on material availability, fuel price etc.;
- The previous year's cost was escalated since no changes were reported;
- Evaluation is based on approximate landfill size or the fenced area since the co-ordinates in the licence document does not correlate with the aerial view of the site (Google Earth used for evaluation);
- The design is based on the requirements of the licence issued;
- No site visit was conducted, cost estimate is therefor based on the information supplied by the Municipality as well as licence conditions;
- The estimated closure cost is based on a generic closure design not taking site specific condition into consideration and may vary significantly once the site has been upgraded.

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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Figures in Rand	2023	2022
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19. Accounting by principals and agents

The entity is a party to a principal-agent arrangement(s).

Details of the arrangements are as follows:

Principal-agent arrangements relate to binding arrangements in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal). The following arrangement meets the criterion for such arrangements:

KwaZulu Natal Department of Transport

The agreement requires the municipality to perform all the testing functions on behalf of the department which consist of Driving licence test centre functions. The municipality is an Agent to the agreement as they are responsible for performing testing functions on behalf of the Department. Thus a principal agent arrangement exist. The municipality is the agent in terms of GRAP 109.

Financial implication

There are no funds receivable or payable to the department as at the end of the year. However the municipality pay out an amount of R79 to the department for the production of drivers licence card

Entity as agent

Revenue recognised

The aggregate amount of revenue recognised as a result of drivers' licence testing functions is R931 147 (2022: R1 008 500)

Entity as principal

Details of the arrangements are as follows:

Ontec System

The agreement requires ONTEC System to manage the sale of prepaid electricity on behalf of the of the municipality. The municipality is Principal to the agreement as ONTEC System is responsible for manage the sale of prepaid electricity on behalf of the municipality. Thus a principal agent arrangement exist. The municipality is the principal in terms of GRAP 109.

Fee paid

Fee paid as compensation to the agent	418 170	521 387
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20. Housing Development Fund

This fund is regulated by the agreements and directives that are issued by the Human Settlements department and has a dedicated bank account.

Opening Balance	133 710	130 173
Interest	7 632	3 537
	141 342	133 710

21. Service charges

Sale of electricity	22 456 358	23 761 087
Solid waste	1 115 187	1 344 219
	23 571 545	25 105 306

Included in service charges are free basic services for both electricity and refuse removal.

Nquthu Local Municipality

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Figures in Rand	2023	2022
22. Construction contracts and receivables		
Contracts in progress as at statement of financial position date		
Revenue	5 795 021	26 801 746
Expenditure	(5 795 021)	(26 801 746)
	-	-

Construction contracts relate to agreements entered between the Municipality and KwaZulu-Natal Department of Housing and the Department of Mineral and Energy in respect of housing projects and electrification project respectively. The Municipality is a project developer in these arrangements. These arrangements are accounted for in line with GRAP 11 - Construction contracts

Construction contract expenses consists mainly of contracted services wherein the Municipality procures the services of building contractors and other consultants.

Construction contract revenue is recognised on a stage of completion based on the costs incurred. There are no contracts accounted for as work in progress given that costs are expensed when incurred.

The amount due for contract work done is recognised as a debtor and disclosed on the note for Receivables from exchange transactions.

The amounts received in advance for work to be done is recognised as a liability and disclosed in Note 17: Payables from exchange transactions.

As at 30 June 2023 there were no amounts withheld as retentions for housing development construction contract.

23. Rental of facilities and equipment

Premises		
Rental income	662 033	512 847
Facilities and equipment		
Rental of facilities	130 098	256 596
	792 131	769 443

Included in the above rentals are operating lease rentals at straight-lined amounts of R130 098 (2022: R256 596).

24. Other income

Commission: Transaction Handling Fees	194 479	191 046
Insurance proceeds	26 730	358 507
Skills Development Levy Refund	166 429	146 217
Sale of tender documents	66 249	204 282
Advertisement	700	150
Cemetery and burial	49 491	61 674
Fire Services	-	1 786
Photo copies	16 369	12 249
Building Plan Approval	46 681	10 148
Clearance Certificates	3 339	3 680
Town Planning and Servitudes	998	1 826
Buyers Card	1 478	1 370
	572 943	992 935

Nquthu Local Municipality

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Figures in Rand	2023	2022
25. Interest revenue		
Interest revenue		
Short-term investments	10 348 555	6 956 693
Interest charged on trade and other receivables	600 217	617 771
	10 948 772	7 574 464

The amount included in interest revenue arising from exchange transactions amounted to R 10 023 818 (2022:R 6 956 69)

26. Property rates

Rates received

Residential	6 233 290	6 190 883
State	1 355 253	2 410 157
Commercial	29 056 258	38 509 823
	36 644 801	47 110 863
Property rates - penalties imposed	1 885 688	2 881 794
	38 530 489	49 992 657

Valuations

Residential	576 112 000	576 112 000
Business and Commercial Properties	224 308 000	224 308 000
Public Service Infrastructure	9 515 000	9 515 000
Municipal Properties	106 267 000	106 267 000
Agriculture Properties Used for Agricultural Purposes	965 857 000	965 857 000
Industrial Properties	5 753 000	5 753 000
Mining Properties	1 040 000	1 040 000
Public Service Purposes	837 432 000	837 432 000
Vacant Property	104 061 000	104 061 000
Worship Properties	13 473 000	13 473 000
	2 843 818 000	2 843 818 000

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate randaage of R0.014 - (2022: R0.014 -) is applied to property valuations to determine assessment rates. Rebates of R 205 000.00 over and above the statutory rebate of R15 000.00 (2022: - R220 000.00) are granted to residential category in line with Council's approved policy.

Rates are levied on an annual basis in ten equal instalments with the final date for payment being 30 April 2022. Interest is levied at fixed rate at 8%per annum (2022: 8%) is levied on rates outstanding after due date.

The general valuation roll for the year under review was implemented on 01 July 2018.

27. Licences and permits (non-exchange)

Filming Fees	1 054	790
Hoarding (Collecting/Storing)	2 030	7 401
Trading licences	22 707	6 221
Road and Transport	931 147	1 008 500
	956 938	1 022 912

Nquthu Local Municipality

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Figures in Rand	2023	2022
28. Government grants and subsidies		
Operating grants		
Equitable share	169 636 000	150 195 000
Energy Efficiency	-	2 000 000
Cybercadet grant	508 000	484 000
EPWP grant	1 546 000	1 260 000
Library support	1 964 000	1 871 000
Library Modular	715 000	1 364 000
Bornem	1 079 046	821 759
Library Volunteer	96 000	96 000
Finance Management Grant	1 850 000	1 850 001
	177 394 046	159 941 760
Capital grants		
Municipal Infrastructure grant	35 231 000	36 806 000
	35 231 000	36 806 001
	212 625 046	196 747 761
Conditional and Unconditional		
Included above are the following grants and subsidies received:		
Conditional grants received	42 989 046	46 552 760
Unconditional grants received	169 636 000	150 195 000
	212 625 046	196 747 760
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
All registered indigents receive a free basic electricity subsidy of 50kWh (50kWh), which is funded from the grant.		
Municipal Infrastructure Grant		
Current-year receipts	35 231 000	36 806 000
Conditions met - transferred to revenue	(35 231 000)	(36 806 000)
	-	-
Bornem Grant		
Balance unspent at beginning of year	-	821 759
Current-year receipts	1 079 046	-
Conditions met - transferred to revenue	(1 079 046)	(821 759)
	-	-
Conditions still to be met - remain liabilities (see note 17).		
Library Volunteer		
Balance unspent at beginning of the year	247 941	241 941
Current-year receipts	108 000	102 000
Conditions met - transferred to revenue	(96 000)	(96 000)
	259 941	247 941

Nquthu Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
28. Government grants and subsidies (continued)		
Conditions still to be met - remain liabilities (see note 17).		
Library Modular		
Current-year receipts	715 000	1 364 000
Conditions met - transferred to revenue	(715 000)	(1 364 000)
	-	-
Conditions still to be met - remain liabilities (see note 17).		
Sportfield Maintenance		
Balance unspent at beginning of the year	128 896	128 896
Conditions still to be met - remain liabilities (see note 17).		
Library Support		
Current-year receipts	1 964 000	1 871 000
Conditions met - transferred to revenue	(1 964 000)	(1 871 000)
	-	-
Conditions still to be met - remain liabilities (see note 17).		
Energy Efficiency		
Current-year receipts	-	2 000 000
Conditions met - transferred to revenue	-	(2 000 000)
	-	-
Conditions still to be met - remain liabilities (see note 17).		
Cybercadet		
Current-year receipts	508 000	484 000
Conditions met - transferred to revenue	(508 000)	(484 000)
	-	-
Conditions still to be met - remain liabilities (see note 17).		
Financial Management Grant		
Current-year receipts	1 850 000	1 850 000
Conditions met - transferred to revenue	(1 850 000)	(1 850 000)
	-	-
Conditions still to be met - remain liabilities (see note 17).		
Extended Public Works Program		
Current-year receipts	1 546 000	1 260 000
Conditions met - transferred to revenue	(1 546 000)	(1 260 000)
	-	-

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
28. Government grants and subsidies (continued)		
Conditions still to be met - remain liabilities (see note 17).		
29. Fines, Penalties and Forfeits		
Illegal Connections Fines	6 350	28 100
Municipal Traffic Fines	821 190	643 468
	827 540	671 568

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Figures in Rand	2023	2022
30. Employee related costs		
Basic	65 715 332	68 565 676
Bonus	4 518 388	4 066 637
Medical aid - company contributions	2 935 114	2 717 708
UIF	509 215	484 972
Overtime payments	1 587 615	2 110 650
Long-service awards	1 067 000	899 000
Car allowance	281 000	193 360
Housing benefits and allowances	79 930	73 581
Leave Gratuity	1 019 171	1 041 429
Standby allowances	2 121 446	1 633 327
Pension	7 927 798	6 752 251
Cellphone allowances	-	167 828
Bargain council	33 674	29 459
	87 795 683	88 735 878

Remuneration of municipal manager

Annual Remuneration	1 215 436	1 030 759
Contributions to UIF, Medical and Bargaining council	16 408	2 012
	1 231 844	1 032 771

Remuneration of chief finance officer

Annual Remuneration	888 491	755 460
Car Allowance	-	31 776
Contributions to UIF, Medical and Pension Funds	11 140	1 863
	899 631	789 099

During the 2022 financial year, the CFO position was vacant for the month of July and a new CFO was appointed in August 2021.

Corporate and Community services

Annual Remuneration	654 300	276 966
Car Allowance	171 704	45 760
Contributions to UIF, Medical and Bargaining council	10 608	772
Other	-	4 576
Acting Allowance	15 536	78 317
	852 148	406 391

During the 2022 financial year, this position was vacant and one person acted for the month of June 2022.

During the 2023 financial year, this position was vacant for the month of July and August 2022 and one person acted. In September 2022 a new Director Corporate Service was appointed.

Planning and Economic development

Annual Remuneration	343 686	755 460
Car Allowance	6 000	-
Acting Allowance	-	36 150
Contributions to UIF, Medical and Bargaining Council	4 475	1 863
Housing Allowance	1 500	-
Pension Allowance	2 500	-
	358 161	793 473

During the 2022 financial year, this position was vacant for the month of July and one person acted.

Nquthu Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
30. Employee related costs (continued)		
Technical Services		
Annual Remuneration	751 814	685 166
Car Allowance	125 000	147 600
Acting Allowance	-	14 810
Contributions to UIF, Medical and Pension Funds	11 926	2 012
Cellphone Allowance	-	9 808
Housing allowance	84 219	-
	972 959	859 396

31. Remuneration of councillors

Mayor	993 124	902 110
Deputy Mayor	971 567	728 802
Mayoral Committee Members	1 891 385	1 847 963
Speaker	701 144	728 802
Councillors	8 601 835	8 526 817
Section 79 MPAC	302 677	351 005
	13 461 732	13 085 499

In-kind benefits

The MEC for local government has designated three political office bearers to be full time i.e. the Mayor, Deputy Mayor, and Speaker. The Mayor, Deputy Mayor and Speaker are provided with an office and secretarial support at the cost of council whilst the other councillors share secretarial support.

The Mayor, Deputy Mayor and Speaker have the use of council owned vehicles for official use. They are also provided with a full time driver and bodyguards as per their tools of trade. The Mayor has three bodyguards whilst the Deputy Mayor and Speaker each have two bodyguards.

The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa

32. Depreciation and amortisation

Property, plant and equipment	26 790 953	24 734 483
Investment property	66 661	66 661
Intangible assets	8 143	12 213
	26 865 757	24 813 357

33. Finance costs

Finance leases	-	189 228
Interest expenses -provision for landfill Site	277 379	-
	277 379	189 228

34. Lease rentals on operating lease

Equipment		
Contractual amounts	399 305	333 367

The municipality leases photocopying machines on a 36 month contract which commenced in February 2021

Nquthu Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
35. Debt impairment		
Non Exchange revenue	(4 497 515)	14 619 488
Exchange revenue	(373 180)	(729 127)
	(4 870 695)	13 890 361

Significant financial difficulties of the debtor and default or delinquency in payments are considered as indicators to determine debt impairment.

36. Bulk purchases

Electricity - Eskom	31 383 891	30 663 273
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Material losses -Electricity

	2023	2022	2023	2022
KWh value	Units	Units	Monetary Value	Monetary Value
Total Purchased	21 361 658	22 635 129	31 383 981	30 663 273
Total Sold	(13 208 885)	(15 649 154)	(26 160 128)	(25 237 449)
Own Consumption	(75 223)	(103 402)	(260 022)	(310 994)
Free basic Electricity	(1 090 500)	(1 126 050)	(1 477 451)	(1 075 760)
Total loss	6 987 050	5 756 523	3 486 380	4 039 070

Percentage Loss:		
Electricity losses	33 %	25 %

37. Contracted services

Outsourced Services

Administrative and Support Staff	431 858	984 242
Animal Pounding	75 000	135 000
Burial Services	806 202	549 298
Business and Advisory	2 138 367	1 603 046
Refuse Removal	3 210 820	1 820 254
Fire Services	2 415 700	1 945 450
Internal Auditors	2 587 446	2 868 267
Security Services	14 706 797	15 823 506

Consultants and Professional Services

Business and Advisory	8 757 180	8 814 494
Infrastructure and Planning	2 208 071	1 798 878
Laboratory Services	-	22 850
Legal Cost	589 615	599 871

Contractors

Building	236 927	238 894
Electrical	1 232 230	2 659 014
Maintenance of Unspecified Assets	9 530 619	25 210 803
Pest Control and Fumigation	462 423	471 591
	49 389 255	65 545 458

Nquthu Local Municipality

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38. General expenses		
Advertising	3 751 882	3 759 477
Auditors remuneration	3 407 858	3 029 473
Bank Charges, Facility and Card Fees	272 288	255 928
Remuneration to Ward Committees	2 490 000	855 800
Commission paid	418 170	521 387
Motor Vehicle Licence and Registration	510 798	495 735
Entertainment	96 952	36 584
Youth Support Programme	7 631 650	4 321 652
Events	8 543 074	4 300 948
Insurance	2 043 098	1 702 929
Vehicle Tracking	161 671	157 734
IT expenses	535 582	2 355 673
Indigent Relief- Free Basic Electricity	1 832 138	2 068 608
Skills Development Fund levies	830 177	790 217
Fuel and oil	4 816 795	4 796 022
Printing and stationery	126 091	377 767
Protective clothing	1 356 423	620 243
System Access and Software licence expenses	3 518 106	2 040 354
Subscriptions and membership fees	1 267 835	1 258 638
Telephone and fax	710 632	295 613
Transport	899 300	285 750
Accommodation	5 348 684	2 232 789
Travel - overseas	234 680	-
Travel and Subsistence	1 324 760	427 458
Electricity	1 074 524	1 788 724
Poverty Relief	5 117 513	8 239 309
Forex Loss	85 374	-
Training	96 678	58 478
Seating Allowance for Traditional Leaders	4 134	29 429
Brokers Fees	25 000	-
	58 531 867	47 102 719
39. Impairment of assets		
Impairments		
Property, plant and equipment	3 831 677	614 745
40. Auditors' remuneration		
Fees	3 407 858	3 029 473

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41. Cash generated from operations		
Surplus (deficit)	22 639 786	(2 857 971)
Adjustments for:		
Depreciation and amortisation	26 865 757	24 813 357
Loss on sale of assets	(28 083)	54 492
Actuarial losses	(499 456)	149 583
Finance costs	277 379	189 228
Donations received	(2 005 220)	-
Other Non-cash items	147 417	(252 878)
Impairment Assets	3 831 677	614 745
Debt impairment	(4 870 693)	13 964 781
Bad debts written off	151 440	-
Movements in operating lease assets and accruals	38 293	25 761
Movements in Long service award policy changes	1 067 000	899 000
Movements in leave provision	179 711	(241 390)
Movement in Bonus Accrual	80 846	117 199
Changes in working capital:		
Inventories	500 022	551 897
Receivable from exchange transactions	(633 371)	(11 768 745)
Receivables from non-exchange transactions	(8 285 548)	795 826
Other Receivables from exchange transactions	(1 198 262)	(253 082)
Payables from exchange transactions	15 959 055	11 582 435
VAT	106 224	(1 860 126)
Finance lease	-	(20 306)
Unspent conditional grants and receipts	12 000	(815 760)
Consumer deposits	18 128	24 249
Employee benefit	(448 544)	-
	53 905 558	35 712 295

42. Commitments

Authorised capital expenditure

Total capital commitments

Already contracted for but not provided for	65 823 107	106 619 248
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The adjustment of R37 440 814 in capital commitments for 2022 is due to the incompleteness of the register that was used. The correction resulted in an increase in commitments for 2022

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43. Contingencies

Litigation in is progress regarding the following matters to which the municipality is a party. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely. As at the reporting date, the outcome of the cases is uncertain. The best estimate of the financial exposure by the municipality determined in concurrence with the municipality's legal representatives is as follows:

LS Sangweni vs Nquthu LM (Case. D790/2021)

An application for review was submitted to labour court regarding the decision of the commissioner to reinstate Mrs LS Sangweni. There are fair prospects of success, however, should the decision be in favour of the employee the employer will have to pay for only legal fees and not compensation as employee is not suspended. Legal costs are estimated to be R300 000.

Nquthu LM vs BJ Buthelezi

Mr BJ Buthelezi claims entitlement to Nquthu Erf 2461. He had bought the site before but later, through lawyers, he demanded and received the refund. There is also no deed of sale agreement in place. The matter is in Nquthu magistrate court. Legal costs are estimated to be R70 000.

Nquthu vs IMATU obo S Kunene

The municipality appeals the arbitration award that was awarded to S Kunene. The matter is waiting for set down date from the registrar. Legal costs are estimated to be R450 000

Nokuphiwa Mbatha vs Nquthu Municipality

Miss. N Mbhatha injured from uncompleted work she believed was caused by the municipality. Legal costs are estimated to be R2 500 000

Nquthu Municipality vs Inkosi TJ Ngobese

The iNkosi instructed citizens to illegally occupy the municipal land without consent of the municipality

Nquthu Municipality and other vs Temba N Buthelezi

This case is between two Buthelezi siblings where one of the siblings is chasing his brother out of their home. So, the victim took the matter to court and the court indicated that should the application fail or should the court rule in favor of the respondent, the municipality together with the Department of human settlement will have to provide a residence for the applicant

Parties	Estimated Cost
LS Sangweni vs Nquthu LM	300 000
Nquthu LM vs BJ Buthelezi	70 000
Nquthu vs IMATU obo S Kunene	450 000
Nokuphiwa Mbatha vs Nquthu Municipality	2 500 000
Nquthu Municipality vs Inkosi TJ Ngobese	250 000
Nquthu Municipality and other vs Temba N Buthelezi	50 000

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44. Related parties

Relationships

Members of key management

Refer to the employee cost note 30

Councillors

Refer to the Councillors remuneration note 31

Councillors exercise a significant influence over the municipality's financial and administrative capacity by being the municipality's executive and legislative authority.

Related party balances

Loan accounts - Owing by related parties

Overpayment to councillors

37 009

37 009

-

-

Upper limits debt

An amount was paid to councillors following a council decision. Following further clarification from COGTA, the municipality was required to recover the paid amounts. The councillors then signed an acknowledgement of debt for these amounts to be deducted from their remuneration on a monthly basis. The above is the amount outstanding at year end. The balance of Upper limits debts is disclosed on note 9.

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45. Prior-year adjustments

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

Statement of financial position

2022

	Note	As previously reported	Correction of error	Re-classification	Restated
Other receivables from exchange transactions	9	151 645	120 000	54 832	326 477
Receivables from non-exchange transactions	5	29 950 795	(18 108 825)	-	11 841 970
Receivable from exchange transactions	7	8 432 541	(4 608 876)	-	3 823 665
Overpayments to Councillors	9	37 009	-	(37 006)	-
VAT receivable		12 948 909	(9 687 428)	-	3 261 481
Prepayment	9	17 826	-	(17 826)	-
Investment property	10	19 371 051	22 101 000	-	41 472 051
Cash and Cash equivalent	8	130 502 942	(7 491)	-	130 495 451
Property, Plant and Equipment	11	594 916 585	(6 058 357)	-	588 858 228
Payable from exchange transaction	14	(53 748 809)	(101 734)	-	(53 850 543)
Accumulated Surplus		(728 499 650)	16 351 711	-	(712 147 939)
		14 080 844	-	-	14 080 841

Statement of financial performance

2022

	Note	As previously reported	Correction of error	Re-classification	Restated
Fines, Penalties and Forfeits	29	711 750	(40 182)	-	671 568
Other Income	24	1 377 083	(384 148)	-	992 935
Construction contract revenue	22	1 643 462	25 158 284	-	26 801 746
Property rates		45 634 506	1 476 357	-	47 110 863
Property rates - penalties imposed		4 358 151	(1 476 357)	-	2 881 794
Employee Related Cost	30	(87 839 693)	2 815	(899 000)	(88 735 878)
Depreciation	32	(24 825 672)	12 315	-	24 813 357
Finance Cost	33	(899 254)	(188 974)	899 000	(189 228)
Debt impairment	35	(1 036 101)	(6 105 533)	-	(7 141 634)
Construction contract expenditure	22	(1 643 462)	(25 158 284)	-	(26 801 746)
Contracted Services	37	(67 371 221)	1 825 763	-	(65 545 458)
General expenses	38	(45 460 156)	(1 642 560)	-	(47 102 719)
Surplus for the year		(175 350 607)	(6 520 504)	-	(132 244 400)

Errors

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45. Prior-year adjustments (continued)

The following prior period errors adjustments occurred:

Statement of Financial Position

Other receivable from exchange transactions

In the prior year, an amount of R120 000 relating to overpayment of Coole Networks was captured under unallocated deposits. A correction was processed resulting to an increase in other receivables and a decrease in payables from exchange transaction.

Furthermore, a reclassification of overpayment to councillors and prepayments resulted in an increase of R54 835 in other receivables from exchange transaction.

Receivables from exchange transactions

In the prior year, the assumptions that were used to calculate debt impairment were not in line with GRAP 104. The correction of assumptions used to calculate debt impairment resulted to a decrease of R4 608 876 in receivables from exchange transaction.

Receivables from non-exchange transactions

In the prior year, the assumptions that were used to calculate debt impairment were not in line with GRAP 104. The correction of assumptions used to calculate debt impairment resulted in a decrease of R18 108 825 in receivables from non-exchange transaction.

Investment Property

In the prior year, Investment property was incorrectly accounted for. Land that was occupied by illegal occupants was not accounted for. The effect of the correction resulted in an increase of R 22 101 000

Property, Plant and Equipment

In the prior year, the municipality accounted for land that is not registered under the name of the municipality according to the title deed. The effect of the correction resulted in a decrease of R6 058 357

VAT receivable

In the prior year, an incorrect amount of vat receivable was reported. A reconciliation of vat receivable and vat payable was performed in order to establish the correct amount of VAT receivable. The effect of the correction resulted in a decrease of VAT receivable of R 9 687 428. The error was due to an incorrect 2021 opening balance.

Cash and Cash Equivalent

Upon review of debtors reconciliation, it was noted that a receipt was captured twice. The correction resulted in a decrease of R7 491 in cash and cash equivalent

Payables from exchange transactions

Unallocated Deposits

In the prior year, an amount of R120 000 relating to overpayment of Coole Networks was captured under unallocated deposits. A correction was processed resulting in an increase in other receivables and an increase in payables from exchange transaction. Moreover, the amount of R35 536.13 that was received from a debtor (relating to overpayment of creditors) was incorrectly captured to unallocated deposit account instead of crediting account receivables. The correction resulted in a decrease in unallocated deposit.

Bonus Accrual

In the prior year, a bonus accrual was raised for a temporary employee resulting to an overstatement of R2 814.87. The correcting resulted to in a decrease of R 2 814.87 in payables from exchange transactions and a decrease of R2 814.87 in employee related costs.

Retentions

Upon review of retentions, it was noted that they were understated by an amount of R56 216. The correction resulted in an increase in payable from exchange by an amount of R56 216

Human Settlement - Housing Development funds

Up review of reconciliation for this line item it was noted that the opening balance for 2022, a difference of R1 413 was noted. The correction resulted in a decrease of R1 413 in payables from exchange transactions

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45. Prior-year adjustments (continued)

SARS Debt

In the prior year, R34 618 relating to leave pay that was not yet due was incorrectly raised. The correction resulted in a decrease of R34 618 in payable from exchange.

Statement of Financial Performance

Revenue:

Fines, Penalties and Forfeits

The correction of 8 900 was due to the reversal of 59 700 was reversed and 50 800 that was processed during the 2022 audit. The correction of 31 282 was due to cancelled and reversed tickets

Construction Contract revenue

In the prior year, construction contract revenue relating to electrification project was incorrectly accounted for as principal-agent relationship. The correction resulted in an increase in construction contract revenue of R 25 158 284

Property rates and penalties imposed on property rates

In the prior year, penalties imposed on property rates was incorrectly reversed on property rates resulting in property rates being understated by an amount of R 1 476 357. The correction resulted in an increase in property rates and a decrease in penalties imposed on property rates.

Depreciation

During the calculation of depreciation of Isuzu KB 300 4X4, the residual value was not taken into account. The correction resulted in a decrease of R12 315.

Construction Contract Expenditure

In the prior year, construction contract expenditure relating to electrification project was incorrectly accounted for as principal-agent relationship. The correction resulted in an increase in construction contract expenditure of R 25 158 284

Other Income

In the prior year, an amount of R384 180 relating to the transaction that took place prior 2020 financial year was received in 2022 financial year. The receipt was incorrect recorded as revenue for 2022 financial year

Employee related cost

Long service award

In the prior year, current service cost and finance cost for long service award was incorrectly classified as finance cost instead of employee related cost. Therefore a reclassification from finance cost to employee related cost was done to correct the error resulting in an increase in employee related cost and decrease in finance cost by R899 000.

Bonus Accrual

In the prior year, a bonus accrual was raised for a temporary employee resulting to an overstatement of R2 814.87. The correcting resulted in a decrease of R 2 814.87 in payables from exchange transactions and a decrease of R2 814.87 in employee related cost.

Finance cost

In the prior year, current service cost and finance cost for long service award was incorrectly classified as finance cost instead of employee related cost. Therefore, a reclassification from finance cost to employee related cost was done to correct the error resulting in an increase in employee related cost and decrease in finance cost by R899 000.

In the prior year, finance cost relating to landfill site were incorrectly classified as contracted services. The correction resulted in an increase of R188 974 in finance costs.

Debt Impairment

In the prior year, the assumptions that were used to calculate debt impairment were not in line with GRAP 104. The correction of assumptions used to calculate debt impairment resulted in an increase of R6 105 533 in debt impairment.

General Expenses

An analytical review of expenditure was conducted and anomalies were identified. Through further perusal of the general ledger misallocations were identified between contracted services and general expenditure. The correction resulted in a decrease of R 1 642 560 in general expenses

Contracted Services

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45. Prior-year adjustments (continued)

An analytical review of expenditure for contracted services was conducted and anomalies were identified. Through further perusal of the general ledger misallocation was identified between contracted services and general expenses. The correction resulted in an increase of R1 825 763 in contracted services

46. Risk management

Financial risk management

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

The global economic crises and the adverse impacts of the Covid 19 pandemic has had and will continue to have negative financial impacts on the municipality as well as the community. This will result in businesses closing down and individuals unable to settle their obligations with the municipality. A reduction in public spending will also impact on municipal spending on key focus areas. The uncertainties presented by the Covid 19 pandemic puts a strain on the finances of the municipality as well as spending within allocated budgets. The municipality continues to monitor and manage business risks (strategic and operational) and also assesses the impact of emerging risks on a continuous basis.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and funding sources.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Payable from Exchange Transaction	-	-	69 809 596	53 850 543
Consumer Deposit	-	-	545 036	526 908
Unspent Conditional grant	-	-	388 834	376 834

Credit risk

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

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

Financial assets exposed to credit risk at year end were as follows:

	2023	2022
Cash and Cash Equivalent	108 853 798	130 495 451
Receivable from Exchange Transactions	5 232 172	4 232 003
Receivable from Non-exchange transactions	35 224 084	21 175 627
	<u>149 310 054</u>	<u>155 903 081</u>

Market risk

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46. Risk management (continued)

Interest rate risk

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

Cash and Cash Equivalent	-	-	108 853 798	130 495 451
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47. Going concern

The Municipality is technically solvent as its total assets exceed its total liabilities, liquidity is not a challenge as it has enough investments, cash and other assets to repay its short term obligations.

Further, the Municipality's management and the leadership remains committed to good budgeting and financial management, and for this purpose will continue to monitor the implementation of budgets, including expenditure, revenue collection and borrowing. The effective functioning of the budget processes will contribute significantly to developing and sustaining financial health in the Municipality.

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

48. Events after the reporting date

The council approved a write off of R 69 894 324 on 27 July 2023, for unauthorised expenditure that was incurred in prior years.

The council approved a write off of R 71 843 on 27 July 2023, for fruitless and wasteful expenditure incurred in prior years

The council approved a write off of an amount of R 132 943 on 27 July 2023, the amount was included in other receivables.

49. Fruitless and wasteful expenditure

Opening balance as previously reported	71 843	33 678
Opening balance as restated	71 843	33 678
Add: Expenditure identified - current	19 614	38 165
Less: Amount written off - current	(18 636)	-
Less: Amount written off - prior period	(71 843)	-
Closing balance	978	71 843

50. Irregular expenditure

Opening balance as previously reported	153 999 870	75 026 418
Correction of prior period error	-	(362 361)
Opening balance as restated	153 999 870	74 664 057
Irregular Expenditure as previously reported	-	121 079 401
Add: Irregular Expenditure	96 626 791	-
Add/ (Less) :Correction of prior period error	-	32 920 469
Less: Amounts written off	(107 735 805)	-
Less: Amount written off - prior period error	-	(74 664 057)
Closing balance	142 890 856	153 999 870

Amounts written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R 107 735 805 (2022 :R 74 664 0571) from the total irregular expenditure amount as it was proven without reasonable doubt that the is indeed receiving the services.

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51. Additional disclosure in terms of Municipal Finance Management Act		
SALGA fees		
Current year subscription / fee	1 257 835	1 253 638
Amount paid - current year	(2 718 517)	(1 253 638)
	(1 460 682)	-
Audit fees		
Current year subscription / fee	3 919 036	3 483 894
Amount paid - current year	(3 919 036)	(3 483 894)
	-	-
PAYE and UIF		
Opening balance	1 035 724	-
Current year subscription / fee	11 010 310	13 045 347
Amount paid - current year	(11 150 605)	(12 009 623)
	895 429	1 035 724
Pension and Medical Aid Deductions		
Opening balance	1 344 025	-
Current year subscription / fee	16 811 835	14 644 193
Amount paid - current year	(18 155 860)	(13 300 167)
	-	1 344 026
VAT		
VAT receivable	4 562 589	4 480 044
VAT payable	(954 072)	(1 238 107)
	3 608 517	3 241 937

VAT output payables and VAT input receivables are shown in note 6.

All VAT returns have been submitted by the due date throughout the year.

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51. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding at 30 June 2023:

30 June 2023	Outstanding less than 90 days	Outstanding more than 90 days	Total
SM Kunene	-	37 005	37 005
Councillor B	804	1 508	2 312
	804	38 513	39 317

30 June 2022	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr SM Kunene	-	37 005	37 005
Cllr ET Nhlebela	374	10 238	10 612
Cllr SD Masimula	157	-	157
Cllr CN Skosana	654	-	654
	1 185	47 243	48 428

During the year the following Councillor's had arrear accounts outstanding for more than 90 days.

52. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Sole Service Provider	-	-	4 961 926	342 745
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53. Unauthorised expenditure

Opening balance as previously reported	69 894 324	-
Correction of prior period error	-	44 940 969
Opening balance as restated	69 894 324	44 940 969
Add: Expenditure identified - current	10 588 682	24 953 355
Less: Approved/condoned/authorised by council	(69 894 324)	-
Closing balance	10 588 682	69 894 324

The adjustment of R44 940 969 is a result of the incorrect R0 opening balance that was disclosed in 2022. The correction resulted in an increase of 44 940 969 in the opening balance for 2022 and increase in the closing balance of R44 940 969 of 2022

The municipality has budgeted most of its expenditure under inventory consumed and actual expenditure transactions recognised on the same line item. The municipality in compliance with GRAP Standard recognised expenditure on a nature basis which resulted in most transactions being reclassified from inventory consumed where it was budgeted to appropriate expenditure line items in terms of GRAP Standards.

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53. Unauthorised expenditure (continued)

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Non-cash	-	6 587 196
Cash	10 588 682	18 366 159
	10 588 682	24 953 355

Analysed as follows: non-cash

Employee related cost	599 422	614 745
Depreciation and amortisation	-	2 820 205
Finance charges	-	899 254
Loss on disposal of property, plant and equipment	-	54 492
Provision of impairment	-	149 583
Bad Debt written off	-	359 946
Construction contract	-	1 643 462
Inventory write down	-	45 509
Inventory consumed	776 908	-
General expenses	970 355	-
Contracted Services	8 242 074	-
	10 588 759	6 587 196

Analysed as follows: cash

Contracted services	-	9 819 539
General expenditure	-	8 213 753
Employee related costs	-	332 867
	-	18 366 159

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54. Budget differences

Material differences between budget and actual amounts

Items with excess of actual expenditure and revenue over the final budget of 10% . There were no other material differences between the final budget and the actual amounts.

1. More rental income due to filling of vacant municipal rented properties.
2. Other income was higher than budget due to insurance proceeds.
3. Service Charges were less than budget due to an increase of electricity losses because of illegal connections.
4. Higher than budgeted interest on investments was due to the lesser withdrawals than anticipated.
5. Penalties imposed were not budgeted for.
6. Government grants and subsidies show an unfavorable position because of underspending on capital conditional grants.
7. Fines, penalties and forfeits show a favourable balance, the municipality anticipated to receive more income from this revenue stream since it is difficult to estimate accurately.
8. Employee related costs were lower due to certain positions which were not filled during the financial year
9. Remuneration of councillors less since increments have not yet been approved.
10. Depreciation and amortisation was higher than budgeted due to more projects being completed than anticipated.
11. Debt Impairment loss was higher than expected due to low collections from consumers than anticipated and new debt impairment criterion..
12. Lease rentals on operating lease was higher than budget due to new lease agreements entered into than was initially expected.
13. Contracted services were higher due to an increase in repairs and maintenance costs as well as consulting fees
14. Transfers and subsidies budget was misallocated.
15. General Expenses were higher than budget due to poverty alleviation costs which were not included in the budget as well as higher expenditure than expected on events and fuel & oil costs.
16. Debt write-off, actuarial gains or losses, gains or losses on disposal of assets, impairment losses and inventory consumed were not budgeted for.
17. Stringent controls were implemented for accounts receivables resulting in more collection of property rates than anticipated.
18. Increase in electricity illegal connections resulted in less collection for sale of goods and services.
19. Less funds were withdrawn due to a decrease in expenditure for capital projects.
20. Less revenue for integrated electrification projects was recognised due to delayed SCM processes.
21. Less cash was paid to employees due to vacant positions that were not filled and a decrease in subsistence and travel claimed.
22. More unpaid creditors as at year-end resulted in less cash being paid to suppliers.
23. Less cash was spent on capital projects due to delayed SCM processes
24. More inventory was consumed due to the project pothole patching.
25. Operating lease asset is a non-cash item that was not budgeted.
26. The variance in receivable from non-exchange and receivable from exchange is due to revised debt impairment.
27. The variance in other receivables is due to prepaid expenditure for SALGA games and accommodation.
28. The variance in VAT receivable is due to the correction of 2021 opening balances.
29. The variance in investment property is due to the correction of investment property that was incorrectly classified as property plant and equipment.
30. The variance in property, plant and equipment is due to the correction of investment property that was incorrectly classified as property, plant and equipment.
31. The variance in finance lease obligation is due to incorrect budgeting.
32. Payables from exchange transactions is due to increase in creditors that were not paid as at year end due to nonavailability of funds.
33. The variance in Vat payable is because this line item is disclosed as a net amount in vat receivable line item.

Nquthu Local Municipality

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55. Segment information

General information

Identification of segments

The municipality is organised and reports to management and governance structures on the basis of two major functional areas: Community Services and Technical Services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes

The Municipality has other departments namely Budget and Treasury, Corporate Services, Planning and Economic development and Council that it has considered as not meeting the definition and classification as a reportable segment as supported by paragraph 8 of Grap 18 as these departments do not undertake activities of the municipality that generates significant economic benefits or service potential.

Aggregated segments

There were no segments of the municipality that were aggregated for this disclosure..

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment

Technical Services
Community Services

Goods and/or services

Provision electricity and refuse removal
Licence and permits and traffic services

Nquthu Local Municipality

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55. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2023

	Community Services	Technical Services	Total
Revenue			
Other income	182 447	2 054 351	2 236 798
Interest revenue	32 744	501 167	533 911
Service Charges	-	23 571 545	23 571 545
Rental of facilities and equipment	24 892	-	24 892
Housing development revenue	932 201	-	932 201
Government grants and Subsidies	3 436 046	36 873 000	40 309 046
Fines, penalties and forfeits	888 040	6 350	894 390
Total segment revenue	5 496 370	63 006 413	68 502 783
unallocated revenue			228 122 862
Entity's revenue			296 625 645
Expenditure			
General Expenses	(28 239 950)	(7 639 410)	(35 879 360)
Contracted Services	(4 169 291)	(17 576 752)	(21 746 043)
Depreciation and Amortisation	(2 286 607)	(10 006 683)	(12 293 290)
Bulk Purchases	-	(31 383 891)	(31 383 891)
Inventory consumed	(404 220)	(473 752)	(877 972)
Lease rental on operating lease	(399 305)	-	(399 305)
Finance cost	-	(277 379)	(277 379)
Employee related Cost	(30 552 866)	(27 709 569)	(58 262 435)
Total segment expenditure	(66 052 239)	(95 067 436)	(161 119 675)
Total segmental surplus/(deficit)			(92 616 892)

Nquthu Local Municipality

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	Community Services	Technical Services	Total
55. Segment information (continued)			
Total Segment expenses			(161 119 675)
Unallocated expenses			(114 432 739)
Profit/(loss) on Disposal of Assets			28 083
Actuarial gains			499 456
Impairment of assets			(3 831 677)
Debt impairment			4 870 693
Total revenue reconciling items			296 625 645
Municipality's surplus (deficit) for the period			22 639 786
Assets			
Receivables from Non-exchange Transactions	4 503 990	-	4 503 990
Receivables from exchange transactions	1 646 568	4 627 081	6 273 649
Property, plant and equipment	173 197 505	168 171 179	341 368 684
Total segment assets	179 348 063	172 798 260	352 146 323
Unallocated assets			467 219 245
Total assets as per Statement of financial Position			819 365 568
Liabilities			
Consumer deposit	-	434 553	434 553
Long service award	4 541 000	-	4 541 000
Landfill site provision	-	1 865 370	1 865 370
Total segment liabilities	4 541 000	2 299 923	6 840 923
Unallocated liabilities			77 595 580
Total liabilities as per Statement of financial Position			84 436 503

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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55. Segment information (continued)

2022

	Community Service	Technical Services	Total
Revenue			
Licence and Permits	1 015 511	-	1 015 511
Government grants and subsidies	3 815 000	39 059 659	42 874 659
Fines, penalties and forfeits	683 650	-	683 650
Interest revenue	28 796	-	28 796
Rental of facilities	576 906	-	576 906
Service Charges	-	25 174 053	25 174 053
Total segment revenue	6 119 863	64 233 712	70 353 575
unallocated revenue			239 325 217
Entity's revenue			309 678 792
Expenditure			
General expenses	(16 007 378)	(8 324 652)	(24 332 030)
Contracted Services	(3 059 339)	(26 807 777)	(29 867 116)
Bulk purchases	-	(30 663 273)	(30 663 273)
Lease rentals on operating lease	(333 367)	-	(333 367)
Finance Cost	-	(189 228)	(189 228)
Depreciation	(1 833 519)	(11 567 513)	(13 401 032)
Employee related cost	(28 891 050)	(20 871 561)	(49 762 611)
Total segment expenditure	(50 124 653)	(98 424 004)	(148 548 657)
Total segmental surplus/(deficit)			(110 498 489)

Nquthu Local Municipality

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	Community Service	Technical Services	Total
55. Segment information (continued)			
Total Segment expenses			(148 548 657)
Unallocated expenses			(149 158 996)
Loss on Disposal of Assets			(54 492)
Actuarial losses			(149 583)
Impairment			(614 745)
Inventory write-down			(45 509)
Debt impairment			(13 964 781)
Total revenue			309 678 792
Municipality's surplus (deficit) for the period			(2 857 971)
Assets			
Receivables from exchange transactions	581 771	2 068 950	2 650 721
Receivables from non-exchange transactions	-	3 861 660	3 861 660
Property, plant and equipment	146 219 557	235 581 693	381 801 250
Total segment assets	146 801 328	241 512 303	388 313 631
Unallocated assets			394 035 632
Total assets as per Statement of financial Position			782 349 263
Liabilities			
Consumer deposit	-	526 908	526 908
Long service award	4 386 000	-	4 386 000
Landfile site provision	-	2 510 218	2 510 218
Total segment liabilities	4 386 000	3 037 126	7 423 126
Unallocated liabilities			62 644 491
Total liabilities as per Statement of financial Position			70 067 617

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

Measurement of segment surplus or deficit, assets and liabilities

95 - Monday, 27 November 2023 - 13:13

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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55. Segment information (continued)

Basis of accounting for transactions between reportable segments

The municipality applies the same measurement basis on the information disclosed for the reportable segment as that of the municipal financial statements, except for departmental charges which are allocated between the departments based on consumption, expenditure incurred or any other relevant basis of allocation agreed-upon by the respective departments. On the municipal financial statements, departmental charges are eliminated. There are no other allocations to the reportable segments.

Information about geographical areas

Although the municipality operates in several geographical areas across different wards, these areas are irrelevant for users of the financial statements to make decisions about the entity as the goods or services provided are substantially the same.

56. Change in estimate

Property, plant and equipment

GRAP 17: Property, Plant and Equipment requires that the Nquthu Local Municipality shall at each reporting date assess whether there has been an indication that the Municipality's expectation about the remaining useful lives of assets have changed. Such review has been completed and the following results were achieved.

The indicator, "The asset is approaching the end of its previously expected useful life", was identified in respect of 3112 assets. Management determined that these assets will still be in use for at least the next two financial periods and the remaining useful lives of these assets were extended accordingly.

The impact of the adjustment is that depreciation charges on Property, Plant and Equipment have decreased by R698,895.57 for the 2023 financial year as well as the 2024, and 2025 financial periods.

PART D:
AUDIT & PERFORMANCE COMMITTEE REPORT
FOR THE YEAR ENDED 30 JUNE 2023

Audit and Performance Committee Report for the year ended 30 June 2023

1. Background

Nquthu Local Municipality's Council in its meeting which was held on 21 January 2021 resolved to appoint the Audit and Performance Committee as prescribed by Section 166 of the Municipal Finance Management Act 56 of 2003. The Audit and Performance Committee serves the purpose of being an independent advisory body to Council, the Political Office Bearers and the Accounting Officer thereby assisting Council in its oversight role.

2. Membership of the Audit and Performance Committee

The Audit and Performance Committee consists of independent members as required by section 166 of the Municipal Finance Management Act 56 of 2003(MFMA) and they are:

- Mr S Majola : Audit and Performance Committee Chairperson
- Ms N Thungo : Audit and Performance Committee Member
- Ms P Sihlongonyane : Audit and Performance Committee Member

The MFMA requires that the committee meet at least four times a year, which translates to one meeting per quarter. The committee held all its meetings virtually and they were attended as follows:

MEMBER NAME	MEETINGS ATTENDED
Mr S Majola	6
Ms N Thungo	6
Ms P Sihlongonyane	6

Members attended all the meetings as per above.

3. Audit and Performance Committee Responsibility

We report that we have performed our responsibilities for the year ended 30 June 2023 in terms of Section 166 of the Municipal Finance Management Act No 56 of 2006. We further report that we conducted our affairs in compliance with the Audit and Performance Committee Terms of Reference.

4. The Effectiveness of Internal Control

The MFMA requires that the municipality's system of internal controls should be designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are effectively managed. In line with this act and the King IV reports on Corporate Governance requirements, Internal Audit reports provide the Audit Committee and Management with assurance that the system of internal controls of the Municipality were effective or not.

The Audit and Performance Committee monitored the implementation of both the internal auditor's and the external auditors (i.e. Office of the Auditor-General's (OA-G)) recommendations by management to ensure that reasonable steps were taken by management to address internal control weaknesses identified. *Most of the OA-G's recommendations were implemented by management and the remainder are in progress.*

A number of control weaknesses that were identified include:

- High vacancy rate which might hinder the implementation of some controls
- Reconciliations of financial and performance information not undertaken timeously

With regards to the vacancy rate, the municipality must review its organogram and remove the posts that are not needed.

Reconcillation of financial and performance information should be done monthly.

5. Minimum qualifications for finance staff

With the assistance from the municipality's human resources section, the audit and performance committee assessed the qualifications and experience of the Budget and Treasury department's staff and *we found that all the managers and the Chief Financial Officer meet the required minimum skills and qualifications.*

6. Internal Audit

An external service provider was appointed by the municipality to provide the internal audit services. Audit committee approved the internal auditor's Strategic and Operational plans for 2022/23 financial year. The Committee is satisfied that all the reviews that were planned for the 2022/23 financial were undertaken and reported by the Internal Auditor. Quarterly reports from Internal Audit were reviewed and findings were discussed and agreed upon with management. Management through the leadership of the accounting officer committed to continuously address the issues raised by the Internal Audit Activity in order for the Municipality to improve the effectiveness of internal controls. The accounting officer also committed to undertake follow-ups with management to ensure that all

recommendations were fully implemented. *We recommend that internal audit recommendations continue being a standing agenda item on the Management Committee's meetings.*

7. Financial reporting and financial management

Financial Reporting

In the meetings that sat in August 2023, we reviewed the AFS for 2022/23 financial year. Recommendations for improvement on the quality of these AFS were shared with management who in turn promised to address these before the submission of the AFS to OA-G.

We also reviewed the monthly section 71 financial reports which were submitted to the committee and we made inputs to management to improve the financial status of the municipality by:

- Improving the debtors' collection rate
- Continually improving the quality of the statements
- Attend to electricity losses

We therefore recommend the following:

- Debtors book must be reviewed to assess the recoverability of outstanding amounts and where debtors are not recoverable, they must be written off.
- Settlement discounts must be considered to entice consumers to settle long-outstanding debts.
- Indigent register must be updated continuously throughout the year.
- That ward councillors in their community meetings should encourage communities to pay for the services they receive from the municipality.
- Management should review the revenue enhancement strategy
- Interim Financial Statements should be compiled and audited by internal audit.
- Management must compile a strategy as to how the municipality will address the electricity losses.

Financial management

Other than the issues raised in the previous paragraphs, the municipality's financial affairs as at the end of mid-year appeared to be in a stable position. The municipality does meet its financial obligations, it has adequate funds to settle outstanding debt and unspent grant funds are cashed backed.

We recommend that:

- *Creditors accounts should be settled within 30 days of receipt of invoices as required by section 65(2) e of the Finance Management Act.*

8. Performance Management System (PMS)

We monitored the performance reporting of the municipality and raised inputs to improve controls in this section. Annual performance assessments for the 2022/23 financial year were conducted.

The following recommendations were shared with management:

- *Alignment of the IDP, Budget, SDBIP and the Municipal scorecard*
- *Targets meet the SMART principle*
- *Consistency of objectives, indicators and targets*
- *Each Senior manager should timeously prepare and submit a Portfolio of evidence (POE) file for his/her section to the performance management section*
- *Corrective measures (or catch up plans) for performance improvement should be devised where targets were not met*
- *Management should continually strive to ensure that targets are achieved*

These recommendations were discussed and agreed upon with management.

9. External Audit

It is with great pleasure to report to Council that when this Performance and Audit Committee took over, the municipality had disclaimer opinion and for the year under review, the municipality received an unqualified audit opinion. This is a huge improvement and the Committee applauds management led by the accounting officer and the commitment of the chief financial officer. There matters of emphasis that the OA-G raised in their report which will need to be addressed because if they are not addressed they might lead to a negative audit opinion in future.

We will assess the action plan to address these issues raised by the OA-G and also monitor its implementation in our quarterly meetings. We agreed with the accounting officer that management will also monitor the implementation of this plan in all their management committee meetings.

We recommend that Council should work closely with the accounting officer to ensure that this action plan is implemented and all issues are addressed before the end of the 2022/23 financial year.

10. Risk Management and Compliance

The municipality has a separate Risk Management Committee (RMC) that deals with matters of risk management. The Municipality's Internal Audit Unit plays as an advisory role in Risk management and compliance. A risk identification process was conducted by the municipality and a risk register was developed. The RMC sits at least on a quarterly basis to consider the plans to mitigate the impact of risks and also to identify, if any, new emerging risks.

We recommend that the RMC should continue with its processes and management should play a leading role in risk management for their sections.

We also recommend that members of the RMC be capacitated with knowledge on risk management.

11. Corporate governance

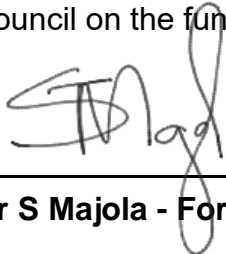
Efforts by Management in improving internal controls are prevalent and for the municipality to receive an unqualified audit opinion for the year under review confirms this improvement. Our committee will continue to support management and advise Council as required by section 166 of the MFMA. Management should continue working closely with internal audit and the audit team to improve the quality of reports and internal controls.

We also appreciate the oversight role played by Council and we recommend that this continues.

12. Conclusion

We commit to continually assist the municipality to improve internal controls, financial management, risk management and the audit opinion. We appreciate the opportunity presented to us by Council to assist the municipality in achieving its objectives. We commit to support management and Council in their strides to fast track service delivery.

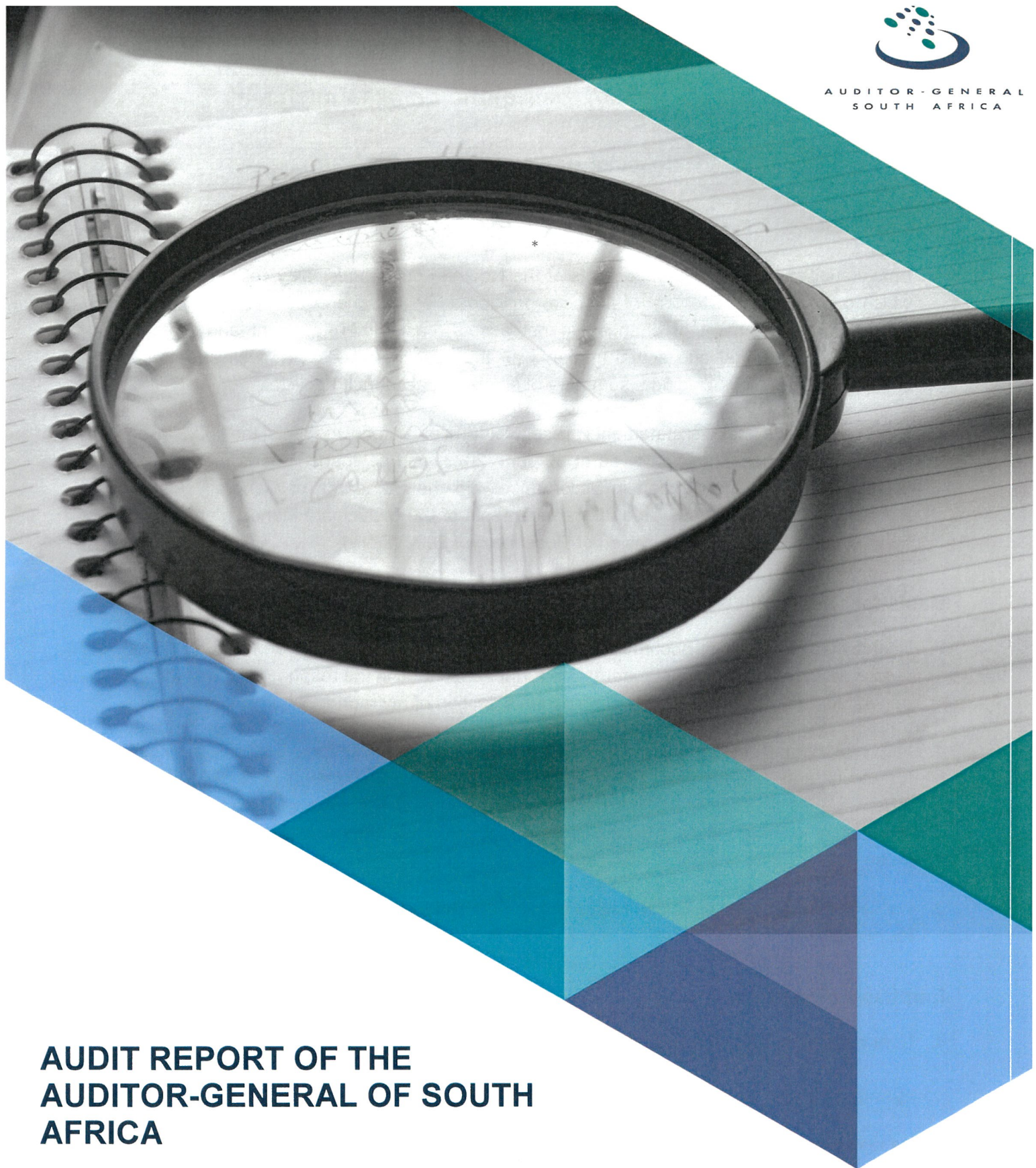
Lastly we appreciate the support we enjoy from both the accounting officer and Council on the functioning of the committee.



Mr S Majola - For the Audit and Performance Committee

PART E:

**AUDIT REPORT OF THE AUDITOR-GENERAL OF
SOUTH AFRICA FOR THE YEAR ENDED 30 JUNE
2023: NQUTHU LOCAL MUNICIPALITY**



AUDIT REPORT OF THE AUDITOR-GENERAL OF SOUTH AFRICA

FOR THE YEAR ENDED 30 JUNE 2023

Nquthu Local Municipality

Report of the auditor-general to the KwaZulu-Natal Provincial Legislature and the council on the Nquthu Local Municipality

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Nquthu Local Municipality set out on pages 133-228 which comprise the statement of financial position as at 30 June 2023, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Nquthu Local Municipality as at 30 June 2023, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue 5 of 2022 (Dora).

Basis for opinion

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

Emphasis of matters

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

Restatement of corresponding figures

7. As disclosed in note 45 to the financial statements, the corresponding figures for 30 June 2022 were restated as a result of errors in the financial statements of the municipality at, and for the year ended, 30 June 2023.

Material losses – electricity distribution losses

8. As disclosed in note 36 to the financial statements, material electricity losses of R3,49 million (2021-22: R4,04 million.) was incurred, which represents 33% (2021-22: 25%) of total electricity purchased.

Material impairment allowance – receivables from non-exchange and exchange transactions

9. As disclosed in note 5 to the financial statements, an impairment loss of R39,63 million (2021-22: R44,13 million) on receivables from non-exchange transactions, as the recoverability of these amounts was doubtful.
10. As disclosed in note 7 to the financial statements, an impairment loss of R7,13 million (2021-22: R7,51 million) on receivables from exchange transactions, as the recoverability of these amounts was doubtful.

Other matter

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

Unaudited disclosure notes

12. In terms of section 125(2)(e) of the MFMA, the particulars of non-compliance with the MFMA should be disclosed in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

Responsibilities of the accounting officer for the financial statements

13. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the GRAP and the requirements of the MFMA and Dora; and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
14. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor-general for the audit of the financial statements

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

17. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected key performance area presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

18. I selected the following key performance area presented in the annual performance report for the year ended 30 June 2023 for auditing. I selected a key performance area that measures the municipality’s performance on its primary mandated functions and that is of significant national, community or public interest.

Key performance area	Page numbers	Purpose
KPA 02 – service delivery and infrastructure development	81 to 93	Improved access to basic services

19. I evaluated the reported performance information for the selected key performance area against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the municipality’s planning and delivery on its mandate and objectives.

20. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the municipality’s mandate and the achievement of its planned objectives
- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner
- there is adequate supporting evidence for the achievements reported and for the measures taken to improve performance

21. I performed the procedures for the purpose of reporting material findings only, and not to express an assurance opinion.

22. The material findings on the performance information of the selected key performance area are as follows:

KPA 02 – service delivery and infrastructure development

Percentage of potholes fixed as per maintenance plan

23. The planned indicator and target were to fix potholes per the maintenance plan but the reported achievements referred to were the potholes fixed from the inspection reports.

Various indicators

24. Adequate systems and processes were not established to enable consistent measurement and reliable reporting of performance against the predetermined indicator definitions. As a result, I was unable to obtain sufficient appropriate audit evidence for the achievements reported in the annual performance report for the listed indicators. I was unable to confirm the verifiability of the indicator and the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements.

Indicator description	Planned target	Reported achievement
Number of free basic electricity (FBE) units given to consumers	48 000 kW/h	47 219 kW/h
Number of new households connected to the grid (accumulative)	250	475

Other matters

25. I draw attention to the matters below.

Achievement of planned targets

26. The annual performance report includes information on reported achievements against planned targets and provides explanations for measures taken to improve performance. This information should be considered in the context of the material findings on the reported performance information.

Material misstatements

27. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of service delivery and infrastructure development. Management did not correct all of the misstatements and I reported material findings in this regard.

28. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting officer is responsible for the municipality's compliance with legislation.
29. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
30. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the municipality, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
31. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements

32. The financial statements submitted for auditing were not fully prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of non-current assets, current assets, revenue, expenditure, and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

33. Reasonable steps were not taken to prevent unauthorised expenditure of R10,59 million, as disclosed in note 53 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by overspending on contracted services and general expenditure.
34. Reasonable steps were not taken to prevent irregular expenditure of R96,63 million as disclosed in note 50 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by the non-compliance with supply chain management regulations.

Procurement and contract management

35. Some goods and services with a transaction value above R200 000 were procured without inviting competitive bids, as required by supply chain management (SCM) regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM regulation 36(1). Similar non-compliance was also reported in the prior year.

36. Some contracts were awarded to bidders based on points given for legislative requirement that differed from those stipulated in the original invitation for bidding, in contravention of SCM regulations 21(b) and 28(1)(a)(i) and the Preferential Procurement Regulations.
37. The preference point system was not applied to some procurement of goods and services as required by section 2(1)(a) of the Preferential Procurement Policy Framework Act.
38. Some invitations to tender for procurement of commodities designated for local content and production did not stipulated the minimum threshold for local production and content, as required by the 2017 preferential procurement regulation 8(2). Similar non-compliance was reported in the prior year.
39. Some contracts were extended or modified without the approval of a properly delegated official, in contravention of SCM regulation 5. Similar non-compliance was reported in the prior year.
40. The performance of some contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA. Similar non-compliance was reported in the prior year.

Other information in the annual report

41. The accounting officer is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and the selected key performance area presented in the annual performance report that have been specifically reported on in this auditor's report.
42. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation, do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
43. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected key performance area presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
44. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

45. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
46. The matters reported below are limited to the significant internal control deficiencies that resulted in the material findings on the annual performance report and the material findings on compliance with legislation included in this report.
47. Management did not implement adequate controls over the preparation of financial statements that are free from material misstatements. Financial statements were not reconciled to underlying records and the municipality relied heavily on consultants.
48. Inadequate budget monitoring led to the overspending of certain votes. Inadequate allocation of resources and a lack of training of officials resulted in material findings in the annual performance report.

Auditor-General
Pietermaritzburg

30 November 2023



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

- the auditor-general's responsibility for the audit
- the selected legislative requirements for compliance testing.

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected key performance area and on the municipality's compliance with selected requirements in key legislation.

Financial statements

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

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003	Section 1 – paragraph (a), (b) & (d) of the definition: irregular expenditure, Section 1 – definition: service delivery and budget implementation plan, Sections 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 29(1), Sections 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), 32(2)(b), Sections 32(6)(a), 32(7), 53(1)(c)(ii), 54(1)(c), 62(1)(d), 62(1)(f)(i), Sections 62(1)(f)(ii), 62(1)(f)(iii), 63(1)(a), 63(2)(a), 63(2)(c), 64(2)(b), Sections 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), Sections 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1), Sections 122(2), 126(1)(a), 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii), Sections 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 170, Sections 171(4)(a), 171(4)(b)
MFMA: Municipal Budget and Reporting Regulations, 2009	Regulations 71(1), 71(2), 72
MFMA: Municipal Investment Regulations, 2005	Regulations 3(1)(a), 3(3), 6, 7, 12(2), 12(3)
MFMA: Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014	Regulations 5(4), 6(8)(a), 6(8)(b), 10(1)
MFMA: Municipal Supply Chain Management Regulations, 2017	Regulations 5, 12(1)(c), 12(3), 13(b), 13(c), 13(c)(i), 16(a), 17(1)(a), Regulations 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a), Regulations 27(2)(e), 28(1)(a)(i), 28(1)(a)(ii), 29(1)(a), 29(1)(b), Regulations 29(5)(a)(ii), 29(5)(b)(ii), 32, 36(1), 36(1)(a), 38(1)(c), Regulations 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43, Regulations 44, 46(2)(e), 46(2)(f)
Municipal Systems Act 32 of 2000	Sections 25(1), 26(a), 26(c), 26(h), 26(i), 29(1)(b)(ii), 29(3)(b), 34(a), 34(b), Sections 38(a), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, 43(2), 56(a), 57(2)(a), Sections 57(4B), 57(6)(a), 66(1)(a), 66(1)(b), 67(1)(d), 74(1), 93J(1), 96(b)

Legislation	Sections or regulations
MSA: Municipal Planning and performance Management Regulations, 2001	Regulations 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 3(6)(a), 7(1), 8, 9(1)(a), 10(a), Regulations 12(1), 15(1)(a)(i), 15(1)(a)(ii)
MSA: Municipal Performance Regulations for Municipal Managers and Managers directly Accountable to Municipal Managers, 2006	Regulations 2(3)(a), 4(4)(b), 8(1), 8(2), 8(3)
MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014	Regulations 17(2), 36(1)(a)
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations 5(2), 5(3), 5(6), 8(4)
Annual Division of Revenue Act	Section 11(6)(b), 12(5), 16(1); 16(3)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations	Regulations 17, 25(7A)
Municipal Property Rates Act 6 of 2004	Section 3(1)
Preferential Procurement Policy Framework Act 5 of 2000	Sections 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), 6(8), Regulations 7(1), 7(2), 7(3), 7(6), 7(8), 8(2), 8(5) 9(1), 10(1), 10(2), Regulations 11(1), 11(2)
Preferential Procurement Regulations, 2022	Regulations 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)

ASSESSMENT OF MUNICIPAL PERFORMANCE ON REVENUE COLLECTION AND MANAGEMENT OF DEPTORS RELATING TO PROPERTY RATES AND SERVICE CHARGES

1. Comparison with the previous financial year.

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	23 571 545	25 105 306
Construction contract revenue	22	5 795 021	26 801 746
Rental of facilities and equipment	23	792 131	769 443
Other income	24	572 943	992 935
Interest revenue	25	10 948 772	7 574 464
Total revenue from exchange transactions		41 680 412	61 243 894
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	36 644 801	47 110 863
Property rates - penalties imposed	26	1 885 688	2 881 794
Licences and Permits	27	956 938	1 022 912
Transfer revenue			
Government grants & subsidies	28	212 625 046	196 747 761
Fines, Penalties and Forfeits	29	827 540	671 568
Donation Income		2 005 220	-
Total revenue from non-exchange transactions		254 945 233	248 434 898
Total revenue		296 625 645	309 678 792

The financial statements of the Nquthu Local Municipality for the year ended June 30, 2023 show a decline in total revenue collection of R13,053,197 compared to the previous year.

- Total revenue from exchange transactions decreased by R19,562,349. This includes a decline in construction contract revenue, rental of facilities and equipment, and interest revenue.
- However, there was a slight increase in revenue from service charges and other income.
- Total revenue from non-exchange transactions increased by R6,510,335. This increase was mainly due to transfer revenue, which includes government grants and subsidies.
- There was a decrease in taxation revenue, property rates, licences and permits, and fines, penalties and forfeits.

Overall, the decline in revenue collection appears to be due to a decrease in revenue from exchange transactions, which was partially offset by an increase in revenue from non-exchange transactions.

2. Assessment of the performance against measurable performance objectives for revenue collection.

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	43 969 538	(13 362 543)	30 606 995	23 571 545	(7 035 450)	21&54
Construction contracts	-	-	-	5 795 021	5 795 021	
Rental of facilities and equipment	592 350	58 325	650 675	792 131	141 456	23&54
Other income	420 429	4 822	425 251	572 943	147 692	24&54
Interest revenue	3 027 261	5 102 458	8 129 719	10 948 772	2 819 053	25&54
Total revenue from exchange transactions	48 009 578	(8 196 938)	39 812 640	41 680 412	1 867 772	

Revenue from non-exchange transactions

Taxation revenue

Property rates	41 056 984	(2 395 913)	38 661 071	36 644 801	(2 016 270)	26&54
Property rates - penalties imposed	4 199 589	(2 615 775)	1 583 814	1 885 688	301 874	26&54
Licences and Permits	884 245	(116 411)	767 834	956 938	189 104	27&54

The total revenue from exchange transactions was budgeted to be R39,812,640 but only R41,680,412 was actually collected. This is a positive difference of R1,867,772. However, the positive difference must be viewed in light of the downward adjustment of R8,196,938 during the adjustment budget, which is a significant downward adjustment from the original budget of over R48 million. Interest on investment was also adjusted upwards and that is collection in nature. In most cases, downward adjustment is a response to poor performance at mid-year, so this means the municipality is not performing well when all factors are considered. This may be due to the following reasons:

- Incorrect electricity tariffs that do not properly take the cost of supply into account coupled with losses associated with technical losses caused by ageing electricity infrastructure as well as illegal connections and/or tempering.

Property rates revenue was budgeted to be R38,661,071 but only R36,644,801 was actually collected. This is a negative difference of R2,016,270, despite the fact that the budget had already been adjusted downward by R2,395,913 during the adjustment budget. Under collection in property rates may be due to the following reasons, among others:

- Economic conditions due to the generally poor economic climate which affects most households.

- Inadequate enforcement of collection measures like electricity disconnections and using debt collection services.

3. Assessment on any arrears on municipal taxes and services charges.

Summary of debtors by customer classification-Property Rates	2023	2022
Government	24,118,058	27,590,186
Commercial	1,888,333	1,585,549
Households	25,827,868	16,212,747
Other	7,903,169	6,717,288
	59,737,428	52,105,770
Less: Allowance for impairment	(26,698,661)	(32,681,566)
	33,038,767	19,424,204

Summary of debtors by Classification-Electricity		
Government	1,594,951	1,227,872
Commercial	1,688,726	2,004,753
Household	222,545	126,162
Other	74,179	74,366
	3,580,401	3,433,153

Summary of Debtors by Classification - Refuse		
Government	3,449,976	149,630
Commercial	343,626	196,489
Household	2,907,638	4,401,065
Other	39,133	1,596,369
	6,740,373	6,343,553

Property Rates:

- **Government:** There was a decrease in arrears from 2022 to 2023, suggesting improved payment compliance or collection efficiency. Potential reasons could include better budget management by government entities, streamlined payment processes, or stricter enforcement of payment deadlines.
- **Commercial:** Arrears increased slightly from 2022 to 2023, indicating potential economic challenges faced by commercial establishments. Reasons could include downturns in business activity, cash flow issues, or delayed payments due to economic uncertainties.
- **Households:** Arrears increased significantly, indicating financial strain among residents. Potential reasons could include economic hardships, job losses, inflation, or changes in household income levels. Additionally, factors like rising property rates or service charges could contribute to payment difficulties for households.

- **Other:** Arrears also increased, suggesting broader issues within the municipality or changes in payment behavior among other customer classifications. Reasons could include administrative inefficiencies, lack of enforcement mechanisms, or changes in the composition of customers in this category.

Electricity Charges:

- **Government:** Arrears increased from 2022 to 2023, possibly due to delayed payments or increased usage by government entities. Reasons could include budget constraints leading to delayed payments or changes in electricity consumption patterns.
- **Commercial:** Arrears decreased slightly, possibly due to improved payment behavior or collection efforts. Commercial entities may have prioritized settling electricity bills to avoid service disruptions or penalties.
- **Households:** Arrears increased significantly, indicating difficulties in meeting electricity bill payments. Economic factors like rising utility costs, changes in household income, or inefficient billing systems could contribute to payment challenges for households.
- **Other:** Arrears remained relatively stable, suggesting consistent payment behavior or collection efforts in this category.

Refuse Charges:

- **Government:** Arrears increased significantly, suggesting potential issues with payment compliance or collection for refuse services by government entities. Reasons could include budget constraints, administrative delays, or changes in waste management policies.
- **Commercial:** Arrears increased slightly, indicating challenges in payment for refuse services. Economic factors or changes in waste management practices could contribute to payment difficulties for commercial establishments.
- **Households:** Arrears decreased significantly, possibly due to improved payment or collection efforts. Efforts such as awareness campaigns, incentives for timely payments, or stricter enforcement of waste disposal regulations could have contributed to this outcome.
- **Other:** Arrears decreased significantly, indicating better payment compliance or collection for refuse services among other customer classifications.

The assessment above suggests that the municipality is not doing well in the area of debt management which requires more effort in debt collection and disconnection of non-paying customers to enforce payment. The municipality has a license in Ward 9 (Nquthu Town and surroundings) and must use this license as an instrument to enforce payment through disconnection of non-paying customers.

ANNEXURE TWO

NQUTHU LOCAL MUNICIPALITY

TYPE OF OPINION CURRENT YEAR (2022/2023) :

UNQUALIFIED

TYPE OF OPINION PREVIOUS YEAR (2021/2022) :

QUALIFIED

Nature of Audit Query	Audit Query	Audit Response (31 March 2024)	Audit Response (30 June 2024)	Audit Response Progress (31 July 2024)	Audit Response Progress (31 August 2024)
<p>1. RESTATEMENT OF CORRESPONDING FIGURES</p>	<p>As disclosed in note 49 to the financial statements, the corresponding figures for 30 June 2022 were restated as a result of an error in the financial statements of the municipality at, and for the year ended, 30 June 2023.</p>	<p>Audit action</p> <ol style="list-style-type: none"> The municipality will prepare reconciliations for all significant line items on the financial statements and will be reviewed by the Deputy CFO and CFO for any errors and omissions. General ledger transactions will be reviewed for accuracy and completeness and against the supporting information and GRAP compliant checklist will be utilized and signed for each tasks successfully completed. <p>Responsible Official CHIEF FINANCIAL OFFICER</p> <p>Action owner: Deputy CFO and CFO</p>	<p>Report Progress on ⇐ action at the end of 31 March 2024</p>	<p>Report Progress on ⇐ action at the end of 31 July 2024</p>	<p>Report Progress on ⇐ action at the end of 31 August 2024</p>
<p>2. MATERIAL LOSSES – ELECTRICITY DISTRIBUTION LOSSES</p>	<p>As disclosed in note 36 to the financial statements, material electricity losses of R3,49 million (2021-22: R4,04 million.) was incurred, which represents 33% (2021-22: 25%) of total electricity purchased. Technical losses of R3,49 million (2021-22:</p>	<p>Audit action</p> <ol style="list-style-type: none"> The bulk metre will be read monthly and compared against eskom invoices and follow up any discrepancies. Municipal hall electricity metres will be replaced with prepaid metres to limit consumption. Electricity infrastructure will be inspected to identify aged infrastructure and possible leakages. 	<p>Report Progress on ⇐ action at the end of 31 March 2024</p>	<p>Report Progress on ⇐ action at the end of 31 July 2024</p>	<p>Report Progress on ⇐ action at the end of 31 August 2024</p>

ANNEXURE TWO

Nature of Audit Query	Audit Query	Audit Response (31 March 2024)	Audit Response (30 June 2024)	Audit Response Progress (31 July 2024)	Audit Response Progress (31 August 2024)
	R4,04 million) was due to aging infrastructure and illegal connections.	<p>4. Municipality electricity billing tariffs will be reviewed and be cost reflective and also aligned with Eskom invoices, e.g. peak and off-peak hours.</p> <p>5. Disconnections being implemented for defaulting customers and customers that are not purchasing electricity are also disconnected to discourage theft of electricity.</p> <p>Responsible Official CHIEF FINANCIAL OFFICER</p> <p>Action owner: CFO & Director Technical Services.</p>			
<p>3. MATERIAL IMPAIRMENT ALLOWANCE/ PROVISION ON – RECEIVABLES FROM NON-EXCHANGE AND EXCHANGE TRANSACTIONS</p>	<p>As disclosed in note 5 to the financial statements, the municipality reported material impairments of R39,63 million (2021-22: R44,13 million) on receivables from non-exchange transactions, as the recoverability of these amounts was doubtful. As disclosed in note 7 to the financial statements, the municipality reported material impairments of R7,13 million (2021-22: R7,51 million) on receivables from exchange transactions, as</p>	<p>Audit action</p> <ol style="list-style-type: none"> Credit control and debt collection policy strictly adhered to. Disconnecting defaulting customers. Handing over to legal attorneys debtors that have long overdue accounts. Credit limit set for each customer based on past payment trend. Reporting of government entities or department to COGTA that are defaulting on their accounts. Write-off as bad debt amount owing by Ingonyama Trust Board. <p>Responsible Official CHIEF FINANCIAL OFFICER</p> <p>Action owner: Revenue Manager</p>	<p>Report Progress on ⇐ action at the end of 31 March 2024</p>	<p>Report Progress on ⇐ action at the end of 31 July 2024</p>	<p>Report Progress on ⇐ action at the end of 31 August 2024</p>

ANNEXURE TWO

Nature of Audit Query	Audit Query	Audit Response (31 March 2024)	Audit Response (30 June 2024)	Audit Response Progress (31 July 2024)	Audit Response Progress (31 August 2024)
	the recoverability of these amounts was doubtful.				
<u>KPA 2: Basic service delivery and infrastructure development</u>					
4. PERCENTAGE OF POTHLES FIXED AS PER MAINTENANCE PLAN	The planned indicator and target were to fix potholes per the maintenance plan, but the reported achievements referred to be the potholes fixed from the inspection reports.	<p><u>Audit action</u></p> <p>1. The finding has been addressed in the 2023/24 SDBIP. The indicator was changed to “Percentage of potholes fixed as per Inspection Register”.</p> <p><u>Responsible Official</u> MANAGER: OFFICE OF THE MUNICIPAL MANAGER</p> <p>Action owner: IDP/PMS Manager</p>	Report Progress on ⇐ action at the end of 31 March 2024	Report Progress on ⇐ action at the end of 31 July 2024	Report Progress on ⇐ action at the end of 31 August 2024
5. VARIOUS INDICATORS LACK ADEQUATE SYSTEMS AND PROCESSES TO MEASURE AND SUPPORT PERFORMANCE OF PREDETERMINED INDICATORS	Adequate systems and processes were not established to enable consistent measurement and reliable reporting of performance against the predetermined indicator definitions. As a result, I was unable to obtain sufficient appropriate audit evidence for the achievements reported in the annual performance report for the listed indicators. I was unable to confirm the verifiability of the indicator and	<p><u>Audit action</u></p> <p>1. Develop Technical Indicator Description document</p> <p>2. Submit TID’s list to COGTA for review</p> <p>3. Submit TID’s list to Council for approval</p> <p>4. Keep supporting records for all indicators.</p> <p><u>Responsible Official</u> MANAGER: OFFICE OF THE MUNICIPAL MANAGER</p> <p>Action owner:</p>	Report Progress on ⇐ action at the end of 31 March 2024	Report Progress on ⇐ action at the end of 31 July 2024	Report Progress on ⇐ action at the end of 31 August 2024

ANNEXURE TWO

Nature of Audit Query	Audit Query	Audit Response (31 March 2024)	Audit Response (30 June 2024)	Audit Response Progress (31 July 2024)	Audit Response Progress (31 August 2024)									
	<p>the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements.</p> <table border="1" data-bbox="360 478 846 1161"> <thead> <tr> <th data-bbox="360 478 548 566">Indicator description</th> <th data-bbox="553 478 683 566">Planned target</th> <th data-bbox="687 478 846 566">Reported achievement</th> </tr> </thead> <tbody> <tr> <td data-bbox="360 569 548 657">Number of free basic electricity (FBE) units given to consumers</td> <td data-bbox="553 569 683 657">48 000</td> <td data-bbox="687 569 846 657">47 219 kW/h</td> </tr> <tr> <td data-bbox="360 660 548 853">Number of new households connected to the grid (accumulative)</td> <td data-bbox="553 660 683 853">250</td> <td data-bbox="687 660 846 853">475</td> </tr> </tbody> </table>	Indicator description	Planned target	Reported achievement	Number of free basic electricity (FBE) units given to consumers	48 000	47 219 kW/h	Number of new households connected to the grid (accumulative)	250	475	IDP/PMS Manager			
Indicator description	Planned target	Reported achievement												
Number of free basic electricity (FBE) units given to consumers	48 000	47 219 kW/h												
Number of new households connected to the grid (accumulative)	250	475												

ANNEXURE TWO

Nature of Audit Query	Audit Query	Audit Response (31 March 2024)	Audit Response (30 June 2024)	Audit Response Progress (31 July 2024)	Audit Response Progress (31 August 2024)
6. ACHIEVEMENT OF PLANNED TARGETS	The annual performance report includes information on reported achievements against planned targets and provides explanations for over- and underachievement. This information should be considered in the context of the material findings on the reported performance information.	<p>Audit action</p> <ol style="list-style-type: none"> 1.Prepare draft APR timeously 2.Submit to Internal Auditors/Audit Committee and COGTA for review 3. Keep a record of supporting information. <p>Responsible Official MANAGER: OFFICE OF THE MUNICIPAL MANAGER Action owner: IDP/PMS Manager</p>	Report Progress on ⇐ action at the end of 31 March 2024	Report Progress on ⇐ action at the end of 31 July 2024	Report Progress on ⇐ action at the end of 31 August 2024
7. MATERIAL MISSTATEMENTS	Auditors have identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of KPA 02 – service delivery and infrastructure development. Management did not correct all of the misstatements and I reported material findings in this regard.	<p>Audit action</p> <ol style="list-style-type: none"> 1.Prepare draft APR timeously 2.Submit to Internal Auditors/Audit Committee and COGTA for review 3. Keep a record of supporting information. <p>Responsible Official MANAGER: OFFICE OF THE MUNICIPAL MANAGER Action owner: IDP/PMS Manager</p>	Report Progress on ⇐ action at the end of 31 March 2024	Report Progress on ⇐ action at the end of 31 July 2024	Report Progress on ⇐ action at the end of 31 August 2024
<p><u>Report on the audit of compliance with legislation</u></p>					
8. ANNUAL FINANCIAL STATEMENTS	The financial statements submitted for auditing were not fully prepared in all material respects in accordance with the	<p>Audit action</p> <ol style="list-style-type: none"> 1. GRAP Compliant checklist from Treasury will be utilized to minimize errors and omissions during AFS preparations. 	Report Progress on ⇐ action at the end of 31 March 2024	Report Progress on ⇐ action at the end of 31 July 2024	Report Progress on ⇐ action at the end of 31 August 2024

ANNEXURE TWO

Nature of Audit Query	Audit Query	Audit Response (31 March 2024)	Audit Response (30 June 2024)	Audit Response Progress (31 July 2024)	Audit Response Progress (31 August 2024)
	<p>requirements of section 122(1) of the MFMA. Material misstatements of non-current assets, current assets, revenue, expenditure, and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.</p>	<ol style="list-style-type: none"> 2. Trainings will be conducted on new changes on the legislation and GRAP standards to ensure compliance. 3. Interim AFS will also be prepared for the first six months and nine months and for 12 months to identify issues in time and addressing them early and thereby avoiding overload of work and risk of errors and omissions at year end. 4. Audit steering committee will sit on a weekly basis to monitor the implementation of audit action plan and audit committee chair and internal audit will be part of steering committee to provide more assurance on issues addressed. 5. Treasury will be contacted to assist with the review of the final draft AFS at year before submission to Auditor General. 6. Auditor General will be contacted to perform a status of records review during the year to minimize risk of errors at year end. <p>Responsible Official CHIEF FINANCIAL OFFICER</p> <p>Action owner: Chief Financial Officer and Deputy CFO</p>			
<p>9. EXPENDITURE MANAGEMENT</p>	<ol style="list-style-type: none"> 1. Reasonable steps were not taken to prevent unauthorised expenditure of R10,59 million, as 	<p>Audit action</p> <ol style="list-style-type: none"> 1. A thorough analysis of actual expenditure in the previous financial years will be performed including plans for the current financial year and 	<p>Report Progress on ⇐ action at the end of 31 March 2024</p>	<p>Report Progress on ⇐ action at the end of 31 July 2024</p>	<p>Report Progress on ⇐ action at the end of 31 August 2024</p>

ANNEXURE TWO

Nature of Audit Query	Audit Query	Audit Response (31 March 2024)	Audit Response (30 June 2024)	Audit Response Progress (31 July 2024)	Audit Response Progress (31 August 2024)
	<p>disclosed in note 53 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by overspending on contracted services and general expenditure.</p> <p>2. Reasonable steps were not taken to prevent irregular expenditure of R96,63 million as disclosed in note 50 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by the non-compliance with supply chain management regulations.</p>	<p>budgeting aligned with these to minimize risks for incorrect budgeting. Budget steering committee will sit regularly before final adjustment budget is approved.</p> <p>2. Orders are now issued on the system and the system does not allow the issuance of an order if the budget is insufficient, for contracted services where an order is not issued, the service providers will be engaged to limit their services on based on the available budget.</p> <p>3. Consequent management will be implemented to officials in breach of the supply chain management processes.</p> <p>4. For unforeseen and unavoidable expenditure, the over-expenditure will be reported to Council to comply with MFMA.</p> <p>5. For irregular expenditure regular training are being requested from Treasury where there has been changes in legislation and where the application of certain sections in the acts are not clear.</p> <p>6. SCM checklist prepared with assistance from Treasury will be reviewed and updated with changes in scm regulations and updated with deficiencies in internal controls identified during audit.</p> <p><u>Responsible Official</u> CHIEF FINANCIAL OFFICER</p>			

ANNEXURE TWO

Nature of Audit Query	Audit Query	Audit Response (31 March 2024)	Audit Response (30 June 2024)	Audit Response Progress (31 July 2024)	Audit Response Progress (31 August 2024)
		<p>Action owner: SCM Manager</p>			
<p>10. PROCUREMENT AND CONTRACT MANAGEMENT</p>	<p>1. Some goods and services with a transaction value above R200 000 were procured without inviting competitive bids, as required by supply chain management (SCM) regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM regulation 36(1). Similar non-compliance was also reported in the prior year.</p> <p>2. Some contracts were awarded to bidders based on points given for legislative requirement that differed from those stipulated in the original invitation for bidding, in contravention of SCM</p>	<p>Audit action</p> <ol style="list-style-type: none"> For irregular expenditure regular training are being requested from Treasury where there has been changes in legislation and where the application of certain sections in the acts are not clear. SCM checklist prepared with assistance from Treasury will be reviewed and updated with changes in scm regulations and updated with deficiencies in internal controls identified during audit. <p>Responsible Official CHIEF FINANCIAL OFFICER</p> <p>Action owner: SCM Manager</p>	<p>Report Progress on ↩ action at the end of 31 March 2024</p>	<p>Report Progress on ↩ action at the end of 31 July 2024</p>	<p>Report Progress on ↩ action at the end of 31 August 2024</p>

ANNEXURE TWO

Nature of Audit Query	Audit Query	Audit Response (31 March 2024)	Audit Response (30 June 2024)	Audit Response Progress (31 July 2024)	Audit Response Progress (31 August 2024)
	<p>regulations 21(b) and 28(1)(a)(i) and the Preferential Procurement Regulations.</p> <p>3. The preference point system was not applied to some procurement of goods and services as required by section 2(1)(a) of the Preferential Procurement Policy Framework Act.</p> <p>4. Some invitations to tender for procurement of commodities designated for local content and production did not stipulated the minimum threshold for local production and content, as required by the 2017 preferential procurement regulation 8(2). Similar non-compliance was reported in the prior year.</p>				

ANNEXURE TWO

Nature of Audit Query	Audit Query	Audit Response (31 March 2024)	Audit Response (30 June 2024)	Audit Response Progress (31 July 2024)	Audit Response Progress (31 August 2024)
	<p>5. Some contracts were extended or modified without the approval of a properly delegated official, in contravention of SCM regulation</p> <p>5. Similar non-compliance was reported in the prior year.</p> <p>6. The performance of some contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA. Similar non-compliance was reported in the prior year.</p>				
<p>11. INTERNAL CONTROL DEFICIENCIES</p>	<p>1. Management did not implement adequate controls over the preparation of financial statements that are free from material misstatements. Financial statements were not reconciled to underlying records and the</p>	<p>Audit action</p> <p>1. GRAP Compliant checklist from Treasury will be utilized to minimize errors and omissions during AFS preparations.</p> <p>Responsible Official CHIEF FINANCIAL OFFICER & MANAGER OFFICE OF THE MUNICIPAL MANAGER</p> <p>Action owner: Chief Financial Officer and Manager in the office of Municipal Manager.</p>	<p>Report Progress on ⇐ action at the end of 31 March 2023</p>	<p>Report Progress on ⇐ action at the end of 31 July 2023</p>	<p>Report Progress on ⇐ action at the end of 31 August 2023</p>

ANNEXURE TWO

Nature of Audit Query	Audit Query	Audit Response (31 March 2024)	Audit Response (30 June 2024)	Audit Response Progress (31 July 2024)	Audit Response Progress (31 August 2024)
	<p>municipality relied heavily on consultants.</p> <p>2. Management did not ensure compliance with procurement and contract management and expenditure management due to the inadequate allocation of resources and lack of training to current officials, resulting in material findings on SCM, and overspending of certain votes, respectively.</p> <p>3. Management did not implement adequate controls over the preparation of an annual performance report that is free from material misstatements. The inadequate allocation of resources and lack of training to current officials resulted in</p>				

ANNEXURE TWO

Nature of Audit Query	Audit Query	Audit Response (31 March 2024)	Audit Response (30 June 2024)	Audit Response Progress (31 July 2024)	Audit Response Progress (31 August 2024)
	material findings on the annual performance report.				
12. UNAUDITED DISCLOSURE NOTES	Particulars of non-compliance with the MFMA should be disclosed in the financial statements, in terms of section 125(2)(e) of the MFMA. This disclosure requirement did not form part of the audit of the financial statements, and Auditors could not express any opinion on it.	<p>Audit action</p> <p>1. GRAP Compliant checklist from Treasury will be utilized to minimize errors and omissions during AFS preparations.</p> <p>Responsible Official CHIEF FINANCIAL OFFICER</p> <p>Action owner: Chief Financial Officer</p>	Report Progress on ↩ action at the end of 31 March 2024	Report Progress on ↩ action at the end of 31 July 2024	Report Progress on ↩ action at the end of 31 August 2024

1. Total Number of Audit Findings: 12

2. % of resolved findings:0

3. % of unresolved findings: 0

4. Number of recurring Findings:



**NQUTHU LOCAL MUNICIPALITY KZN 242
OVERSIGHT REPORT 2022/2023**

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1. INTRODUCTION

In terms of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) and Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000), each municipality must prepare an Annual Report for each financial year. The purpose of the Annual Report is to:

- To provide a record of activities of the municipality or municipal entity during the financial year to which the report relates.
- To provide a report on performance against the budget of the municipality or municipal entity for that financial year; and
- To promote accountability to the local community for the decision made throughout the year by the municipality or municipality entity. The Annual Report 2022/2023 was tabled in the oversight committee on the 12th of March 2024 (Tuesday).

The final step in the reporting process is for Council to consider the Annual Report in the light of the findings contained in an Oversight Report. This is in terms of Section 129 of the MFMA. The Oversight report is compiled by the Municipal Public Accounts Committee (MPAC) as established by Council. The MPAC represents a separation of powers between the Executive Committee and the administration and is aimed at enhancing accountability and good governance.

The Oversight Report is prepared using guidelines prepared by the National Treasury as per MFMA Circular 32. It attempts to address comments and submissions made by the community and stakeholders, as well as the observations and recommendations of the MPAC.

2. BACKGROUND ON THE 2022/2023 ANNUAL REPORT

Section 121 of the Local Government: Municipal Finance Management Act 56 of 2003 (MFMA) stipulates that; “

1. Every municipality and every municipal entity must for each financial year prepare an annual report in accordance with this Chapter. The council of a municipality must within nine months after the end of a financial year deal with the annual report of the municipality and of any municipal entity under the municipality's sole or shared control in accordance with section 129.

2. The purpose of an annual report is –

To provide a record of activities of the municipality or municipal entity during the financial year to which the report relates.

- (a) To provide a report on performance against the budget of the municipality or municipal entity for that financial year; and
- (b) To promote accountability to the local community for the decision made throughout the year by the municipality entity.

3. The annual report of the municipality must include-

- (a) The annual financial statements of the municipality, and in addition, if section 122 (2) applies, consolidated annual financial statements, as submitted to the Auditor General for audit in terms of section 126 (1).
- (b) The Auditor General report in terms of section 126 (3) on those financial statements.
- (c) The annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal Systems Act.
- (d) The Auditor General's audit report in terms of section 45 (b) of the Municipal Systems Act.
- (e) An assessment by the municipality's accounting officer of any arrears on municipal taxes and service charges.
- (f) An assessment by the municipality's accounting officer of the municipality's performance against the measurable performance objectives referred to in section 17 (3) (b) for revenue collection from each source and for each vote in the municipality's approved budget for the relevant financial year.
- (g) Any explanation that maybe necessary to clarify issues that in connection with the financial statements.

- (h) Particulars of any corrective action taken or to be taken in response to the issues raised in the audit reports referred to in paragraphs (b) and (d) (i) Any information as determined by the municipality.
- (i) Any recommendations of the municipality's audit committee; and
- (j) (k) Any other information as may be prescribed.

4. The Annual Report of a municipal entity must include-

- (a) The annual financial statements of the entity as submitted to the Auditor General for audit in terms of section 126 (2) on those financial statements.
- (b) The Auditor General's audit report in terms of section 126 (3) on those financial statements.
- (c) An assessment by the entity's accountable officer of any arrears on those financial statements.
- (d) An assessment by the entity's accounting officer of the entity's performance against any measurable performance objectives set in terms of the service delivery agreement or other agreement between the entity and its parent municipality.
- (e) Particulars of any corrective action taken or to be taken in response to issues raised in the audit report referred to in paragraph (b);
- (f) Any information as determined by the entity or its parent municipality.
- (g) Any recommendations of the audit committee of the entity or its parent municipality; and
- (h) Any other information as may be prescribed."

It is against this background that the annual report in respect of the 2022/2023 financial year was submitted to Council on the 26th of March 2024 as per the following process flow;



Accordingly, notice was given in terms of section 21 of Local Government: Municipal Systems Act, NO. 32 of 2000 read with section 127 of the Local Government: Municipal Finance Management Act, 56 of 2003 that the Annual Report was open for comments and or inputs by the community and stakeholders by the 01st of March 2024. The Annual Report was placed at the municipal offices, and the municipal website www.nquthu.gov.za

Comments were received from KwaZulu/Natal Department of Cooperative Governance and Traditional Affairs. They advise that draft annual report should also include the assessment of recoverability of arrears, projected revenue and recommendations of the

Audit Committee. The MPAC meeting convened on the 12th of March 2024 to discuss Oversight Report for submission to the Council.

3. FUNCTIONS OF THE OVERSIGHT COMMITTEE

The functions of the oversight committee are to:

- Undertake a review and analysis of the Annual Report.
- Invite, receive, and consider inputs from councilors and portfolio committees, on the Annual Report.
- Consider written comments received on the Annual Report from the public consultation process.
- Conduct Public Hearing (s) to allow the local community or any organs of state to make representations on the Annual Report.
- Receive and consider Council's Audit Committee views and comments on the annual financial statements and the performance report.
- Preparation of the draft Oversight Report, taking into consideration, the views and inputs of the public, representatives of the Auditor General, organs of state, Council's Audit Committee and councilors.

4. COMPOSITION OF THE MUNICIPAL OVERSIGHT COMMITTEE

Cllr. NM Zungu (Chairperson),

Cllr. GAN Buthelezi, Cllr. TA Dlamini,

Cllr. NJ Khoza, Cllr. SB Simelane,

Cllr. SMC Zikode, Cllr. TM Hadebe

Cllr. MM Sibiya, Cllr. SY Nyoka

Cllr. SS Langa

5. INPUTS AND COMMENTS FROM THE OVERSIGHT COMMITTEE

Quality of submitted Annual Financial Statements (AFS) - The committee noted improvement in the set of AFS submitted for audit. Management is commended for

such improvement, and they shall continue to improve and reconduct regular reviews on the AFS.

The Accounting Officer must ensure that interim AFS and AFS are prepared and presented in a fair manner in accordance with South African Standards of GRAP, MFMA and DORA. The Accounting Officer must consider the issue of internal controls very serious and demonstrate sound actions towards giving direction to the affairs of the municipality.

Regular review of performance information – Oversight Committee note the outcome on Annual performance information and increase in number of findings on Auditor's Report issued by Auditor General from Annual Performance Report. There were three findings in 2022/2023, one finding in 2021/2022 and three findings in 2020/2021 financial year. Management needs to apply SMART principles when developing organizational scorecard. Management needs to make use of online performance management system to efficiently manage performance information. Quarterly reviews and reporting on performance must be taken serious by management.

Unauthorized, Irregular, Fruitless and Wasteful expenditure – The Committee note with concerns the incurred unauthorized expenditure amounting R10.5 million, irregular expenditure of R96.6 million, fruitless and wasteful expenditure amounting to R978 financial year. It is regrettable that Management failed to prevent UIFW expenditure. The Accounting Officer must ensure that UIFW is prevented as much as possible.

Non-compliance with legislation- Auditor General has raised number of noncompliance matters with laws and regulations. This gives threat to governance and management of the municipal affairs. Management needs to come up with turnaround strategy over this.

The Committee notes that Management has been able to develop an action plan to addresses matters raised by Auditor General, further suggests that the plan be monitored.

6. 2022/23 ANNUAL REPORT CHECKLIST FOR CONSIDERATION

INFORMATION REQUIRED IN THE ANNUAL REPORT	COUNCIL CONSIDERATIONS AND QUESTIONS	RESPONSES/COMMENTS
1. Financial matters – Annual Financial Statements – Section 121(3) of MFMA	Financial report matters were considered	Yes
Section 121 (3) (a). The annual financial statements (AFS) for the municipality and, if applicable, consolidated statements (with all entities) as submitted to the Auditor-General	The AFS are to be in the form as required by the applicable accounting standards.	Yes
Sections 121 (3) (a), 121 (4) and 121 (4) (b) of the MFMA	This applies to the AFS of municipal entities which this municipality does not have.	Yes
Section 121 (3) (e) of the MFMA is an assessment by the accounting officer on any arrears on municipal taxes and service charges, including municipal entities.	Has an adequate assessment been included? Is there sufficient explanation of the causes of the arrears and of actions to be taken to remedy the situation? Is any other action required to be taken?	Yes
Section 121 (3) (g) of the MFMA talks to particulars of any corrective action taken or to be taken in response to issues raised in the audit report	The conclusion of the annual audit is: <ul style="list-style-type: none"> • unqualified audit opinion • The objective of the municipality was to improve to unqualified audit opinion which was achieved. • Taking into account the audit opinion and the views of the audit committee, council considered the following: <ul style="list-style-type: none"> - To what extent does the report indicate serious financial issues? - To what extent are same issues repeated from previous audits? 	An Audit Action Plan was developed and submitted to Auditor General, KZN COGTA and KZN Treasury.

	<ul style="list-style-type: none"> - Is the action proposed considered to be adequate to effectively address the issues raised in the audit report? - Has a schedule of action been taken and included in the annual report with appropriate due date? 	
<p>Section 121 (3) (f) of the MFMA suggests that an assessment by the municipality's accounting officer of the municipality's performance against the performance objectives for revenue source and for each vote in the approved budget.</p>	<p>The budget of the municipality must contain measurable performance objections for revenue from each source and for each vote in the budget, taking into account the IDP (MFMA s 17 (3) (b), the accounting officer must include these objectives in the annual report on performance accordingly. Has the performance met the expectations of council and the community? Have the objectives been met? What explanations have been provided for any non-achievement? What was the impact on the service delivery and expenditure objectives in the budget?</p>	<p>Yes</p>
<p>Section 121 (3) (j) and Section 121 (4) (g) of the MFMA. Recommendations of the Audit Committee in relation to the AFS and audit reports of the municipality and its entities.</p>	<p>Have the recommendations of the audit committee in regard to the AFS been adequately addressed by the municipality and/or the entity? What actions need to be taken in terms of these recommendations? Conclusions on these recommendations and the actions required should be incorporated in the oversight report.</p>	<p>Yes</p>
<p>2. Disclosures – Allocation received and made- Section 123 – 125 of the MFM</p>	<p>Considerations</p>	<p>Yes</p>
<p>Section 123 (1) (a) of the MFMA. Allocations received by and made to the Municipality</p>	<p>The report needs to disclose:</p> <ul style="list-style-type: none"> • Details of allocations received from another organ of state in the national or provincial sphere. 	<p>Yes</p>

	<ul style="list-style-type: none"> • Details of allocations received from a municipal, entity or another municipality. • Details of allocations made to any other organ of state, another municipality or a municipal entity. • Any other allocation made to the municipality under Section 214 (1) (c) of the Constitution. <p>Have these allocations been received and made? Does audit report confirm the correctness of the allocations received in terms of DORA and provincial budgets?</p> <p>Does the audit report or the audit committee recommend any action?</p>	
<p>Yes</p>	<p>Section 123 of the MFMA and the MFMA guidance circular No 11, require that the municipality provide information per allocation received per vote and include.</p> <ul style="list-style-type: none"> - The current year and details of spending on all previous conditional grants, for the previous two financial years. Information is to be provided per vote. (For example, municipalities must report on all transfers received from provincial housing departments for housing subsidy grants for three financial years, and indicate how such funds were spent, and for what projects. - Information stating whether the municipality has complied with the 	<p>Section 123 (1) (c) of the MFMA. Information in relation to the use of allocations received.</p>

	<p>conditions of the grants, allocations in terms of section 214 (1) (c) of the Constitution and allocations received from other than another organ of state. Where there is non-compliance, details of the reasons for non-compliance are to be provided.</p> <ul style="list-style-type: none"> - Information on whether allocations under the DORA were delayed or withheld and the reasons advanced for this. This information is required on all allocations excluding the municipality's portion of the equitable share and where prescribed otherwise by the nature of the allocation. The Auditor General will ensure that the audit process includes a proper assessment (and reconciliation) on all national grants received by a municipality. Council should consider this aspect of the audit report and comments by the audit committee on the use of allocations received. Council should be satisfied that:- - The information has been properly disclosed; - Conditions of allocations have been met; and - That any explanations provided are acceptable. The comments of the Auditor General and the views of the audit committee should be used to determine the accuracy and appropriateness of this information. 	
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<p>Section 125 (1) of the MFMA. Information in relation to outstanding debtors and creditors of the municipality and entities</p>	<p>Municipalities and entities are reminded of the requirement to include, in their annual financial statements, amounts owed to them and persistently delayed beyond 30 days, by national or provincial departments and public entities. It is also a requirement to report on whether the municipality or entity has met its statutory commitments, including the payment of taxes, audit fees, and contributions for pension and medical aid funds. Council should be satisfied that:-</p> <ul style="list-style-type: none"> - The information has been properly disclosed; - Conditions of allocations have been met; and - That any explanations provided are acceptable. 	<p>Yes</p>
<p>3. Disclosures in notes to Annual Financial Statements (AFS) Information relating to benefits paid by the municipality and entity to councilors, directors and officials.</p>	<p>Considerations relating to section 124</p> <p>Information on the following items is to be included in the notes to the annual report and AFS;</p> <ul style="list-style-type: none"> - Salaries, allowances and benefits of political office bearers, councilors and boards of directors, whether financial or in kind; - Any arrears owed by individual councilors to the municipality or entity for rates and services, which at any time were outstanding for more than 90 days, including the names of those councilors. 	<p>Yes</p>

	<ul style="list-style-type: none"> - Salaries allowances and benefits of the municipal manager, CEO of municipal entity, CFO and every senior manager. - Contribution for pension and medical aid. - Travel, motor car, accommodation, subsistence and other allowances. - Housing benefits and allowances. - Overtime payments. - Loans and advances, and; - Any other type of benefit or allowance related to staff. - Council should be satisfied that information has been properly disclosed; conditions of allocations have been met; and that any explanations provided are acceptable. <p>The comments of the Auditor General and the views of the audit committee should be used to determine the accuracy and appropriateness of this information.</p>	
<p>4. Municipal Performance</p> <p>The annual performance reports of the municipality and entities</p>	<p>Considerations</p> <p>Section 46 of the Local Government: Municipal Systems Act requires municipalities to submit a performance report reflecting the performance of</p>	<p>The 2022/23 Annual Performance Report was submitted to the Auditor General with</p>

<p>the municipality and each service provider, a comparison of the performance with targets set for the previous year and measures take to improve performance. The report must form part of the annual report. Questions that may be considered are:-</p> <ul style="list-style-type: none"> - Has the performance report been included in the annual report? - Have all the performance targets set in the budget, SDBIP, service agreements etc., been included in the report? - Does the performance evaluation in the annual report compare actual performance with targets expressed in the budgets and SDBIP approved for the financial year? <p>In terms of key functions or services, how has each performed? E.g. have backlogs for water, sanitation and electricity been reduced? What are the refuse collection volumes, library usage statistics etc.?</p> <ul style="list-style-type: none"> - To what extent has performance achieved targets set by council? - Is the council satisfied with the performance levels achieved? - Is the community satisfied with performance? 	<p>the Annual Financial Statements at the end of August 2023, for auditing purposes.</p> <p>The 2022/23 Annual Performance Report has also been consolidated as part of the 2022/23 draft Annual Report which was submitted to the Council for approval on the 24 January 2024.</p>
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		<ul style="list-style-type: none"> - Has a customer satisfaction survey been undertaken and, if so, how do the results align with the annual report contents? - What were the outcomes of public consultation and public hearings? - What actions have been taken and planned to improve performance? - Is the council satisfied with actions to improve performance? - Did the targets set in the budgets, SDBIP agree with the targets set in the performance contracts of the municipal manager and each senior manager? - Does the report evaluate the efficiency of mechanisms applied to deliver the performance outcomes? - Taking into account the audit report and opinion and the views of the audit committee, is performance considered to be efficient and effective? - To what extent have actions planned for the previous year been carried over to the financial year reported upon? - Have any actions planned in the reported year been carried over to the current or future years? If so are any explanations been provided by providing municipal manager and are these satisfactory? Council should comment and draw 	
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<p>Audit reports on performance.</p>	<p>conclusions on information and explanations provided.</p>	
<p>Performance of municipal entities and municipal service providers.</p>	<p>Section 45, Local Government: Municipal Systems Act requires that the Auditor General must audit the result of performance measurements, as part of the internal auditing processes and annually. Have the recommendations of internal audit been acted on during the financial year? Have recommendations by internal audit and/or the Auditor General been included in action plans to improve performance in the following years?</p>	<p>The Auditor General audited the 2022/23 Annual Performance Report and there were three queries raised by the Auditor General. Annual Financial Statements was also looked at and Auditor General expressed unqualified opinion on them. There were also matters of non-compliance with laws and regulations raised by Auditor General.</p> <p>The Municipality has prepared an action plan which will assist in dealing with the issue raised by the Auditor General so that they don't re-occur at the end of the 2023/2024 financial year</p>
	<p>The annual report of the municipality should provide assessment of the performance of the municipal entities and all contracted service providers. This is in addition to the separate annual reports of the entities. The report should evaluate the effectiveness of these services and whether alternative mechanisms should be considered. Is the council satisfied with the evaluation and conclusions of the municipality? What other actions are considered necessary to be taken by the accounting officer?</p>	<p>The performance of the service providers which were appointed by the municipality during the year under review to provide a specific service was also included as part of the 2022/23 Annual Report.</p>
<p>5. General Information</p>	<p>The following general information is required to be disclosed in the annual report.</p>	

<p>Relevant information on municipal entities.</p>	<p>The municipality should disclose all information relating to the municipal entities under the sole or effective control of the municipality. Information to be disclosed includes names and types of entities, members of the board, addresses, and contact details for entities, the purpose of the entity, the functions, and services provided the type and term of service level agreements with entities.</p>	<p>N/A</p>
<p>The uses of any donor funding support</p>	<p>What donor funding has the municipality received?</p> <ul style="list-style-type: none"> - Have the purposes and the management agreements for the funding been properly agreed upon. The funds been used in accordance with agreements? - Have the objectives been achieved? Has the use of funds been effective in improving services to the community? - What actions need to be taken to improve utilization of the funds? 	<p>No funds were received in a form of donations from any organization, but the municipality do collaborate with other departments and private institutions to deliver services to Nquthu community.</p>
<p>Agreements, contracts and projects under Private-Public-Partnerships:</p>	<p>Has the Council had a signed contract or agreement with and private-public partnership program</p>	<p>Assupol Community Trust</p>
<p>Service delivery performance on key services provided.</p>	<p>This may be a high-level summary, in addition to detailed information on performance, which sets out overall performance under the strategic objectives of the municipality. Overall results on the strategic functions and services should be summarized. This should cover all services whether provided by the municipality, entities or</p>	<p>Service delivery performance summary which sets out overall performance under the strategic objectives of the municipality has also been included in the 2022/23 Annual Report.</p>

	<p>external mechanisms. Council may draw conclusions on the overall performance of the municipality. This information may be found in an executive summary section of the annual report and or in statistical tables.</p>	
<ul style="list-style-type: none"> - Ntshidi & Associates – Provision of Internal - Adventure Travelling– Travel agents. - BPG Mass Appraisals – Provision for General valuation, Preparation and updating valuation roll. - Fezile Security – Provision of security services - Sizowakha Security – Provision of security services - Siyjabula Security – Provision of security services - Qomkufa Security - - Provision of security services - Mobile Telephone networks – Provision, installation and configure PABX system - Zamaswazi waste removal – Management and operation of buy back centre - Kunene Makopo Risk Solutions – Provision of short term of insurance for 12 months - CCG- Provision of HR and payroll system. - Cab holdings – provision of printing and posting of statement for Nquthu Municipality for 36 months 	<p>Details of all long-term contracts including levels of liability to the municipality should be included. Council should ensure all information correctly supplied.</p>	<p>Information on long-term contracts.</p>
<p>Nquthu Municipality upgraded the financial system to be M-SCOA compliant as per treasury requirements. The system is reliable</p>	<p>Details of significant IT activities should be outlined indicating the effectiveness of the IT projects and the quality of IT services. Council</p>	<p>Information technology and systems purchases and the effectiveness of these systems in the</p>

<p>delivery of services and for ensuring compliance with statutory obligations.</p>	<p>should consider how effectively the IT services support and facilitate performance of the municipality and whether value for money has been obtained. Details of any future IT proposals should be summarized. Council should comment and draw conclusion on the information provided.</p>	<p>and it speeds up the functioning of internal departments however Nquthu municipality is running the system parallel with FMS which is an old system up until we are definitely sure that the users fully understands it. Other projects that Nquthu municipality is undertaking include upgrading of PABX (Switchboard) to minimize telephone usage costs and also implementing of Disaster Recovery Solution and Cloud back-up which will assist us to recover data in case of disasters or data loss.</p>
<p>Three year capital plan for addressing infrastructure backlogs in terms of the Municipal Infrastructure Grant (MIG) framework</p>	<p>A summary of the long-term capital plans and how these address the backlogs of services in the municipality should be provided. This should include details of types and scale of backlogs, projected cost implications, strategies to address the backlogs and plans proposed and/or approved. The summary here should cross reference to the performance reports in the annual report and also will be highlighted in the coming budgets. Council should consider whether the plans appropriately address the backlogs and are consistent with the strategic policy directions of council and needs of the community.</p>	<p>Yes</p>
<p>6. Other considerations recommended Timing of Reports</p>		<p>Was the report tabled in the time prescribed? Has a schedule for consideration of the report been adopted?</p> <p>Yes</p>

<p>Oversight committee or other mechanism</p>	<p>What mechanisms have been put in place to prepare the oversight report? Has a schedule for its completion and tabling been adopted?</p>	<p>Yes</p>
<p>Payment of performance bonuses to municipal officials.</p>	<p>Refer to Section to Section 57 of Local Government: Municipal Systems Act as amended. Bonuses based on performance may be awarded to a municipal manager or a manager directly accountable to the municipal manager after the end of the financial year and only after an evaluation of performance and approval of evaluation by the municipal council. Preferably such evaluation should be considered along with the annual report. The bases upon which performance is evaluated for payment of bonuses should be reconciled with municipal performance reported in the annual report.</p> <p>Have bonuses been paid based on achievements of agreed outputs and after consideration of the annual report by council?</p> <ul style="list-style-type: none"> - If so has a proper evaluation of performance been undertaken? - Was the evaluation approved by council? - Does the performance evaluation align and reconcile with the performance report in the annual report? - If not, what reasons have been advanced for non-reporting of the basis of evaluation in the annual report? 	<p>No bonuses were paid to Senior Managers for 2022/23 financial year. Performance evaluation for 2022/23 financial has been done but Council has not yet decided on them.</p>

	- Are payment justified in terms of performance report in the annual report?	
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7. CONCLUSION

The oversight committee commended the Council and Management on the status 2022/23 audit opinion. Management needs to maintain and improve on the concerning areas on annual financial statement, APR and stick to reporting timelines to ensure compliance with laws and regulations. The oversight committee is pleased to note that all components of the Annual Report are included as is required in terms of Section 121 (3) of the Local Government: Municipal Finance Management Act, Act No. 56 of 2003 as follows.

- The annual financial statements of the municipality.
- The Auditor General report.
- Report of the Audit Committee.
- The annual performance report of the municipality prepared by the municipality in terms of Section 46 of the Local Government: Municipal Systems Act.
- The Auditor General's audit report in terms of Section 45 (b) of the Local Government: Municipal Systems Act.
- An assessment by the municipality's accounting officer of any arrears on municipal taxes and service charges.
- Particulars of any corrective action taken or to be taken in response to the issues raised in the audit reports.
- Any explanation that maybe necessary to clarify issues that are in connection with financial statements.

It is pleasing that most of the issues raised in the previous audit opinion on annual financial statement and performance information have been cleared. It is imperative, however, that in order to achieve a clean audit goal, an Audit Response Action Plan should be monitored by all relevant governance structures including the Council on quarterly basis.

The Oversight committee would like to thank the Council and Management as well as all officials for tirelessly ensuring progressive service delivery by completing many infrastructural and social development project that improved the lives of the previously disadvantaged communities and maintaining and improving on service delivery standards elsewhere, a further thanks goes to the Auditor General, the Audit Committee, COGTA, Provincial Treasury and National Treasury for their support and cooperation in completing this annual report oversight process.

The oversight committee strongly believes that Nquthu Local Municipality and its community will realize substantial and tangible benefits if a similar process is consistently followed in the years to come. The oversight committee is grateful for the opportunity to be of service to Nquthu Local Municipality and its citizens.

8. RESOLUTION AND STATEMENT

- That Oversight Report together with the Annual Report for 2022/23 financial year be approved.
- That Oversight Report be made public by the Municipal Manager in accordance with Section 129 (3) of the Local Government: Municipal Finance Management Act, 2003
- That the Oversight Report and Annual Report 2022/23, be submitted to the provincial legislature by the Municipal Manager in accordance with section 132 (2) of the Local Government: Municipal Finance Management Act, 2003.
- That the classification, validation and recoverability of unauthorized, irregular and fruitless and wasteful expenditure as reflected in the Annual Financial Statements 2022/23, be determined by the Municipal Public Accounts Committee in terms of section 32 of the Local Government: Municipal Finance Management Act, 2003 and that a report in this regard be submitted to the Municipal Council for consideration.
- That developed AG action plan be noted, and all matters raised by Auditor General be attended to

Signature  MPAC Chairperson
Cllr. NM Zungu