

NQUTHU LOCAL MUNICIPALITY



ANNUAL REPORT FOR 2020/21 FINANCIAL YEAR

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CHAPTER 01

COMPONENT A: MAYOR'S FOREWORD

MAYOR'S FOREWORD



His Worship the Mayor: Cllr IL Shabalala

Vision

Nquthu Municipality's vision says-

"Seeking to build a people centred and developmental municipality that is financially stable, responsive, and efficient and is capable of meeting people's needs and aspirations and, ultimately; deliver on the NDP vision".

The municipality always strives to attain this vision. In the 2020/21 financial year, the municipality made some progress in pursuit of its IDP objectives despite the raging COVID pandemic which affected certain planned deliverables. The progress made is highlighted below.

Key Policy Developments

After the adoption of the National Development Plan (NDP) at a national level, provinces and district municipalities were then required to develop their own plans to give effect to NDP. Local municipalities role in this regard is to align their Integrated Development Plans (IDP) with these plans and our municipality no exception. Our IDP is also geared, at least in the broader sense, towards realizing the ideals of the NDP as also expressed in the Provincial Growth and Development Strategy (PGDS) and the District Growth and Development Plan (DGDP). The municipality also has to adhere to and implement the provisions of the Back to Basics (B2B) programme that is aimed at ensuring that municipalities refocus all their attention to matters of basic service delivery for which they are established for in terms of the Constitution of the Republic of South Africa. Fortunately, Nquthu has been doing well in terms of B2B assessments conducted by KZN Cogta.

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 as is outlined in the APR section of this report that has been audited.

Public Participation

Public participation is one of the most critical aspects of good governance and accountability. The municipality has capacitated the public participation unit by appointing a public participation coordinator. 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 from COGTA assessments. In preparation for the 2021/22 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.

Future Actions

Notwithstanding the fact that the municipality is making good progress in most areas, there is still ample room for improvement and we strongly believe that we are still on par with the potential that this municipality has. More still need to be done reach the real potential of this municipality.

- Improve integrated development planning processes to ensure that the IDP is a living document that all stakeholders, both internal and external, understand and support.
- Improve compliance, performance management and strengthen internal controls in order to achieve a clean audit.
- Develop and implement Public Participation Plan to ensure that our public participation activities are well coordinated to avoid duplication and ensure efficiency.
- Cascade performance management to all employees with the primary purpose of improving efficiency and accountability.

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. 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

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.

A handwritten signature in black ink, appearing to read 'I. Shabalala', is written over a horizontal line.

CLLR IL SHABALALA

MAYOR

COMPONENT B: EXECUTIVE SUMMARY



1.1. MUNICIPAL MANAGER'S REMARKS

The 2020/21 financial year was the last year before the end of the 2016 to 2021 election term and this term had serious challenges for the municipality including the fact that the Council was inaugurated late at the beginning of the term and COVID 19 was started within this term and caused serious service delivery disruptions.

The municipality was unable to address the disclaimer audit outcome due to a serious challenge regarding the financial system that is giving serious challenges. However, the municipality is hard at work to address to all the issues identified by the Auditor-General and also in the processes to procure a new financial system and also strengthen the municipality's systems and internal controls because the municipality remain committed to a clean administration and, ultimately; a clean audit. In this regard, an AG Action Plan has been developed by the municipality and as the Accounting Officer I will make sure that this plan is implemented to the letter so that our aspirations become a reality.

While there were serious challenges as mentioned above, the municipality did achieve a lot in terms of service delivery promises to continue to do so going forward.

A handwritten signature in black ink, appearing to read 'SB Mthembu', written over a horizontal line.

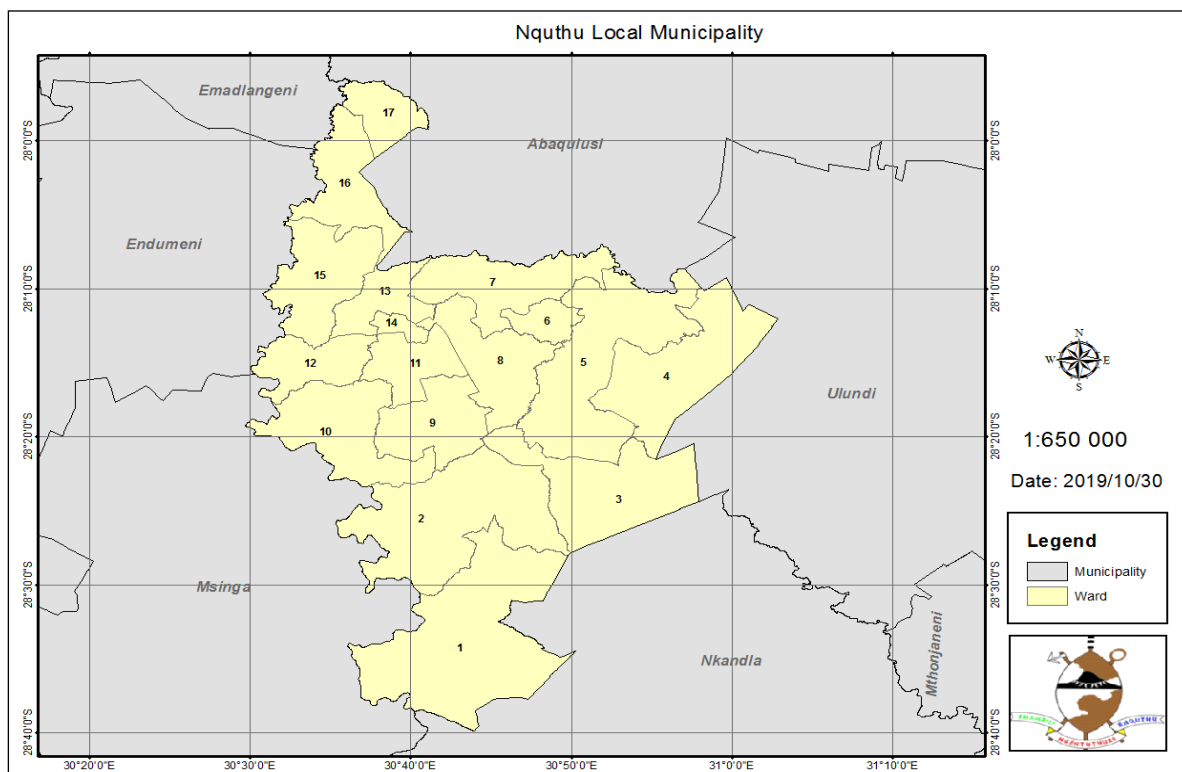
SB MTHEMBU
MUNICIPAL MANAGER

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



Map 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.

The **Figure 1** above shows the location of Nquthu within Umzinyathi District Municipality as well as its position in relation to neighbouring municipalities.

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. From 2021 the municipality will have 19 wards and the MDB is busy with the necessary preparations to that effect.

Ward	Size (Ha)	Councillor	Gender	Party
1	35028	Z Sithole	Female	Inkatha Freedom Party
2	16608	RS Langa	Male	Inkatha Freedom Party
3	22822	EM Mkhwanazi	Male	Inkatha Freedom Party
4	16727	ME Mnguni	Male	Inkatha Freedom Party
5	15413	IL Shabalala	Male	Inkatha Freedom Party
6	2080	MSK Gumbi	Male	African National Congress
7	11798	NM Buthelezi	Male	Inkatha Freedom Party
8	9890	SM Buthelezi	Male	Inkatha Freedom Party
9	9044	SP Mathe	Male	Inkatha Freedom Party
10	12931	FA Hlatshwayo	Male	Inkatha Freedom Party
11	6040	SM Kunene	Male	Inkatha Freedom Party
12	4988	JN Khoza	Male	Inkatha Freedom Party
13	6336	JZ Ndimma	Female	Inkatha Freedom Party
14	1453	SD Masimula	Male	Inkatha Freedom Party
15	11227	AS Zulu	Male	Inkatha Freedom Party
16	9107	GF Molefe	Male	African National Congress
17	4729	SMC Zikode	Male	African National Congress

Table 1: Wards information

1.5. DEMOGRAPHICS

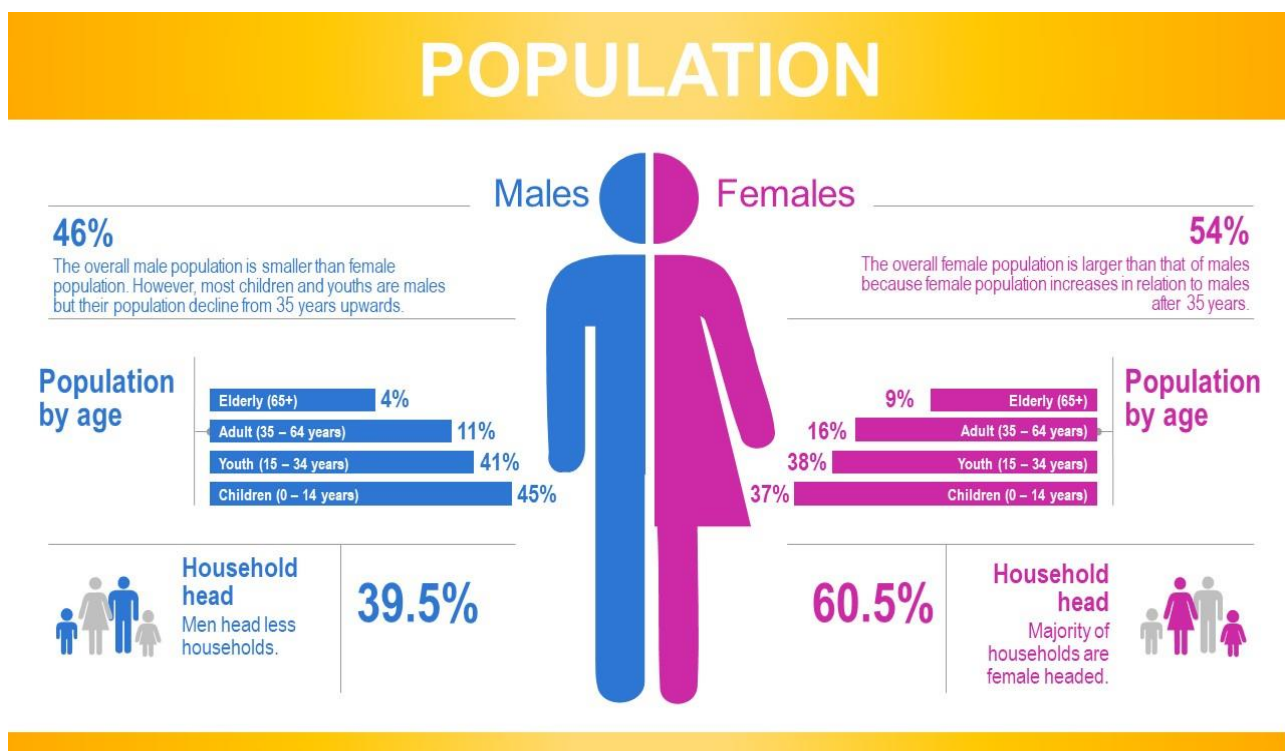


Figure 1: Population infographic

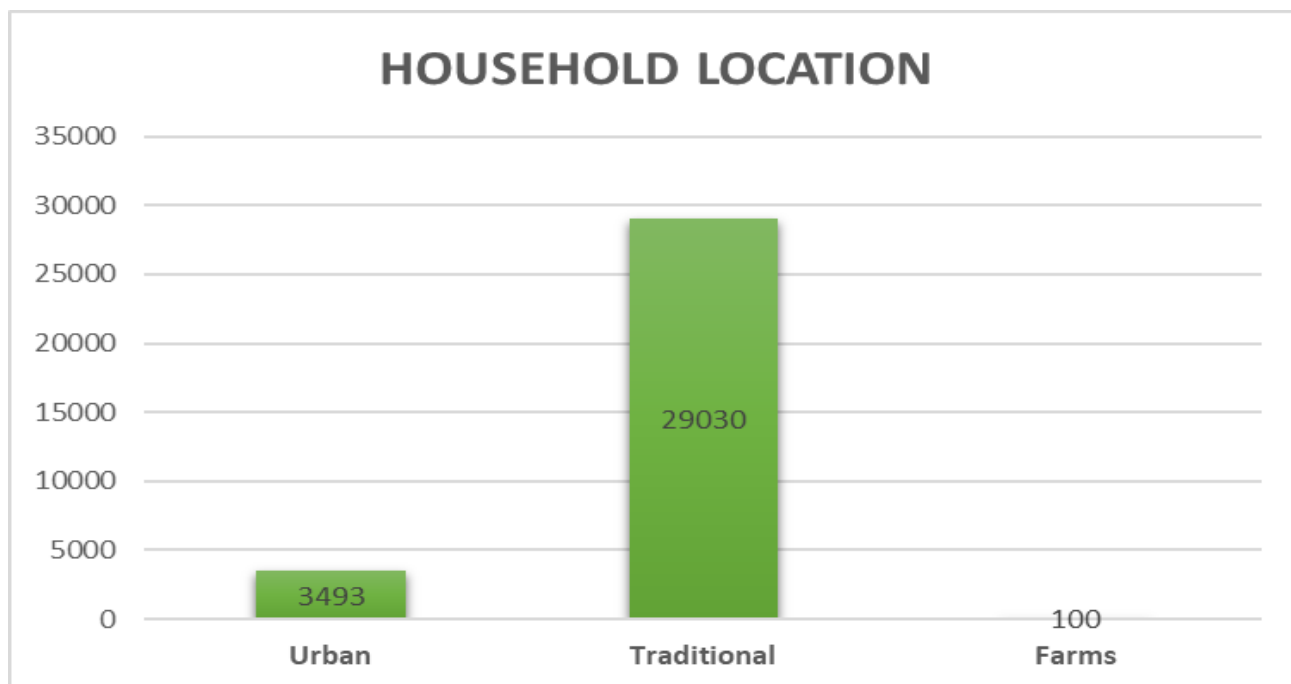


Figure 2: Households

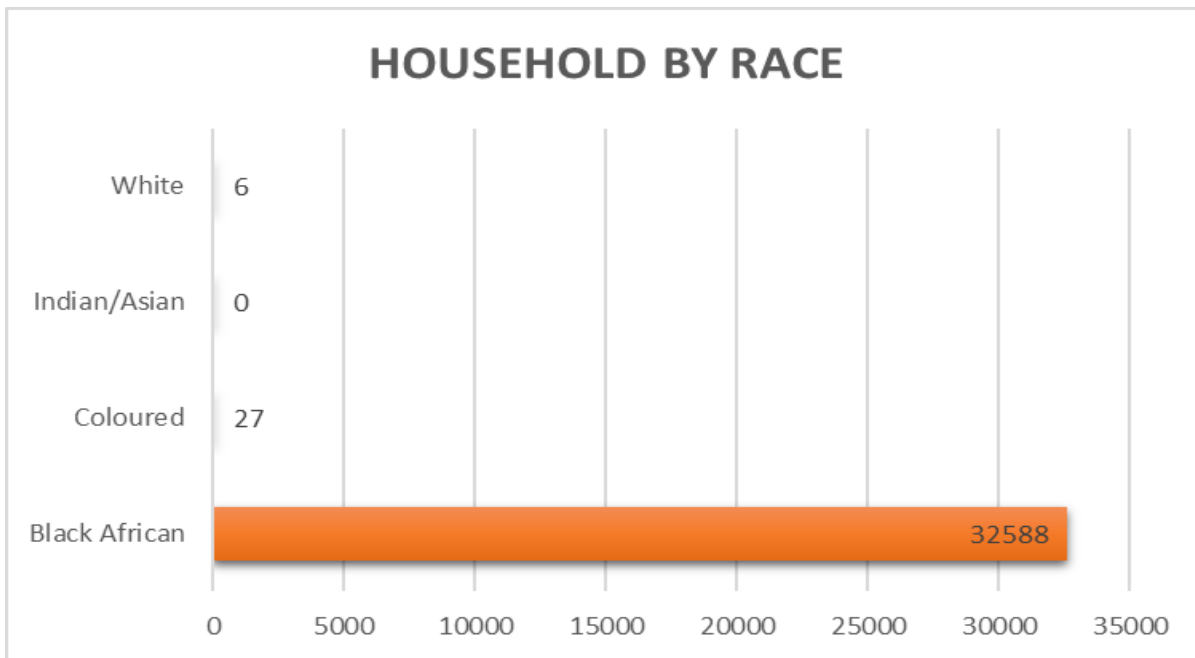


Figure 3: Household by race

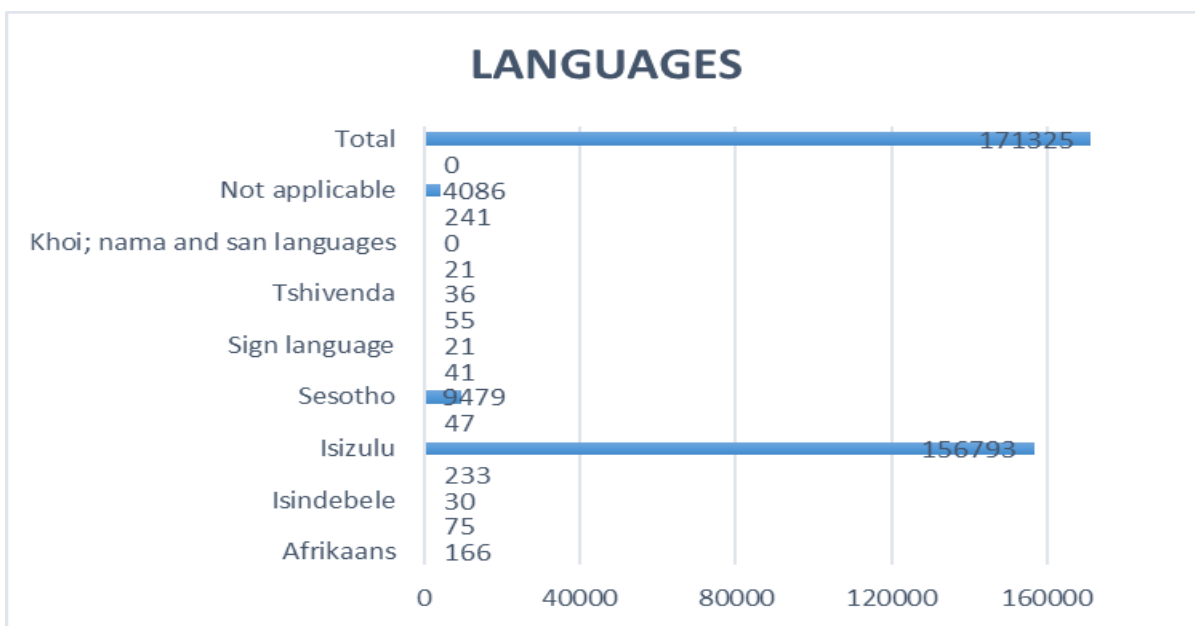


Figure 4: Spoken languages

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

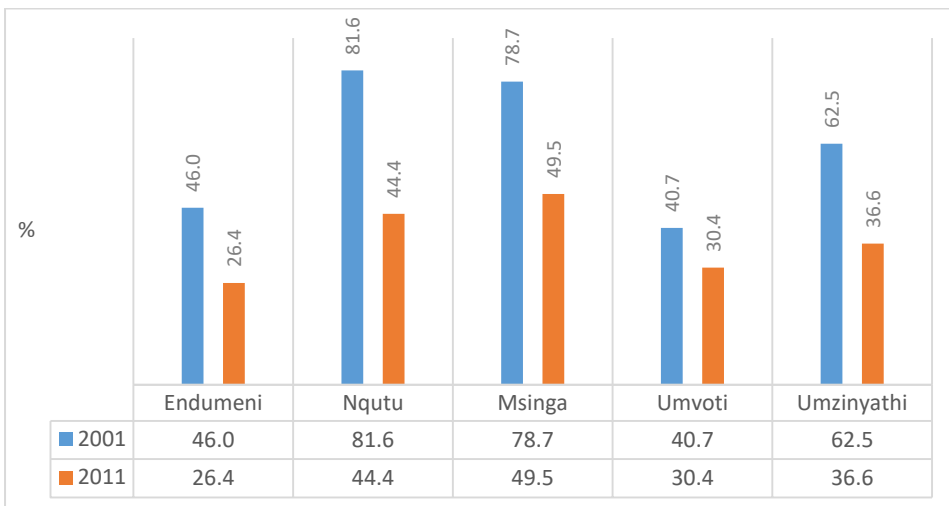


Figure 5: Unemployment rate

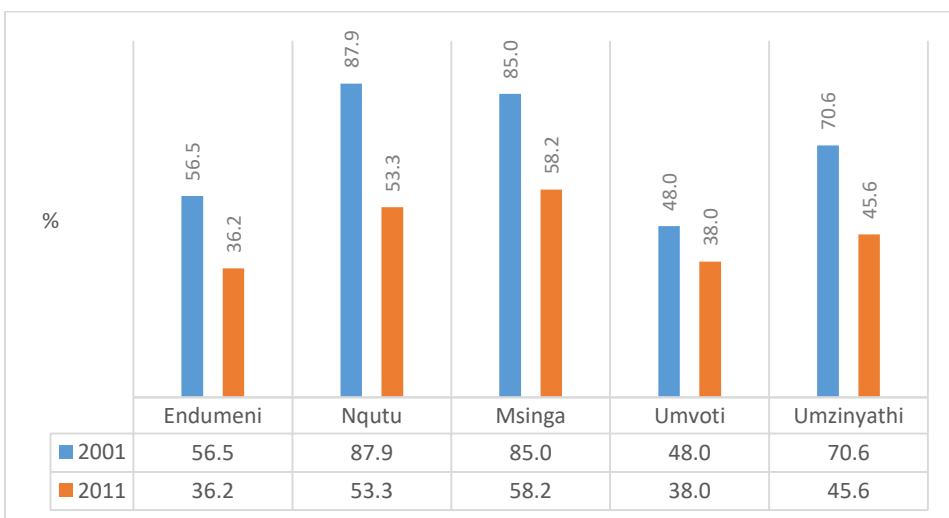
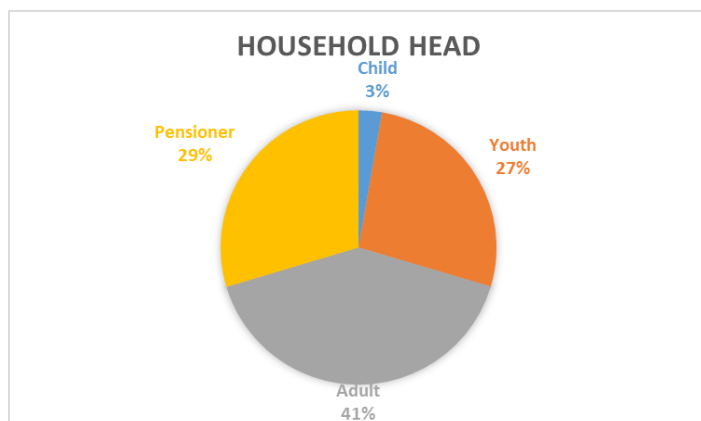


Figure 6: Youth unemployment rate

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 7: Household head

1.6.3. EDUCATION

1.6.3.1. Attendance

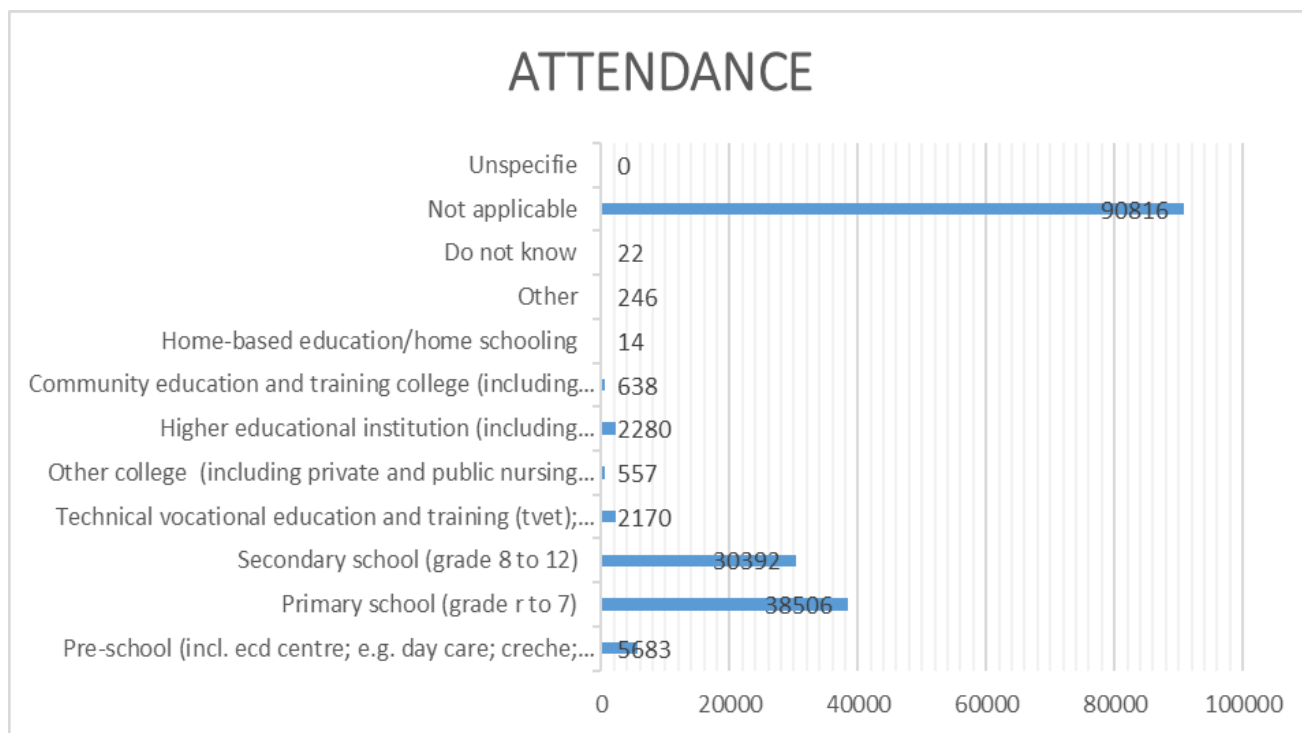
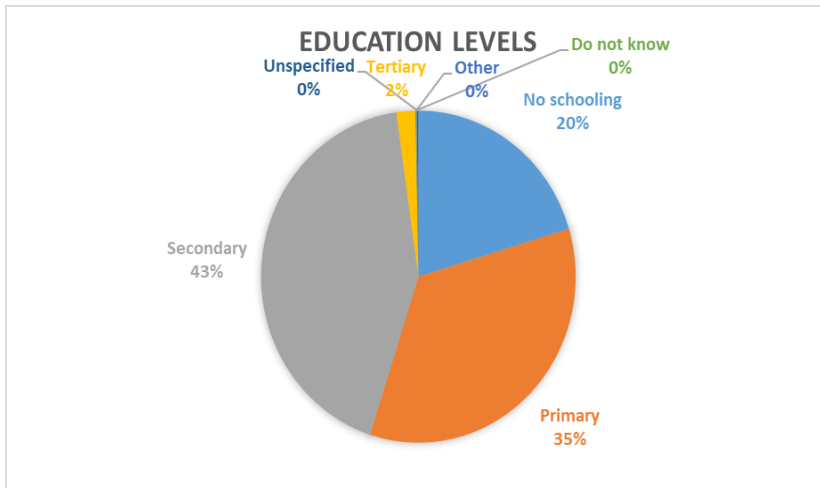


Figure 8: Attendance

1.6.3.2. Education levels



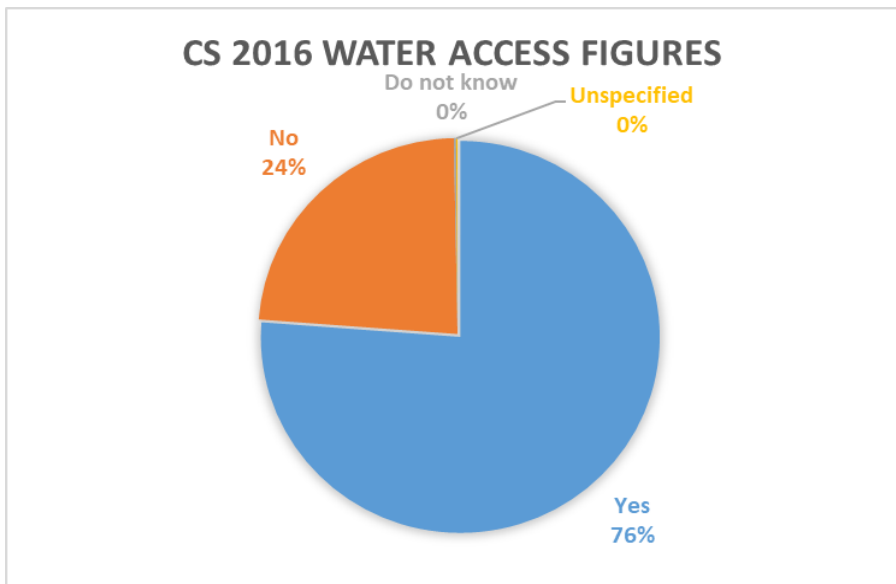
As outlined in **Figure 8** and **9**, only 2% of the population has post school qualifications which is a sign of low skills levels. And, by today’s norms, the literacy rate of 20% is quite high but at least that relates to adults and elders who are the victims of the past.

Figure 9: 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 did invite UDM at its strategic planning session held in February 2019 to solicit explanations and plans that UDM has to address the water challenge. There have been further engagements regarding the water challenge involving KZN COGTA, Nquthu rate-payers’ association, Nquthu LM and UDM.

Figure 10: Access to water

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.

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.

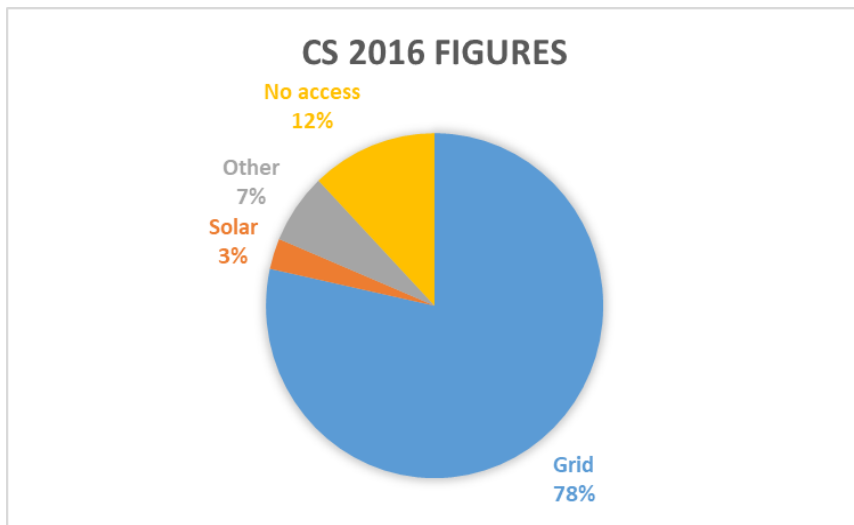


Figure 11: Access to electricity

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. Additional refuse collection information relating to 2018/19 financial year are discussed in the latter sections of this report.

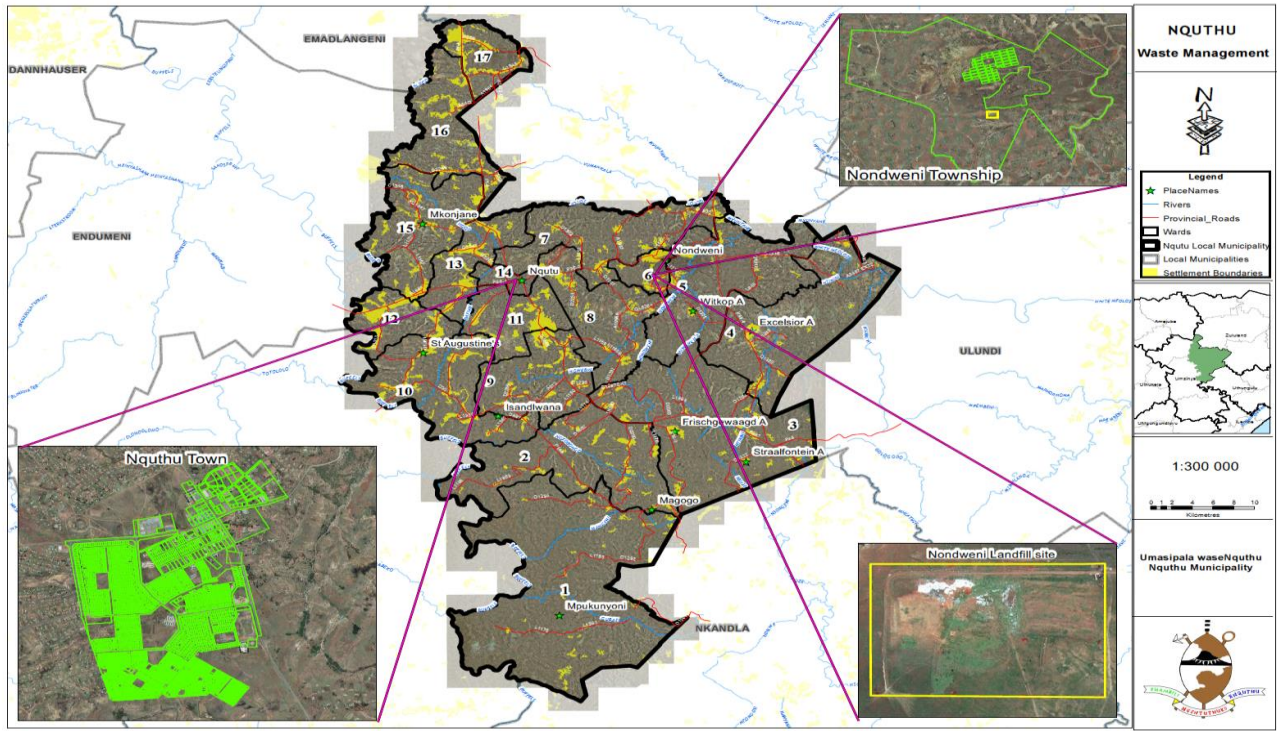


Figure 12: Waste collection areas

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 13** in the following pages illustrate the location of schools within the municipality.

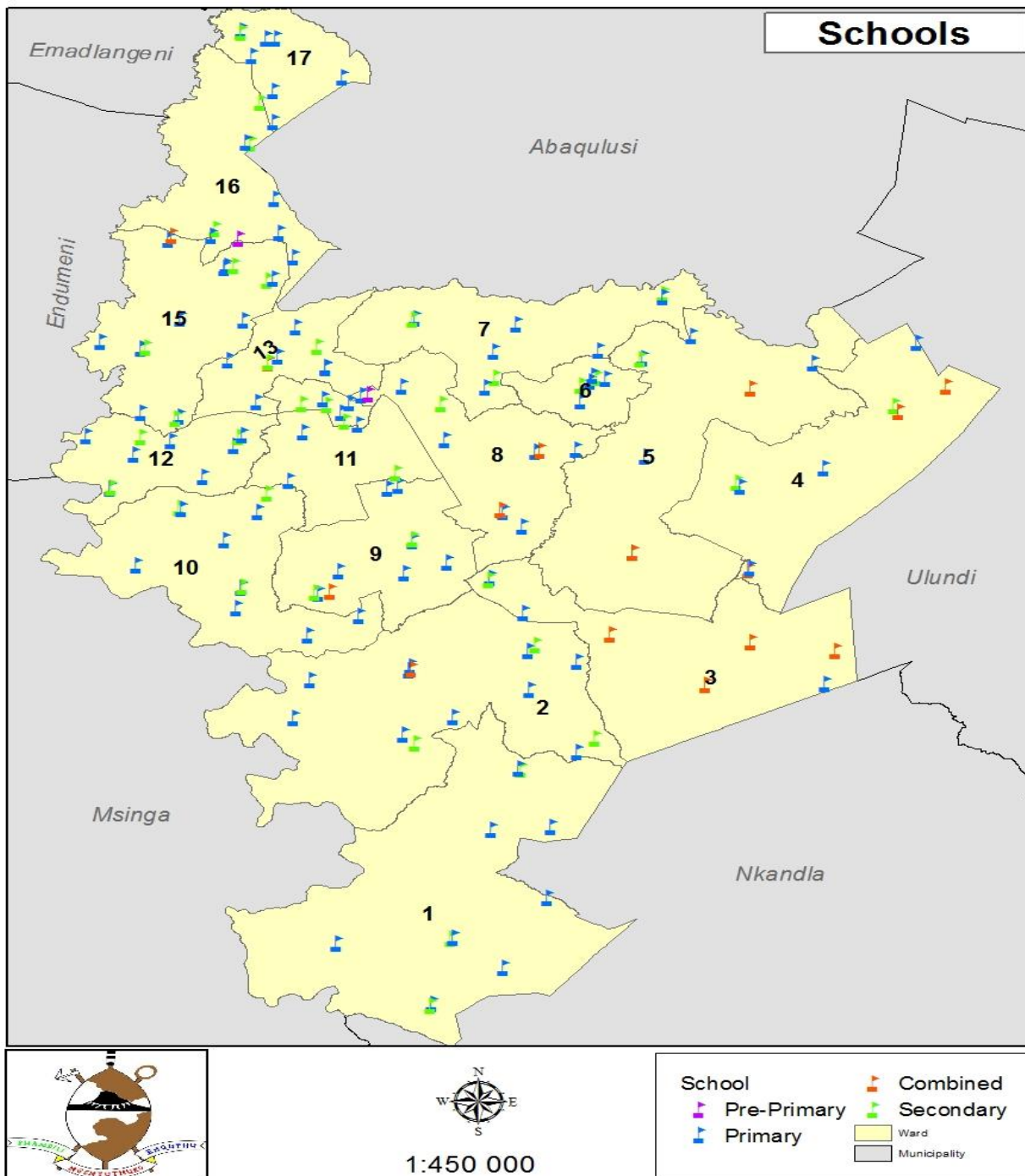


Figure 13: Education facilities

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. Mumbe 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)		

Figure 14: 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. The municipality has twenty-seven halls in total, excluding those under construction that are reported in the APR and basic services section of this report.

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 area (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).

However, Ngolokodo Library is not yet functional due to a dispute with the councillor and/or interference by the councillor in municipal administration.

1.6.5.5. Sports-fields

No sports+field was built or revamped in the 2020/21 financial year although there was initially a plan to construct Ngonini Sports-field in Ward 10 and upgrade Mafihleng Sports-fields at the beginning of the financial year.

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 an acting Chief Financial Officer (CFO)and but all units in the department have permanent heads. 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.

1.6.6.2. Revenue

The municipality generated a total of R 284 586 347 in the year under review which is mostly attributable to increase in government grants as shown in the table and below:

	2021	2020
Service charges	23 332 053	17 452 287
Rental of facilities and equipment	921 279	849 677
Interest received (trading)	756 933	337 671
Commissions received	184 848	431 684
Other income	475 558	526 510
Interest received - investment	10 134 751	19 269 960
Property rates	31 559 772	42 623 617
Property rates - penalties imposed	4 142 372	3 216 574
Licences and Permits (Non-exchange)	971 957	973 573
Government grants & subsidies	211 435 364	184 420 057
Fines, Penalties and Forfeits	671 460	448 500
TOTAL	284 586 347	270 550 110

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.

1.6.6.4. Expenditure

Expenditure must always be incurred in line with the approved budget, in cases where this is not possible, applicable processes should be followed so that such expenditure can be authorized. The audit has identified expenditure that was not in line with the budget but was not authorized through applicable processes. The municipality has developed and AG Action Plan that seeks to address such issues going forward.

1.6.6.5. Revenue collection

While the municipality's overall revenue grew from R 270 550 110 in 2020 to R 284 586 347 in 2021, such growth is attributable to government grants and subsidies because government grants and subsidies increased from R 184 420 057 (68.2%) in 2020 to R 211 435 364 (74.3%) in 2021 while self-generated revenue declined from R 86 130 053 (31.8%) in 2020 to R 73 150 983 (25.7%) in 2021. Going forward, the municipality will have to improve on revenue collection.

1.6.6.6. Irregular expenditure

The municipality is doing its best to prevent irregular expenditure and in cases where such expenditure did occur, it is disclosed accordingly in the AFS and applicable laws shall be applied in order to deal with such expenditure.

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. The municipality has adequate cash reserves and have no borrowings thereby eliminating debt servicing costs.

1.6.6.8. Assessment on any arrears on municipal taxes and services charges

In compliance with Section 121(3) of the MFMA, an assessment has been performed on arrears on municipal taxes and service charges. The municipality is working hard to collect its dues from customers including government debts. The arrears on municipal taxes and service charges as disclosed on the audited annual financial statements are as follows:

Receivables from exchange transactions

Consumer debtors - electricity	4 106 189	3 602 040
Consumer debtors - refuse	8 177 690	(4 076 563)
Sundry debtors	1 195 068	1 156 795
Totals	13 478 947	682 272

Receivables from non-exchange transactions

Consumer debtors - property rates	62 370 924	55 958 764
Consumer debtors - fines	770 273	93 402
Totals	63 141 197	56 052 166

The Councilors and management do not have any arrears on municipal taxes and service charges. They have honored their dues to the municipality.

The municipality has installed prepaid meters for all domestic customers and therefore does not form part of the outstanding amount reflected above. The outstanding amount reflected above is from commercial consumers and also government.

The refuse removal is billed to all customers within the town, e.g. households, business and government. The municipality is battling to collect mainly from household's customers.

A significant portion of the outstanding amount for property rates is from Government is paid by Public Works. The is a government debts forum that is held regularly where the all invoices issued by the municipality are discussed with public works directly and any discrepancies cleared immediately. This has had positive outcome and more invoice are paid well in advance by public works through this forum initiated by Cogta.

Corporative Governance and Traditional Affairs (COGTA) has been assisting the municipality to improve its collection on government debts and this has resulted in a significant decline in outstanding amount from the government debts. The municipality has also appointed consultants recently to assist with collection from households to ensure that the municipality recovers its dues. The municipality believes it would be able to recover the outstanding debt reflected above assisted by Cogta and the appointed consultants. The outstanding debt also reflected above also considered the declining economy and the possibility of not recovering the outstanding debt.

1.6.7. ORGANIZATIONAL DEVELOPMENT

1.6.7.1. Critical posts

The municipality has five departments; 02 Section 54 and 56 posts were filled with full-time incumbents for the whole of 2020/21 financial year. 03 Section 54 and 56 posts were on acting basis. Therefore, all departments had HODs and the municipality intends to maintain this trend going forward.

DESIGNATION	STATUS OF THE POST
Municipal Manager	Acting Basis [04 September 2020- 27 May 2021]
Chief Financial officer	Acting Basis [04 September 2020- 05 August 2021]
Director Corporate & Community Services	Filled post
Director Planning and LED	Acting Basis [04 October 2020- 09 August 2021]
Director Technical Services	Filled post

1.6.7.2. Staff establishment

The municipal staff establishment is two hundred and eighty-nine [189]. There was a staff complement of two hundred and twenty-two [222] employees as at the end of the financial year. The staff vacancy rate was sitting at **14.86%** as at 30 June 2021. 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	28-May-21
2	Induction policy	28-May-21
3	Placement policy	28-May-21
4	Promotion, transfer and secondment policy	28-May-21
5	Relocation policy	28-May-21
6	Acting allowance policy	28-May-21
7	Job evaluation policy	28-May-21
8	Termination of service policy	28-May-21
9	Overtime, stand-by, shift and night work allowance policy	28-May-21
10	Leave policy	28-May-21
11	Training and skills development policy	28-May-21
12	Experiential training policy	28-May-21
13	Succession plan policy	28-May-21
14	Internal bursary policy	28-May-21
15	Disciplinary code and procedure	28-May-21
16	Grievance policy	28-May-21
17	Diversity management policy	28-May-21
18	Employment equity policy	28-May-21
19	HIV and AIDS policy	28-May-21
20	Occupational health policy	28-May-21
21	Sexual harassment policy	28-May-21
22	Smoking in the workplace policy	28-May-21
23	Employee assistance policy	28-May-21
24	Work attendance policy	28-May-21
25	Bereavement policy	28-May-21
26	Dress-code, uniform and protective clothing policy	28-May-21
27	Information and communication usage policy	28-May-21
28	Housing allowance policy	28-May-21
29	Remuneration policy	28-May-21
30	Payroll management and administration policy	28-May-21
31	Performance management policy	28-May-21
32	Human resource strategy	28-May-21

Table 2: 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	Filled	Vacancies	Vacancy Rate
OFFICE OF THE MUNICIPAL MANAGER	14	1	7.14%
PLANNING, LED, HOUSING AND TOURISM	9	5	55.5%
CORPORATE AND COMMUNITY SERVICES	54	7	12.9%
BUDGET AND TREASURY	33	7	21.2%
TECHNICAL SERVICES	79	13	16.4%
Overall vacancy rate as at 20 June 2020			14,86%

Table 3: Vacancy rate

1.6.7.5. Skills development

At the beginning of each financial year the municipality develop a workers' skills plan[WSP] and set aside the budget 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. 100% of WSP budget was spend to improve skills levels of municipal workers during the financial year.

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.

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 three suspension cases for employees and those three matters are still pending as the municipality is engaged on all applicable processes and procedures.

1.6.7.9. Obituaries

Sadly and unfortunately, the municipality lost one longest serving member of the municipal workforce in the financial year who was a working the traffic department. The municipality also mourned the passing of one of its councillors.

1.6.7.10. 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.

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. However, there are challenges relating to applicable quorum requirements which delays the resolution of some of the matters that are meant to be discussed. Going forward the MM will write to all stakeholders to encourage them to make sure that they attend meetings as required.

1.6.7.11. Number and outcomes of matter referred to the bargaining council

There has been one labour dispute matter that has been referred to the bargaining council. The bargaining council upheld the position of the employer but altered the sanction.

1.6.7.12. 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.

1.6.7.13. 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.

CHAPTER 02: GOVERNANCE

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

2.1. POLITICAL GOVERNANCE

2.1.1. 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.

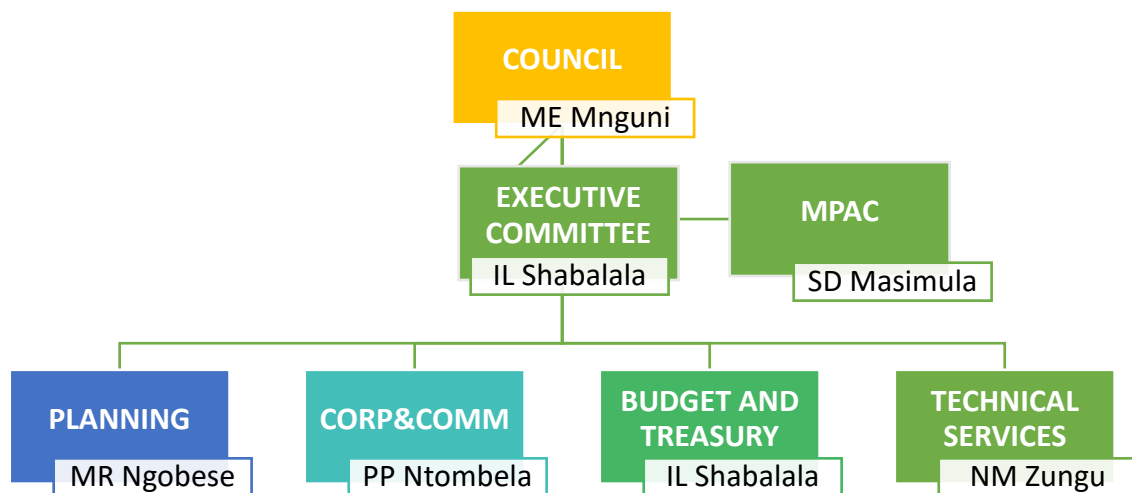


Figure 15: Political structure (including names of structures and chairpersons)



Figure 16: Relationship between council and its structures

2.1.2. Executive committee

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

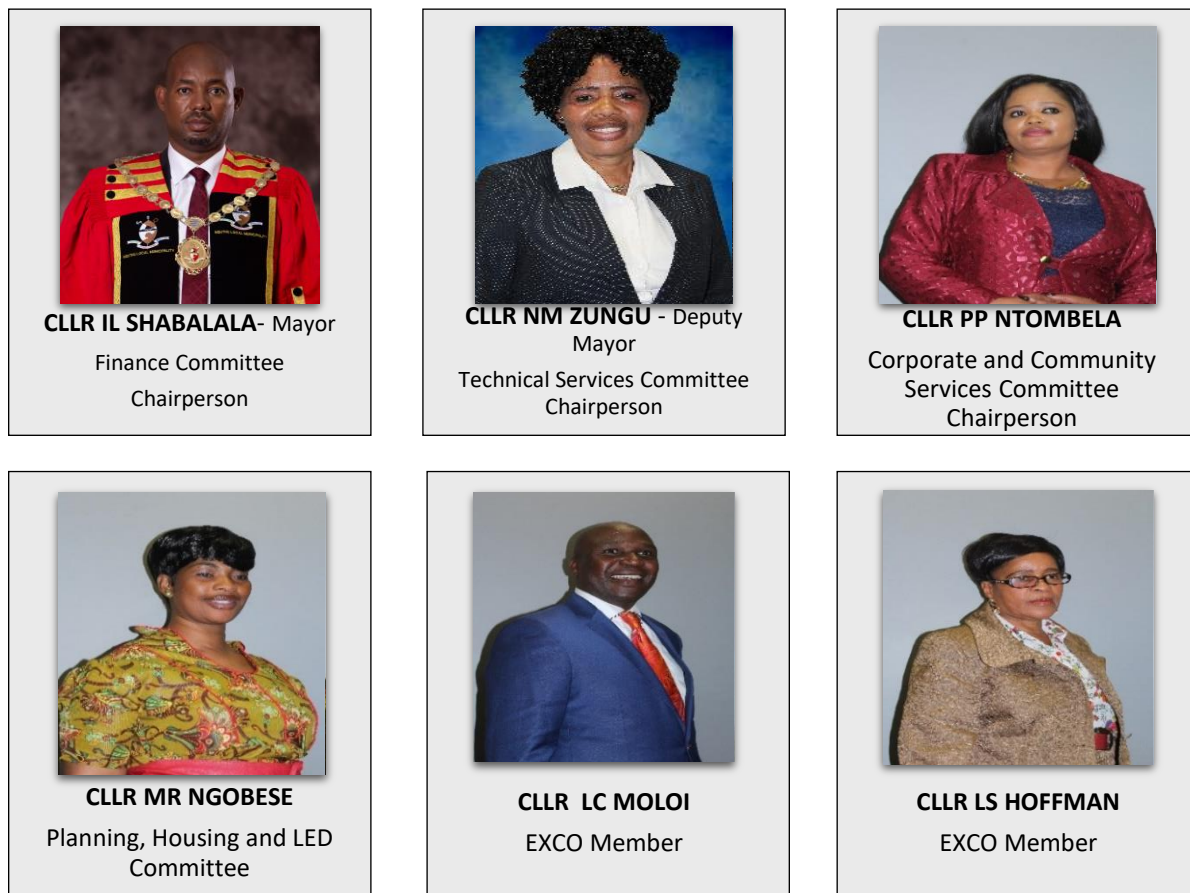


Figure 17: Members of the Executive Committee

2.1.3. Full time councillors

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



Figure 18: Full-time office bearers

2.1.4. Municipal Public Accounts Committee

<i>MUNICIPAL PUBLIC ACCOUNTS (MPAC)</i>			
COUNCILLORS NAME	DESIGNATION	GENDER	PARTY
1. Cllr. SD Masimula	Chairperson	Male	IFP
2. INkosi SK Sithole	Member	Male	N/A
3. Cllr. FA Hlatshwayo	Member	Male	IFP
4. Cllr. NG Mdlalose	Member	Female	IFP
5. Cllr. BI Zwane	Member	Male	DA
6. Cllr. ET Nhlebelala	Member	Female	NFP
7. Cllr. TZ Buthelezi	Member	Female	ANC
8. Cllr. Z Sithole	Member	Female	IFP
9. Cllr. JN Khoza	Member	Male	IFP
10. Cllr. SP Mathe	Member	Male	IFP
11. Cllr. Shelembe	Member	Male	EFF

Table 4: Municipal Public Accounts Committee members.

2.1.5. Portfolio committees

<i>FINANCIAL SERVICES PORTFOLIO COMMITTEE</i>			
COUNCILLORS NAME	DESIGNATION	GENDER	PARTY
1. Cllr. IL SHabalala	Chairperson	Male	IFP
2. Inkosi ND Mncube	Member	Male	IFP
3. Cllr. IL Shabalala	Member	Male	IFP
4. Cllr. NM Buthelezi	Member	Male	IFP
5. Cllr. SP Mathe	Member	Male	IFP
6. Cllr. AS Zulu	Member	Male	IFP
7. Cllr. LS Hoffman	Member	Female	ANC
8. Cllr. NM Khanye	Member	Female	ANC
9. Cllr. NS Mkhize	Member	Female	ANC

Table 5: Financial Services Portfolio Committee (Finance Committee)

<i>CORPORATE & COMMUNITY SERVICES PORTFOLIO COMMITTEE</i>			
COUNCILLORS NAME	DESIGNATION	GENDER	PARTY
1. Cllr. PP Ntombela	Chairperson	Female	IFP
2. Inkosi PBN Molefe	Member	Male	N/A
3. Cllr. EM Mkhwanazi	Member	Male	IFP
4. Cllr. MSK Gumbi	Member	Male	ANC
5. Cllr. SP Mathe	Member	Male	IFP
6. Cllr. JN Khoza	Member	Male	IFP
7. Cllr. GF Molefe	Member	Male	ANC
8. Cllr. RS Langa	Member	Male	IFP
9. Cllr. BI Zwane	Member	Male	DA

Table 6: Corporate and Community Services Portfolio Committee

TECHNICAL SERVICES PORTFOLIO COMMITTEE

COUNCILLORS NAME	DESIGNATION	GENDER	PARTY
1. Cllr. NM Zungu	Chairperson	Female	IFP
2. Inkosi FP Hlatshwayo	Member	Male	N/A
3. Cllr. FA Hlatshwayo	Member	Male	IFP
4. Cllr. JZ Ndimma	Member	Female	IFP
5. Cllr. SMC Zikode	Member	Male	ANC
6. Cllr. CN Xulu	Member	Female	ANC
7. Cllr. LC Moloi	Member	Male	ANC
8. Cllr. TA Dlamini	Member	Male	IFP
9. Cllr. ET Nhlebelala	Member	Female	NFP
10. Cllr. JN Khoza	Member	Male	IFP
11. Cllr. SM Buthelezi	Member	Male	IFP

Table 7: *Technical Services Portfolio Committee***PLANNING, HOUSING AND LED PORTFOLIO COMMITTEE**

COUNCILLORS NAME	DESIGNATION	GENDER	PARTY
1. Cllr. MR Ngobese	Chairperson	Female	IFP
2. Inkosi MPM Mazibuko	Member	Male	N/A
3. Cllr. Z Sithole	Member	Female	IFP
4. Cllr. RS Langa	Member	Male	IFP
5. Cllr. EM Mkhwanazi	Member	Male	IFP
6. Cllr. SM Buthelezi	Member	Male	IFP
7. Cllr. CT Buthelezi	Member	Female	ANC
8. Cllr. TJ Motloung	Member	Male	ANC
9. Cllr. XS Dlamini	Member		
10. Cllr. BI Zwane	Member	Male	DA
11. Cllr. TA Dlamini	Member	Male	IFP

Table 8: *Planning, Housing and LED Portfolio Committee***2.1.6. Rapid Response Team (RRT)**

This committee was conceptualised by COGTA to attend to and resolve pressing and urgent matters raised by communities in order to ensure that, in addition to existing channels of communication. This committee ensures that unnecessary strikes are prevented, especially those that are the direct product of miscommunication. This committee is fully functional and sits regularly and have prevented a number of strikes through the engagement of affected stakeholders. The composition of the committee is outlined in Table 9 contained in the following page. It must also be noted that the list provided include only municipal role-players, however; different stakeholders including security enforcement agencies and traditional leadership are often invited to make inputs and contribution when the committee deliberate on matters that have to be resolved.

RAPID RESPONSE TEAM

COUNCILLORS NAME	DESIGNATION	GENDER
1. Cllr. ME Mnguni	Chairperson (Speaker)	Male
2. Cllr. NM Zungu	Member (Deputy Mayor)	Female
3. Cllr. IL Shabalala	Member (Mayor)	Male
4. Cllr. PP Ntombela	Member (EXCO Member)	Female
5. Cllr. LS Hoffman	Member (EXCO Member)	Female
6. INkosi PBN Molefe	Member (Traditional Leadership representative)	Male
7. Mr SB Mthembu	Municipal Manager	Male
8. Mrs N Mbongwa	Acting Chief Financial Officer	Female
9. Mr MM Ndhlovu	Acting Director planning and LED	Male
10. Mr OS Mnguni	Director Corporate & Community Services	Male

Table 9: Rapid Response Team

2.1.7. Local Labour Forum

The LLF is established as a committee that attend to all labour related matters and is a platform upon which all stakeholders, political leadership, management and labour engage to find solutions collectively. This committee sits as required and was instrumental in making the implementation of job evaluation a success. The committee is composed as outlined below, provided that labour representatives also sits on this committee.

LOCAL LABOUR FORUM

COUNCILLORS NAME	DESIGNATION	GENDER
1. Cllr. NM Buthelezi	Chairperson	Male
2. INkosi FP Hlatshwayo	Member	Male
3. Cllr. SP Mathe	Member	Male
4. Cllr. NM Khanye	Member	Female
5. Cllr. ME Mnguni	Ex-officio Member	Male
6. Mr MM Ndhlovu	Acting Director Planning and LED	Male
7. Mr OS Mnguni	Director Corporate & Community Services	Male

Table 10: Local Labour Forum

2.1.8. 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 deferring them to the next meeting if those matters are not of an urgent nature.

2.2. ADMINISTRATIVE GOVERNANCE

2.2.1. 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. The structure of municipal administration is structured as depicted below:

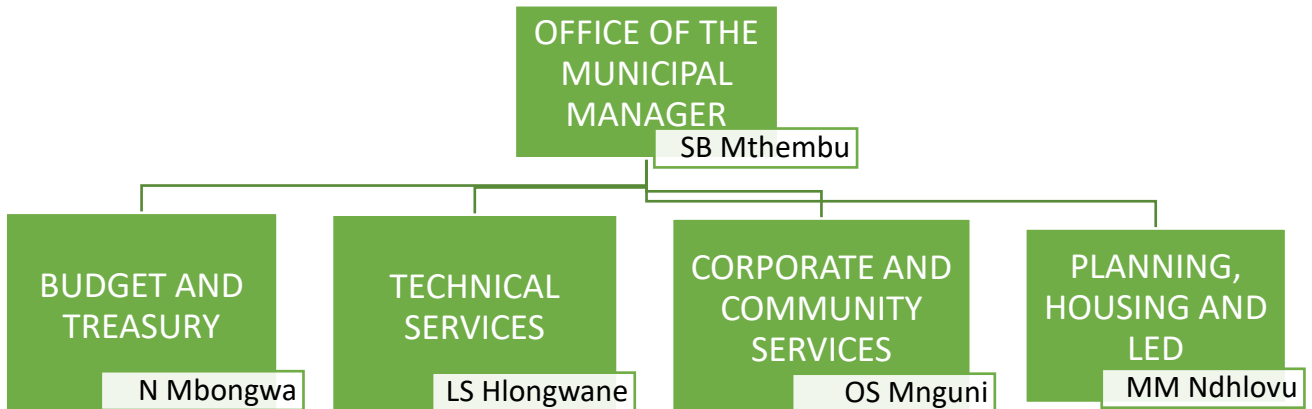


Figure 19: Structure of municipal administration

2.2.2. Management committee (MANCO)

MANCO is composed of the Municipal Manager and Head of Departments and sits regularly attend to all administrative matters. This committee is fully functional and execute all its responsibility effectively.

COMPONENT B: INTERGOVERNMENTAL RELATIONS

2.3. STRUCTURES

2.3.1. Umzinyathi intergovernmental structures

Some IGR structures are organised at a district level and the role of the municipality is limited to attending these forums when there are meetings called and has no direct control on the functionality or otherwise for these structures. These structures are the following:

- Mayor's Forum
- Speaker's Forum
- Municipal Manager's Forum
- Planner's Forum
- Corporate Services Forum
- Infrastructure Forum [Technical]
- Disaster Management Forum
- Communicator's Forum
- General and Social Services Forum
- Chief Financial Officer's Forum
- District Task Team (OSS)

2.3.2. Operation Sukuma Sakhe structures

Operation Sukuma Sakhe is a multi-stakeholder coordination programme in which all government, private sector and civil society role-players are mobilized to tackle all service delivery, economic and social challenges. At a local level there are two coordinating structures, namely; Local Task Team and a ward based War Room.

Local Task Team

The LTT is functional and the municipality provides secretarial services to this committee. However, there are challenges with regard to the availability and/or consistent attendance by some stakeholders which may be due a variety of factors.

War Rooms

All seventeen (17) wards have War Rooms but they vary in terms of functionality. The table below gives an account of the different levels of functionality in all War Rooms.

War Room as per the ward	Functionality status
Ward 1 (a)	Functional
Ward 1(b)	Functional
Ward 2	Functional
Ward 3	Functional
Ward 4	Functional
Ward 5	Functional
Ward 6	Functional
Ward 7	Functional
Ward 8	Functional
Ward 9	Functional
Ward 10	Functional
Ward 11	None Functional
Ward 12	Functional
Ward 13	Functional
Ward 14	Functional
Ward 15	Functional
Ward 16	Functional
Ward 17	Functional

Table 11: War Room functionality per ward

2.3.3. IDP Stakeholder Representative Forum

Initially, the municipality utilised this forum to engage other stakeholders about the municipality's integrated development planning. However; due to the fact that the LTT has the same stakeholders as this forum, the municipality adopted the LTT as the platform to engage stakeholders on the IDP both to curtail costs and to avoid duplication. Going forward, the LTT is being consolidated and improved as the main forum for stakeholder engagement. IDP Rep Forum through Operation Sukuma Sakhe took place on the July 2020, 04 November 2020, 11 February 2021 and 29 April 2021 where IDP information was presented.

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

2.4. WARD COMMITTEES

Ward committees are a critical component of the municipality established by the Municipal Structures Act to ensure that all corners of the municipality and also all sectors within different wards are adequately represented. Generally, ward committees were functional but there are challenges that need to be resolved to improve the functioning of all ward committees. COGTA takes the functioning of ward committees very seriously to an extent that it assesses on a quarterly basis. Overall functionality of ward committees as per the COGTA assessment stand at 83%.

2.5. SOCIAL SECTOR FORUMS

The municipality established and funds social sector forums which create 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	18 November 2020 11 March 2021 14 May 2021
Men's Forum	17 November 2020 02 March 2021 15 April 2021
Disability Forum	24 November 2020 05 March 2021 23 April 2021
Elderly Forum	23 November 2020 10 March 2021 18 May 2021
Local Aids Council and LTT	04 November 2020 25 February 2021 29 April 2021
Youth Council	18 March 2021 31 March 2021 25 November 2020 29 April 2021

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

COMPONENT D: CORPORATE GOVERNANCE

2.6. 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 reports to the audit committee), risk management officer, all HODs and risk champions representing all departments. This committee is fully functional. Rick Committee conducted on the 27 Nov 2020, 24 March 2021 and 25 June 2021

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.

Capacity building

The municipality is rapidly improving its risk management capacity and has conducted training for all risk committee and risk forum members. Training for councillors was also conducted in order to ensure that their oversight capabilities are enhanced in this area.

Reviewed and/or approved policies

- ERM Framework;
- Anti-fraud and corruption strategy;
- Policy and strategy, and
- Terms of reference for risk committees.

Risk assessments

We conducted an operational risk assessment and a fraud risk assessment with the support of the Provincial Treasury. Annual Risk Assessment was conducted on the 26-27 May 2021 in order to refine operational risk register and to assist in gauging the effectiveness and efficiency of municipal internal controls and systems.

Achievements

Challenges

- Late submissions and delays in appointment of the Risk Manager.

2.7. ANTI-FRAUD AND CORRUPTION

Anti-fraud and corruption mitigation is incorporated as part of risk management. The municipality has developed 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.

2.8. SUPPLY CHAIN MANAGEMENT

There is the SCM located in the budget and treasury department having a staff complement of a manager, a practitioner and four clerks. This unit manages the work of all bid committees and such committees are in place, functional and its members are duly appointed and trained. The only matter 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 will be addressed going forward.

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.

2.9. BY-LAWS

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

2.10. POLICIES

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

BACK TO BASICS

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 about and their performance be assessed by COGTA on a quarterly basis. To ensure proper implementation of the B2B programme the municipality assigned a very senior official (i.e. Manager in the office of the MM) to coordinate it and report to COGTA as required.

The municipality has performed well in COGTA assessments for the duration of the financial year by consistently attaining a 'functional' rating which is good rating. However, there is still a big room for improvement in this regard and the municipality is committed to improve from the already good performance.

2.11. MUNICIPAL WEBSITE

The municipal website is a very important instrument communication tool of the municipality. There have 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.

2.12. 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.

2.13. INTERNAL AUDIT

The municipality has a permanent internal auditor but due to capacity constraints the municipality has appointed a service provider to support with a professional and reputable auditing 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 reports the following areas in the 2020/21 financial year:

- Contract and project management
- Revenue and debtors' management
- Supply chain management
- Fixed asset management
- Status of records and interim AFS
- Grants, banks and investments management
- Payroll and human resource management
- IT review
- External audit follow
- Internal audit follow
- Fleet management
- Performance management (x4)
- AFS review
- Expenditure management
- Inventory
- Compliance and governance
- Other operational review-
 - Waste Management
 - Disaster Management
 - Occupational Health and Safety

2.14. AUDIT COMMITTEE

All Audit Committee vacancies were filled with suitably qualified and adequately experienced individuals with different areas of specialization and expertise, namely; performance management, auditing, legal and accounting. The Audit Committee report for the year under review starts from the following page.

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. These projects are as listed below:

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. 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. A total of 3 417 households in Nquthu Town, Nquthu Township and Nondweni area do have access to waste collection (Please refer to waste collection schedule below).

PLACE	MON.	TUES.	WED.	THURS.	FRI.	SAT.	SUN.
TOWNSHIP		ONCE per day		ONCE per day	ONCE per day		
NONDWENI			ONCE per day				
NQUTHU TOWN	DAILY – TWICE per day	DAILY – TWICE per day	DAILY – TWICE per day	DAILY – TWICE per day	DAILY – TWICE per day	DAILY – TWICE per day	DAILY – TWICE per day

Table 12: Waste collection schedule

3.3.2. 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 excluding fifty waste ambassadors who are located in all seventeen municipal wards.

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.

3.3.3. 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.



Picture 1: Nquthu municipality landfill site

3.3.4. By-laws and enforcement

The municipality is struggling with the challenge of illegal dumping and at the end of the 2020/21 financial year the updated by-laws related to waste management to enable the municipality to improve its enforcement were in the process of being gazetted. However, there has been an arrangement with the municipality's traffic unit to utilize its peace officers for purposes of enforcement of the municipal by-laws once they have been properly promulgated.

3.3.5. 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.

3.3.6. 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;
- Animals in town they contribute in polluting our city e.g. cattle's, pigs because they eat at the dustbin of which is not allowed;
- Street vendors are continuing with burning of waste in Nqutu CBD;
- Busting of water pipes and blocked storm water drains seems to be the problem in polluting the environment especially near the old bus rank/old market stalls (commonly referred to as 'ezindlini ezibomvu');
- 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 14. 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.

3.5. HOUSING

Nquthu has a serious challenge of unemployment and minimal economic activity which results in most households being poor and unable to adequately provide for themselves. This reality is also a serious concern when it comes to housing and an estimated 67% of households in Nquthu do qualify for housing. Housing projects are multiyear in nature therefore the information about a number of housing units constructed and the status of projects that are on a planning stage and also the

summary of completions for 2018/19 contained in the table below are discussed for purposes of this report.

3.5.1. Housing backlog

In terms of the Housing Sector Plan, the initial backlog was 12 464 and has been reduce to 3 593 if housing projects that are under implementation and those that has been approved for implementation are regarded as having a backlog reducing effect.

3.5.2. Review of the Housing Sector Plan

During the assessment of the Housing Sector Plan as part of the IDP assessment process, the MEC for COGTA in KZN remarked that the municipality's Hosing Sector Plan must be updated and reviewed so that is aligned to the provincial housing and spatial planning requirements. In response to this and to update or improve the plan, the municipality appointed a professional service provider with the required expertise to assist the municipality to review this plan. The reviewed Housing Sector Plan was approved by Council at the beginning of the financial year.

3.6. 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

3.7. ROADS

There are different categories of roads in Nquthu, namely; provincial roads, district roads which are the responsibility of DOT and also access roads which are the responsibility of the municipality. Access roads are built and maintained by the municipality.

Two out of four planned roads were completed by the municipality and the uncompleted roads will be completed in the following financial year.

3.8. 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.

3.9. 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. A big stormwater project was underway but it was incomplete as at 30 June 2021 and will be finalized in the following year.

COMPONENT C: PLANNING AND DEVELOPMENT

3.10. PLANNING

3.10.1. 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 provides 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 follow 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 2021/22 IDP.

Strategic planning

The municipality held a strategic planning session in 06 March 2020 to 09 March 2020 to plan for the 2020/21 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. AmaKhosi and UDM were invited and fully participated in this session. Ultimately, resolutions were taken and subsequently table to Council for approval.

Public consultation

Integrated development planning must respond to the needs of the people and therefore public consultation is a critical part of the process. COGTA introduce ward based planning by which every ward determines its own ward priorities which becomes the basis for IDP priorities. 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. All the inputs received were considered in compiling the final draft which was also made public after adoption.

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 2020/21 IDP was rated at 74.4% by KZN COGTA which constitutes a marginal improvement from a previous financial year.

3.10.2. Spatial and development planning

Nquthu is one of the small but fast-growing municipalities within the uMzinyathi district. There are number of development challenges that are experienced by the municipalities especial if there is a recognizable growth and development. A balance is required to be struck between the various and often competing social, economic and environmental interests, and public and private interests, situated between and at national, provincial, regional and local level. The rights and responsibilities of owners and the protection of the public interest are through a well-defined process/ procedure which are developed and implemented by the development Planning unit within the municipality.

Planning in South Africa operates within a legal framework, which strives to ensure that municipalities deliver their developmentally-orientated planning objectives in terms of Section 152 and 153 of the South Africa Constitution, 1996 (Act No. 108 of 1996). Development Planning may be interpreted to mean the intentional arrangement or management of the spatial environment with a view to produce order out of what would otherwise almost certainly be chaos. The way in which that order is obtained and the tools used in obtaining it constitute science or art of development planning.

The key performance areas of the unit as reflected in the department structure are as follows:

- Development control
- Development facilitation
- Land use management
- Transport planning
- Environmental planning

The above mentioned functions of this unit are very critical to ensure a well-planned development that would not yield unintended consequences in future.

3.10.2.1. Internal capacity

This unit is singularly driven by one town planning official which necessitates that some of the unit's projects be outsourced. However, this unit sometimes benefits from the municipality's in-service training programme which eased the burden from the planner.

3.10.2.2. Projects and activities

No.	Programme/event	Purpose of the programme	Date/duration	Place	Targeted ward(s)	Additional information
1	Review of SDF	To guide the spatial development of the municipal area of jurisdiction	Annual	N/A	All wards	Was adopted in February 2021
2	Development of Urban Design Framework	To guide growth and development of the town	Annual	N/A	Ward 9	Was adopted in February 2021
3	Amendment of the Nondweni Layout Plan	For the formalization of Nondweni township	Annual	N/A	Ward 6	The focus was Nondweni where there are many encroachments. Consolidation part of the project was done.
4	Approval of Development Application	To guide development in town and ensure compliance with the scheme	Half Yearly	N/A	All wards	Applications are being approved on time
5	Approval of building plans	To ensure compliance with scheme regulations	Daily	N/A	All wards	Building Plans are being approved on time
6	Updating the land use scheme	To assess development trends for the review of land use scheme	Annual	N/A	All wards	Changes are being captured
7	Review of SPLUMA Bylaws	To ensure proper alignment to SPLUMA and to avoid huge hindrances to development	Annual	N/A	All wards	Effective implementation is being assessed
8	Review of the outdoor Bylaws	To ensure effective implementation of the bylaw	Annual	N/A	Ward 9	Effective implementation is being assessed
9	Development Compliance meetings	To strategize of enforcement issues	Monthly	Municipal Offices	All wards	Meetings are being held Although the challenge is poor attendance
10	Enforcement	To physically enforce on site	Ad hoc	Nquthu Town and Nondweni	All wards	Enforcement is done, although there is a challenge when it comes to the necessary means to physically enforce

No.	Programme/event	Purpose of the programme	Date/duration	Place	Targeted ward(s)	Additional information
11	Drafting enforcement reports to MANCO	For the escalation of matters that need legal action or council approval	Ad hoc	N/A	N/A	Reports drafted when it is necessary
12	Attending land requests	to assess and avail land for development	Ad hoc	N/A	Ward 6 and 9	Request are dealt with as they come
13	Drafting lease agreements for approved land requests	To properly monitor land that has been availed to the developers	Ad hoc	N/A	N/A	Agreements are being drafted
14	Participating in IDP budget steering committee meetings	To properly align IDP and budgeting	Quarterly	Municipal Offices	N/A	Meetings attended
15	Participating in Risk committee meetings	To ensure the mitigation of risks within the municipality	Quarterly	Municipal Offices	N/A	Meetings attended
16	Participating in GIS steering committee meetings	To monitor and manage proper functioning of the GIS within the municipality	Quarterly	Municipal Offices	N/A	Meetings attended
17	Participating in Planner's forums	To discuss and resolve challenges affecting planning with the district	Quarterly	In Dundee or online	In Dundee or online	Meetings attended
18	Participating in SPLUMA forums	To discuss and resolve challenges affecting planning within KZN	Quarterly	In Durban or online	In Durban or online	Meetings attended
19	Participating in other meetings arranged by other departments	For skills development of planners within the province		In Durban or online	In Durban or online	Meetings attended
20	Holding pre-application meetings	To guide application on information that should be in the development application		Municipal Offices	N/A	Communication normally happen telephonically or via emails
21	Responding to development planning applications correspondences	To assist the processing of development applications		N/A	N/A	This normally happen telephonically
22	Assessing development applications as an Authorised officer	To ensure alignment to SDF, Scheme and other plans		N/A	N/A	Applications are being approved on time

No.	Programme/event	Purpose of the programme	Date/duration	Place	Targeted ward(s)	Additional information
23	Arranging MPT hearings and chairing them	for the approval of big applications		N/A	N/A	We had about 3 successful hearings
24	Drafting record of decisions and other documents inline with the approval of the development applications	To communicate the outcome of the assessment and the conditions of approval		N/A	N/A	Necessary documents are being drafted
25	Participating in the approval of business licences	To ensure compliance with scheme regulations		N/A	N/A	Business licences are being approved
26	conducting site inspections	To assess compliance with bylaws		Nquthu Town and Nondweni	In Ward 6 and 9	Inspections are done
27	assessing outdoor advertisement applications	To ensure compliance with the by-law and other legislations		N/A	N/A	Assessments are done
28	Drafting contraventions notices	For enforcement of bylaws		N/A	In Ward 6 and 9	Contravention notices are done especially when matters are to be escalated to our legal team
29	Drafting comments for the approval public transport licences	To assist in the management of the public transport system		N/A	All wards	Comments are being drafted
30	Drafting comments for any application relating to planning	To ensure alignment to SDF, Scheme and other legislations		N/A	All wards	Comments are being drafted

Figure 20: Spatial and development planning projects and activities

3.11. GEOGRAPHICAL INFORMATION SYSTEMS (GIS)

The municipality has an in-house GIS unit which has a fulltime and suitably qualified GIS practitioner and also a plotter machine and all required software which the municipality is continuously upgrading. 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.

The GIS unit work or activities for 2020/21 financial year is summarized as follows:

Programme/event	Purpose of the programme	Date/duration	Place	Targeted ward(s)
GIS DAY	To conduct GIS awareness to stakeholders	9-Dec-20	Council Chamber	Stakeholders, GIS steering committee and public
GIS Policy & strategy	Implementation of GIS policy and Strategy	1-Jul-21	GIS Office	N/A
Map production	Produce ward maps for IDP office for ward based plans.	01-03-2021	Nquthu wards	All
Drafting a Land Acquisition and Disposal Policy for Planning, LED, Housing and Land Administration	To utilise the policy in following the right procedure for land disposal.	01-03-2021	GIS Office	N/A
Nquthu Integrated Transport Plan	The purpose of Integrated Transport Plan was to comply with the IDP.	03-03-2021	GIS Office	N/A
Printing of Building Plans	The purpose of the printing was to file Building plans	Occuring	GIS Office	N/A
Capturing traffic department coordinates where road blocks are conducted	To map where road blocked are conducted	11-08-2020	GIS Office	N/A
Updating Nquthu municipality facilities map for fibre cables installation	The purpose of making a map for fibre cables was to ensure the cables are installed in a right place	11-08-2020	GIS Office	N/A
Assisted housing manager with Deed transfers confirmation to beneficiaries	Was to ensure that documents are have the correct information of the beneficiary	13-08-2020	Housing office	N/A
Mapping poverty alleviation projects	to monitor the progress of the goods supplied to beneficiaries	29-07-2020	GIS Office	All
Integrated Transport Plan	Drafting and Reviewing Transport Plan for the municipality	30-07-2020	GIS Office	N/A
Metadata	Compiling Metadata Template for GIS office	31-07-2020	GIS Office	N/A

3.12. LOCAL ECONOMIC DEVELOPMENT

3.12.1. 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.

3.12.2. Implementation of LED programmes

The LED unit has developed and implemented a number of LED related programmes as reported in the table below.

PRO-GRAMME/EVENT	PURPOSE OF THE PROGRAMME	DATE / DURATION	PLACE	TARGETED WARD(S)	NO. OF BENEFICIARIES	ADDITIONAL INFORMATION
Youth in Business	support youth owned businesses	1-Dec-20	Nquthu Stadium	All	136	youth from all wards benefited with various projects ranging from goats, sewing machines, catering
Vouchers for informal traders and small businesses	concretise potential businesses for job creation and sustainability	Oct-20	VA Mahoba Hall	all	120	as part of relief fund, the municipality afforded small businesses with vouchers
Trainings	maximise small business function	20-Nov	Incubator Centre	All	150	we train all those projects or businesses who have benefited from our programs
Agricultural fencing	support emerging farmers	Dec-20	all wards	All	101	particularly for grazing and communal gardens
Poverty Alleviation	stimulate local economy	Oct-20	all wards	All	100	
Tourism workshops	support tourism establishments	08 and 14 April 2021		All	15	the CTO and Portfolio to be accounted with all updates pertaining tourism

PRO-GRAMME/EVENT	PURPOSE OF THE PROGRAMME	DATE / DURATION	PLACE	TARGETED WARD(S)	NO. OF BENEFICIARIES	ADDITIONAL INFORMATION
Exploring potential tourism attractions	to benefit from local tourism	11-Jun-21	Magongo-loza area	ward 08		diversifying our tourism
Gospel festival	to promote local talent	Apr-21	all wards	All		this programme is open to three different gospel genres.
Nquthu June	to promote our local tourism	1-Jun	Mkhon-jane area	All		
PPE to Tourism establishments	to support our establishments	Apr-21	at their establishments	all	7	reviving our tourism
Textile project	To support our textile sector for mainstream economy	Jun-21	Incubator Centre	all	170	some of them are starting to supply within the formal economy space.

COMPONENT D: COMMUNITY SERVICES

3.13. COMMUNITY FACILITIES

3.13.1. Library services

3.13.1.1. Staffing/personnel

The library services unit has a staff compliment of seventeen (17) people consisting of a library manager, three (3) librarians, four (4) computer assistants, six (6) library assistants and three (3) general assistants. This unit is one of the most performing units in the municipality since it usually meets all its performance targets.

3.13.1.2. 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 including free computer literacy training and outreach programmes to rural schools around Nquthu.

3.13.2. Sports-fields

There is one stadium in Nquthu Town and a number of sportsfields that were built or upgraded by the municipality in the past. These stadiums are maintained by the municipality but there is a serious challenge of vandalism.

3.13.3. Community halls

This is one aspect where the municipality has done very well. The municipality did an analysis before the end of the 2020/21 financial year and found that only three (3) out of seventeen (17) wards did not have universal access in terms of CSIR standards. Going forward, the municipality will have to seriously consider continuing investing in halls at the expense of other facilities like early childhood development centres, among others.

3.13.4. Cemeteries

The municipality has one formalised cemetery that is under its custody and rest informal cemeteries are in Ingonyama Trust land and other the custody of traditional leadership. The municipality conducted an exercise to identify and spatially reference all cemeteries so that necessary interventions can be made where necessary.

COMPONENT E: ENVIRONMENTAL PROTECTION

3.14. 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.

3.15. 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.

3.16. TRAFFIC MANAGEMENT



Figure 21: Nquthu traffic police logo

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.

3.16.1. 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.

3.16.2. 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.

3.17. DISASTER MANAGEMENT AND FIRE FIGHTING

Nquthu is a disaster prone place and one of the major contributors to disaster incidents is lightning strikes. 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.

3.17.1. Internal capacity

The department has a disaster manager heading the unit and a compliment of fifteen employees, including the aforementioned manager. In terms of equipment, there are two fire trucks (9000L and 3000L) and two heavy-duty all terrain bakkies (600L each). To further improve the municipality's internal capacity, the municipality has commissioned a fire-station worth over thirteen million but it has not yet been completed due to poor performance of service providers which had to be terminated so that this facility can be finalised and begin operating.

3.17.2. Fire fighting

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 incident areas are in remote areas with terrible terrain making it even more difficult to respond as rapidly as possible. A total of one hundred and thirty-two fire incidents were attended in the financial year.

3.17.3. Lightning conductors

Due to a very high lightning strike incidents the municipality resolved to embark on a project of erecting lightning conductors in areas identified as more prone or vulnerable to lightning strikes. A total of one hundred and sixty-six lightning (66) conductors were erected in the financial year and the municipality would like to increase this number if finances allow.

COMPONENT G: SPORTS AND RECREATION

3.18. 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.

3.19. TOURISM

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.

3.20. ARTS, CULTURE AND HERITAGE

As mentioned above, Nquthu boast very important heritage sites which include, among others; iSandlwana battlefield and Ncome battlefield. At iSandlwana there is always an annual commemo-

ration of the battle of iSandlwana which is always graced by the presence and address of His Majesty the King of the Zulu Nation.

COMPONENT H: SOCIAL INTERVENTIONS

3.21. YOUTH 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 2020/21 financial year. Some of youth development programmes and events that were undertaken are outlined below.

3.22. EARLY CHILDHOOD DEVELOPMENT

Early childhood development is the function of the youth development unit. Below are some of the programmes that were undertaken.

3.23. 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.

**AUDITED
2020/21
ANNUAL
PERFORMANCE
REPORT**

3. LEGISLATIVE FRAMEWORK AND COMPLIANCE

Nquthu Local Municipality Annual Performance Report for 2020/21 financial year is compiled in terms of the legislative requirements of Chapter 6 of the Municipal Systems Act, (No 32 of 2000) and Chapter 12 for the Municipal Finance Management Act, (No 56 of 2003). The Municipal Systems Act prescribes the role of each sphere of government in the municipal performance reporting process. Outlined in Section 40 of the Municipal Systems Act of 2000 (MSA), Municipalities must establish mechanisms to monitor and review its Performance Management System (PMS) so as to measure, monitor, review, evaluate and improve performance at organisational, departmental and employee levels. Section 34 of the MSA furthermore point out that the Integrated Development Plan (IDP) has to be reviewed on an annual basis, and that during the IDP review process the Key Performance Areas, Key Performance Indicators and Performance Targets be reviewed and this review will form the basis for the review of the Organisational Performance Management and Performance Contracts of Senior Managers. Senior managers are appointed in terms of 2014 Regulations on the Appointment of Municipal Managers and Managers Directly Reporting to the Municipal Manager. These Regulations set out the level of competency standards for senior managers and when their performance is set it set it must be ensured that those standards are met.

The Municipal Planning and Performance Management Regulations (2001) stipulates that a “municipality’s performance management system entails a framework that describes and represents how the municipality’s cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role-players” (Chapter 3, Section 7, Municipal Planning and Performance Management Regulations, 2001). Section 46 of the Municipal Systems Act (Act 32 of 2000), stipulates the following: -

“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.”

The municipality is expected to comply with specific legislative provisions as set out above, the municipality generally complied with set legislative provisions except for the approval of the IDP Process Plan that was adopted on a timeline later than that set by KZN COGTA due to the postponement of Council meetings. Moreover, there were no objections from either municipal stakeholders or the community and issues raised by the MEC for COGTA are addressed in the following IDP.

4. PURPOSE OF THE REPORT

The main purpose of this report is 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.

5. METHODOLOGY

According to the provisions of the Municipal Systems Act, (No 32 of 2000), municipalities must monitor and measure the progress of their performance by preparing quarterly and mid-year performance reports, as required in terms of Chapter 6 of the Municipal Systems Act on performance management system. These quarterly and mid-year reports make up the municipalities' annual performance reports as required in terms of Section 46 of the Municipal Systems Act, which are then submitted to the Auditor-General, together with the Annual Financial Statements, for auditing purposes. After the adoption of the audited performance report by the municipal council (a component of the Annual Report), it must then be submitted to the Department of Cooperative Governance and Traditional Affairs, National and Provincial Treasury, Auditor General and relevant authorities.

The municipality obtained the disclaimer audit opinion for the 2019/20 financial year. The Auditor-General raised the following issues: -

- The municipality did not perform a proper going concern assessment as required by the South African Standard of Generally Recognised Accounting Practice 1 (SA Standard of GRAP), Presentation of financial statements as they did not perform an assessment for the forthcoming 12 months.
- The municipality did not recognise donated land in accordance with the requirements of the SA Standard of GRAP 17, Property, plant and equipment.
- Unable to obtain sufficient appropriate audit evidence that community asset and infrastructure assets had been properly accounted for, as the underlying records could not be reconciled to the financial statements.
- Unable to obtain sufficient appropriate audit evidence that the receivables from exchange transactions had been properly accounted for, as the underlying records could not be reconciled to the financial statements.
- Unable to obtain sufficient appropriate audit evidence that receivables from non-exchange transactions had been properly accounted for, as the underlying records could not be reconciled to the financial statements.
- Unable to obtain sufficient appropriate audit evidence that VAT receivables had been properly accounted for, as the underlying records could not be reconciled to the financial statements.
- Unable to obtain sufficient appropriate audit evidence that employee benefit obligations had been properly accounted for, as the underlying records could not be reconciled to the financial statements.

- Unable to obtain sufficient appropriate audit evidence that revenue from exchange transactions had been properly accounted for, as the underlying records could not be reconciled to the financial statements.
- Unable to obtain sufficient appropriate audit evidence that revenue from non-exchange transactions had been properly accounted for, as the underlying records could not be reconciled to the financial statements.
- Unable to obtain sufficient appropriate audit evidence that contracted services had been properly accounted for, as the underlying records could not be reconciled to the financial statements.
- Unable to obtain sufficient appropriate audit evidence that general expenses had been properly accounted for, as the underlying records could not be reconciled to the financial statements.
- Unable to obtain sufficient appropriate audit evidence that transfers and subsidies had been properly accounted for, due to the status of the accounting records.
- The municipality did not account for commitments in terms of SA Standard of GRAP 17, Property, plant and equipment.
- The municipality did not include the full extent of irregular expenditure in the financial statements.
- Was unable to obtain sufficient appropriate audit evidence for contingencies, as the municipality did not maintain accurate and complete records.
- The municipality did not prepare and disclose the statement of changes in net assets as required by GRAP 1, Presentation of financial statements.
- The municipality did not prepare and disclose the net cash flows from operating activities as required by SA Standard of GRAP 2, Cash flow statements.
- municipality did not prepare the statement of comparison of budget and actual amounts in accordance with the SA Standards of GRAP 24, Presentation of budget information in financial statements.
- Unable to obtain sufficient appropriate audit evidence that clearly defined the predetermined nature and required level of performance, method of calculation and deadline for delivery to be used when measuring the actual achievement for the indicator “Planning for Bucoshi Gravel Road”.
- The reported achievements of targets in the annual performance report for the following two indicators did not agree to the supporting evidence provided: -
 - Number of electricity connections at Low Cost Housing Phase II (Ward 14-municipal area) by year end.
 - Number of households with access to FBE quarterly.
- The reported achievements of targets for the following five indicators did not agree with the planned targets as per the approved service delivery and budget implementation plan (SDBIP).
 - Submission of design for Mbilane gravel road by year end
 - Submission of design for Mphunyuka Gravel Road by year end
 - Submission of design for Nkonkonyane Gravel Road by year end
 - Appointment of contractor for installation gabion and pavement slab for Magogo Gravel Road by year end
 - Appointment of contractor for installation of pavement slab and guard-rails for Nomalanga gravel road by year end by year end

- Unable to obtain sufficient appropriate audit evidence for the achievement of targets for the below-mentioned five indicators in the annual performance report, due to the lack of accurate and complete records:
 - Construction of 2.5km Ntabenebomvu Gravel Rd before by year end
 - Submission of design for Mphunyuka Gravel Road by year end
 - Submission of design for Nkonkonyane Gravel Road by year end
 - Final assessment report of electricity infrastructure in the municipal area by year end
 - Planning for Bucoshi Road
- The following two planned and approved indicators per the service delivery and budget implementation plan were not included/reported upon in the annual performance report:
 - Planning for Cishane gravel road
 - Mangwebuthanani, section 4 electrification, phase II
- Unable to obtain sufficient appropriate audit evidence to support the measures taken to improve performance against targets as reported in the annual performance report.
 - Construction of 6.85km Nquthu Southern Road Network Phase II
 - Submission of design for Mphunyuka Gravel Road by year end
 - Number of electricity connections in Eskom area by year end
- The annual financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA.
- An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.
- An adequate management, accounting and information system which accounts for revenue / debtors / receipts of revenue was not in place, as required by section 64(2)(e) of the MFMA.
- An effective system of internal control for debtors / revenue was not in place, as required by section 64(2)(f) of the MFMA.
- Unable to obtain sufficient appropriate audit evidence that revenue due to the municipality was calculated on a monthly basis, as required by section 64(2)(b) of the MFMA.
- An adequate management, accounting and information system was not in place which recognised expenditure when it was incurred, as required by section 65(2)(b) of the MFMA. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA.
- All competitive bids were adjudicated by a bid adjudication committee that was not duly composed, as required by supply chain management (SCM) regulation 29(2).
- Some of the contracts were awarded to providers whose tax matters had not been declared by the South African Revenue Service to be in order, as required by SCM regulation 43.
- Some of the bid documentation for procurement of commodities designated for local production and content, did not stipulate the minimum threshold for local production and content, as required by regulation 8(2) of the 2017 preferential procurement regulations.
- The financial statements contained numerous material misstatements, which were mainly due inadequate application of the financial reporting framework.

- Management did not adequately monitor and review the performance against predetermined objectives to ensure that it was consistent and agreed with documentation/portfolio of evidence to support the reported achievements and performance information.

The municipality developed an AG Action Plan to address these matters. The AG Action Plan is attached as an annexure to this report.

6. ANNUAL PERFORMANCE REPORT SUMMARY

In terms of the Section 46 of the Municipal Systems Act (No. 32 of 2000) as amended, requires a municipality to prepare an annual performance report for the year under review, which becomes a component of the Annual Report. For the 2020/21 financial year, the municipality had a total of One Hundred (125) key performance indicators, and they have been evaluated against the targets and the summary is indicated in **Table 01** below.

NATIONAL KEY PERFORMANCE AREAS	KEY PERFORMANCE INDICATORS	TARGETS ACHIEVED	TARGETS PARTIALLY ACHIEVED	TARGETS NOT ACHIEVED
Municipal Transformation and Institutional Development	9	5	1	3
Basic Services Delivery	36	17	9	10
Local Economic Development	19	17	1	1
Good Governance and Public Participation	21	18	1	2
Municipal Financial Viability and Management	21	15	2	4
Cross Cutting	19	16	1	2
TOTAL	125	88	15	22
STATUS (%)	100%	70.4%	12.0%	17.6%

Table 01: Annual performance report summary

Each key performance indicator has set performance targets to ensure that IDP objectives under indicators fall are realized. As illustrated in the table above, **70.4%** of the targets were achieved for the key performance indicators which are on the organisational scorecard, **12.0%** were partially achieved and **17.6%** were not achieved.

Figure 01 below provides a performance comparison between the financial year under review and the past two financial years.

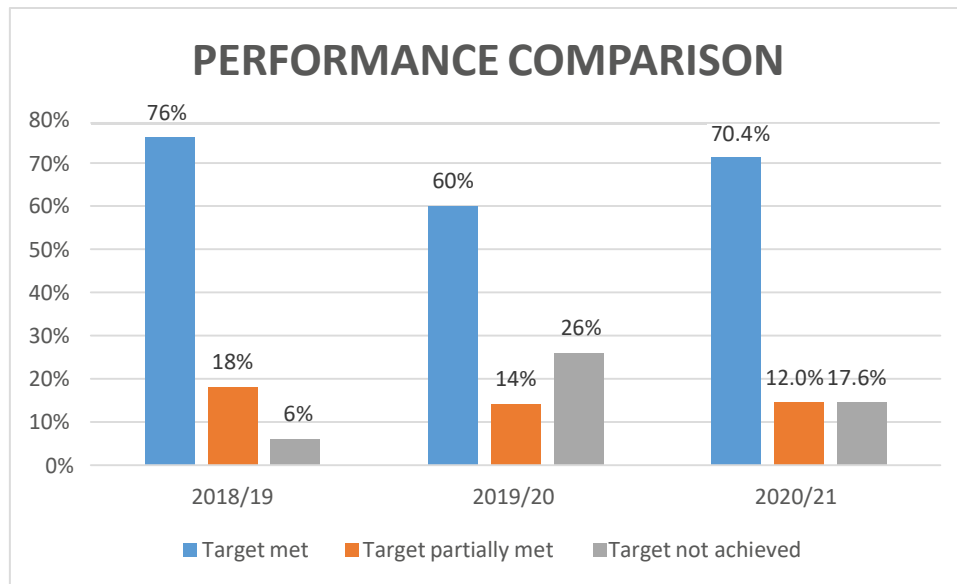


Figure 01: Multiyear performance comparison

Performance for 2020/21 is comparatively positively in relation to the last financial year, however; there is still room for improvement and the municipality will strive to implement all measures to ensure that performance is further improved going forward.

The quick analysis for performance information for 2018/19 – 2020/21 has been conducted in order to reflect whether the performance of the municipality is improving or not.

PERFORMANCE COMPARISON	2018/19	2019/20	2020/21
Target met	76%	60%	70,4%
Target partially met	18%	14%	12,0%
Target not achieved	6%	26%	17,6%

Table 02: Multiyear performance progress analysis

7. 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 2021/22. 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.

8. PERFORMANCE AND SUPPORTING INFORMATION

The municipal scorecard (Annexure 01) approach unpacks the 6 Key Performance Area's and the municipal targets as well as achievements of the municipality. The municipality has identified the loopholes between the two years and this will assist in rectifying the issue in the present financial year. The municipal scorecard imitates the budget that was allocated for each programme as part of service delivery.

Nquthu IDP contains priorities and these priorities are cascaded to performance management and are measured by the progress made within the timeframes allocated. The priorities are agreed upon by the Municipal Council during the Strategic Planning Session and are measured by the quarterly reports of which are reviewed quarterly in the Council meetings.

The Annual Performance Report for the 2020/21 financial year has been completed and reflected in the Organisational Performance Scorecard in a table format (as prescribed by KZN CoGTA). This annual performance report will be presented to the Auditor General for auditing together with the Annual Financial Statements by 31 August 2021.

This Annual Performance Report (Tables) should be read in conjunction with the Annual Report, including the Annual Financial Statements as well as Auditor General Report on the Annual Financial Statements and Performance Information for 2020/21.

In the 2020/21 financial year, the municipality did improve in four KPAs and regressed in two KPAs. Regression in performance is not a good thing and the municipality is determined to ensure that there will be no regression going forward. However, it is also noted that the improvement in performance is much greater than the regression that has been made which resulted in the overall performance increasing by **14.4%**.

As has been stated before, there has been a performance an improvement in four KPAs and a regression in two KPAs, the net effect of which resulted in an overall improvement in organizational performance. **Table 03** below clearly shows the KPAs that regressed and those that improved.

NATIONAL KEY PERFORMANCE AREAS	2018/19	2019/20	2020/21
Municipal transformation and institutional development	73%	13%	56%
Basic services delivery	46%	74%	47%
Local economic development	78%	57%	89%
Good governance and public participation	82%	91%	86%
Municipal financial viability and management	91%	43%	71%
Cross cutting	89%	52%	84%
Average Total	77%	55%	72%

Table 03: KPA performance comparison for 2018/19, 2019/20 and 2020/21

Tables 3A below focuses on the performance of each KPA and the municipality’s corrective measures will focus on these KPAs to ensure that the overall organizational performance is further improved.

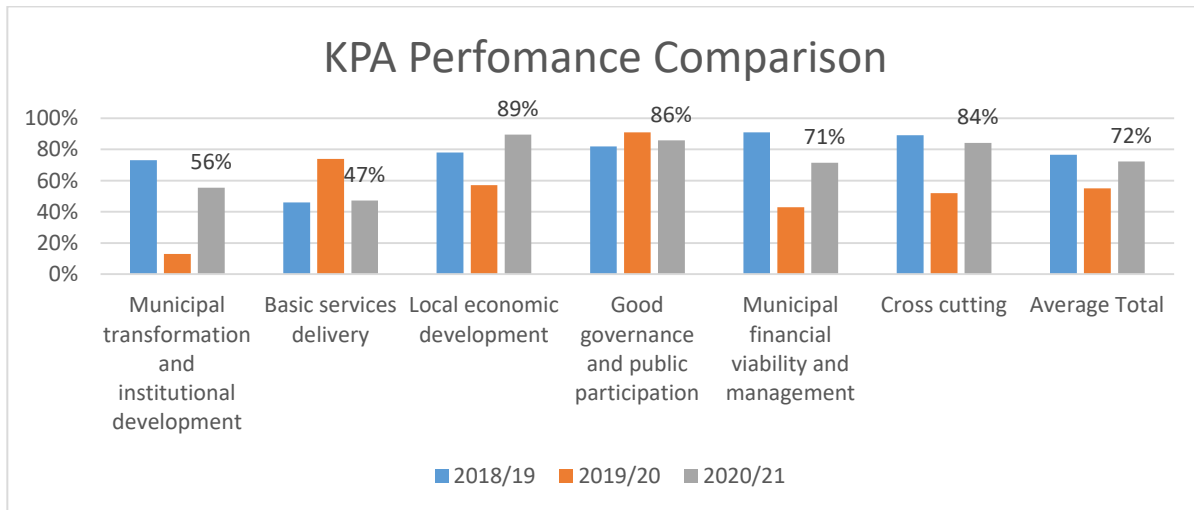


Table 3A: KPA performance Comparison

As shown in **Table 3A** above, more work still needs to be done in relation to KPA for Basic Service Delivery and Municipal Transformation & Institutional Development. The municipality exists primarily to deliver services, so it is quite important that all KPAs are prioritized and improved. Performance in relation to achieved, partially achieved and not achieved targets is expressed in percentages in **Table 3B** below.

TARGET STATUS	2020/21	2019/20	2018/2019
Achieved targets	70.4%	60%	76%
Partially achieved targets	12.0%	14%	18%
Targets not achieved	17.6%	26%	6%

Table 3B: Multiyear target status

Table 3B above shows that the numbers of unachieved and partially achieved targets are decreasing while the number of achieved targets is increasing. This is an upward trend in performance that can result in outstanding performance if maintained. The municipality shall strive to maintain this trend.

Nquthu Local Municipality has been assigned the following functions to perform within its area of jurisdiction:

- Access roads and storm water construction and maintenance;
- Billboards and outdoor advertising regulation;
- Street cleaning;
- Local amenities;
- Local tourism;
- Public facilities and spaces;

- Municipal planning and building regulations, and
- Local economic development.

In order for the municipality to be able to exercise its powers and perform its functions as set out above, it has got to constantly develop its constitutional capacity so that it is in a better position to perform better in all KPAs. The performance of each KPA is summarized below in relation to performance highlights, challenges and measures taken improve performance.

8.1. MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT

8.1.1. Performance Highlights for 2021/21

Despite a variety of challenges that existed, the municipality did manage to make good progress in the following areas:

- 100% of WSP budget was spend to improve skills levels of municipal workers;
- There was a measure improvement in in ICT governance and implementation of ICT policies, and
- Performance reports were tabled as required to Council to enable it to play its oversight role in monitoring performance.

8.1.2. Challenges

Despite the progress made, there were challenges that the municipality did experience which it has to find solutions to and address this financial year:

- The municipality did not have a budget to recruit enough in-service trainings paid by the municipality;
- There is a persistent challenge in fleet management caused by the lack of personnel dedicated to this function, and
- There we no adequate meetings to discuss performance at departmental level.

8.1.3. Measures Taken to improve Performance

The following measures are being implemented to improve performance:

- The post of fleet management officer has been budgeted for and advertised, and
- Vacant senior management positions were advertised as at the end of the financial year to ensure that they are filled with full time incumbents.

8.2. BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT

8.2.1. Performance Highlights for Service Delivery 2020/2021

Roads

- The municipality exceeded its roads maintenance target by mobilizing external plant to ensure that roads are maintained in all wards;
- Fixing of potholes is limited to Nquthu Town where the municipality is responsible for roads, 95% in reported/identified potholes had been fixed as at 30 June 2021, and

- There were six roads under construction and four were completed representing 66% achievement in roads construction and one was partially complete and one was failed to meet the set target representing 16.6% each.

Community halls

- A total of 13 community halls were under construction in the year under review and completion rate were as follows:
 - Seven (7) halls were completed representing 53.8%
 - Two (2) halls were partially completed representing 15.3%
 - Four (4) halls did not meet set construction targets representing 30.7%
- Two halls consisting of Kwanyezi Hall in Ward 3 and Nondweni Hall in Ward 6 were successfully renovated before the end of the financial year to restore their usability condition.

Fire station and traffic offices

These projects have taken far too long to complete due to a number of challenges, both these projects are important in improving municipal services because, (1) the Fire Station seeks to improve municipal capacity to deal with fires since Nquthu is a disaster prone area (2) Traffic offices is a legal requirement that will allow the municipality to provide comprehensive licensing services and enhance revenue collection. There has been an improvement they were both nearly complete towards the end of the financial year under review as outlined below:

- Fire station progress rate – 80%
- Traffic offices progress rate – 86%

Electrification

- The municipality had planned to make 643 new electricity connections but ended up making 342 due to budget constraints;
- All electricity applications in Ward 14 which is a municipal licenced area were processed and a connected made within set 14 day-turn-around time;
- A total of 4172 households were targeted to receive free basic electricity, however; a total of 4394 did receive free basic electricity, and
- Electricity losses remains high at 44% which is similar to the previous financial year and 34% above norm.

8.2.2. Challenges

- Nquthu's topography is a challenge and raises infrastructure development costs;
- Ageing electricity distribution infrastructure in the municipal licenced area is a serious challenge;
- The lockdown affected timeous finalisation of the construction projects;
- There is still a huge backlog for Early Childhood Development centres (ECDs), and
- Available financial resources are not adequate in relation to high infrastructure backlog, especially ECDs, roads and bridges.

8.2.3. Measures Taken to improve Performance

- Improve contract management to effectively monitor all construction projects and make necessary interventions where necessary;

- Effectively implement electricity losses report recommendations to ensure that losses are gradually decreased,
- Implement cost containment measures to make available more financial resources to invest in service delivery.

8.3. SOCIAL AND LOCAL ECONOMIC DEVELOPMENT

8.3.1. Performance Highlights for 2020/2021

- All wards benefitted from the municipality fencing programme whereby the municipality provides fencing material for plantation fields and grazing fields;
- Business licences are processed within a 30 day turn-around time to reduce red tape and promote entrepreneurship and investment;
- The municipality's subcontracting programme remains a huge success in developing emerging contractors;
- The municipality's social sector forums are all functional and receive the necessary support from the municipality;
- A total of twenty (20) cooperatives did benefit from the municipality's poverty alleviation programme whereby cooperatives are capitalized with equipment and material they need to run successfully, and
- All planned early childhood development support and youth development initiatives were completed.

8.3.2. Challenges

- There is a need for continuous LED projects monitoring to ensure that the investment that is made by the municipality yield intended results;
- The municipality's LED Strategy and needs to be reviewed to respond properly to the economic needs of Nquthu, and
- High poverty and unemployment rate which results in high dependency rate.

8.3.3. Measures Taken to improve Performance

- Review the municipality's LED Strategy to enable the municipality to plan and implement its LED projects correctly and achieve desired impact levels, and
- Develop a clear plan for existing economic infrastructure.

8.4. MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

8.4.1. Performance Highlights for 2020/2021

- Bid committees are functional and bid committee members were duly trained;
- The municipality have an established IDP and Budget Steering Committee to manage IDP and budget processes of the municipality;
- Audit Committee is fully functional and effective and has added value to the functioning of the municipality;
- The finance section has filled most of the vacant positions, and
- The municipality continues to have a funded budget.

8.4.2. Challenges

- High debtors due to high number of indigent households;
- Lack of transfer of ownership of land limits revenue base;
- Non-payment for services by customers who have the ability to pay;
- Irregular expenditure;
- Huge financial loss due to electricity losses, and
- Disclaimer audit opinion for 2019/20 financial year.

8.4.3. Measures Taken to improve Performance

- Fast-track the land disposal of land with revenue generating potential;
- Enforcement of debt collection policies;
- Technical section to implement electricity infrastructure assessment report to address the exact causes of electricity losses;
- Improve measures to prevent irregular expenditure, and
- Fill the CFO position with full-time incumbent.

8.5. GOOD GOVERNANCE AND PUBLIC PARTICIPATION

The performance in this Key Performance Area relies on the appropriate structures in place which include Council and other structures. The municipality has a fully functional oversight structures such as Council, Executive Committee, MPAC to mention a few. The municipality conducts sod turning events and handover functions. The municipality was able to execute all programmes and targets as per Service Delivery Budget and Implementation Plan due to functional oversight structures. The municipality have an audit committee in place to oversee the finance, performance and compliance of the municipality.

Service Delivery Charter and Improvement Plan, Batho Pele Policy and Service Delivery Charter have been reviewed during the last financial year and now await implementation.

8.5.1. Performance Highlights for 2020/2021

- Council, portfolio committees, MPAC and other structures remain functional and effective although there is still a room for improvement. The municipality is implementing virtual council meetings in order to comply with Covid-19 regulations;
- The municipality continues to develop a credible IDP as shown by KZN COGTA assessment rating score;
- All complaints are responded to within a turn-around time of 14 days to ensure that the municipality is responsive to community needs;
- There is a functional and effective risk management unit and there is a Risk Management Committee with an independent chairperson;
- The municipality's ward committees are mostly functional with a functionality rating of 83%, and
- The municipality is consistent in its submission of Back2Basics report to KZN COGTA so that areas of support can be easily identified.

8.5.2. Challenges

- Implementation of all Back 2 Basics programmes.

- Inadequate coordination of municipal outreach programmes by internal departments.

8.5.3. Measures Taken to improve Performance

- Inadequate declaration of interest by councillors;
- Monitoring timeous response and adequacy of responses to audit queries, and
- Development of Public Participation Plan and establishment of the coordinating committee.

8.6. CROSS-CUTTING INTERVENTIONS

8.6.1. Performance Highlights for 2020/2021

- Successfully establishment of a functional Municipal Planning Tribunal (MPT);
- The municipality's Urban Development Framework and Spatial Development Framework were approved by Council;
- All development applications are processed on time;
- The municipality's recycling programme is going smoothly and has resulted in a total of 131 Tons of waste being diverted from dump site;
- The municipal compliance development committee is functional and multidisciplinary enforcement campaigns are conducted to enforce municipal by-laws, and
- The municipality has a functional GIS unit which is instrumental in providing GIS data to the municipality, the public and government departments.

8.6.2. Challenges

- Insufficient disaster management capacity;
- Illegal land occupation of municipal land;
- Non-compliance with building regulations, and
- Lack of funding to develop precinct plans.

8.6.3. Measures Taken to improve Performance

- Mobilization of all stakeholders to prevent and fight illegal land occupation;
- Completion and operationalization of the Nquthu Fire Station, and
- The compliance development committee has been strengthened to adequately enforce by laws.

9. ORGANIZATIONAL PERFORMANCE SCORECARD

The organizational performance scorecard is attached as **Annexure 01** of this report. The scorecard is arranged to cover all national KPAs under which all IDP objectives falls. It provides exact details performance for the year under review in terms of the following:

- **Multiyear comparison:** this column compares performance for the year under review with performance for the previous two years in order to determine whether municipal performance is improving or not.
- **Current year performance:** this column provides comparison between planned and achieved targets to measure performance per each key performance area.

- **Target status:** this column is colour shaded in to show if the target has been achieved, partially achieved or not achieved.
- **Corrective measure:** this column provides explanations of the corrective action that will be taken to ensure that all the set targets are finally achieved so that the service delivery mandate of the municipality is met.
- **Portfolio of evidence:** performance is audited to ensure the credibility and accuracy of reported performance. This column states the evidence that is available that proves what has been reported as achievements.

9.1. Explanatory notes to the 2020/21 organizational performance scorecard

The SDBIP was reviewed after the special adjustment budget approved by Council on 30 September 2020 and was also reviewed 30 March 2021. For purposes of this report only the changes made in 30 March 2021 will be addressed because the report is based on that final SDBIP. In this regard, notes provided below explain all the changes that were made and also make necessary disclosures where applicable.

- **Note 01** – Target incorrectly captured in the original SDBIP but corrected during a review.
- **Note 02** – Target increased from 24 000 which represent 2016 Community Survey to 32 622 which represents 2016 Community Survey number of households. The reason for the revised target is that it was established that Eskom figures for 2019 has over 34 000 households connected to the grid, therefore; since no up to date data was received from Eskom during the review, the number of households was used as the most reasonable target.
- **Note 03** – The indicator was incorporated during the review as it emerged that the municipality had planned new connections in Eskom areas.
- **Note 04** – The indicator was incorporated during the review in order to measure the implementation of the recommendations of the electricity losses report which was budgeted for.
- **Note 05** – There were two original sportfield indicators (Ngonini and Mafihleng) but targets were erroneously omitted for Mafihleng Sportfields as shown below.

No.	Indicators per June and October SDBIP	Budget	Target
1.	Percentage of completion of Ngonini Sportfield	R1 793 913	100%
2.	Mafihleng Sportfield	R434 783	100%

During the review, it was agreed that both sportfields were still at a stage where no construction or upgrade work was due in the near future. A decision was then made to table reports to monitor preparations for the work that needs to be done and progress made in terms of application to relevant departments.

- **Note 06** – Originally, agricultural development would be measured by means of percentage measuring the number of planned projects implemented against all planned projects. During the review, a decision was made to have specific indicators for each agricultural development initiatives that are planned.
- **Note 07** – Same as note 6.
- **Note 08** – There were additional SMME trainings added and the targets had to be revised.
- **Note 09** – The indicator was revised to be more specific and the target was revised to be SMART.
- **Note 10** – The indicator was introduced to address the municipality’s LED programme whereby SMME at ward level are supported with capital equipment to grow their

- **Note 11** – The indicator was revised to be more specific and meaningful to ensure that performance is measured against all contracts over R1million which is the municipality’s threshold for subcontracting.
- **Note 12** – The indicator and target were revised to be more specific and meaningful by changing it from a percentage to a number.
- **Note 13** – The target was not captured due to a typing error; this was corrected during the review.
- **Note 14** – The target was revised down from 4 to 2 due to budgetary considerations and lockdown conditions.
- **Note 15** - The target was revised down from 2 to 1 due to budgetary considerations and lockdown conditions.
- **Note 16** – The indicator was incorporated during the review to take into account the municipality’s Poverty Alleviation Programme that is aimed at benefiting all wards.
- **Note 17** – This note serves to disclose strategy in the IDP and the scorecard were different in content but supplementary in substance. For purposes of reporting, the strategy in the IDP was also incorporated to rectify the non-alignment that has been duly disclosed.
- **Note 18** – The indicator was revised to reflect Mayoral games that were conducted in place of SALGA games.
- **Note 19** – The date was changed in response to anticipated changes in Strategic Planning Session timelines.
- **Note 20** – The target was revised to address an error in planning since 20 March 2021 was on a weekend.
- **Note 21** – The word “quarterly” was incorporated to the indicator to ensure that it aligns with a minimum of 1 meeting per quarter.
- **Note 22** – The target was changed to number of reports in response to KZN COGTA ceasing to produce scores during the financial year.
- **Note 23** – The indicator measures the functioning of the Internal Audit unit. It was incorporated during a review since it was omitted at the beginning of the financial year, therefore; the operational strategy is not included in the IDP, but it is aligned to the “strive to attain clean audit” objective.
- **Note 24** – The target was reduced from 4 to a realistic 3.
- **Note 25** – 90 days is an equivalent of 3 months.
- **Note 26** – The target was changed to accommodate an extension/exemption by National Treasury.
- **Note 27** – New target incorporated during the first SDBIP review in response to adjustment budget approved on 30 September 2020.
- **Note 28** – Same as Note 27.
- **Note 29** – Same as Note 27.
- **Note 30** – Same as Note 27.
- **Note 31** – Target revised after the first target was not realized.
- **Note 32** – Indicator is new and meant to measure the functionality of MPT which was previously a shared district service.
- **Note 33** – Indicator new to respond to the development of GIS Strategy which was budgeted for.
- **Note 34** – Indicator introduced to take into account annual GIS awareness day.
- **Note 35** – Indicator new and meant to measure GIS data collection and updating.

- **Note 36** – Indicator incorporated after the appointment of Building Inspector.
- **Note 37** – Indicator incorporated after allocation of funds for lightning conductors.
- **Note 38** – Target reduced due to fluctuating lockdown levels.
- **Note 39** – There were two unachieved indicators in the 2019/20 APR (as shown below) that were not included on the Service Delivery and Budget Implementation Plan for 2020/21 that had not been achieved in the previous year. The reasons for not including these indicators are captured in the table below.

No.	Performance indicator as per the 2019-2020 audited APR	Achievement (Annual Performance Report 2019-2020)	Measures taken to improve performance	Reasons for not including indicator in 2020/21 SDBIP
1	Number of electricity connections at Low Cost Housing Phase II (Ward 14- municipal area) by year end	1052 households	N/A	The project had been finalized and there was no reason to include the indicator. If vandalized houses are renovated in future the municipality consider connecting those households.
2	Review the Housing Sector Plan By year end	Housing Sector Plan not submitted to Council as at 30 June 2020	to be tabled to full on the 13 August 2020	The Housing Sector Plan had been finalised but not tabled to Council and what was left was Council approval, therefore; it was deemed unnecessary to include it on the SDBIP especially in light of the fact that the municipality has to rationalize the number of its indicators.

10. ASSESSMENT OF SERVICE PROVIDERS

The municipality does not have the institutional capacity to perform all its functions by itself. Therefore, through the municipality's procurement policies and systems, it appoints external service providers to perform those functions on the behalf of the municipality. For every work that is performed by the service provider, there are standards that are set which the service provider must meet. Therefore, service provider performance is also evaluated through the municipality's contract management system. **Annexure 02** provides a table wherein the performance of service providers is duly assessed.

11. GENERAL

11.1. Disclosures and additional reporting

There are two instances in which indicators were omitted in the SDBIP which resulted in a misalignment between the SDBIP and the IDP as accordingly disclosed and reported below:

- (i) The Nquthu Bulk Storm-water was not captured in the SDBIP but was captured in the IDP, budgeted for and duly implemented. Unfortunately, this omission was not picked up during mid-year review of the SDBIP so that it can also undergo continuous performance management assessment like other projects. However, this project was monitored at the level Technical Services Committee and Executive Committee through reports compiled by Technical Services HOD. To rectify this omission, this project must be disclosed and accounted for in detail in the Annual Performance Report although it is not in the performance scorecard. The scope comprises the construction of bulk stormwater infrastructure within Nquthu Town in Ward 14. The work includes the installation of concrete pipes up to 1500 mm in

diameter, including manholes, headwalls, canals and pipe jacking. The project was meant to be finalized on 10 August 2021 and progress as at 30 June 2021 was as outlined below.

TECHNICAL

Contractual date: *20 November 2020*

Contract award value: *R 15 295 550.95*

COMPLETION PROGRESS AS AT 30 JUNE 2021

Overall completion percentage: *60%*

- (ii) The “Number of people from employment equity target groups employed in the three highest levels of management” indicator was also omitted together with its objective. Ordinarily, this indicator is measured and reported annually and its targets are informed by the municipality’s Employment Equity Plan (EEP). To rectify this omission, this indicator has been captured in the disclosed and accounted for in the Annual Performance Report as outlined below.

Employment equity target

Level	Males	Females	Total
Senior Managers	03	02	05
Middle Managers	17	17	34
Officers	28	26	57
TOTAL	48	48	96

Employment equity numbers (actual)

Level	Males	Females	Vacant	Total
Senior Managers	03	00	02	05
Middle Managers	17	07	10	34
Officers	22	25	10	57
TOTAL	42	32	22	96
ACTUAL: 42 MALES + 32 FEMALES 32 = 74				

Analysis

The overall targeted number of employees from employment equity target groups is 96 and the municipality has achieved 74 consisting of that 96 which is not bad considering that there are 22 vacancies. Female representation remains a challenge at senior management level but from middle management downwards representation is adequate.

- (iii) There were also capturing errors that resulted in non-alignment between the IDP and SDBIP as outlined in the table below:

Municipal Transformation and Institutional Development		
Strive to attain demographic equity in municipal workforce		
Monitor the ICT systems by ensuring a functional IT steering committee	Monitor the ICT systems by ensuring a regular review of ICP Plan	Monitor the ICT systems by ensuring a regular review of ICP Plan
Local Economic Development		
Development and implementation of agricultural strategy	Implementation of municipal Agricultural Plan	Implementation of municipal Agricultural Plan

11.2. Alignment

Primarily, the IDP is aligned to the performance scorecard through goals, key performance areas and strategies and these are aligned except in cases where there were new indicators that were incorporated to improve performance necessitating that relevant strategies be also incorporated into the SDBIP. In cases where new strategies were to support indicators that were not anticipated are incorporated, these are disclosed and explained in the explanatory notes to the organizational performance scorecard.

11.3. Performance audit committee functionality

The Audit Committee also serves the functions of performance auditing and the Audit Committee member responsible for performance management presides over all performance assessment meetings of senior managers. The assessments are conducted twice, mid-year assessment and annual assessment. Therefore, the performance audit committee is functional and effective.

11.4. Development priorities for 2021/22 financial year

Development priorities for the municipality remain largely the same since IDP objectives are unchanged. However, focus remains on infrastructure development due high backlog that need to be addressed. Infrastructure projects are divided into two, those that are rolled over from the 2020/21 and those that are new. In summary, new infrastructure projects are the following:

- Seven (7) access roads;
- Four (4) community halls, and
- Two (2) early childhood development centres (ECDs).

11.5. Back to Basics (B2B) reporting

The municipality has always consistently submitted B2B reports and consistently received good assessment ratings in terms B2B functionality status. However, KZN COGTA ceased to issue assessment reports but the municipality continued to submit as required.

12. KEY AREAS TO NOTE

Improving Performance

Performance is a major role that the municipality must champion to achieve the Clean Audit. It is envisaged that the municipality must avoid working in silos so as to avoid the duplication of information and programmes and to avoid the Audit opinion that is not satisfactory. This has been improved as all departments take responsibility in providing all needed information on time in compilation of all important documents. But still there are loopholes needed to be addressed so as to convene a professional mandate of achieving one goal and one vision of the municipality which is looking at championing of sustainable Local Economy and Community Development through good governance.

The municipality must ensure that all planned targets are achieved within the timeframe set out on the municipal scorecard so as to improve the municipal performance.

13. LESSONS LEARNT AND WAY FORWARD

The municipal internal departments must keep the good work of working together for better alignment which will avoid the duplication of programmes as this is the most occurring challenge. All internal departments should interact with one another for the better delivery to the community. The way forward is to set out the schedule where the municipal staff will engage each other consecutively and discuss the progress made regarding with the municipal vision, targets and objectives. By doing this the municipality will enrich its standard in service delivery to the community.

Moreover, the municipality should use either a manual or electronic system and cease to use them both since this presents challenges in terms of alignment that becomes difficult to address. The current PMS system is one of the modules of the financial system and is being and/or may be phased out, in this regard; it will help to use the manual system until the new system is installed.

14. CONCLUSION

The Annual Performance Report has been developed in compliance with applicable legislations and regulations (i.e. Section 46 of the Municipal Structures Act, No. 32 of 2000). The objectives in the report reflects the IDP objectives adopted by the Council. Umzinyathi District Municipality is responsible for water and sanitation within Nquthu jurisdiction as per Municipal Systems Act 2000, which stipulates the powers and functions of the municipalities.

IDP Reference	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAMME	KEY PERFORMANCE INDICATOR	FORMULA USED TO MEASURE PERFORMANCE	KPI Ref No.	COMPARISON WITH PREVIOUS FINANCIAL YEAR		CURRENT FINANCIAL YEAR 2020 /2021			COMMENTS	REASON FOR UNDER ACHIEVEMENT	CORRECTIVE MEASURES	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
								2019 /20	20219 /20	ANNUAL ORIGINAL TARGET	ANNUAL REVISED TARGET	ANNUAL ACTUAL ACHIEVEMENT						
								TARGET	ACTUAL									
ANNUAL PERFORMANCE REPORT 2020/2021																		
KPA 01: MUNICIPAL INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION																		
PGDP GOAL 2: HUMAN RESOURCE DEVELOPMENT																		
C.3.6.2	Building capable local government institutions	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	Percentage of a municipality's budget actually spent on implementing its workplace skills plan	(1) Actual budget spent/ (2) WSP budget x 100	CO RP-01	100%	70%	R1,00	100%	100%	All budget spent for WSP	N/A	N/A	N/A	Expenditure Report	Corporate
C.3.6.3				Ensure that appointment for advertised posts are finalized on time.	Average time taken per municipal appointment	(1) Sum of the number of days from advertisement to appointment/ (2) Number of appointments made	CO RP-02	N/A	N/A	3 months	3 months	3 months (80 days)	Vacancies filled within an average time of 3 months from the date of advertisement	N/A	N/A	N/A	Advert, Appointment letters	Corporate
C.3.4				Ensuring that critical posts and all budgeted vacant posts are filled	Number of Section 54/56 filled positions	Number of Senior Managers appointed on a full time basis	CO RP-04	5	5	5	5	3	3 S54/56 filled	Court order prohibited the filling of position at some stage.	Recruitment processes were started after the court processes were completed.	N/A	Organogram and List of Vacancies	Corporate
C.3.6.2				Provide in-service training to students who have completed their degrees/diplomas	Number of in-service trainees/ interns appointed	Number of in-services trainees appointed	CO RP-05	20	0	20	5	0	No In-service trainees appointed	Budget constraints	Number	N/A	Appointment Letters of In-service Trainees	Corporate

IDP Reference	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAMME	KEY PERFORMANCE INDICATOR	FORMULA USED TO MEASURE PERFORMANCE	KPI Ref No.	COMPARISON WITH PREVIOUS FINANCIAL YEAR		CURRENT FINANCIAL YEAR 2020 /2021			COMMENTS	REASON FOR UNDER ACHIEVEMENT	CORRECTIVE MEASURES	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
								2019 /20	20219 /20	ANNUAL ORIGINAL TARGET	ANNUAL REVISED TARGET	ANNUAL ACTUAL ACHIEVEMENT						
								TARGET	ACTUAL									
ANNUAL PERFORMANCE REPORT 2020/2021																		
C.3.7			To ensure an effective municipal ICT system	Monitor the ICT systems by ensuring monthly update of user access	Number of User Access Code updated	Number of quarterly user access code update	CO RP-07	N/A	N/A	4	4	4	User access code updated quarterly	N/A	N/A	N/A	Attendance Register and Minutes	Corporate
C.3.7			To ensure an effective municipal ICT system	Monitor the ICT systems by ensuring a regular review of ICP Plan	Date of review and approval of developed ICT Plan	Date of Council approval	CO RP-08	N/A	N/A	100% (Note 01)	30-Jun-21	28-May-21	ICT Plan approved by Council on the 28 May 2021	N/A	N/A	N/A	Signed Report	Corporate
K.2			To ensure effective management of municipal performance	Table performance reports to enable Council to monitor performance	Number of Performance reports tabled to Council quarterly	Number of performance reports tabled to Council	MM-01	4	4	4	4	4	Performance report submitted to Council on the 29 October 2020, 18 Dec 2020, 04 February 2021 and 28 May 2021	N/A	N/A	N/A	Council Resolution	Municipal manager
					Number of Performance/ SDBIP reports submitted and discussed to Departmental Meetings	Sum of SDBIP meetings for all departments	ALL-01	N/A	N/A	60	20	4	Other departments did not sit formally to discuss SDBIP and there is no evidence	4 departments did not discuss SDBIP on departmental meetings	HOD to ensure that they table SDBIP on Departmental meetings allow adequate reporting	N/A	SDBIP Report and Minutes	All

IDP Reference	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAMME	KEY PERFORMANCE INDICATOR	FORMULA USED TO MEASURE PERFORMANCE	KPI Ref No.	COMPARISON WITH PREVIOUS FINANCIAL YEAR		CURRENT FINANCIAL YEAR 2020 /2021			COMMENTS	REASON FOR UNDER ACHIEVEMENT	CORRECTIVE MEASURES	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
								2019 /20	20219 /20	ANNUAL ORIGINAL TARGET	ANNUAL REVISED TARGET	ANNUAL ACTUAL ACHIEVEMENT						
								TARGET	ACTUAL									
ANNUAL PERFORMANCE REPORT 2020/2021																		
1.6.1 [objectives]			To ensure effective fleet management system	Implementation of Fleet Management Policy	Percentage of Pre -Trip Authorisation	(1) Number of trips authorized/ (2) Number of trips taken x 100	CO RP-09	N/A	N/A	100%	100%	0%	not all trips are pre-authorised	N/A	N/A	N/A	Signed Report	Corporate
KPA 02: SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT																		
PGDP GOAL 4: STRATEGIC INFRASTRUCTURE																		
E.4.3 (a)	Service delivery	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	Percentage of unsurfaced road graded [70kms] by year end	(1) Kilometres of road graded / (2) Kilometres of unsurfaced road identified for maintenance X100	TECH-01	90km	96,5km	100%	100%	164.82%	Plant was hired to respond to heavy rains.	Plant was hired to respond to heavy rains.	N/A	All	Road maintenance report and job cards	Technical
E.4.3 (b)				To ensure improved quality of municipal road network	Percentage of reported potholes fixed by year end	((1) Number of potholes fixed within 7 working days / (2) Number of potholes reported)	TECH-02	N/A	N/A	100%	100%	97.87%	46,72 square metre of potholes fixed. 80 potholes were identified and 73,27 potholes were fixed as per report	Capacity of personnel	To be fixed during next quarter	14	Report and job cards	Technical
E.4.3 (a)				To ensure the expansion of access road network	Percentage of Installation of gabions at Magogo road by 30	Percentage of completion	TECH-03	N/A	N/A	100%	100%	100%	Project completed on 21 July 2020	N/A	N/A	4	Progress reports and completion certificates	Technical

IDP Reference	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAMME	KEY PERFORMANCE INDICATOR	FORMULA USED TO MEASURE PERFORMANCE	KPI Ref No.	COMPARISON WITH PREVIOUS FINANCIAL YEAR		CURRENT FINANCIAL YEAR 2020 /2021			COMMENTS	REASON FOR UNDER ACHIEVEMENT	CORRECTIVE MEASURES	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
								2019 /20	20219 /20	ANNUAL ORIGINAL TARGET	ANNUAL REVISED TARGET	ANNUAL ACTUAL ACHIEVEMENT						
								TARGET	ACTUAL									
ANNUAL PERFORMANCE REPORT 2020/2021																		
					March 2021													
					Percentage of Installation of gardrall at Nomalanga road by 30 March 2021	Percentage of completion	TECH-04	N/A	N/A	100%	100%	100%	Project completed on 30 October 2020	N/A	N/A	2	Progress reports and completion certificates	Technical
					Percentage of completion of Nkonkonyane gravel road by year end	Percentage of completion	TECH-05	N/A	N/A	100%	100%	100%	100% construction complete and practical completion certificate has been issued	N/A	N/A	3	Progress reports and completion certificates	Technical
					Percentage of completion for Mpunyuka gravel road by year end	Percentage of completion	TECH-06	N/A	N/A	100%	100%	49%	The project is 49% complete	Started the project late because of picking of pandemic. During the times, the construction industry like many others were working using skeleton staff with staff members reported to developed symptoms related to COVID and had to work from	The project will be given extension time to be able to complete the remaining work. The contractor will be given an extension letter.	9	Progress reports and completion certificates	Technical

IDP Reference	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAMME	KEY PERFORMANCE INDICATOR	FORMULA USED TO MEASURE PERFORMANCE	KPI Ref No.	COMPARISON WITH PREVIOUS FINANCIAL YEAR		CURRENT FINANCIAL YEAR 2020 /2021			COMMENTS	REASON FOR UNDER ACHIEVEMENT	CORRECTIVE MEASURES	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
								2019 /20	20219 /20	ANNUAL ORIGINAL TARGET	ANNUAL REVISED TARGET	ANNUAL ACTUAL ACHIEVEMENT						
								TARGET	ACTUAL									
ANNUAL PERFORMANCE REPORT 2020/2021																		
													home from time to time this adversely affecting operations and deadlines.					
					Percentage of completion of Nquthu Southern Road Network ph-2 by 30 December 2020	Percentage of completion	TECH-07	N/A	N/A	100%	100%	100%	The project is 100% completed	N/A	N/A	14	Completion Certificate	Technical
					Percentage of completion of Nquthu junction (Rank Road and mission road) by year end	Percentage of completion	TECH-08	N/A	N/A	100%	100%	96%	The project is 96% complete	Progress was affected by rain which affected the work schedule	The road was already in use as at 30 June 2021 only few items snag list items are missing, so corrective measure is not necessary	14	Progress reports and completion certificates	Technical
E.4.4			Improvement of electricity services, affordability, access, connection, and energy sustainability	Improved affordability of electricity	Number of households with electricity connections receiving Free Basic Electricity	Number of households receiving FBE within the municipality	TECH-09	4172	5192	4172	4172	4394	1875 beneficiaries received FBE from municipality and 2519 from eskom as at June 2021	Still awaiting beneficiary list from Eskom	The municipality will follow up on households with inactive meters	All	Ontec report and Eskom beneficiary list	Technical

IDP Reference	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAMME	KEY PERFORMANCE INDICATOR	FORMULA USED TO MEASURE PERFORMANCE	KPI Ref No.	COMPARISON WITH PREVIOUS FINANCIAL YEAR		CURRENT FINANCIAL YEAR 2020 /2021			COMMENTS	REASON FOR UNDER ACHIEVEMENT	CORRECTIVE MEASURES	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
								2019 /20	20219 /20	ANNUAL ORIGINAL TARGET	ANNUAL REVISED TARGET	ANNUAL ACTUAL ACHIEVEMENT						
								TARGET	ACTUAL									
ANNUAL PERFORMANCE REPORT 2020/2021																		
				To ensure improved access to electricity	Number of dwellings provided with connections to mains electricity supply by the municipality	(1) Count of households connected to the grid within the municipality	TECH-10	N/A	N/A	24 000 (Note 02)	32 622	30 383	Not all household are connected to the grid.	The municipality has not yet eradicated the electricity backlog and new households are built every year	The municipality will continue to connect unconnected households to the grid	All	Schedule for Eskom and municipality	Technical
					Number of new electricity connections (Wards: 1, 2, 3, 4, 5, 9, 10, 11, 12, 13 & 14) by year end	Number of new electricity connections made outside Ward 14	TECH-34	N/A	N/A	N /A (Note 03)	643	369	369 new electricity connection provided at Ward 9 10, 11, 12, 13 & 14	The delays was caused by poor performance of the service provider	The municipality expressed its intention to terminate and afterwards the issues were resolved..	9, 10, 11, 12, 13 & 14	Progress reports	Technical
					Percentage of new electricity connections completed within 14 day turn-around time for all approved applicants	(1)Number of new connections made within 14 days/(2)Number of all valid application x 100	TECH-11	100%	100%	100%	100%	100%	Approved allocation received connection within 14 days	N/A	N/A	All	Reports and job cards	Technical

IDP Reference	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAMME	KEY PERFORMANCE INDICATOR	FORMULA USED TO MEASURE PERFORMANCE	KPI Ref No.	COMPARISON WITH PREVIOUS FINANCIAL YEAR		CURRENT FINANCIAL YEAR 2020 /2021			COMMENTS	REASON FOR UNDER ACHIEVEMENT	CORRECTIVE MEASURES	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
								2019 /20	20219 /20	ANNUAL ORIGINAL TARGET	ANNUAL REVISED TARGET	ANNUAL ACTUAL ACHIEVEMENT						
								TARGET	ACTUAL									
ANNUAL PERFORMANCE REPORT 2020/2021																		
				Improved energy sustainability	Percentage of implementation of electricity losses recommendations by year end	(1) Number of recommendations implemented/ (2) Total number of recommendations	TECH-35	N/A	N/A	N/A (Note 04)	100%	100%	All planned recommendations for Phase 2 completed	N/A	N/A	14	Progress reports and completion certificates	Technical
				Improved energy sustainability	Percentage of total electricity losses	(Number of Electricity Units Purchased and/or Generated - Number of Electricity Units Sold) / Number of Electricity Units Purchased and/or Generated) × 100	TECH-43	N/A	N/A	10%	10%	27.5%	Electricity losses is sitting at 27.5%	Ageing infrastructure, faulty meters and incorrect billing	Recommendations emanating from technical assessment of electricity losses continues to be implemented fully	14	Signed electricity losses report	Technical
E.4.7			To improve access to network connectivity	Sustainable network connectivity	Number of network hotspots	Number of network hotspots within the municipality	CORP-10	N/A	N/A	1	1	0	The project was delayed	The first advert was cancelled	The service provider was appointed	14	Signed Report and Pictures	Corporate
E.4.5			Improve access to public facilities including community halls, Sport fields, and	Ensuring access to public facilities by construction of community halls	Percentage of completion of Nkalankala community hall by year end	Percentage of completion	TECH-13	N/A	N/A	100%	100%	100%	Nkalankala Hall is 100% completed	N/A	N/A	3	Progress reports and completion certificates	Technical

IDP Reference	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAMME	KEY PERFORMANCE INDICATOR	FORMULA USED TO MEASURE PERFORMANCE	KPI Ref No.	COMPARISON WITH PREVIOUS FINANCIAL YEAR		CURRENT FINANCIAL YEAR 2020 /2021			COMMENTS	REASON FOR UNDER ACHIEVEMENT	CORRECTIVE MEASURES	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
								2019 /20	20219 /20	ANNUAL ORIGINAL TARGET	ANNUAL REVISED TARGET	ANNUAL ACTUAL ACHIEVEMENT						
								TARGET	ACTUAL									
ANNUAL PERFORMANCE REPORT 2020/2021																		
			ECDS		Percentage of completion of Ekukhanyeni community hall by year end	Percentage of completion	TECH-14	N/A	N/A	100%	100%	100%	Ekukhanyeni Hall is 100% completed	N/A	N/A	11	Progress reports and completion certificates	Technical
					Percentage of completion of Jabavu Community Hall by year end	Percentage of completion	TECH-15	N/A	N/A	100%	100%	60%	Jabavu Hall is 60% complete	Extreme weather conditions during November and December 2020 and shortage of steel during lockdown.	The project is now progressing well.	12	Progress reports and completion certificates	Technical
					Percentage of completion of Ogazini Community Hall by year end	Percentage of completion	TECH-16	N/A	N/A	100%	100%	100%	Ogazini Hall is 100% completed	N/A	N/A	4	Progress reports and completion certificates	Technical
					Percentage of completion of Mnxangala Community Hall by year end	Percentage of completion	TECH-17	N/A	N/A	100%	100%	100%	Mnxangala Hall is 100% completed	N/A	N/A	2	Progress reports and completion certificates	Technical
					Percentage of completion of Nqulu Community Hall by year end	Percentage of completion	TECH-18	N/A	N/A	100%	100%	99%	Nqulu Hall is 99% complete	There was a shortage of construction material at the start of the project due to lockdown	The project will be completed at the beginning of 2021/22	1	Progress reports and completion certificates	Technical

IDP Reference	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAMME	KEY PERFORMANCE INDICATOR	FORMULA USED TO MEASURE PERFORMANCE	KPI Ref No.	COMPARISON WITH PREVIOUS FINANCIAL YEAR		CURRENT FINANCIAL YEAR 2020 /2021			COMMENTS	REASON FOR UNDER ACHIEVEMENT	CORRECTIVE MEASURES	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
								2019 /20	20219 /20	ANNUAL ORIGINAL TARGET	ANNUAL REVISED TARGET	ANNUAL ACTUAL ACHIEVEMENT						
								TARGET	ACTUAL									
ANNUAL PERFORMANCE REPORT 2020/2021																		
					Percentage of completion of Odudela community hall by year end	Percentage of completion	TECH-19	N/A	N/A	100%	100%	98%	Odudela Hall is 97,6% completed	During the month of Feb 2021, there was a lot of rain on site which caused the delay.	The project will be completed by 12 July 2021	7	Progress reports and completion certificates	Technical
					Percentage of completion of Sgubudu community hall by year end	Percentage of completion	TECH-20	N/A	N/A	100%	100%	35%	35% construction complete	There were delays in the appointment of service provider	The Project will be completed the 2021/22 financial year	10	Progress reports and completion certificates	Technical
					Percentage of construction Eziqhazeni Community Hall by 30 March 2021	Percentage of completion	TECH-21	N/A	N/A	100%	100%	100%	The project is completed and handover was in October 2020	N/A	N/A	15	Progress reports and completion certificates	Technical
					Percentage of completion of Masakhane community Hall by year end	Percentage of completion	TECH-23	N/A	N/A	100%	100%	100%	100% construction completed	N/A	N/A	5	Progress reports and completion certificates	Technical
					Percentage of completion of Gwija Community Hall by year end	Percentage of completion	TECH-24	N/A	N/A	100%	100%	100%	Gwija Community Hall is 100% completed	N/A	N/A	1	Progress reports and completion certificates	Technical

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								2019 /20	20219 /20	ANNUAL ORIGINAL TARGET	ANNUAL REVISED TARGET	ANNUAL ACTUAL ACHIEVEMENT						
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ANNUAL PERFORMANCE REPORT 2020/2021																		
					Percentage of completion of Kwayise Community Hall by year end	Percentage of completion	TECH-25	N/A	N/A	100%	100%	0%	Kwayise Community Hall is on hold	The project could not be implemented due to budget constraints.	Project on hold.	2	Design report	Technical
					Percentage of completion of Mntshongwetsha community hall by year end	Percentage of completion	TECH-26	N/A	N/A	100%	100%	35%	Mntshongwetsha is 35% completed	There were delays in the appointment of the Contractor.	Project budget was rolled over to 2021/22 financial year.	11	Progress reports and completion certificates	Technical
					Percentage of completion of Nondweni Hall - Renovation by year end	Percentage of completion	TECH-27	N/A	N/A	100%	100%	100%	The renovation of Nondweni Hall is 100% completed	N/A	N/A	6	Progress reports and completion certificates	Technical
					Percentage of completion of Kwanyezi Hall - Renovation by year end	Percentage of completion	TECH-28	N/A	N/A	100%	100%	100%	The renovation of Kwanyezi Hall is 100% completed	N/A	N/A	4	Progress reports and completion certificates	Technical
					Percentage of completion of Fire Offices by year end	Percentage of completion	TECH-39	100%	10.22%	100%	100%	10.22%	The change of consultant delayed the project. Consultant abandoned the	A contractor was appointed on a turnkey basis. The municipality add the scope of work to the contractor on	A contractor was appointed on a turnkey basis	14	Progress reports and completion certificates	Technical

IDP Reference	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAMME	KEY PERFORMANCE INDICATOR	FORMULA USED TO MEASURE PERFORMANCE	KPI Ref No.	COMPARISON WITH PREVIOUS FINANCIAL YEAR		CURRENT FINANCIAL YEAR 2020 /2021			COMMENTS	REASON FOR UNDER ACHIEVEMENT	CORRECTIVE MEASURES	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
								2019 /20	20219 /20	ANNUAL ORIGINAL TARGET	ANNUAL REVISED TARGET	ANNUAL ACTUAL ACHIEVEMENT						
								TARGET	ACTUAL									
ANNUAL PERFORMANCE REPORT 2020/2021																		
													project. There were no project Manager, leave no documents for the contractor to work on. Time is taken by Resident Engineer to re-measure the whole project.	site to include the resident engineer to avoid further delays in construction.				
					Percentage of completion of traffic offices by year end	Percentage of completion	TECH-41	70%	29%	100%	100%	86%	Traffic Offices is 86% completed	Poor performance from the previous contractor and was terminate	The new service has been appointed and is on site.	14	Progress reports and completion certificates	Technical
				Expanding access to Early Childhood Development facilities	Percentage of completion of Zalakwande Creche by year end	Percentage of completion	TECH-29	N/A	N/A	100%	100%	70%	Zalakwande Creche is 70% completed	The contractor was delayed by hard rock during excavation stage.	The contractor was given an extension to conclude construction.	13	Progress reports and completion certificates	Technical

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								TARGET	ACTUAL									
ANNUAL PERFORMANCE REPORT 2020/2021																		
				Expanding access to Sportfield facilities	Number of reports submitted to council for Ngonini and Mafihleng Sportfield	Number of reports	TECH-30	N/A	N/A	N/A (Note 05)	1	0	The report was not submitted to Council.	The report submitted lacked necessary detail	A detailed report will be tabled to Council	N/A	Report to Council	Technical
				Improvement of residential development	Percentage of completion of Nquthu Residential Development phase 1 (Water, sewer and electrical services) by year end	Percentage of completion	TECH-32	N/A	N/A	100%	100%	63%	The project is 63% completed	Extreme (raining) weather conditions prevented the construction work.	Project budget rolled over to 2021/22 financial year.	14	Progress reports and completion certificates	Technical
					Percentage of completion of Nquthu Residential Development phase II (Road stormwater) by year end	Percentage of completion	TECH-33	N/A	N/A	100%	100%	33%	The project is 27% complete	The contractor was terminated due to poor performance.	Another contractor to be appointed. Melokuhle Construction were appointed on the 2nd of July 2021.	14	Progress reports and completion certificates	Technical
KPA 03: LOCAL ECONOMIC AND SOCIAL DEVELOPMENT																		
PGDP GOAL 1: INCLUSIVE ECONOMIC GROWTH																		
F.5.1.5	Service delivery	Economic growth and development to allocate	Ensure growing the local economy	Implementation of municipal Agricultural Plan	Number of cooperatives benefiting from a fencing programme	(1)Number of cooperative benefitted	PLAN-01	N/A	N/A	N/A (Note 06)	17	20	20 Co-operatives benefited on the fencing programm	N/A	N/A	All	Report and signed list of beneficiaries	Planning

IDP Reference	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAMME	KEY PERFORMANCE INDICATOR	FORMULA USED TO MEASURE PERFORMANCE	KPI Ref No.	COMPARISON WITH PREVIOUS FINANCIAL YEAR		CURRENT FINANCIAL YEAR 2020 /2021			COMMENTS	REASON FOR UNDER ACHIEVEMENT	CORRECTIVE MEASURES	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
								2019 /20	20219 /20	ANNUAL ORIGINAL TARGET	ANNUAL REVISED TARGET	ANNUAL ACTUAL ACHIEVEMENT						
								TARGET	ACTUAL									
ANNUAL PERFORMANCE REPORT 2020/2021																		
					by year end								e					
					Date of Procuring 300 sheeps for Sheep and Wool Project	(1)Number of items purchased as per the plan	PLA N-26	N/A	N/A	N/A (Note 07)	30-Jun-21	0	Target not achieved	Budget constraints	The project will be put on hold until funds are available.	Ward 13	Proof of purchase	Planning
F.5.1.5				Promote the formalization of SMMEs	Percentage of cooperatives registered within 90 day turn around time	(1)Number of cooperatives registered within a 90 days turn-around time/(2)Number of valid applications received	PLA N-02	30 Days	30 Days	100%	100%	100%	All received applications for cooperative registrations were processed within 90 days	N/A	N/A	N/A	Cooperative Certificate and Register of processed applications	Planning
F.5.1.5				Promote the formalization of SMMEs	Average time take to respond to business licence application	(1) Sum of the total working days per business application finalised/ (2) Number of business applications finalised	PLA N-03	N/A	N/A	30 Days	30 Days	30 Days	business licence application responded to within 30 days	N/A	N/A	All	Signed Register of Business Licence issued	Planning
				Build the capacity of local SMMEs to make them competitive and sustainable	Number of SMMEs benefiting from SMME Awards Programme by year end	(1)Number of cooperative benefitted	PLA N-25	N/A	N/A	N/A (Note 10)	17	24	SMMEs were awarded with vouchers	N/A	N/A	All	Report and signed list of beneficiaries	Planning
F.5.1.5				Build the capacity of local SMMEs to make them competitive and sustainable	Number of SMME	(1)Number of trainings	PLA N-	6	5	4 (Note 08)	8	10	Tuck Shop Workshop	N/A	N/A	All	Attendance Register	Planning

IDP Reference	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAMME	KEY PERFORMANCE INDICATOR	FORMULA USED TO MEASURE PERFORMANCE	KPI Ref No.	COMPARISON WITH PREVIOUS FINANCIAL YEAR		CURRENT FINANCIAL YEAR 2020 /2021			COMMENTS	REASON FOR UNDER ACHIEVEMENT	CORRECTIVE MEASURES	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
								2019 /20	20219 /20	ANNUAL ORIGINAL TARGET	ANNUAL REVISED TARGET	ANNUAL ACTUAL ACHIEVEMENT						
								TARGET	ACTUAL									
ANNUAL PERFORMANCE REPORT 2020/2021																		
					trainings conducted by year end	conducted	04						on the 22 July 2020. 29 July 2020, 05 August , 26 August , 2 September , 10 September , 16 September . SMMEs Training on the 29 September 2020. Worskdog and monitoring of Coops on the 27 November 2020. 4 trainings conducted for Famers, Sewing, Caters[Skills and Business Management]. Informal Traders Workshop on 31 march 2021,					

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								2019 /20	20219 /20	ANNUAL ORIGINAL TARGET	ANNUAL REVISED TARGET	ANNUAL ACTUAL ACHIEVEMENT						
								TARGET	ACTUAL									
ANNUAL PERFORMANCE REPORT 2020/2021																		
F.5.1.5					Number of supported sewing cooperatives by year end	(1)Number of cooperatives supported	PLA N-05	N/A	N/A	100% (Note 09)	17	17	17 cooperatives supported	N/A	N/A	All	List of cooperatives benefited, Attendance Register Training	Planning
F.5.1.5				Use local procurement and subcontracting as an instrument to support local economic growth	Percentage of sub-contracted capital projects of all construction projects over R1m by year end	(1)Number of subcontracted projects/(2)Number capital projects over R1million implemented x 100	PLA N-06	100%	100%	13 (Note 11)	100%	100%	All projects over R1m were subcontracted	N/A	N/A	All	Subcontractors beneficiary list and Reports and Pictures and Contracts	Planning
F.5.1.5				Support local youth enterprises to unleash their potential and innovation	Number of supported youth cooperatives by year end	(1)Number of cooperatives supported	PLA N-07	N/A	N/A	100% (Note 12)	17	17	17 youth cooperatives supported	N/A	N/A	All	Signed Report and Beneficiary list	Planning
					Number of beneficiaries on Drivers Licence Programme by year end	(1)Number of beneficiaries	PLA N-08	40	40	N/A (Note 13)	34	44	44 beneficiaries benefited from Drivers Licence Programme	N/A	N/A	All	Signed beneficiary list	Planning
			To ensure growing the tourism sector in the municipality	Facilitate tourism initiatives and events	Number of tourism initiatives facilitated	(1)Number of tourism initiatives facilitated	PLA N-09	5	5	4 (Note 14)	2	2	Tourism Stakeholders and Portfolio committee on the 24 May	N/A	N/A	N/A	Signed Reports and Pictures	Planning

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								2019 /20	20219 /20	ANNUAL ORIGINAL TARGET	ANNUAL REVISED TARGET	ANNUAL ACTUAL ACHIEVEMENT						
								TARGET	ACTUAL									
ANNUAL PERFORMANCE REPORT 2020/2021																		
													2021.Tourism educational tour conducted on the 23rd- 26th of November 2020 at Port Shepstone					
			Promotion of Social cohesion through Arts and Culture development programmes	Facilitate and participate in all art, culture and heritage activities	Number of concept document for new Art and Culture programmes and submission to Portfolio Committee	(1)Number of concept documents submitted	PLAN-10	N/A	N/A	2 (Note 15)	1	1	Concept documents submitted to Council on the 28 May 2021. gospel Festival conducted on the 29 May 2021.	N/A	N/A		Signed Reports and Pictures	Planning
			To ensure more effective poverty alleviation	Creation of jobs to alleviate poverty by implementing EPWP, CWP, Waste	Number of cooperatives benefiting from a Poverty Alleviation Program by year end	(1)Number of cooperatives benefitted	PLAN-24	N/A	N/A	N/A (Note 16)	17	20	20 Co-operatives benefited on the Poverty Alleviation Programme.	N/A	N/A	All	Report and signed list of beneficiaries	Planning

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								2019 /20	20219 /20	ANNUAL ORIGINAL TARGET	ANNUAL REVISED TARGET	ANNUAL ACTUAL ACHIEVEMENT						
								TARGET	ACTUAL									
ANNUAL PERFORMANCE REPORT 2020/2021																		
F.5.1.6				Ambassadors [Creation of jobs to alleviate poverty by implementing local, economic development initiatives including capital projects] (Note 17)	Number of jobs created and maintained through municipality's local, economic development initiatives including capital projects	(1) Simple count of the number of work opportunities provided by the municipality for the period under review	TECH-34	170	73	221	221	170	51 jobs created and maintained. For EPWP jobs, contracts expired in December 2020	For 170 EPWP jobs, contracts expired in December 2020	budget will be available next financial year. The target will be aligned with 6 months budget going forward	All	List of beneficiaries	Technical
F.5.2	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	Number of sport codes participated on during Mayoral Cup by 30 December 2020	(1)Number of sports codes the municipality participated in.	CO RP-11	7	7	7 (Note 18)	3	3	3 sport code participated on during mayoural Cup	N/A	N/A	All	List of participants per sport code	Corporate	
				Number of Nquthu Horses participating on Proncial Dundee July	(1)Number of horses participated in the event	CO RP-12	18	18	18	18	18	18 Nquthu Horse participated in Dundee July	N/A	N/A		Signed Report	Corporate	
			To ensure the welfare of vulnerable groups within the municipality	Establish and ensure the functionality of representative forums for the targeted social groups	Number of Functional representative forums for social sectors Meetings conducted by year end	(1)Number of representative forum meetings	CO RP-13	15	15	20	20	20	20 forums conducted	N/A	N/A	All	Attendance Registers	Corporate

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								2019 /20	20219 /20	ANNUAL ORIGINAL TARGET	ANNUAL REVISED TARGET	ANNUAL ACTUAL ACHIEVEMENT						
								TARGET	ACTUAL									
ANNUAL PERFORMANCE REPORT 2020/2021																		
			Ensuring Early Childhood Development in Nquthu	Providing support to ECD centres	Number of early childhood development activities conducted by year end	(1)Number of ECD activities conducted	MM-06	4	4	4	4	4	Material for creches delivered in 4 ECD Centres	N/A	N/A	All	Municipal manager	
			Ensuring youth development in Nquthu	Initiating and implementing youth development initiatives	Percentage of youth development initiative facilitated as per plan by year end	(1) Number of youth development initiatives facilitated/(2) Number of planned youth initiatives	MM-07	100%	100%	100%	100%	100%	Youth Development Plan implemented. Youth Comemoration, Take A Child to Work, School Uniforms. Material for Creches, Learn and Play Programme, Youth Headed households supported and Mandela Day	N/A	N/A	All	Signed Report Municipal manager	

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								TARGET	ACTUAL									
ANNUAL PERFORMANCE REPORT 2020/2021																		
KPA 04: GOOD GOVERNANCE AND PUBLIC PARTICIPATION																		
PGDP GOAL 3: HUMAN & COMMUNITY DEVELOPMENT and GOAL 6: GOVERNANCE AND POLICY																		
A.8.2	Putting people first and Good Governance	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 IDP Steering Committee conducted quarterly	(1)Number of IDP and Budget Steering Committee meetings conducted	M-08	4	4	4	4	4	IDP Steering committee conducted on the 09 December 2020, 23 March 2021 and 06 May 2021	N/A	N/A	N/A	Attendance Registers	Municipal manager
A.8.4					Date of approval of Draft IDP 2021/22	(1) Date of approval by Council	M-09	31-Mar-20	30-Mar-20	30-Mar-21	30 March 2021	Draft IDP tabled to council on the 30 March 2021	N/A	N/A		Council Resolution	Municipal manager	
A.8.4					Date of approval of Final IDP 2021/22	(1) Date of approval by Council	M-10	31-May-20	15-Jun-20	30-Jun-21	30 June 2021	28 May 2021	Final IDP for 2021/22 adopted by Council on the 28 may 2021	N/A	N/A	N/A	Council Resolution	Municipal manager
A.8.3					Date of Strategic Planning conducted	(1) Date of the strategic planning meeting	M-11	30-Mar-20	04-Mar-20	30 February 2021 (Note 19)	15 March 2021	10-12 March 2021	Strategic planning conducted on the 10-12 March 2021	N/A	N/A	N/A	Attendance Registers	Municipal manager
A.8.1					Number of IDP presentations to OSS Stakeholders quarterly	(1) Number of OSS meetings with municipal representation	M-12	4	4	4	4	4	IDP Rep Forum took place on the 04 November 2020, 11 February	N/A	N/A	N/A	Attendance Registers	Municipal manager

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								TARGET	ACTUAL									
ANNUAL PERFORMANCE REPORT 2020/2021																		
													2021, 29 April 2021 and July 2020					
A.8.1					Date of IDP/Budget Consultation	(1) Date of advertisement	MM-13	1	1	30-Apr-21	30 April 2021	06 April 2021	Advert for Draft IDP published on the 06th April 2021 for public comments . IDP consultation conducted during community engagements	N/A	N/A	All	Attendance Registers	Municipal manager
G.6.1					Date of Submission of 2021/22 Internal and MIG Projects to MM for consideration	(1) Date of submission	TECH-42	N/A	N/A	20 March 2021 (Note 20)	23 March 2021	18 March 2021	The project list was submitted to Budget office and present on the strategic planning session on 18 March 2021			N/A	Projects List	Technical

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								TARGET	ACTUAL									
ANNUAL PERFORMANCE REPORT 2020/2021																		
A.3.1			Improved municipal responsiveness	Ensure that all complaints received are attended to on time	Percentage of received complaints responded to within 14 day	(1) Percentage of complaints responded to within 14 days / (2) Total number of complaints received x 100	MM-14	100%	100%	100%	100%	100%	All complaints received were responded to within 14 days	N/A	N/A	All	Updated Complaints Register	Municipal Manager
C.7.4			Improved municipal responsiveness	Ensure that all ward committees are functional	Percentage of Ward Committee Functionality quarterly	((1)The number of ward committees with 6 or more members)/((2)Total number of wards)*100	CO RP-14	100%	100%	100%	100%	83%	Ward Committee Functionality is 83%	Wards 1,14, and 17 No community feedback meetings or public meetings	Ensure that Ward 1,14 and 17 conduct community meeting	All wards	Assessment Report from Cogta	Corporate
			More effective municipal administration	Ensure that councillors declare their interests	Percentage of councillors who have declared their financial interests	(1) Number of councillors that have declared their financial interests/ (2) Total number of municipal councillors *100	CO RP-15	N/A	N/A	100%	100%	12%	4 out of 33 councillors declared their financial interests	N/A	N/A	N/A	Signed Declaration Forms	Corporate

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								TARGET	ACTUAL									
ANNUAL PERFORMANCE REPORT 2020/2021																		
			Improved council functionality	Prevent disruption of council meetings to ensure smooth functioning of council	Number of council meetings conducted quarterly (Note 21)	(1) Sum total number of all council meetings disrupted	CO RP-16	N/A	N/A	4	4	13	13 Council Meetings conducted	N/A	N/A	N/A	Attendance Register	Corporate
H.7.16			To ensure the the municipality maintains a functional Back to Basics status	Back to Basics programme implementation	Number of Back 2 Basics Reports submitted to Cogta quarterly	Percentage of functionality rating by COGTA	M M-15	74%	79%	100% (Note 22)	4	4	Back 2 Basic report was submitted to COGTA on a quarterly basis	N/A	N/A	N/A	Proof of submission to Cogta	Municipal manager
			To ensure improved communication with communities	Engaging communities about all development or infrastructure projects	Number of community engagement conducted to launch infrastructure projects by year end	(1) Number of community engagements conducted to launch infrastructure projects	M M-16	8	8	24	24	27	27 community engagement for infrastructural launch	N/A	N/A	N/A	Attendance Register	Municipal manager
			To ensure effective risk management	Implement the municipality's risk management policy and strategy	Percentage of risk action plan implemented quarterly	(1) Number of implemented action plans/(2) Number of all action plans	M M-17	100%	60%	100%	100%	62%	Risk Action Plan is 62% implemented	Ethics committee not yet established. Business continuity implementation not approved. AG action plan was developed and it is 20% implemented to date. Workshop for IT and Fraud Risk Register	Implementation plan to be monitored		Updated Risk Action Plan	Municipal manager

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								TARGET	ACTUAL									
ANNUAL PERFORMANCE REPORT 2020/2021																		
													not conducted					
					Number of Risk Management Committee Meeting Conducted quarterly	(1) Number of meetings conducted	M-18	4	4	4	4	4	Rick Committee conducted on the 27 Nov 2020, 24 March 2021 and 25 June 2021	N/A	N/A	N/A	Attendance Register	Municipal manager
			Strive to attain a clean audit	Ensure that the AG Action Plan is implemented and that Audit Committee sits and reports to Council	Number of Audit Committee reports to Council bi-annually	(1) Number of Audit Committee reports to Council	M-19	2	2	2	2	2	Audit Committee Report submitted to Council on the 18 December 2020 and June 2021	N/A	N/A	N/A	AC Reports	Municipal manager
				Number of audit committee meetings quarterly	(1) Number of meetings conducted	M-21	5	6	4	4	4	Audit Committee Meeting conducted on the 17 Dec 2020, 26 January 2021, 29 March 2021 and 28 June 2021	N/A	N/A	N/A	Attendance Register	Municipal manager	
				Prevent recurrence of AG findings	Number of repeat audit findings quarterly	(1) Number of repeat audit findings	M-22	N/A	N/A	0	0	24	internal audit findings repeated on PMS matters	Findings raised were not corrected	Findings to be communicated to all departments and be fixed	N/A		Municipal manager

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								2019 /20	20219 /20	ANNUAL ORIGINAL TARGET	ANNUAL REVISED TARGET	ANNUAL ACTUAL ACHIEVEMENT						
								TARGET	ACTUAL									
ANNUAL PERFORMANCE REPORT 2020/2021																		
				Ensure the implementation of the internal audit plan	Number of internal audit reports issued quarterly	(1) Number of internal audit reports issued	MM-23	26	26	N/A (Note 23)	22	22	Internal Audit reports issued	N/A	N/A	N/A	Internal Audit Reports	Municipal manager
			To ensure effective records management system	Awareness of staff on the implementation of records management system	Number of Records Management Awareness's conducted by 30 March 2021	(1) Number of Records Management awareness's conducted	CO RP-17	N/A	N/A	1	1	1	Records management Awareness campaign conducted on the 02 Dec 2020	N/A	N/A	N/A	Attendance Register	Corporate
			Effective Intergovernmental Relations (IGR) for the municipality	Full participation on IGR Forums and submit reports to Council on items emanated from district forums	Number of reports to Council emanated from IGR meetings quarterly	(1) Number of reports tabled to Council	CO RP-24	N/A	N/A	4	4	4	4 IGR Report submitted to Council and Portfolio Committee	N/A	N/A	N/A	Reports to Council	Corporate
KPA 05: FINANCIAL MANAGEMENT AND VIABILITY																		
PGDP GOAL 6: GOVERNANCE AND POLICY																		
	Sound financial management	Improved and sound Financial management and	To ensure effective expenditure management	Ensuring that the municipality executes its procurement plan	Percentage of Procurement Plan implemented	(1) Number of procurement plan items implemented/(2) Number of all procurement plan items	ALL -02	100%	87%	100%	100%	54%	54% achieved on procurement plan implemented	Some of the items on the procurement plan were not procured	To ensure that all procurement plan in effectively implemented		Updated Procurement Plan	All

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								TARGET	ACTUAL									
ANNUAL PERFORMANCE REPORT 2020/2021																		
			Ensure municipal financial sustainability	Maintain proper municipal financial sustainability	Percentage of Level of Cash Backed Reserves	(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)	FIN-03	N/A	N/A	100%	100%	100%	100% achieved	N/A	N/A	N/A		Budget & Treasury
			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	Current Ratio	Current Assets / Current Liabilities	FIN-04	N/A	N/A	02:01	1.5-2:1	6,43	6,43	N/A	N/A	N/A		Budget & Treasury

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								TARGET	ACTUAL									
ANNUAL PERFORMANCE REPORT 2020/2021																		
				ratio		(Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, Provision for Bad Debts, Impairment and Loss on Disposal of Assets)	FIN-05	3	21	1.5-2:2	3	18	18 months of municipality's ability to meet its monthly operating commitments	N/A	N/A	N/A	Budget & Treasury	
				Ensure municipality's ability to meet at least its monthly fixed operating commitments from cash and short-term investment without collecting	Number of months for municipality's ability to meet at least its monthly fixed operating commitments	((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation	FIN-06	3	21	3 months	3 months	18 months	18 months of municipality's ability to meet its monthly operating commitments	N/A	N/A	N/A	Budget & Treasury	

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								TARGET	ACTUAL									
ANNUAL PERFORMANCE REPORT 2020/2021																		
				any additional revenue, during that month.		n, Amortisation, and Provision for Bad Debts, Impairment and Loss on Disposal of Assets)).												
			To ensure improved debt management	Net Debtors Days		((Gross Debtors - Bad Debt Provision) / Billed Revenue) × 365	FIN-07		30 days	30 Days	-198		N/A	N/A	N/A		Budget & Treasury	
				Improve debt collection by billing of all municipal debtors	Collection Rate	Gross Debtors Opening Balance + Billed Revenue – Gross Debtors Closing Balance - Bad Debts Written Off) / Billed Revenue x 100	FIN-08	100%	51%	95%	95%	106%		N/A	N/A	N/A	Billing Report	Budget & Treasury
				Keep municipal assets in good state by efficient spending of maintenance budget	Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property	Total Repairs and Maintenance Expenditure / Property, Plant and Equipment and	ALL-03	N/A	N/A	8%	8%	0%	0% achieved				R & M Report	All

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								TARGET	ACTUAL									
ANNUAL PERFORMANCE REPORT 2020/2021																		
					(Carrying Value)	Investment Property (Carrying Value) x 100												
				Invest optimally in infrastructure by spending budgeted capital expenditure	Capital Expenditure to Total Expenditure	Total Capital Expenditure / Total Expenditure (Total Operating Expenditure + Capital Expenditure) x 100	FIN-09	N/A	N/A	10%	10%	20%	Capital expenditure to total expenditure is 20%	N/A	N/A		Section 52 Report	Budget & Treasury
			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	Actual capital Expenditure / Budget Capital Expenditure x 100	FIN & TECH-10	N/A	N/A	100%	100%	100%	Capital budget actually spent on Capital project is 100%	N/A	N/A		Expenditure Report	Budget & Treasury and Technical
					Percentage of operating budget spend	Actual Operating Expenditure / Budgeted Operating Expenditure x 100	FIN-11	N/A	N/A	100%	100%	66%	66% of operating budget spent				Expenditure Report	Budget & Treasury

IDP Reference	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAMME	KEY PERFORMANCE INDICATOR	FORMULA USED TO MEASURE PERFORMANCE	KPI Ref No.	COMPARISON WITH PREVIOUS FINANCIAL YEAR		CURRENT FINANCIAL YEAR 2020 /2021			COMMENTS	REASON FOR UNDER ACHIEVEMENT	CORRECTIVE MEASURES	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
								2019 /20	20219 /20	ANNUAL ORIGINAL TARGET	ANNUAL REVISED TARGET	ANNUAL ACTUAL ACHIEVEMENT						
								TARGET	ACTUAL									
ANNUAL PERFORMANCE REPORT 2020/2021																		
					Percentage of irregular expenditure incurred	(Irregular, Fruitless and Wasteful and Unauthorised Expenditure) / Total Operating Expenditure x100	ALL-04	N/A	N/A	0%	0%	66%	irregular expenditure is 66% due amounts not approved by Council as valid expenditure	irregular incurred due bid committees not properly established		Expenditure Report	All	
					Number of days taken to pay trade creditors	((Gross Debtors - Bad debt Provision)/ Actual Billed Revenue) x 365	FIN-12	30	6	30 days	30 days	30 days	Creditors with valid invoice were paid on time				Budget & Treasury	
					Number of Budget Steering Committee meetings convened	(1) Number of meetings conducted	FIN-13	2	2	4 (Note 24)	3	3	Budget Steering committee conducted on the 09 December 2020, 23 March 2021, and 19 May 2021	N/A	N/A	Attendance Register	Budget & Treasury	
					Submit 2021/22 Draft Annual Budget to the Mayor	(1) Date of submission	FIN-14	31-Mar-20	30-Mar-20	30-Mar-21	30-Mar-21	30-Mar-21	Draft budget tabled to council on the 30 march 2021	N/A	N/A	Council Resolution	Budget & Treasury	

IDP Reference	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAMME	KEY PERFORMANCE INDICATOR	FORMULA USED TO MEASURE PERFORMANCE	KPI Ref No.	COMPARISON WITH PREVIOUS FINANCIAL YEAR		CURRENT FINANCIAL YEAR 2020 /2021			COMMENTS	REASON FOR UNDER ACHIEVEMENT	CORRECTIVE MEASURES	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
								2019 /20	20219 /20	ANNUAL ORIGINAL TARGET	ANNUAL REVISED TARGET	ANNUAL ACTUAL ACHIEVEMENT						
								TARGET	ACTUAL									
ANNUAL PERFORMANCE REPORT 2020/2021																		
					Submit 2021/22 Annual Budget to the Council	(1) Date of approval by Council	MM & CFO -23	30-May-20	29-Jun-20	30-May-21	30-May-21	28-May-21	Annual Budget submitted to Council on the 28 May 2021	N/A	N/A		Council Resolution	Budget & Treasury
				Ensure effective procurement management by adhering to a set average turn-around time for awarding of bids	Average length of time from advertisement of a tender to the letter of award	(1) Sum of the number of days from the point of advertising a tender in terms of the 80/20 procurement process to the issuing of the letter of award/ (2) Total number of tenders awarded as per the procurement process	FIN-15	N/A	N/A	3 months (Note 25)	90 Days	90 Days	The average time taken for tender process did not exceed 90 days	N/A	N/A		Tender Register	Budget & Treasury
				Ensure that electricity distribution losses does not exceed 10%	Percentage of electricity Distribution Losses	(Number of Electricity Units Purchased and/or Generated - Number of Electricity Units Sold) / Number of Electricity Units Purchased and/or	TECH-12	N/A	N/A	10%	10%	44%	Electricity distribution loss is sitting at 44%	Infrastructure aging and wrong billing of some meters	The municipality is in the process of implementing recommendation emanated from technical assessment of electricity losses			Technical

IDP Reference	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAMME	KEY PERFORMANCE INDICATOR	FORMULA USED TO MEASURE PERFORMANCE	KPI Ref No.	COMPARISON WITH PREVIOUS FINANCIAL YEAR		CURRENT FINANCIAL YEAR 2020 /2021			COMMENTS	REASON FOR UNDER ACHIEVEMENT	CORRECTIVE MEASURES	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
								2019 /20	20219 /20	ANNUAL ORIGINAL TARGET	ANNUAL REVISED TARGET	ANNUAL ACTUAL ACHIEVEMENT						
								TARGET	ACTUAL									
ANNUAL PERFORMANCE REPORT 2020/2021																		
						Generated) x 100												
				Ensure effective and consistent reporting	Submission of 2019/20 AFS to AG by 30 October 2020	(1) Date of Submission of AFS to AG	FIN-16	31-Aug-19	31-Aug-19	2021/08/31 (Note 26)	30-Oct-20	31-Oct-20	AFS were submitted 31 October 2020	N/A	N/A	Acknowledgment letter	Budget & Treasury	
					Number of S71 reports tabled to Council	(1) Number of reports tabled to Council	FIN-17	12	12	12	12	12	Section 71 report submitted to council on a monthly basis	N/A	N/A	Council Resolution	Budget & Treasury	
					Number of S52 reports tabled to Council	(1) Number of reports tabled to Council	FIN-18	4	4	4	4	4	Section 52 report was prepared and submitted to council quarterly	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																		
	Service delivery	improve strategic Planning and municipal spatial	To ensure effective land use management and developme	Reviewing of Urban Design Framework (UDF) and SDF to	Date of submission of reviewed UDF to council for approval	(1) Date of approval by Council	PLA N-11	30-Jun-20	Not Approved	30-Jun-21	30-Jun-21	04-Feb-21	UDF submitted co Council on the 04 February 2021	N/A	N/A	Council Resolution	Planning	

IDP Reference	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAMME	KEY PERFORMANCE INDICATOR	FORMULA USED TO MEASURE PERFORMANCE	KPI Ref No.	COMPARISON WITH PREVIOUS FINANCIAL YEAR		CURRENT FINANCIAL YEAR 2020 /2021			COMMENTS	REASON FOR UNDER ACHIEVEMENT	CORRECTIVE MEASURES	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
								2019 /20	20219 /20	ANNUAL ORIGINAL TARGET	ANNUAL REVISED TARGET	ANNUAL ACTUAL ACHIEVEMENT						
								TARGET	ACTUAL									
ANNUAL PERFORMANCE REPORT 2020/2021																		
			nt planning	address spatial challenges in Nquthu Town	Date of Development of the Inception Report for Hlathidam Precinct Plan and submission to PSC	(1) Date of Inception Report tabling to PSC meeting	PLA N-15	N/A	N/A	N/A (Note 27)	30-Jun-21	30-Jun-21	Inception report completed and submitted to PSC	N/A	N/A	Inception Report and PSC Minutes	Planning	
					Date of Development of the Inception Report for Nkande/Ngo lokodo Precinct Plan and submission to PSC	(1) Date of Inception Report tabling to PSC meeting	PLA N-16	N/A	N/A	N/A (Note 28)	30-Jun-21	Not Achieved	Target not achieved	The project was stuck on SCM there was no service provider who was awarded a tender	To be finalised next financial year	17	Inception Report and PSC Minutes	Planning
					Date of submission of Inception Report on Nquthu Traffic Study to PSC	(1) Date of Inception Report tabling to PSC meeting	PLA N-17	N/A	N/A	N/A (Note 29)	30-Jun-21	Target not achieved	The project was stuck on SCM there was no service provider who was awarded a tender	N/A	N/A	14	Final document and proof of submission	Planning

IDP Reference	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAMME	KEY PERFORMANCE INDICATOR	FORMULA USED TO MEASURE PERFORMANCE	KPI Ref No.	COMPARISON WITH PREVIOUS FINANCIAL YEAR		CURRENT FINANCIAL YEAR 2020 /2021			COMMENTS	REASON FOR UNDER ACHIEVEMENT	CORRECTIVE MEASURES	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
								2019 /20	20219 /20	ANNUAL ORIGINAL TARGET	ANNUAL REVISED TARGET	ANNUAL ACTUAL ACHIEVEMENT						
								TARGET	ACTUAL									
ANNUAL PERFORMANCE REPORT 2020/2021																		
					Date of Development of the draft amendment layout for Nondweni Township and submission to Portfolio Committee	(1) Date of tabling to the Portfolio Committee	PLA N-19	N/A	N/A	N/A (Note 30)	30-Jun-21	Amendments to the layout were done	Amendments to the layout were done but not submitted to Portfolio Committee	N/A	N/A	6	Amended layout plan and Portfolio Committee Minutes	Planning
					Date of Approval of SDF by Council	(1) Date of approval by Council	PLA N-12	30-Jun-20	Not Approved	30 November 2020 (Note 31)	31-Mar-21	04-Feb-21	SDF was approved by Council on the 04 February 2021	N/A	N/A	All	Council Resolution	Planning
					Percentage of development complete applications approved within six months	(1) Number of valid development applications approved within 6 months/(2) Number of valid applications received	PLA N-18	60 Days	60 Days	N/A (Note 32)	100%	100%	All development applications	N/A	N/A	All	Development application register	Planning

IDP Reference	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAMME	KEY PERFORMANCE INDICATOR	FORMULA USED TO MEASURE PERFORMANCE	KPI Ref No.	COMPARISON WITH PREVIOUS FINANCIAL YEAR		CURRENT FINANCIAL YEAR 2020 /2021			COMMENTS	REASON FOR UNDER ACHIEVEMENT	CORRECTIVE MEASURES	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
								2019 /20	20219 /20	ANNUAL ORIGINAL TARGET	ANNUAL REVISED TARGET	ANNUAL ACTUAL ACHIEVEMENT						
								TARGET	ACTUAL									
ANNUAL PERFORMANCE REPORT 2020/2021																		
			To ensure provision of gathering, managing, and analyzing spatially related data through GIS	Implementation of GIS Policy	Percentage of GIS services requests responded to within 30 days (e.g Maps) quarterly	(1) Number of GIS service requests responded to within 30 days/ (2) Number of all GIS service requests received	PLA N-13	100%	100%	100%	100%	100%	GIS requests responded to within 30 days	N/A	N/A	All	Register of GIS Request	Planning
					Approval of GIS Strategy and Policy by 30 June 2021	(1) Date of approval by Council	PLA N-20	30-Jun-20	Not yet approved by Council	N/A (Note 33)	30-Jun-21	29-Jun-21	GIS Policy approved by Council on the 29 June 2021	N/A	N/A	All	Council Resolution	Planning
					Number of GIS awareness campaigns conducted	(1) Number of GIS service requests responded to within 30 days/ (2) Number of all GIS service requests received	PLA N-21	3	3	N/A (Note 34)	4	4	GIS Day / Campaign conducted on the 08 December 2020, GIS Awareness conducted during Ward Based Planning Meeting in 15 wards. GIS Workshop /Awareness conducted on the 21-22 June	N/A	N/A	All	Attendance registers, posters	Planning

IDP Reference	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAMME	KEY PERFORMANCE INDICATOR	FORMULA USED TO MEASURE PERFORMANCE	KPI Ref No.	COMPARISON WITH PREVIOUS FINANCIAL YEAR		CURRENT FINANCIAL YEAR 2020 /2021			COMMENTS	REASON FOR UNDER ACHIEVEMENT	CORRECTIVE MEASURES	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
								2019 /20	20219 /20	ANNUAL ORIGINAL TARGET	ANNUAL REVISED TARGET	ANNUAL ACTUAL ACHIEVEMENT						
								TARGET	ACTUAL									
ANNUAL PERFORMANCE REPORT 2020/2021																		
												2021. Poster placed on the municipal wall as GIS Campaign						
					Develop a single spatial data set per quarter	(1) Number of datasets developed	PLAN-22	1	1	N/A (Note 35)	4	11	3 dataset for Eskom Construction site, municipal facilities and IRM. 1 dataset for rivers, wetlands, Biomes, Vegetation and Protected areas. 3 data st issued for Creches, Proposed Nondweni Boundary and Proposed Space for Library. 4 dataset collected for households, Road block spot, and	N/A	N/A	All	Data set submission proof	Planning

IDP Reference	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAMME	KEY PERFORMANCE INDICATOR	FORMULA USED TO MEASURE PERFORMANCE	KPI Ref No.	COMPARISON WITH PREVIOUS FINANCIAL YEAR		CURRENT FINANCIAL YEAR 2020 /2021			COMMENTS	REASON FOR UNDER ACHIEVEMENT	CORRECTIVE MEASURES	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
								2019 /20	20219 /20	ANNUAL ORIGINAL TARGET	ANNUAL REVISED TARGET	ANNUAL ACTUAL ACHIEVEMENT						
								TARGET	ACTUAL									
ANNUAL PERFORMANCE REPORT 2020/2021																		
												Spatial Data Collection						
			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 Inspections conducted	(1) Number of building inspections conducted	PLAN-14	N/A	N/A	N/A (Note 36)	40	60	60 inspection conducted	N/A	N/A	Building inspection register	Planning	
		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 compliance with the required 1 hour attendance time for structural fire incidents	(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	CO RP-18	100%	100%	100%	100%	100%	Fire incidents attended to immediately	N/A	N/A	All	Incident Report	Corporate
					Number of lightning conductors installed on vulnerable areas by year end	(1) Number of lightning conductors installed in identified households	CO RP-23	900	34	N/A (Note 37)	1097	1210	1210 lightning conductors installed			All	Signed beneficiary list	Corporate

IDP Reference	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAMME	KEY PERFORMANCE INDICATOR	FORMULA USED TO MEASURE PERFORMANCE	KPI Ref No.	COMPARISON WITH PREVIOUS FINANCIAL YEAR		CURRENT FINANCIAL YEAR 2020 /2021			COMMENTS	REASON FOR UNDER ACHIEVEMENT	CORRECTIVE MEASURES	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
								2019 /20	20219 /20	ANNUAL ORIGINAL TARGET	ANNUAL REVISED TARGET	ANNUAL ACTUAL ACHIEVEMENT						
								TARGET	ACTUAL									
ANNUAL PERFORMANCE REPORT 2020/2021																		
					Number of Campaigns on Disaster Management quarterly	(1) Number of Disaster Management campaigns conducted	CO RP-19	12	14	12 (Note 38)	6	18	18 Firesafety awareness campaigns	N/A	N/A	All	Attendance Register	Corporate
		Safe municipal environment	Ensure a secure and safe municipal environment	Implementation of municipal safety plan	Number updated register for Access Control to municipal offices by visitors	(1) Number Access Control Register reviews conducted	CO RP-20	N/A	N/A	4	4	4	Attendance register is being signed by all visitors entering municipal premises	N/A	N/A		Photos, Completion Certificate	Corporate
			To ensure safer local roads	Maximum enforcement of road traffic laws and municipal bylaws	Number of road blocks conducted quarterly	(1) Number of road blocks conducted	CO RP-22	45	47	40	40	48	48 road blocks conducted	N/A	N/A		Attendance Register	Corporate
		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	(1) Number of kilograms/tons in waste received by the Buy Back Center	TEC H-37	N/A	N/A	180	180	131,43	131,43 to diverted away from landfill site	N/A	N/A		Signed Report	Technical
					Number of Waste management Campaigns conducted	(1) Number of waste management campaigns conducted	TEC H-38	3	5	4	4	6	6 waste management campaign conducted on the 06 November 2020, 15 April 2021, 27 June 2021, 19 January 2021, 25	N/A	N/A		Attendance Register and signed report	Technical

IDP Reference	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAMME	KEY PERFORMANCE INDICATOR	FORMULA USED TO MEASURE PERFORMANCE	KPI Ref No.	COMPARISON WITH PREVIOUS FINANCIAL YEAR		CURRENT FINANCIAL YEAR 2020 /2021			COMMENTS	REASON FOR UNDER ACHIEVEMENT	CORRECTIVE MEASURES	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
								2019 /20	20219 /20	ANNUAL ORIGINAL TARGET	ANNUAL REVISED TARGET	ANNUAL ACTUAL ACHIEVEMENT						
								TARGET	ACTUAL									
ANNUAL PERFORMANCE REPORT 2020/2021																		
													February 2021 and 20 September 2020					

ASSESSMENT OF SERVICE PROVIDERS

ASSESSMENT OF THE PERFORMANCE OF EXTERNAL SERVICE PROVIDER

The monitoring of the service provider 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 SCM unit as well. Service providers who fail to perform are reported to SCM and the necessary action is taken including the termination of the contract or cancellation of an order.

Example:

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>

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
NQU0030/316/2017-UMHLABA GEOMATICS INC	UMHLABA GEOMATICS INC		GENERAL VALUATION, PREPARATION AND UPDATING OF VALUATION ROLL FOR IMPLEMENTATION ON 1 JULY 2018 TO 30 JUNE 2023	R 920 000,00	100%	100%	100%	25%			
NQU0030/352/2018_ZAMASWAZI WASTE REMOVAL	ZAMASWAZI WASTE REMOVAL	2018/11/01	OPERATION OF A BUY BACK CENTRE	R 13 999 995,20	100%	100%	100%	60%	X		
NQU0022/353/2018_MOBILE	MOBILE TELEPHONE NETWORKS	2018/09/18	SUPPLY AND DELIVER MODEMS, 3G, 4G, LTE	R 64 080,00	100%	100%	100%	35%	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
TELEPHONE NETWORKS			NETWORK								
NQU0022/350/2018_MOBILE TELEPHONE NETWORKS	MOBILE TELEPHONE NETWORKS T/A MTN SA	2018/10/30	SUPPLY, INSTALL AND CONFIGURE PABX SYSTEM FOR 60 MONTHS	R 1 052 577,75	100%	100%	100%	40%	X		
NQU0050/370/2018-2019	KUHLEZAH TRADING AND PROJECTS	2019/05/24	SUPPLY, DELIVER AND INSTALL WENDY HOUSES FOR A PERIOD OF 36 MONTHS	9850 EACH	100%	100%	100%	30%	X		
NQU0020/379/2018-2019	ONTEC SYSTEMS (PTY) LTD	2019/05/29	PROVISION OF ONLINE VENDING FOR NQUTHU MUNICIPALITY FOR A PERIOD OF 36 MONTHS	R6500 pm, 3rd party vending sales 5.5%, 3rd party bank cost 1.75% and bank fees 2.35%	100%	100%	100%	55%	X		
NQU0020/379/2018-2019	ABSA BANK LIMITED	2019/05/29	PROVISION OF CASH IN TRANSIT FOR NQUTHU MUNICIPALITY FOR A PERIOD OF 36 MONTHS	R 288 447,48	100%	100%	100%	50%	X		
NQU0040/374/2018-2019	KUNENE MAKOPO RISK SOLUTIONS (PTY) LTD	2019/07/26	PROVISION OF SHORT-TERM INSURANCE FOR THE PERIOD OF 36 MONTHS	R 700 911,00	100%	100%	100%	40%			
NQU0020/389/2018-2019	CAB HOLDINGS (PTY) LTD	2019/07/26	PROVISION OF PRINTING AND POSTING OF STATEMENTS FOR NQUTHU MUNICIPALITY FOR THE PERIOD OF 36 MONTHS	R 851 775,00	100%	100%	100%	50%	X		
NQU0022/006/2019- 2020	JOREN COMMUNICATIONS	2019/11/07	PROVISION TO HOST WEBSITE & BACKUP WEBSITE FOR 36 MONTHS FOR NQUTHU	R 455 400,00	100%	100%	100%	60%	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
			MUNICIPALITY								
NQU0018/390/2018-2019	NTSHIDI & ASSOCIATES	2019/11/07	PROVISION OF INTERNAL AUDIT SERVICES FOR THE PERIOD OF 36 MONTHS FOR NQUTHU MUNICIPALITY	R 2 252 790,00	100%	100%	100%	80%	X		
NQU0040/385/2018-2019	CTRACK MZANSI (PTY) LTD	2019/12/12	PROVISION OF TRACKING DEVICE FOR 36 MONTHS FOR NQUTHU MUNICIPALITY	R 575 872,56	100%	100%	100%	60%	X		
NQU5000/356/2018-2019	SSR SECURITY CC T/A MAHLUBI TRANSPORT AND PLANT AND PROJECTS	2018/08/06	CONSTRUCTION OF NQUTHU SOUTHERN ROAD NETWORK PHASE 2	R 37 927 298,51	100%		100%	100%	X		
NQU5050/368/2018	SHIKANI TRADING CC	2018/12/18	CONSTRUCTION OF NQUTHU TRAFFIC OFFICES	R 5 932 519,83	70%	29%	100%	86%		X	
NQU5050/367/2018	ETHALA CONSTRUCTION AND SERVICES	2018/12/18	UPGRADE OF NQUTHU STADIUM	R 8 973 271,18	100%	100%	100%	100%		X	
NQU5050/340/2018-2019	VITSHA TRADING	2019/05/24	CONSTRUCTION OF FIRE STATION OFFICES	R 15 025 390,44	100%	10%	100%	80%		X	
NQU5050/016/2019-2020	AMAMBO PROJECTS \ MAJIKI CONSTRUCTION AND PLANT HIRE	2020/02/26	CONSTRUCTION OF MASAKHANE COMMUNITY HALL	R 3 110 715,97	100%	100%	100%	100%	X		
NQU5050/015/2019-2020	NONGAFA TRADING ENTERPRISE	2020/02/26	CONSTRUCTION OF GWIJA COMMUNITY HALL	R 3 134 567,73	100%	100%	100%	100%	X		
NQU5000/026/2019-2020	KHANS CONCRETE PRODUCTS	2020/04/23	CONSTRUCTION OF NQUTHU JUNCTION (RANK ROAD AND MISSION ROAD) IN WARD 14	R 10 644 479,12	100%	100%	100%	100%	X		
NQU5000/020/2019-2020	OURKINGDOM ENGINEERING AND PROJECTS	2020/04/23	CONSTRUCTION OF NKONKONYANE GRAVEL ACCESS ROAD	R 3 154 910,00	100%	100%	100%	100%	X		
NQU5000/018/2019-2020	MELA OKUHLE TRADING ENTERPRISE	2020/04/23	CONSTRUCTION OF NQUTHU RESIDENTIAL DEVELOPMENT PHASE I – WATER, SEWER AND	R 34 163 428,27	100%	100%	100%	63%	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
			ELECTRICAL SERVICES								
NQU5000/017/2 019-2020	NJENGAMANJE TRADING CC JV QUALITY CIVIL CC	2020/04/23	CONSTRUCTION OF NQUTHU RESIDENTIAL DEVELOPMENT PHASE 2 – ROADS AND STORMWATER	R 32 884 991,30	100%		100%	27%	X		X
NQU5050/027/2 019-2020	STOMP DA YARD (PTY) LTD	2020/05/05	CONSTRUCTION OF MNXANGALA COMMUNITY HALL	R 3 734 379,00	100%	100%	100%	100%	X		
NQU5050/029/2 019-2020	SIM AND LUKHO PROPERTY DEVELOPMENT AND CONSTRUCTION	2020/05/05	PRACTICAL COMPLETION OF EZIQHAZENI COMMUNITY HALL	R 1 568 644,00	100%		100%	100%		X	
NQU5050/028/2 019-2020	ENDUNENI CONTRACTORS CC	2020/05/05	CONSTRUCTION OF NGQULU COMMUNITY HALL	R 3 948 459,17	100%	100%	100%	99%		X	
NQU5050/019/2 019-2020	MAJIKI CONSTRUCTION AND PLANT HIRE	2020/05/05	CONSTRUCTION OF EKUKHANYENI COMMUNITY HALL	R 3 182 740,00	100%	100%	100%	100%	X		
NQU5050/025/2 019-2020	TPL MKHIZE CIVIL / MAJIKI CONSTRUCTION AND PLANT HIRE	2020/05/05	CONSTRUCTION OF NKALANKALA COMMUNITY HALL	R 3 034 856,67	100%	100%	100%	100%	X		
NQU5050/022/2 019-2020	MCHILOBOMVU CIVILS CONSTRUCTION	2020/05/05	CONSTRUCTION OF OGAZINI COMMUNITY HALL	R 3 162 500,00	100%	100%	100%	100%	X		
NQU5000/012/2 019-2020	SNM TOOLS AND INDUSTRIAL SUPPLIES (PTY) LTD	2020/05/05	RE-ADVERT SUPPLY AND INSTALLATION OF GABIONS AND CONCRETE PAVEMENT FOR MAGOGO ROAD	R 920 617,50	N/A		100%	100%		X	
NQU5000/013/2 019-2020	TIBELLO CONTRACTING AND TRADING ENTERPRISES CC	2020/05/05	RE-ADVERT SUPPLY AND INSTALL CONCRETE PAVEMENT SLAB AND INSTALLATION OF GUARDRAIL SYSTEM FOR NOMALANGA ROAD	R 709 588,00	N/A		100%	100%		X	
NQU0030/024/2 019-2020	FUZE GEOMATICS	2020/05/05	COLLECTION OF SPATIAL DATA FOR NQUTHU MUNICIPALITY	R 447 120,00	N/A		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
NQU0030/023/2019-2020	ESRI SOUTH AFRICA (PTY) LTD	2020/05/05	DEVELOPMENT OF GIS POLICY AND STRATEGY	R 592 020,00	N/A		100%	100%	X		
NQU0040/374/2018-2019	BIDVEST STEINER	2020/05/05	PROVISION OF SANITARY BINS FOR THE PERIOD OF 36 MONTHS	R 271 889,13	N/A		100%	100%		X	
NQU0056/382/2018-2019	TRADEWIND MAINTENANCE AND SUPPLY CC	2020/05/05	SUPPLY AND INSTALLATION OF LIGHTNING CONDUCTORS FOR THE PERIOD OF 24 MONTHS	R6842.50 EACH	N/A		100%	75%	X		
NQU5050/021/2019-2020	BUSIZWE TRADE AND SUPPLIES	2020/08/03	CONSTRUCTION OF JABAVU COMMUNITY HALL	R 3 364 087,87	N/A		100%	60%	X		
NQU5050/032/2019-2020	Mchilobomvu Civils Construction	2020/10/20	CONSTRUCTION OF ODUDELA COMMUNITY HALL	R 3 220 000,00	N/A		100%	98%	X		
NQU5000/041/2019-2020	Ntungani Construction JV Xoli M	2020/10/20	CONSTRUCTION OF NQUTHU BULK STORMWATER PHASE 1 - WARD 14	R 15 295 550,95	N/A		100%	62%	X		
NQU376/2018-2019	THOKOMELA ENGINEERING CONSULTANTS (PTY) LTD	2020/11/01	TURNKEY PROJECT: ELECTRIFICATION OF EQHUDENI AREA IN WARD 01	R 17 731 377,24	N/A		100%	60%			
NQU0040/001/2020-2021	MNUMZANE GROUP CC	2020/11/26	SUPPLY AND DELIVERY OF CLEANING MATERIAL FOR A PERIOD OF 36 MONTHS	R 599 887,97	N/A		100%	25%	X		
NQU0040/002/2020-2021	ESHENI CONTRACTING	2020/11/26	SUPPLY AND DELIVERY STATIONERY FOR 36 MONTHS	R 347 970,00	N/A		100%	25%			X
NQU0020/030/2019-2020	ADVENTURE TRAVEL	2020/11/26	PROVISION OF TRAVEL AGENT SERVICES FOR THE PERIOD OF 36 MONTHS	R 900,10	N/A		100%	25%			X
NQU0040/004/2020-2021	NISUCRAFT (PTY) LTD	2020/11/23	SUPPLY AND DELIVERY OF BATTERIES AND FITMENT OF TYRES	R 589 671,00	N/A		100%	40%		X	
NQU0021/006/2020-2021	TELKOM SA SOC LIMITED	2020/11/16	PROVISION OF SMS MESSAGING	R 28 930,00	N/A		100%	60%	X		
NQU0018/007/2	BRAND PARTNERS (PTY) LTD	2020/12/04	SUPPLY AND DELIVERY OF	R	N/A		100%	0%			

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
020-2021			NEWSLETTER ,CALENDARS & DIARIES	2 524 274,04							
NQU5000/009/2020-2021	LIBONGENI TRADING AND PROJECTS	2020/11/26	CONSTRUCTION OF MPHUNYUKA GRAVEL ROAD	R 5 300 000,00	N/A		100%	49%		X	
NQU5040/010/2020-2021	KANYENATHI ENTERPRISE (PTY) LTD	2020/11/26	CONSTRUCTION OF ZALAKWANDE CRECHE	R 1 965 000,25	N/A		100%	70%	X		
NQU0021/044/2019-2020	XTEC PMB (PTY) LTD	2020/12/04	LEASE OF MULTI-FUNCTIONAL PRINTING SERVICES FOR THE PERIOD OF 36 MONTHS	R 1 359 478,63	N/A		100%	70%		X	
NQU5050/039/2019-2020	STOMP DA YARD (PTY) LTD	2020/11/23	CONSTRUCTION OF SIGUBUDU COMMUNITY HALL	R 3 773 651,75	N/A		100%	35%	X		
NQU0063/042/2020-2021	NEO SOLUTIONS (PTY) LTD	2020/11/16	PROVIDE SERVICES ON LICENSE SUPPORT AND MATAINANCE FOR 36 MONTHS		N/A		100%	95%	X		
NQU0063/043/2020-2021	COW CATCHERS CC	2020/11/16	MAINTENANCE ANIMAL POUND FOR THE PERIOD OF 36 MONTHS	17250 PER MONTH	N/A		100%	40%		X	
NQU11607/2020-2021	ZIME-DU TRADING ENTERPRISE	2021/02/05	RENOVATION OF NONDWENI COMMUNITY HALL	R 1 098 415,29	N/A		100%	100%		X	
NQU11610/2020-2021	CAPSTAN TRADING 898	2021/02/05	RENOVATION OF KWANYEZI COMMUNITY HALL	R 1 007 748,50	N/A		100%	100%		X	
	ZIPHELELE PLANNING & ENVIRONMENTAL CONSULTANCY	2021/03/30	DEVELOPMENT OF HLATHI DAM PRECINCT PLAN	R 402 500,00	N/A		100%	25%	X		
NQULM12/2020/2021	MAJIKI CONSTRUCTION AND PLANT HIRE	2021/04/30	CONSTRUCTION OF NGWETSHANA COMMUNITY HALL	R 3 413 273,60	N/A		100%	35%	X		
NQULM/5/20-21	B I INFRASTRUCTURE CONSULTANTS (PTY) LTD	2021/05/20	PROJEC T MANAGEMENT UNIT FOR THE PERIOD OF 36 MONTHS	R 4 046 620,00	N/A		100%	25%	X		
NQULM14/2020-2021	SDM ASSET MANAGEMENT AND CONSULTING	2021/06/03	PROVISION OF ASSET MANAGEMENT SYSTEM AND	R 2 999 416,12	N/A		100%	60%	X		

<i>Bid Number</i>	<i>Name of external Service Provider</i>	<i>Date Contract Awarded</i>	<i>Service provided in terms of the SLA</i>	<i>Value of project</i>	<i>Comparison with previous year</i>		<i>Current Financial Year</i>		<i>Assessment of Service Providers Performance</i>		
					<i>Target</i>	<i>Actual</i>	<i>Target</i>	<i>Actual</i>	<i>G</i>	<i>S</i>	<i>P</i>
			SUPPORT FOR THE PERIOD OF 36 MONTHS								

2020/21 AUDIT REPORT

Auditor-General of South Africa

Nquthu Local Municipality

Audit report for the year ended
30 June 2021

Report of the auditor-general to the KwaZulu-Natal Provincial Legislature and council on Nquthu Local Municipality

Report on the audit of the financial statements

Disclaimer of opinion

1. I was engaged to audit the financial statements of the Nquthu Local Municipality as set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2021, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. I do not express an opinion on the financial statements of the municipality. Because of the significance of the matters described in the basis for disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

Investment property

3. I was unable to obtain sufficient appropriate audit evidence for investment property, due to the status of the accounting records. I was unable to confirm investment property by alternative means. Consequently, I was unable to determine whether any adjustments were necessary for investment property stated at R99,87 million in note 4 to the financial statements.

Property, plant and equipment

4. I was unable to obtain sufficient appropriate audit evidence for property, plant and equipment, due to the status of the accounting records. I was unable to confirm property, plant and equipment by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to property, plant and equipment stated at R545,57 million (2019-2020: R420,59 million) in note 5 to the financial statements.

Cash and cash equivalents

5. I was unable to obtain sufficient appropriate audit evidence for cash and cash equivalents, due to the status of the accounting records. I was unable to confirm cash and cash equivalents by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to cash and cash equivalents stated at R192,92 million in note 18 to the financial statements.

Receivables from exchange transactions

6. I was unable to obtain sufficient appropriate audit evidence for receivables from exchange transactions, as the underlying records could not be reconciled to the financial statements. I was unable to confirm receivables from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to receivables from exchange transactions stated at R13,48 million (2019-2020: R682 000) in notes 12 and 17 to the financial statements.

Receivables from non-exchange transactions

7. I was unable to obtain sufficient appropriate audit evidence for receivables from non-exchange transactions, as the underlying records could not be reconciled to the financial statements. I was unable to confirm receivables from non-exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to receivables from non-exchange transactions stated at R65,58 million (2019-2020: R56,26 million) in notes 13 and 17 to the financial statements.

Payables from exchange transactions

8. I was unable to obtain sufficient appropriate audit evidence for payables from exchange transactions, as the underlying records could not be reconciled to the financial statements. I was unable to confirm payables from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to payables from exchange transactions stated at R34,33 million (2019-2020: R44,97 million) in note 23 to the financial statements.

Employee benefit obligations

9. I was unable to obtain sufficient appropriate audit evidence for employee benefit obligations, as the underlying records could not be reconciled to the financial statements. I was unable to confirm employee benefit obligations by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the employee benefit obligations stated at R4,08 million (2019-2020: R2,96 million) in note 8 to the financial statements.

Provisions

10. I was unable to obtain sufficient appropriate audit evidence for provisions, as the underlying records could not be reconciled to the financial statements. I was unable to confirm the provisions amount by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to provisions stated at R37,91 million (2019-20: R8,07 million) in note 22 to the financial statements.

Revenue from exchange transactions

11. I was unable to obtain sufficient appropriate audit evidence for revenue from exchange transactions: service charges, as the underlying records could not be reconciled to the financial statements. I was unable to confirm revenue from exchange transactions: service charges amount by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to revenue from exchange transactions: service charges stated at R23,33 million (2019-20: R17,45 million) in note 26 to the financial statements.

12. I was unable to obtain sufficient appropriate audit evidence for revenue from exchange transactions: interest from investments, due to the status of accounting records. I was unable to confirm revenue from exchange transactions: interest received from investments by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to revenue from exchange transactions: interest received from investments stated at R10,13 million in the financial statements.

Revenue from non-exchange transactions

13. I was unable to obtain sufficient appropriate audit evidence for revenue from non-exchange transactions: property rates, as the underlying records could not be reconciled to the financial statements. I was unable to confirm the revenue from non-exchange transactions: property rates amount by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to revenue from non-exchange transactions: property rates stated at R31,56 million (2019-20: R42,62 million) in note 34 to the financial statements.
14. I was unable to obtain sufficient appropriate audit evidence for revenue from non-exchange transactions: government grants and subsidies, as the underlying records could not be reconciled to the financial statements. I was unable to confirm revenue from non-exchange transactions: government grants and subsidies by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to revenue from non-exchange transactions: government grants and subsidies corresponding figure stated at R184,42 million in note 36 to the financial statements.

Employee related costs

15. I was unable to obtain sufficient appropriate audit evidence for employee related costs, as the underlying records could not be reconciled to the financial statements. I could not confirm the employee related costs amount by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to employee related costs stated at R82,27 million (2019-2020: R68,99 million) in note 37 the financial statements.

Commitments

16. The municipality did not properly account for capital commitments as required by South African Standard of Generally Recognised Accounting Practice (SA Standard of GRAP) 17 *Property, plant and equipment*. Discrepancies were identified between amounts recorded in the underlying records and the financial statements. Consequently, capital commitments stated at R83,93 million (2019-20: R179,59 million) in note 50 the financial statements, were misstated by an amount of R5,81 million (2019-20: R5,72 million).

Contingencies

17. I was unable to obtain sufficient appropriate audit evidence for contingencies, as the municipality did not maintain accurate and complete records. I could not confirm contingencies by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to contingencies as stated in note 51 to the financial statements.

Related parties

18. The municipality did not disclose a related party relationships as required by SA Standard of GRAP 20, *Related party disclosures*. The appointment of an administrator at the municipality in terms of section 139(1) of the constitution was not disclosed in the financial statements. Consequently, I was unable to determine the full extent of the understatement of the related party disclosure in note 52 to the financial statements, as it was impracticable to do so.

Irregular expenditure

19. The municipality did not include the full extent of the irregular expenditure incurred in the financial statements, as required by section 125(2)(d) of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA). This was due to payments made in contravention of the supply chain management (SCM) requirements, which resulted in the irregular expenditure. In addition, I was unable to obtain sufficient appropriate audit evidence to confirm the irregular expenditure disclosed in the notes to the financial statements as the irregular expenditure could not be reconciled to the financial statements. I was unable to quantify the full extent of the understatement of irregular expenditure stated at R447,93 million (2019-20: R233,84 million) in note 57 to the financial statements as it was impracticable to do so.

Unauthorised expenditure

20. I was unable to obtain sufficient appropriate audit evidence for unauthorised expenditure due to the status of the accounting records. I was unable to confirm the unauthorised expenditure by alternative means. Consequently, I was unable to determine the full extent of the understatement of unauthorised expenditure as it was impracticable to do so.

Prior period errors

21. The municipality did not disclose prior period errors in the financial statements, as required by SA Standard of GRAP 3, *Accounting policies, changes in accounting estimates and errors*. The nature and the amount of the correction for each financial statement item affected, and the amount of the correction at the beginning of the earliest prior period were not disclosed, as identified by the auditors.

Statement of changes in net assets

22. The municipality did not prepare and disclose the statement of changes in net assets as required by SA Standard of GRAP 1, *Presentation of financial statements*. This was due to errors identified on the opening balance of the accumulated surplus as disclosed in the statement of changes in net assets. Consequently, I was unable to determine the full extent of the errors in the opening balance of the accumulated surplus, stated at R610,24 million in the statement of changes in net assets, as it was impracticable to do so.

Net cash flows from operating and investing activities

23. The municipality did not correctly prepare and disclose the net cash flows from operating and investing activities as required by SA Standard of GRAP 2, *Cash flow statements*. This was due to multiple errors in determining cash flows from operating and investing activities. I was unable to determine the full extent of the errors in the net cash flows from operating and investing activities as it was impracticable to do so. Consequently, I was unable to determine whether any adjustments to cash flows from operating activities stated at R67,68 million and investing activities as stated at R128,94 million in the cash flow statement.

Statement of comparison of budget and actual amounts

24. The municipality did not prepare the statement of comparison of budget and actual amounts in accordance with the requirements of SA Standard of GRAP 24, *Presentation of budget information in the financial statements*. Differences were identified between the budget amounts disclosed in the financial statements and the final approved budget. Consequently, the statement of comparison of budget and actual amounts was misstated. Additionally, an explanation of material differences between the budget and actual amounts was not disclosed in the notes to the financial statements.

Segment information

25. The municipality did not disclose segment information in accordance with the requirements of SA Standard of GRAP 18, *Segment reporting*. The disclosure in the financial statements did not include the following:

- Information about reported segment surplus or deficit, including specified revenues and expenses included in reported segment surplus or deficit, segment assets, segment liabilities and the basis of measurement.
- Reconciliations of the totals of segment revenues, reported segment surplus or deficit, segment assets, segment liabilities and other material segment items to corresponding entity amounts.
- Reconciliations of the amounts in the statement of financial position for reportable segments to the amounts in the entity's statement of financial position are required for each date at which a statement of financial position is presented.

I was unable to quantify the full extent of the misstatement to the segment information disclosure in note 61 to the financial statements as it was impracticable to do so

Accounting by principals and agents

26. The municipality did not correctly disclose the accounting by principals and agents in accordance with requirements of SA standard of GRAP 109, *Accounting by principals and agents*. The disclosure in the financial statements did not include the following:

- Significant terms, conditions of the arrangements and whether any changes occurred during the reporting period

- A description of risks that are transferred from the principal to the agent
- A description of any liabilities incurred on behalf of a principal that have been recognised by the entity

I was unable to quantify the full extent of the misstatement to the accounting by principals and agents disclosure, in note 62 to the financial statements as it was impracticable to do so.

Other matter

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

Unaudited disclosure note

28. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA 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

29. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and the Division of Revenue Act of South Africa, 2020 (Act No. 4 of 2020) (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.
30. 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.

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

31. My responsibility is to conduct an audit of the financial statements in accordance with the International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.
32. 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 the other ethical requirements that relevant to my audit of the in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

Introduction and scope

33. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected development priority presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
34. My procedures address the usefulness and reliability of the reported performance information, which must be based on the municipality's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the municipality enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
35. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the basic service delivery and infrastructure development priority presented in the municipality's annual performance report on pages x to x for the year ended 30 June 2021.
36. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
37. The material findings on the usefulness and reliability of the performance information of the selected development priority are as follows:

KPA 2: Basic service delivery and infrastructure development

Various indicators

38. The method of calculation for achieving the below planned indicators were not clearly defined.

Indicator as per the SDBIP	Target per the SDBIP	Reported achievement per the APR
Percentage of reported potholes fixed by year end	100%	97,87%
Percentage of total electricity losses	10%	27,5%
Number of new electricity connections (Wards: 1, 2, 3, 4, 5, 9, 10, 11, 12, 13 & 14) by year end	643	369

Various indicators

39. The method of calculation for measuring the planned indicators were not clearly defined and related systems and processes were not adequate to enable consistent measurement and reliable reporting of performance against the predetermined indicator definitions. I was also unable to obtain sufficient appropriate audit evidence for the reported achievements of three of the 36 indicators relating to this programme. This was due to the lack of accurate and complete records. I was unable to confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements in the annual performance report for the indicators listed below:

Indicator description	Target per the SDBIP	Reported achievement per the APR
Number of dwellings provided with connections to mains electricity supply by the municipality	32 622	30 383
Percentage of new electricity connections completed within 14 day turn-around time for all approved applicants	100%	100%
Number of households with electricity connections receiving Free Basic Electricity	4 172	4 394

Nquthu Bulk Storm-water

40. I was unable to audit the usefulness and reliability of the reported indicator of “Nquthu Bulk Storm-water” and the reported achievement of 60%, since it was not pre-determined and not included in the approved service delivery and budget implementation plan for the year under review.

Other matters

41. I draw attention to the matter below.

Achievement of planned targets

42. The annual performance report on pages ... to ... sets out information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 38 to 40 of this report.

Adjustment of material misstatements

43. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of KPA 2: Basic service delivery and infrastructure development priority. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

Introduction and scope

44. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the municipality's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
45. The material findings on compliance with specific matters in key legislation are as follows:

Financial statements

46. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a disclaimer audit opinion.

Expenditure management

47. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The expenditure disclosed does not reflect the full extent of the irregular expenditure incurred as indicated in the basis for disclaimer of opinion paragraph. The majority of the disclosed irregular expenditure was caused by non-adherence to Supply chain management (SCM) regulations.
48. Reasonable steps were not taken to prevent unauthorised expenditure, as required by section 62(1)(d) of the MFMA. The full extent of the unauthorised expenditure could not be quantified as indicated in the basis for disclaimer of opinion paragraph. The majority of the disclosed unauthorised expenditure was caused by overspending on expenditure and on grants.

Consequence management

49. Some of the irregular expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.
50. Unauthorised expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) of the MFMA.

Strategic planning and performance management

51. The service delivery and budget implementation plan (SDBIP) for the year under review did not include monthly revenue projections by source of collection and/or the monthly operational and capital expenditure by vote for each quarter, as required by section 1 of the MFMA.
52. The local community was not afforded the opportunity to comment on the final draft of the Integrated Development Plan (IDP) before adoption, as required by section 42 of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA) and municipal planning and performance management regulation 15(3).

53. Amendments to the IDP were made without making the proposed amendments available for public comment, as required by section 34(b) of the MSA and municipal planning and performance management regulation 3(4)(b).

Revenue management

54. An adequate management, accounting and information system which accounts for revenue, debtors, receipt of revenue was not in place, as required by section 64(2)(e) of the MFMA.
55. An effective system of internal control for debtors and revenue was not in place, as required by section 64(2)(f) of the MFMA.

Asset management

45. An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.
56. Some of the investments were not made in accordance with the requirements of the investment policy. Three quotations were not obtained from financial institutions, as required by municipal investment regulation 3(3).

Procurement and contract management

57. Some of the goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by 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).
58. Some of the construction contracts were awarded to contractors that did not qualify for the contract in accordance with Regulations 17 and 25(7A) issued in terms of the Construction Industry Development Board Act, 2000 (Act No. 38 of 2000).
59. Some of the invitations to tender for procurement of commodities designated for local content and production, did not stipulate the minimum threshold for local production and content as required by the 2017 Preferential Procurement Regulation 8(2).
60. Sufficient appropriate audit evidence could not be obtained that the performance of contractors or providers was monitored on a monthly basis, as required by section 116(2) of the MFMA.
61. Sufficient appropriate audit evidence could not be obtained that contract performance and monitoring measures were in place to ensure effective contract management, as required by section 116(2)(c)(ii) of the MFMA.

Other information

62. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and the selected development priority presented in the annual performance report that has been specifically reported in this auditor's report.

63. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
64. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objective presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.
65. As a result of the disclaimer of opinion expressed on the financial statements, I do not conclude on material misstatements of the other information relating to the financial statements. If, based on the work I have performed relating to the audit of performance information and compliance with legislation, I conclude that there is a material misstatement of this other information, I am required to report that fact.

Internal control deficiencies

66. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for disclaimer opinion and the findings on compliance with legislation included in this report.
67. Management did not adequately resolve the numerous material misstatements identified between the underlying records and the financial statements in the prior and current financial years, due to inadequate application of the financial reporting framework as well as the inability to provide the required supporting documentation.
68. Additionally, there was inadequate oversight and monitoring over the achievement of the audit action plans coupled with the slow response in addressing and implementing recommendations and transgressions reported.
69. Management did not adequately monitor and review the performance against predetermined objectives to ensure that reported performance information was useful and reliable.
70. Management did not perform adequate monitoring and review over compliance with applicable legislation.

Other reports

71. I draw attention to the following engagement conducted by various parties which had, or could have, an impact on the matters reported in the municipality's financial statements, reported performance information, compliance with applicable legislation and other related matters. This report did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

Investigation

72. The Department of Cooperative Governance and Traditional Affairs instituted an investigation into allegations of maladministration, fraud and corruption at the Nquthu Local Municipality in terms of section 106 of the Local Government: Municipal Systems Act 32 of 2000. The outcome of this investigation is still awaited at the date of this auditor's report.

Auditor General

Pietermaritzburg

28 February 2022



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

2020/21
AUDIT
COMMITTEE
REPORT

Audit and Performance Committee Report for the period ending 30 June 2021

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 the Municipal Finance Management Act 56 of 2003(MFMA) and they are:

- Mr S Majola : Audit and Performance Committee Chairperson
- Ms K Khanyile : Audit and Performance Committee Member
- 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. Due to the COVID-19 pandemic that wreaked havoc throughout the world, the committee only held its meetings virtually. Three meetings were held for the year under review. Member's attendance in those meetings is as follows:

MEMBER NAME	MEETINGS ATTENDED
Mr S Majola	3
Ms K Khanyile	2
Ms N Thungo	3
Ms P Sihlongonyane	2

Apologies were received from members where they were unable to attend the meeting. It is with great regret to report that one of the members of the committee, Ms K Khanyile passed on due to ill health. May her soul rest in eternal peace.

3. Audit and Performance Committee Responsibility

We report that we have performed our responsibilities for the 2020/21 financial year in terms of the Municipal Finance Management Act No 56 of 2006, Section 166. 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 be designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital were effectively managed. In line with this act and the King IV reports on Corporate Governance requirements, Internal Audit reports provide the Audit and Performance Committee and Management with assurance that the system of internal controls of the Municipality were effective or not.

The Audit and Performance Committee reviewed various reports from the Internal Audit and these highlighted, in certain instances, the ineffectiveness of internal controls in addressing risks identified within the Municipality especially in Performance Management Section. This matter is discussed in detail below under point 7.

We followed up on management's action plan to address the Auditor-General's report for the 2019/20 financial year. We also monitored the implementation of both the Internal auditor's and Auditor-General's action plans to implement their recommendations by management to ensure that management took steps to address internal control weaknesses identified. We can report that management accepted the recommendations proposed, but it is unfortunate that most of the recommendations have not been implemented, most of them are in progress. The municipal manager made an undertaking to follow up with management to ensure that all recommendations

are fully implemented to avoid repeat findings from the Office of the Auditor-General (OA-G).

5. Minimum qualifications for finance staff

With the assistance of 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

The Committee is satisfied that the Internal Audit Activity work was conducted in accordance with the approved Internal Audit Plan. Quarterly reports from Internal Audit were reviewed and findings were discussed and agreed upon with management. Management committed them to continuously support the Internal Audit Activity in order for the Municipality to improve the effectiveness of internal controls and realize its value. The municipal manager made an undertaking as well to follow up with management to ensure that all recommendations made by internal auditors are fully implemented.

7. Financial reporting and financial management

Financial Reporting

We reviewed the Mid-term report as well as the third term report which is prepared as per the MFMA and recommendations on these reports were discussed with management. Management confirmed that all the issues identified were taken into account before the submission of this report to National Treasury.

Financial management

We are happy to report that the municipality at the end of the financial year was in a good financial standing, meaning, there was adequate funds to settle outstanding debt

and unspent grant funds were cashed backed. Our concern in this regard was the increase in the Debtors book compared to the previous financial year. We therefore recommend that management assesses each debtor's ability to settle their account and where necessary impair the amount owed by debtor to show only the amount that the municipality is likely to receive from the debtor concerned.

Council, especially ward councillors, should also continue to remind the community to settle their accounts with the municipality to enable the municipality to continue providing the services to them.

8. Performance Management System (PMS)

During the financial year, we monitored performance reporting of the municipality and we highlighted a number of issues that had to be addressed by management. Some improvements were noted in this area at the end of the financial year. We recommend that management should ensure that:

- Alignment of the IDP, Budget, SDBIP and the Municipal scorecard
- Targets meet the SMART principle
- Consistency of objectives, indicators and targets
- Portfolio of evidence (POE) files are submitted for performance achieved
- Strides are made to ensure that targets are achieved
- Corrective measures for performance improvement are implemented where targets are not met

Recommendations to attend to these issues were discussed and agreed upon with management.

9. External Audit

Unfortunately the municipality did not improve in its audit opinion from OA-G. The municipality received a disclaimer opinion for the 2020/21 financial year. This resulted

mainly from the differences noted between the figures on the AFS and those that were on the accounting system used by the municipality. An action plan to address the issues raised by the OA-G has been developed by management. We agreed with the accounting officer that management will monitor the implementation of this plan in all their management meetings. We recommend that the municipality work close with the OA-G staff to address the issues raised by the OA-G to improve the audit opinions.

10. Risk Management and Compliance

The Municipality's Internal Audit Unit plays as an advisory role in Risk management and compliance. We have recommended to management to discuss issues of risk during the Management committee meetings. We also recommend that workshops for all staff be conducted to make all employees aware of the importance of risk management.

11. Corporate governance

As the committee, we appreciate the efforts by Management in improving internal controls. As the audit and performance committee we will continue to support management and advise Council. Management should continue working closely with internal audit and the audit team to improve controls. We also recommend that Council continue to play their oversight role to ensure that our recommendations are implemented.

12. Conclusion

The Committee would like to appreciate the opportunity provided to it by Council to assist the municipality in achieving its objectives. We also appreciate the support from management and Council on the functioning of the committee and we wish the municipality well in improving its internal controls to achieve its service delivery objectives and clean administration.



Mr S Majola - For the Audit and Performance Committee

2020/21 OVERSIGHT REPORT



NQUTHU LOCAL MUNICIPALITY KZN 242
OVERSIGHT REPORT 2020/2021

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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 2020/2021 was tabled in the oversight committee on the 28th of March 2022 (Monday).

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 2020/2021 DRAFT 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 Audited 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 sources 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 draft annual report in respect of the 2020/21 financial year was submitted to Council on the 10 March 2022 as per the following process flow;



Accordingly, notice was given in terms of section 21 of Local Government: Municipal Systems Act, N0. 32 of 2000 read with section 127 of the Local Government: Municipal Finance Management Act, 56 of 2003 that the draft Annual Report was open for comments and or inputs by the community and stakeholders by the 10 March 2022. The draft Annual Report was placed at the municipal offices, and the municipal website www.nquthu.gov.za

No comments were received from public members except comments from Internal Audit and Audit General for consideration by management. MPAC meeting convened on the 28th of March 2022 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. KA Msimango, Cllr. SY Nyoka

Cllr. SS Langa

5. INPUTS AND COMMENTS FROM THE OVERSIGHT COMMITTEE

Quality of submitted Annual Financial Statements (AFS) - The committee noted with concerns a set of AFS submitted for audit. They suggested that management consider advises of oversight committees and employ their effort to improve quality of Annual Financial Statements. Management to take a matter of two financial systems very serious, as it also contributed to inadequate reconciliation of information.

The Accounting Officer must ensure that 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 improvement on the performance information and decreased number of findings on issued by Auditor General from Annual Performance Report. There were three findings in 2018/2019, seven findings in 2019/2020 and three findings in 2020/2021 financial year. Management need to apply SMART principles when developing organizational scorecard. Management need 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 enormous increase on 2020/21 irregular expenditure, from R50.88 million in 2019/20 to R214.10 million in 2020/21 financial year. They suggested that any UIFW expenditure occurred during financial year under review, be dealt with in terms of applicable procedures and report be submitted to council for subsequent action and consequence management.

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 need 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. 2020/21 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 was 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	<p>The conclusion of the annual audit are:</p> <ul style="list-style-type: none"> • Disclaimer audit opinion • The objective of the municipality was to improve to unqualified audit opinion • 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? - Is the action proposed considered to be adequate to effectively address the issues raised in the audit report? 	An Audit Action Plan was developed and submitted to Auditor General, KZN COGTA and KZN Treasury.

	- Has a schedule of action been taken and included in the annual report with appropriate due date?	
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.	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?	Yes
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.	Have the recommendations of the audit committee in regards 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.	Yes
2. Disclosures – Allocation received and made- Section 123 – 125 of the MFM	Considerations	Yes
Section 123 (1) (a) of the MFMA. Allocations received by and made to the Municipality	The report need to disclose: <ul style="list-style-type: none"> • Details of allocations received from another organ of state in the national or provincial sphere. • 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 	Yes

	<p>municipal entity.</p> <ul style="list-style-type: none"> • 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>Section 123 (1) (c) of the MFMA. Information in relation to the use of allocations received.</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 conditions of the grants, allocations in terms of section 214 (1) (c) of the Constitution and allocations received from other than another organ of 	<p>Yes</p>

	<p>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. 	
Section 125 (1) of the MFMA. Information in	Municipalities and entities are reminded of the	Yes

<p>relation to outstanding debtors and creditors of the municipality and entities</p>	<p>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>3. Disclosures in notes to Annual Financial Statements (AFS)</p>	<p>Considerations relating to section 124</p>	<p>Yes</p>
<p>Information relating to benefits paid by the municipality and entity to councilors, directors and officials.</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. - Salaries allowances and benefits of the municipal manager, CEO of municipal 	<p>Yes</p>

	<p>entity, CFO and every senior manager.</p> <ul style="list-style-type: none"> - 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>	
4. Municipal Performance	Considerations	
The annual performance reports of the municipality and entities	Section 46 of the Local Government: Municipal Systems Act requires municipalities to submit a performance report reflecting the performance of the municipality and each service provider, a comparison of the performance with targets set for the previous year and measures take to	<p>The 2020/21 Annual Performance Report was submitted to the Auditor General with the Annual Financial Statements at the end of August 2020, for auditing purposes.</p> <p>The 2020/21 Annual Performance Report</p>

	<p>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? - Has a customer satisfaction survey been undertaken and, if so, how do the results align with the annual report contents? 	<p>has also been consolidated as part of the 2020/21 draft Annual Report which was submitted to the Council for approval on the 10th March 2022.</p>
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	<ul style="list-style-type: none"> - 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 conclusions on information and explanations provided. 	
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Audit reports on performance.		
	<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 2020/21 Annual Performance Report and there were three queries raised by the Auditor General. Annual Financial Statements was also looked at and Auditor General expressed disclaimer opinion on them. There were also matters of noncompliance 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 2021/2022 financial year</p>
Performance of municipal entities and municipal service providers.	<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 2020/21 Annual Report.</p>
5. General Information	<p>The following general information is required to be disclosed in the annual report.</p>	
Relevant information on municipal entities.	<p>The municipality should disclose all information relating to the municipal entities under the sole or</p>	N/A

	<p>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>	
The uses of any donor funding support	<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>Belgian Government has donated R821 759.10 through city to city cooperation programme between Nquthu Municipality [RSA] and Bornem Municipality [Belgium] to waste management programs, youth development, library and LED programs</p>
Agreements, contracts and projects under Private-Public-Partnerships.		N/A
Service delivery performance on key services provided.	<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 external mechanisms. Council may draw conclusions on the overall performance of the municipality. This information may be found in an</p>	<p>Service delivery performance summary which sets out overall performance under the strategic objectives of the municipality has also been included in the 2020/21 Annual Report.</p>

	executive summary section of the annual report and or in statistical tables.	
Information on long-term contracts.	Details of all long-term contracts including levels of liability to the municipality should be included. Council should ensure all information correctly supplied.	<ul style="list-style-type: none"> - Ntshidi & Associates – Provision of Internal - Malangeni networking – Network services - Harvey World Travel Shelly Beach – Travel agents - Rose Perraira – Municipal Attorneys - Hajra Patel incorporated – Municipal of Attorneys - Umhlaba Geomatics INC – Provision for General valuation, Preparation and updating valuation roll - Ocean Dawn – Provision of security services - DM ICT Services – Provision of IT Disaster Recovery - 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 - Cab holdings – provision of printing and posting of statement for Nquthu Municipality for 36 months
Information technology and systems purchases and the effectiveness of these systems in the delivery of services and for ensuring compliance with statutory obligations.	Details of significant IT activities should be outlined indicating the effectiveness of the IT projects and the quality of IT services. Council should consider how effectively the IT services support and facilitate performance of the	Nquthu Municipality upgraded the financial system to be M-SCOA compliant as per treasury requirements. The system is reliable and it speeds up the functioning of internal departments however Nquthu municipality is

	<p>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>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</p>		
<p>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</p>	<p>Yes</p>

	its completion and tabling been adopted?	
Payment of performance bonuses to municipal officials.	<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? - Are payment justified in terms of performance report in the annual report? 	No bonuses were paid to Senior Managers for 2019/20 financial year. Performance evaluation for 2020/2021 financial has been done but Council has not yet decided on them.

7. CONCLUSION

The oversight committee raised concerns on the status 2020/21 audit opinion. Management need to improve the quality of 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 concerning that whilst some of the aspects have been covered in terms of addressing them in the action plan for the Auditor General report; the municipality has regressed to disclaimer audit opinion.

It is pleasing that most of the issues raised in the previous audit opinion on performance information have been cleared. It is imperative, however, that in order to achieve a clean audit goals of the municipality, that the Audit Response Action Plan is monitored by all relevant governance structures including the Council on monthly 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 2020/21 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 2020/21, 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 2020/21, 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

2020/21
AUDITED
ANNUAL
FINANCIAL
STATEMENTS

Nquthu Local Municipality

(Registration number KZN242)

Annual Financial Statements for the year ended 30 June 2021



**Nquthu Local Municipality
Annual Financial Statements
for the year ended 30 June 2021**

* See Note 2

Nquthu Local Municipality

(Registration number KZN242)

Annual Financial Statements for the year ended 30 June 2021

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.
Executive Committee	Cllr. IL Shabalala (Mayor) Cllr. NM Zungu (Deputy Mayor) Cllr. ME Mnguni (Speaker) Cllr. PP Ntombela Cllr. MR Ngobese Cllr. LS Hoffman Cllr. LC Moloji
Ordinary Councillors	Cllr. Z Sithole Cllr. RS Langa Cllr. EM Mkhwanazi Cllr. MSK Gumbi Cllr. NM Buthelezi Cllr. SM Buthelezi Cllr. SP Khumalo Cllr. FA Hlatshwayo Cllr. JN Khoza Cllr. JZ Ndimma Cllr. SD Masimula Cllr. GF Molefe Cllr. SMC Zikode Cllr. CT Buthelezi Cllr. CN Xulu Cllr. MN Khanye Cllr. NS Mkhize Cllr. TJ Motloun Cllr. BI Zwane Cllr. HM Shelembe Cllr. NG Mdlalose Cllr. TA Dlamini Cllr. ET Nhlebelala Cllr. SG Kunene Cllr. Z Ndlovu Cllr. MC Mnguni
Accounting Officer	Mr. SB Mthembu
Chief Finance Officer (CFO)	Mr. BH Bhengu
Registered office	Municipal Building 83/11 Mdlalose Nquthu 3135
Business address	Municipal Building 83/11 Mdlalose Street Nquthu 3135
Bankers	ABSA South Africa

Nquthu Local Municipality

(Registration number KZN242)

Annual Financial Statements for the year ended 30 June 2021

General Information

Auditors

Auditor General South Africa

Attorneys

Rose Pereira Correia Attorneys

Nquthu Local Municipality

(Registration number KZN242)

Annual Financial Statements for the year ended 30 June 2021

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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Statement of Comparison of Budget and Actual Amounts	10 - 13
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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSCOA	Municipal Standard Chart of Accounts
SALGA	South African Local Government Authority

Nquthu Local Municipality

(Registration number KZN242)

Annual Financial Statements for the year ended 30 June 2021

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 municipality 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 2022 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 municipality 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 38 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 external auditors are responsible for independently auditing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

The annual financial statements set out on page 6, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2021 and were signed on its behalf by:



Accounting Officer
Mr. SB Mthembu

Nquthu Local Municipality

(Registration number KZN242)

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	11	1 476 329	876 266
Receivables from exchange transactions	12&17	13 478 947	682 272
Receivables from non-exchange transactions	13&17	65 580 294	56 264 631
VAT receivable	15	16 936 416	6 207 820
Prepayments	9	863 598	2 409 263
Cash and cash equivalents	18	192 915 394	292 191 639
		291 250 978	358 631 891
Non-Current Assets			
Investment property	4	99 873 632	682 228
Property, plant and equipment	5	545 566 108	420 593 613
Intangible assets	6	36 642	54 963
Heritage assets	7	78 888	78 888
		645 555 270	421 409 692
Total Assets		936 806 248	780 041 583
Liabilities			
Current Liabilities			
Finance lease obligation	20	222 776	222 776
Payables from exchange transactions	23	34 333 028	44 971 222
Consumer deposits	24	1 926 750	1 161 472
Employee benefit obligation	8	4 079 615	2 961 309
Unspent conditional grants and receipts	21	1 550 880	1 599 201
Provisions	22	37 905 387	8 070 713
		80 018 436	58 986 693
Non-Current Liabilities			
Employee benefit obligation	8	-	-
Long service awards		783 585	(991 059)
		783 585	(991 059)
Total Liabilities		80 802 021	57 995 634
Net Assets		856 004 227	722 045 949
Reserves			
Housing Development Fund	19	120 032	120 032
Accumulated surplus		858 483 650	694 151 425
Total Net Assets		858 603 682	694 271 457

* See Note 2

Nquthu Local Municipality

(Registration number KZN242)

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	26	23 332 053	17 452 287
Rental of facilities and equipment	27	921 279	849 677
Interest received (trading)		756 933	337 671
Commissions received		184 848	431 684
Other income		475 558	526 510
Interest received - investment		10 134 751	19 269 960
Total revenue from exchange transactions		35 805 422	38 867 789
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	34	31 559 772	42 623 617
Property rates - penalties imposed	34	4 142 372	3 216 574
Licences and Permits (Non-exchange)	29	971 957	973 573
Transfer revenue			
Government grants & subsidies	36	211 435 364	184 420 057
Fines, Penalties and Forfeits	28	671 460	448 500
Total revenue from non-exchange transactions		248 780 925	231 682 321
Total revenue	25	284 586 347	270 550 110
Expenditure			
Employee related costs	37	(82 267 242)	(68 993 387)
Remuneration of councillors	38	(12 013 952)	(12 162 619)
Depreciation and amortisation	39	(26 998 934)	(20 438 020)
Impairment	40	(894 161)	(2 101 696)
Finance costs	41	(229 672)	(588 178)
Lease rentals on operating lease	30	(326 913)	(216 169)
Bad debts written off		(367 652)	-
Bulk purchases	43	(26 414 193)	(22 711 969)
Contracted services	44	(35 513 902)	(25 679 764)
Transfers and Subsidies	35	(11 024 444)	(5 086 913)
Loss on disposal of assets and liabilities		-	(94 914)
General Expenses	45	(41 396 629)	(28 445 578)
Total expenditure		(237 447 694)	(186 519 207)
Surplus for the year		47 138 653	84 030 903

* See Note 2

Nquthu Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Statement of Changes in Net Assets

	Housing development fund	Accumulated surplus	Total net assets
Figures in Rand			
Balance at 01 July 2019	120 032	610 120 522	610 240 554
Changes in net assets			
Surplus for the year	-	84 030 903	84 030 903
Total changes	-	84 030 903	84 030 903
Restated* Balance at 01 July 2020	120 032	811 344 997	811 465 029
Changes in net assets			
Surplus for the year	-	47 138 653	47 138 653
Total changes	-	47 138 653	47 138 653
Balance at 30 June 2021	120 032	858 483 650	858 603 682
Note(s)	19		

* See Note 2

Nquthu Local Municipality

(Registration number KZN242)

Annual Financial Statements for the year ended 30 June 2021

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Revenue from non exchange		37 345 561	47 262 264
Sale of goods and services		23 332 053	17 452 287
Grants		45 081 371	59 615 306
Interest income		10 134 751	19 289 960
Other receipts		44 901 003	-
		160 794 739	143 599 817
Payments			
Employee costs		(82 267 241)	(68 993 386)
Suppliers		(10 621 880)	25 221 640
Finance costs		(229 672)	(588 178)
Other payments		-	-
		(93 118 793)	(44 359 924)
Net cash flows from operating activities	49	67 675 946	99 239 893
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(132 118 540)	(40 758 271)
Proceeds from sale of property, plant and equipment	5	3 313 709	(73 795)
Purchase of other asset 1		(133 646)	-
Net cash flows from investing activities		(128 938 477)	(40 832 066)
Cash flows from financing activities			
Movement in other liability 1		207 474	(991 059)
Finance lease payments		222 776	222 776
Net cash flows from financing activities		430 250	(768 283)
Net increase/(decrease) in cash and cash equivalents		(60 832 281)	57 639 544
Cash and cash equivalents at the beginning of the year		292 191 639	-
Cash and cash equivalents at the end of the year	18	231 359 358	57 639 544

* See Note 2

Nquthu Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash 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	16 306 069	6 885 012	23 191 081	23 332 053	140 972
Rendering of services	-	100 632	100 632	-	(100 632)
Rental of facilities and equipment	587 116	(34 348)	552 768	921 279	368 511
Interest received (trading)	32 403	330 953	363 356	756 933	393 577
Commissions received	149 939	5 270	155 209	184 848	29 639
Other income 1	229 337	(54 872)	174 465	475 558	301 093
Other income - (rollup)	2 309	-	2 309	-	(2 309)
Interest received - investment	12 700 000	(4 940 000)	7 760 000	10 134 751	2 374 751
Total revenue from exchange transactions	30 007 173	2 292 647	32 299 820	35 805 422	3 505 602

Revenue from non-exchange transactions

Taxation revenue

Property rates	37 055 751	4 000 000	41 055 751	31 559 772	(9 495 979)
Property rates - penalties imposed	-	-	-	4 142 372	4 142 372
Licences and Permits (Non-exchange)	1 041 771	-	1 041 771	971 957	(69 814)

Transfer revenue

Government grants & subsidies	191 617 000	26 394 000	218 011 000	211 435 364	(6 575 636)
Fines, Penalties and Forfeits	3 565 324	885 427	4 450 751	671 460	(3 779 291)
Total revenue from non-exchange transactions	233 279 846	31 279 427	264 559 273	248 780 925	(15 778 348)

Total revenue	263 287 019	33 572 074	296 859 093	284 586 347	(12 272 746)
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Expenditure

Personnel	(110 341 407)	14 864 405	(95 477 002)	(82 267 242)	13 209 760
Remuneration of councillors	(11 017 927)	(971 739)	(11 989 666)	(12 013 952)	(24 286)
Depreciation and amortisation	(16 625 529)	-	(16 625 529)	(26 998 934)	(10 373 405)
Impairment loss/ Reversal of impairments	-	-	-	(894 161)	(894 161)
Finance costs	-	(389)	(389)	(229 672)	(229 283)
Lease rentals on operating lease	(368 877)	(77 276)	(446 153)	(326 913)	119 240
Bad debts written off	(2 494 062)	-	(2 494 062)	(367 652)	2 126 410
Bulk purchases	(15 068 600)	(9 652 174)	(24 720 774)	(26 414 193)	(1 693 419)
Contracted Services	(15 974 720)	(24 385 991)	(40 360 711)	(35 513 902)	4 846 809
Transfers and Subsidies	(4 053 616)	(9 178 693)	(13 232 309)	(11 024 444)	2 207 865
General Expenses	(30 480 812)	(23 501 379)	(53 982 191)	(41 396 629)	12 585 562
Total expenditure	(206 425 550)	(52 903 236)	(259 328 786)	(237 447 694)	21 881 092
Surplus before taxation	56 861 469	(19 331 162)	37 530 307	47 138 653	9 608 346

Nquthu Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	56 861 469	(19 331 162)	37 530 307	47 138 653	9 608 346	

Reconciliation

Nquthu Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash 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 Position

Assets

Current Assets

Inventories	874 272	-	874 272	1 476 329	602 057
Receivables from non-exchange transactions	59 680 610	7 590 328	67 270 938	65 580 294	(1 690 644)
VAT receivable	43 695 881	56 400 779	100 096 660	16 936 416	(83 160 244)
Prepayments	745 382	671 657	1 417 039	863 598	(553 441)
Cash and cash equivalents	118 653 730	71 228 981	189 882 711	192 915 394	3 032 683
	223 649 875	135 891 745	359 541 620	277 772 031	(81 769 589)

Non-Current Assets

Investment property	-	688 196	688 196	99 873 632	99 185 436
Property, plant and equipment	513 372 447	95 183 634	608 556 081	545 566 109	(62 989 972)
Intangible assets	-	54 963	54 963	36 642	(18 321)
Heritage assets	-	78 888	78 888	78 888	-
	513 372 447	96 005 681	609 378 128	645 555 271	36 177 143

Total Assets	737 022 322	231 897 426	968 919 748	923 327 302	(45 592 446)
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Liabilities

Current Liabilities

Finance lease obligation	-	222 776	222 776	222 776	-
Payables from exchange transactions	20 958 887	3	20 958 890	34 333 028	13 374 138
Consumer deposits	492 075	10 000	502 075	1 926 750	1 424 675
Employee benefit obligation	1 088 865	-	1 088 865	4 079 615	2 990 750
Unspent conditional grants and receipts	1 973 004	804 000	2 777 004	1 550 880	(1 226 124)
Provisions	6 590 366	-	6 590 366	37 905 387	31 315 021
	31 103 197	1 036 779	32 139 976	80 018 436	47 878 460

Non-Current Liabilities

Employee benefit obligation	365 934	-	365 934	-	(365 934)
Other liability 1	-	-	-	(783 585)	(783 585)
	365 934	-	365 934	(783 585)	(1 149 519)

Total Liabilities	31 469 131	1 036 779	32 505 910	79 234 851	46 728 941
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Net Assets	705 553 191	230 860 647	936 413 838	844 092 451	(92 321 387)
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Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

Other NDR	-	-	-	120 032	120 032
Accumulated surplus	721 724 219	221 532 377	943 256 596	857 451 366	(85 805 230)
Total Net Assets	721 724 219	221 532 377	943 256 596	857 571 398	(85 685 198)

Nquthu Local Municipality

(Registration number KZN242)

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Cash Flow Statement

Nquthu Local Municipality

(Registration number KZN242)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

Figures in Rand	Note(s)	2021	2020
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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.

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, except for the changes set out in note 2 Changes in accounting policy.

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 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.3 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.

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 22 - Provisions.

Nquthu Local Municipality

(Registration number KZN242)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships. Significant judgements applied are as follow [State significant judgements made].

Additional information is disclosed in Note 62.

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.

1.4 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.

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

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Nquthu Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.4 Investment property (continued)

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, a set criteria is used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes.

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

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

1.5 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.

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.

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Accounting Policies

1.5 Property, plant and equipment (continued)

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. 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 asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such 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 increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

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1.5 Property, plant and equipment (continued)

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).

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

1.6 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:

- subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- 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.

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1.6 Site restoration and dismantling cost (continued)

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.

1.7 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.

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.

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1.7 Intangible assets (continued)

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
Intangible assets 1	Straight-line	5

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

Intangible assets are derecognised:

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

1.8 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).

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

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.

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Accounting Policies

1.8 Heritage assets (continued)

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).

1.9 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.

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.

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1.9 Financial instruments (continued)

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.

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 substantially 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 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:

1.10 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:

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Accounting Policies

1.10 Statutory receivables (continued)

- 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.

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.

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1.10 Statutory receivables (continued)

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.

1.11 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.

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 - 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;

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1.12 Inventories (continued)

- 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.

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 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.

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Accounting Policies

1.13 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.

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Accounting Policies

1.13 Employee benefits (continued)

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.

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-measures 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.

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Accounting Policies

1.13 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.

1.14 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.

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Accounting Policies

1.14 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 51.

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.

1.15 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

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Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.15 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.

1.16 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.

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.

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Accounting Policies

1.16 Revenue from exchange transactions (continued)

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.

1.17 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.

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.

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Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

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.

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.

1.18 Investment income

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

1.19 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).

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Accounting Policies

1.19 Accounting by principals and agents (continued)

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

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.

1.20 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.21 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).

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Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.22 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).

1.23 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).

1.24 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.

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.

1.25 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 2020/07/01 to 2021/06/30.

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.

1.26 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.

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Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.26 Related parties (continued)

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.

1.27 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.

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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2. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the following:

2.1 The municipality has adopted GRAP 109 in accounting for arrangements identified as principal - agent relationships in line with the standard. This is a change in accounting policy.

2.2 The following GRAP standards effective in the current financial year have been adopted by the Municipality:

- GRAP 18: Segment Reporting
- GRAP 20: Related Parties
- GRAP 108: Statutory Debtors

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2021 is as follows:

Statement of financial position

Statement of Financial Performance

3. New standards and interpretations

3.1 Standards and interpretations effective and adopted in the current year

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

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is for years beginning on or after 01 April 2021.

The municipality has early adopted the standard for the first time in the 2020/2021 annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

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3. New standards and interpretations (continued)

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that 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. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that 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.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2021.

The municipality has early adopted the standard for the first time in the 2021/2022 annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

3.2 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 2021 or later periods:

Guideline: Guideline on Accounting for Landfill Sites

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3. New standards and interpretations (continued)

The objective of this guideline: The Constitution of South Africa, 1996 (Act No. 108 of 1996) (the constitution), gives local government the executive authority over the functions of cleaning, refuse removal, refuse dumps and solid waste disposal. Even though waste disposal activities are mainly undertaken by municipalities, other public sector entities may also be involved in these activities from time to time. Concerns were raised about the inconsistent accounting practices for landfill sites and the related rehabilitation provision where entities undertake waste disposal activities. The objective of the Guideline is therefore to provide guidance to entities that manage and operate landfill sites. The guidance will improve comparability and provide the necessary information to the users of the financial statements to hold entities accountable and for decision making. The principles from the relevant Standards of GRAP are applied in accounting for the landfill site and the related rehabilitation provision. Where appropriate, the Guideline also illustrates the accounting for the land in a landfill, the landfill site asset and the related rehabilitation provision.

It covers: Overview of the legislative requirements that govern landfill sites, Accounting for land, Accounting for the landfill site asset, Accounting for the provision for rehabilitation, Closure, End-use and monitoring, Other considerations, and Annexures with Terminology & References to pronouncements used in the Guideline.

The effective date of the guideline is yet to be determined by the Minister of Finance.

The municipality expects to adopt the guideline for the first time when it becomes effective.

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4. Investment property

	2021		2020			
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	128 411 743	(28 538 111)	99 873 632	1 999 640	(1 317 412)	682 228

Reconciliation of investment property - 2021

Investment property	Opening balance	Depreciation	Total
	102 531 607	(2 657 975)	99 873 632

Reconciliation of investment property - 2020

Investment property	Opening balance	Depreciation	Total
	105 196 849	(2 665 242)	102 531 607

Pledged as security

There is no investment property pledged as security.

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.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

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5. Property, plant and equipment	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	9 364 893	-	9 364 893	9 364 894	-	9 364 894
Buildings	30 243 079	(9 207 494)	21 035 585	30 243 079	(8 031 496)	22 211 583
Machinery and equipment	14 440 552	(7 512 567)	6 927 985	11 725 784	(6 804 398)	4 921 386
Furniture and office equipment	3 281 639	(2 403 063)	878 576	2 891 001	(2 319 046)	571 955
Transport assets	40 078 101	(17 480 147)	22 597 954	29 600 466	(14 090 362)	15 510 104
Computer equipment	3 116 152	(2 263 836)	852 316	3 086 823	(2 468 618)	618 205
Roads and Stormwater	291 609 279	(68 960 469)	222 648 810	230 127 876	(59 133 371)	170 994 505
Community	214 413 829	(27 023 146)	187 390 683	154 314 779	(21 802 373)	132 512 406
Electricity infrastructure	57 790 045	(8 016 939)	49 773 106	46 043 092	(7 518 199)	38 524 893
Leased assets - Computer equipment	193 718	(129 278)	64 440	193 718	(97 058)	96 660
Refuse	28 979 668	(4 947 908)	24 031 760	28 979 669	(3 712 647)	25 267 022
Total	693 510 955	(147 944 847)	545 566 108	546 571 181	(125 977 568)	420 593 613

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5. Property, plant and equipment (continued) Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Work in progress	Depreciation	Impairment loss	Total
Land	9 364 894	-	-	-	-	-	9 364 894
Buildings	22 211 583	-	-	-	(1 160 003)	(15 995)	21 035 585
Machinery and equipment	4 921 387	3 163 375	(117 651)	-	(1 039 125)	-	6 927 986
Furniture and office equipment	571 953	521 192	(14 763)	-	(199 806)	-	878 576
Transport assets	15 510 061	10 477 636	-	-	(2 832 180)	(557 562)	22 597 955
Computer equipment	618 206	547 841	(73 541)	-	(240 190)	-	852 316
Roads and stormwater	170 994 505	60 514 644	(3 107 455)	5 105 298	(10 733 682)	(124 500)	222 648 810
Community	132 512 405	33 232 413	(299)	26 878 563	(5 209 871)	(22 528)	187 390 683
Electricity infrastructure	38 524 735	23 661 439	-	(11 914 488)	(498 582)	-	49 773 104
Leased assets - Computer equipment	96 660	-	-	-	(32 220)	-	64 440
Refuse	25 267 023	-	-	-	(1 235 263)	-	24 031 760
	420 593 412	132 118 540	(3 313 709)	20 069 373	(23 180 922)	(720 585)	545 566 109

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5. Property, plant and equipment (continued) Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Work in progress	Depreciation	Impairment loss	Total
Land	9 364 894	-	-	-	-	-	9 364 894
Buildings	23 374 722	-	-	-	(1 163 139)	-	22 211 583
Machinery and equipment	5 495 921	351 750	(12 279)	-	(914 005)	-	4 921 387
Furniture and office equipment	759 449	13 906	(7 771)	-	(193 629)	-	571 955
Transport assets	17 438 632	376 961	-	-	(2 231 716)	(73 816)	15 510 061
Computer equipment	832 310	57 161	(1 069)	-	(270 196)	-	618 206
Infrastructure -electricity	18 169 339	-	-	20 871 849	(516 453)	-	38 524 735
Roads and stormwater infrastructure	156 583 936	14 965 404	-	11 627 488	(10 568 035)	(1 614 288)	170 994 505
Community	114 682 562	24 799 371	-	(1 934 293)	(4 307 132)	(738 103)	132 512 405
Leased assets - Computer equipment	-	193 718	-	-	(97 058)	-	96 660
Refuse removal	26 505 663	-	-	-	(1 238 641)	-	25 267 022
	373 217 428	40 758 271	(21 119)	30 565 044	(21 500 004)	(2 426 207)	420 593 413

Pledged as security

There are no assets pledged as security.

Assets subject to finance lease (Net carrying amount)

IT equipment	193 718
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Property, plant and equipment in the process of being constructed or developed

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5. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	103 576 061	11 737 942	22 178 939	137 492 942
Additions/capital expenditure	125 806 802	9 909 579	-	135 716 381
	229 382 863	21 647 521	22 178 939	273 209 323

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	82 814 669	-	-	82 814 669
Additions/capital expenditure	20 761 392	11 737 942	24 113 231	56 612 565
Other movements [specify]	-	-	(1 934 292)	(1 934 292)
Transferred to completed items	-	-	(24 113 231)	(24 113 231)
	103 576 061	11 737 942	(1 934 292)	113 379 711

Expenditure incurred to repair and maintain property, plant and equipment

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.

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6. Intangible assets	2021		2020	
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation
Computer software, internally generated	623 878	(587 236)	36 642	596 321
				(541 358)
				54 963

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software, internally generated	54 963	(18 321)	36 642

Reconciliation of intangible assets - 2020

	Opening balance	Total
Computer software, internally generated	54 963	54 963

Pledged as security

There are no intangible assets pledged as security.

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7. Heritage assets	2021		2020	
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation
Art Collections, antiquities and exhibits	78 888	-	78 888	78 888
				Accumulated impairment losses
				Carrying value
				Total
				78 888

Reconciliation of heritage assets 2021

Art Collections, antiquities and exhibits	Opening balance	78 888	Total	78 888
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Reconciliation of heritage assets 2020

Art Collections, antiquities and exhibits	Opening balance	78 888	Total	78 888
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8. Employee benefit obligations

Defined benefit plan

Post retirement benefit plan

Long Service Awards (LSA)

The Municipality offers employees LSA for every five years of service completed, from five years of service to 45 years of service, inclusive.

The full actuarial report is available for inspection at municipal offices.

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8. Employee benefit obligations (continued)

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(4 079 615)	(2 961 309)

Changes in the present value of the defined benefit obligation are as follows:

Net expense recognised in the statement of financial performance

Calculation of actuarial gains and losses

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8. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9,77 %	8,89 %
General earnings inflation rate (long-term)	5,98 %	4,77 %
Net effective discount rate	3,58 %	3,93 %

At the valuation for the current financial year, the following amendments were made to the LSA policy that was understood to be used by the Municipality in practice at the previous valuation:

- The number of working days p.a. was changed from 250 to 249 days.
- Pro-rata LSA were added.
- A 5-year LSA was added.

The total financial impact of the above amendments to the policy valued is disclosed in the detailed report.

The 1 July 2021 general earnings increase was still under consideration at the time of writing the Actuarial expert report. According to Circular 23 of 2021, the increase is expected to be between 3.5% and 4.5%. Therefore, an assumed increase of 4% as at 1 July 2021 has been included in the earnings used in the valuation. The next general earnings increase is assumed to take place on 1 July 2022.

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 9.77% 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 4.09%. 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 2021. The duration of the total liability was estimated to be 11.00 years.

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 4.98% was obtained from the differential between market yields on index-linked bonds (4.09%) consistent with the estimated terms of the liabilities and those of nominal bonds (9.77%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as $((1+9.77\%-0.50\%)/(1+4.09\%))-1$.

Thus, a general earnings inflation rate of 5.98% 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 3.58%.

It has been assumed that the next general earnings increase will take place on 1 July 2022.

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8. Employee benefit obligations (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	547 552	737 684
Effect on defined benefit obligation	3 560 000	4 089 000

9. Prepayments

Prepayments relate to the payment of goods or services in advance. Prepayments are initially measured at the value of the goods or services paid in advance and subsequently measured using the cost method, which changes the initial measurement to reflect any amounts derecognised as a result of having received the goods or services.

To the extent that goods and services are not received and the amount that was paid in advance becomes payable by the supplier to the municipality, the municipality accounts for the amount receivable in line with the accounting policy for financial instruments.

10. Other asset 1

11. Inventories

Consumable stores	(189 283)	-
Maintenance materials	577 505	(55 539)
Military inventories	1 088 107	931 805
	1 476 329	876 266

Inventory pledged as security

There was no inventory pledged as security.

12. Receivables from exchange transactions

Consumer debtors - Electricity	4 106 189	3 602 040
Consumer debtors - Refuse	8 177 690	(4 076 563)
Sundry debtors	1 195 068	1 156 795
	13 478 947	682 272

Trade and other receivables pledged as security

There were no trade and other receivables pledged as security.

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13. Receivables from non-exchange transactions		
Fines	(3 213 825)	93 402
Government grants and subsidies	-	212 465
Consumer debtors - Rates	68 794 119	55 958 764
	65 580 294	56 264 631
Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Property Rates	62 370 924	55 958 764
Fines	770 273	93 402
	63 141 197	56 052 166
Financial asset receivables included in receivables from non-exchange transactions above	-	(376 021)
Total receivables from non-exchange transactions	-	(376 021)

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13. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

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. Statutory receivables relate to property rates, traffic fines and VAT receivables.

Property rates receivables

Property rates are levied in accordance with the Municipal Property Rates Act, Rates policy and Municipal By-laws Act giving effect to the rates policy. Property rate receivables are initially measured at the tariff applicable to the rateable amount and subsequently measured using the cost method, which changes the initial measurement to reflect any interest or other charges that may have accrued on the receivable, impairment or amounts derecognised. Any subsequent adjustments to property rates receivables relating to revenue previously recognised are accounted for using the accounting policy on adjustments to revenue.

The municipality assesses at each reporting date whether there is any indication that the property rates receivable is impaired. If impairment indicators exist, an impairment loss is measured as the difference between the recoverable amount and the carrying amount. Past payment trends are used to calculate the recoverable amount since these debtors have a longer prescription period. Where the carrying amount is higher than the recoverable amount, the carrying amount is reduced using a provision for bad debts account to reflect the recoverable amount. The amount of the loss is recognised in the Statement of Financial Performance

Traffic fine receivables

Traffic fines are charged in accordance with the Criminal Procedure Act, National Road Traffic Act, and the Municipal By-laws Act. Traffic fine receivables are initially measured at the fine amount after considering other factors that may impact the inflow of future economic benefits or service potential to the municipality, such as the probability of future withdrawals and reductions in the imposed fines. This accounting treatment is consistent with the principles of IGRAP 1: Applying the Probability Test on Initial Recognition Revenue. Traffic fine receivables are subsequently measured using the cost method, which changes the initial measurement to reflect any interest or other charges that may have accrued on the receivable, impairment or amounts derecognised.

Any subsequent adjustments to traffic fine receivables as a result of changes in the assumptions used to calculate traffic fine revenue and receivables are accounted for as changes in estimates.

The municipality assesses at each reporting date whether there is any indication that the traffic fine receivable is impaired. If impairment indicators exist, an impairment loss is measured as the difference between the recoverable amount and the carrying amount. Past payment trends are used to calculate the recoverable amount given the uncertainty around the payment patterns of traffic fines.

Where the carrying amount is higher than the recoverable amount, the carrying amount is reduced using a provision for bad debts account to reflect the recoverable amount. The amount of the loss is recognised in the Statement of Financial Performance.

Determination of transaction amount

The transaction amount is the amount specified in, or calculated, levied or charged in accordance with the relevant legislation, supporting regulations, or similar means. Property rates and Fines are measured at the transaction amount determined in terms of the relevant GRAP standard for Revenue from non exchange transactions (GRAP 23).

Interest or other charges levied/charged

The municipality imposes interest on overdue accounts. Interest is raised at 8% of all accounts not paid by the due date in accordance with the applicable legislation, with the exception of approved indigent accounts whereby 0% interest will be applicable.

Basis used to assess and test whether a statutory receivable is impaired

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13. Receivables from non-exchange transactions (continued)

Significant financial difficulties of the debtor and default or delinquency in payments or all debt outstanding for more than 150 days are considered indicators to determine that debtors are impaired.

Reconciliation of provision for impairment for statutory receivables

Receivables from non-exchange transactions pledged as security

There were no receivables from non-exchange transactions pledged as security.

Reconciliation of provision for impairment of receivables from non-exchange transactions

14. Statutory receivables relating to other Standards of GRAP (other than exchange or non-exchange receivables)

The entity had the following statutory receivables where other Standards of GRAP (other than Standards of GRAP on Revenue from Exchange Transactions or Revenue from Non-exchange Transactions) have been applied, for the initial recognition:

VAT receivable

The relating line item where statutory receivables are included is VAT receivable

(Refer to note 15)

Statutory receivables (other than exchange or non-exchange) general information

Transaction(s) arising from statute

VAT is levied in accordance with the VAT Act. A VAT receivable is recognised using the accrual basis of accounting to the extent that input vat exceeds output vat. VAT receivables are initially measured at the rate applicable to the transaction amount and subsequently measured using the cost method, which changes the initial measurement to reflect any interest or other charges that may have accrued on the receivable, impairment or amounts derecognised.

The municipality assesses at each reporting date whether there is any indication that the VAT receivable is impaired. If impairment indicators exist, an impairment loss is measured as the difference between the recoverable amount and the carrying amount. The recoverable amount is calculated as the estimated cash flows from the vat returns filed with SARS.

Where the carrying amount is higher than the recoverable amount, the carrying amount is reduced using a provision for bad debts account to reflect the recoverable amount. The amount of the loss is recognised in the Statement of Financial Performance

Determination of transaction amount

The transaction amount is the amount specified in, or calculated, levied or charged in accordance with the VAT act and other, supporting regulations, or similar directives.

Interest or other charges levied/charged

SARS charges interest and penalties on VAT payable, however the Municipality does not charge interest and penalties on VAT receivable from SARS.

15. VAT receivable

VAT

16 936 416

6 207 820

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16. Consumer debtors		
Electricity		
Current (0 -30 days)	2 211 883	1 478 301
31 - 60 days	457 001	352 755
61 - 90 days	45 052	72 556
91 - 120 days	43 901	185 984
121 - 365 days	37 962	183 042
> 365 days	1 177 028	1 263 680
	3 972 827	3 536 318

Consumer debtors pledged as security

There were no consumer debtors pledged as security.

17. Receivables from non-exchange transactions

Gross balances		
Consumer debtors - Rates	62 421 178	53 282 153
Consumer debtors - Electricity	3 973 141	3 602 040
Consumer debtors - Refuse	8 545 707	8 911 952
Consumer debtors - Other 1	1 195 068	1 156 795
	76 135 094	66 952 940
Less: Allowance for impairment		
Consumer debtors - Rates	6 372 941	2 676 611
Consumer debtors - Electricity	133 048	-
Consumer debtors - Refuse	(368 017)	(12 988 515)
	6 137 972	(10 311 904)
Net balance		
Consumer debtors - Rates	68 794 119	55 958 764
Consumer debtors - Electricity	4 106 189	3 602 040
Consumer debtors - Refuse	8 177 690	(4 076 563)
Consumer debtors - Other 1	1 195 068	1 156 795
	82 273 066	56 641 036

Summary of debtors by customer classification

Collection rate of consumer receivables

18. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	8 599 074	17 604 964
Short-term deposits	184 316 320	274 586 675
	192 915 394	292 191 639

Cash and cash equivalents pledged as collateral

There was no cash and cash equivalents pledged as collateral.

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18. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances /Investment register		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
Absa Bank - Call Account 92 7785 1394	-	847 338	1 043 463	-	847 338	1 043 463
Absa Bank - Call Account 93 0769 5892	-	4 980 241	355 237	-	4 980 241	355 237
Absa Bank - Investment Account - 93 3821 7106	-	87 577 286	97 268 682	-	87 577 286	97 268 682
Absa Bank - Investment Account - 20 7862 1826	-	10 670 783	-	-	10 670 783	-
Absa Bank - Investment Account - 93 0769 5892	54 399	-	-	-	-	-
Absa Bank - Investment Account - 93 6187 2373	23 718 975	-	-	-	-	-
Absa Bank - Investment Account - 20 7255 7205	-	-	4 344 149	-	-	4 344 149
Absa Bank - Investment Account - 93 7785 1394	1 621 591	-	-	-	-	-
Nedbank - Call Account 03 7165 014 039	-	4 311 338	4 074 331	-	4 311 338	4 074 331
Nedbank - Investment Account - 03 7165 014 039	47 478 564	6 934 604	6 447 930	-	6 934 604	6 447 930
Total	72 873 529	115 321 590	113 533 792	-	115 321 590	113 533 792

19. 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.

Housing Development Fund - Opening Balance	120 032	120 032
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Figures in Rand	2021	2020
20. Finance lease obligation		
Minimum lease payments due		
- within one year	222 776	-
- in second to fifth year inclusive	-	222 776
Present value of minimum lease payments	222 776	222 776

It is municipality policy to lease certain [property]motor vehicles and equipment under finance leases.

The average lease term was x-y years and the average effective borrowing rate was -% (2020: -%).

Interest rates are at the contract date. All leases and .

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note .

21. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
MIG grant	-	-
Bernem grant	821 759	1
Disaster relief grant	2	804 000
Library Volunteer	241 941	176 889
Library modular	-	448 532
Sportsfield maintenance grant	128 893	169 778
INEP grant	358 285	1
	1 550 880	1 599 201

Movement during the year

Balance at the beginning of the year	1 599 201	1 049 612
Additions during the year	45 081 370	59 615 306
Income recognition during the year	(45 129 691)	(59 065 717)
	1 550 880	1 599 201

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

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Figures in Rand

2021

2020

22. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Additions	Total
Provision for landfill site	28 144 129	1 162 944	29 307 073
Provision 2	7 141 682	1 456 632	8 598 314
	35 285 811	2 619 576	37 905 387

Reconciliation of provisions - 2020

	Opening Balance	Additions	Total
Provision 1	-	705 688	705 688
Provision 2	-	7 365 025	7 365 025
	-	8 070 713	8 070 713

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 R12 261 270,98 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.

Additional text

Additional text

23. Payables from exchange transactions

Trade payables	7 602 299	20 897 508
Payments received in advance	10 687 185	2 013 911
Other payables 1	-	1 636 208
Retentions	101 903	243 197
Accrued expense 1	71 000	-
Accrued expense 2	952 087	395 811
Electricity Bulk purchases control account	14 130 378	9 981 571
Long service awards accrual	(8 928 852)	9 587 250
unallocated deposits	9 717 028	143 486
Salary control account	-	72 280
	34 333 028	44 971 222

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
24. Consumer deposits		
Rates	1 425 291	675 291
Electricity	491 574	424 567
Property rental	8 885	(7 429)
Refuse	1 000	69 043
	1 926 750	1 161 472
25. Revenue		
Service charges	23 332 053	17 452 287
Rental of facilities and equipment	921 279	849 677
Interest received (trading)	756 933	337 671
Commissions received	184 848	431 684
Other income 1	475 558	526 510
Interest received - investment	10 134 751	19 269 960
Property rates	31 559 772	42 623 617
Property rates - penalties imposed	4 142 372	3 216 574
Government grants & subsidies	211 435 364	184 420 057
Fines, Penalties and Forfeits	671 460	448 500
	283 614 390	269 576 537
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	23 332 053	17 452 287
Rental of facilities and equipment	921 279	849 677
Interest received (trading)	756 933	337 671
Commissions received	184 848	431 684
Other income 1	475 558	526 510
Interest received - investment	10 134 751	19 269 960
	35 805 422	38 867 789
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	31 559 772	42 623 617
Property rates - penalties imposed	4 142 372	3 216 574
Licences or permits	971 957	973 573
Transfer revenue		
Government grants & subsidies	211 435 364	184 420 057
Fines, Penalties and Forfeits	671 460	448 500
	248 780 925	231 682 321
26. Service charges		
Sale of electricity	21 605 186	15 849 007
Solid waste	1 726 867	1 603 280
	23 332 053	17 452 287
27. Rental of facilities and equipment		
Premises		
Rental income Type 1_4	754 398	675 210

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Figures in Rand	2021	2020
27. Rental of facilities and equipment (continued)		
Facilities and equipment		
Rental of facilities	166 881	174 467
	921 279	849 677
Included in the above rentals are operating lease rentals at straight-lined amounts of R - (2020: R -) as well as contingent rentals of R - (2020: R -).		
28. Fines, Penalties and Forfeits		
Illegal Connections Fines	1 000	500
Court Traffic Fines	-	12 500
Municipal Traffic Fines	670 460	435 500
	671 460	448 500
29. Licences and permits (non-exchange)		
Filming Fees	415	-
Hoarding (Collecting/Storing)	7 355	17 112
Trading	5 903	13 739
Road and Transport	958 284	942 722
	971 957	973 573
30. Lease rentals on operating lease		
Equipment		
Contractual amounts	326 913	216 169
31. Interest, dividends and Rent on Land		
32. Other revenue		
Commissions received	184 848	431 684
Other income 1	475 558	526 510
	660 406	958 194

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Figures in Rand	2021	2020
33. Other income		
34. Property rates		
Rates received		
Residential	5 012 904	6 010 928
State	2 276 523	3 778 383
Property rates 2	-	45 523
Property rates 4	24 270 345	32 788 783
	31 559 772	42 623 617
Property rates - penalties imposed	4 142 372	3 216 574
	35 702 144	45 840 191
Valuations		
Residential Properties	573 479 000	573 479 000
Business and Commercial Properties	221 720 000	221 720 000
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	103 440 000	103 440 000
Worship Properties	13 473 000	13 473 000
	2 837 976 000	2 837 976 000

The municipality implements third general valuation roll valid until 2023 for purposes of levying rates. Valuations on land and buildings are performed every 5 years. The current general valuation came into effect on 1 July 2018.

Interim/ supplementary valuations are processed on a monthly basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate randage of R0.014 - (2021: 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 (2021: - R220 000.00) are granted to residential category in line with Council's approved policy and 80% rebate to PSI state owned properties.

Rates are levied on an annual basis in ten equal instalments with the final date for payment being Monday, 31 May 2021. Interest is levied at fixed rate at 8%per annum (2021: 8%) is levied on rates outstanding after due date.

The general valuation roll for the year under review was implemented on 01 July 2020.

35. Grants and subsidies paid

Other subsidies		
Public Schools	953 925	114 883
Private Enterprises	10 070 519	4 972 030
	11 024 444	5 086 913

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
36. Government grants and subsidies		
Operating grants		
Equitable share	173 764 000	137 328 000
Bornem grant	-	617 302
Cybercadet grant	452 000	423 734
EPWP grant	1 088 000	1 109 140
Finance Management Grant	1 809 000	1 760 001
Library Modular	1 722 531	1 342 007
Government grant (operating) 7	71 833	19 000
Capacity building	-	40 882
MFMA	-	2 602
Municipal Government grant	-	23 974
Finance Management Grant	1 900 000	1 900 000
	180 807 364	144 566 642
Capital grants		
Municipal Infrastructure grant	30 628 000	28 083 292
Massification grant	-	31 879
Sportfield grant	-	20 331
Incubator grant	-	17 986
	30 628 000	28 153 488
	211 435 364	172 720 130

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	30 628 000	31 198 000
Conditions met - transferred to revenue	(30 628 000)	(31 198 000)
	-	-

Conditions still to be met - remain liabilities (see note 21).

Provide explanations of conditions still to be met and other relevant information.

Bornem Grant

Balance unspent at beginning of year	1	1
Current-year receipts	821 758	-
	821 759	1

Conditions still to be met - remain liabilities (see note 21).

Covid 19

Balance unspent at beginning of year	804 000	-
Current-year receipts	-	804 000
Other	(803 998)	-
	2	804 000

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
36. Government grants and subsidies (continued)		
Conditions still to be met - remain liabilities (see note 21).		
Library Volunteer		
Balance unspent at beginning of year	217 774	180 775
Current-year receipts	96 000	56 000
Conditions met - transferred to revenue	(71 833)	(19 000)
	241 941	217 775

Conditions still to be met - remain liabilities (see note 21).

Provide explanations of conditions still to be met and other relevant information.

Library Modular

Balance unspent at beginning of year	448 532	600 539
Current-year receipts	1 274 000	1 190 000
Conditions met - transferred to revenue	(1 722 532)	(1 342 007)
	-	448 532

Conditions still to be met - remain liabilities (see note 21).

Sportfield Maintenance

Balance unspent at beginning of year	128 896	128 896
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Conditions still to be met - remain liabilities (see note 21).

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Figures in Rand	2021	2020
37. Employee related costs		
Basic	60 591 767	48 411 610
Bonus	2 774 101	3 827 254
Medical aid - company contributions	2 405 276	2 361 430
UIF	460 305	415 673
Overtime payments	1 852 036	1 413 314
Long-service awards	301 368	-
Housing benefits and allowances	74 267	65 359
Leave Gratuity	1 905 716	1 949 759
current service cost -post retirement liabilities	336 955	597 339
Standby allowances	1 266 812	1 229 227
Pension	5 978 246	5 389 659
Cellphone allowances	163 232	16 850
Bargain council	31 571	27 186
Long-term benefits - incentive scheme	864 867	(1 964 749)
	79 006 519	63 739 911
Remuneration of municipal manager		
Annual Remuneration	1 088 876	1 353 299
Performance Bonuses	-	164 398
Contributions to UIF, Medical and Pension Funds	10 376	14 905
Cellphone Allowance	3 000	12 000
	1 102 252	1 544 602
Remuneration of chief finance officer		
Annual Remuneration	193 608	1 195 683
Performance Bonuses	-	100 238
Contributions to UIF, Medical and Pension Funds	317	12 807
Cellphone allowance	2 000	6 000
	195 925	1 314 728
Corporate and human resources (corporate services)		
Annual Remuneration	893 849	865 575
Performance Bonuses	-	48 685
Contributions to UIF, Medical and Pension Funds	8 862	9 630
Cellphone Allowance	12 000	-
	914 711	923 890
Planning and Economic development		
Annual Remuneration	234 829	1 053 928
Performance Bonuses	-	80 288
Contributions to UIF, Medical and Pension Funds	1 080	11 863
Other	2 000	6 000
	237 909	1 152 079
Technical Services		
Annual Remuneration	861 339	859 505
Contributions to UIF, Medical and Pension Funds	8 810	9 164
Other	12 000	-

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
37. Employee related costs (continued)	882 149	868 669
38. Remuneration of councillors		
Executive Major	905 259	846 901
Deputy Executive Mayor	733 088	735 776
Mayoral Committee Members	1 618 372	1 661 042
Speaker	733 088	626 223
Councillors	7 630 127	8 218 383
Section 79 MPAC	394 018	74 294
	12 013 952	12 162 619

Additional information

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.

39. Depreciation and amortisation

Property, plant and equipment	24 322 637	20 343 638
Investment property	2 657 976	66 825
Intangible assets	18 321	27 557
	26 998 934	20 438 020

40. Impairment of assets

Impairments		
Property, plant and equipment	3 900 650	2 352 391
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		
Other asset 1	133 646	-
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		
Trade and other receivables	(242 529)	2 056 401
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		
Other receivables from non-exchange revenue	(2 897 606)	(2 307 096)
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		
	894 161	2 101 696

[Disclose the following information for the aggregate impairment losses and the aggregate reversals of impairment losses recognised during the period for which no information has otherwise been disclosed:]

The main classes of assets affected by impairment losses are:

The main classes of assets affected by reversals of impairment losses are:

The main events and circumstances that led to the recognition of these impairment losses are as follows:

The main events and circumstances that led to the reversals of these impairment losses are as follows:

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
41. Finance costs		
Service concession arrangements	-	4 353
Other interest paid	229 672	583 825
	229 672	588 178

Capitalisation rates used during the period were -% on specific borrowings for capital projects and -% being the weighted average cost of funds borrowed generally by the municipality.

Total interest expense, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R - (2020: R -).

42. Debt impairment

43. Bulk purchases

Electricity - Eskom	26 414 193	22 711 969
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Electricity losses

Monetary Value:

Purchased	26 399 044	-	-
Sold	(25 363 107)	-	-
Total	1 035 937	-	-

44. Contracted services

Outsourced Services

Administrative and Support Staff	507 590	1 689 549
Animal Care	221 579	241 228
Business and Advisory	744 841	1 191 129
Cleaning Services	1 637 801	4 389 808
Fire Services	49 250	340 783
Internal Auditors	1 324 675	1 480 319
Connection/Dis-connection	3 505 870	-
Security Services	8 696 817	7 080 173
Electrical	124 291	-

Consultants and Professional Services

Business and Advisory	9 056 697	2 164 232
Infrastructure and Planning	847 098	86 864
Laboratory Services	192 400	-
Legal Cost	2 521 145	1 986 094

Contractors

Building	83 200	141 683
Electrical	46 358	3 600 276
Fire Protection	5 432 350	-
Pest Control and Fumigation	438 790	727 323
Safeguard and Security	74 350	-
Removal of Hazardous Waste	8 800	560 303
	35 513 902	25 679 764

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
45. General expenses		
Advertising	1 986 415	503 695
Auditors remuneration	2 515 431	2 049 038
Bank charges	809 928	177 096
Commission paid	478 906	315 959
Consumables	12 706 807	6 175 323
Delivery expenses	105	200
Entertainment	88 488	58 345
Hire	86 612	-
Insurance	1 548 349	614 358
IT expenses	1 816 748	1 954 726
Levies	632 564	551 270
Fuel and oil	3 235 090	2 198 595
Printing and stationery	213 078	51 582
Protective clothing	1 107 862	973 947
Subscriptions and membership fees	-	745 857
Telephone and fax	1 318 318	1 119 827
Transport and freight	427 439	1 205 829
Travel - local	3 702 922	2 651 287
Travel - overseas	-	228 081
Utilities - Other	515 017	1 407 069
Expense 3	-	738
Other expenses	8 206 550	5 462 756
	41 396 629	28 445 578

46. Auditors' remuneration

Fees	2 515 431	2 049 038
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47. Operating lease

The municipality leases photocopying machines on a 36 month contract which commenced in February 2021. The previous contract ended.

48. Operating surplus

Operating surplus for the year is stated after accounting for the following:

Operating lease charges

Equipment		
• Contractual amounts	326 913	216 169
Loss on sale of property, plant and equipment	-	(94 914)
Impairment on property, plant and equipment	3 900 650	2 352 391
Impairment on asset 1	133 646	-
Impairment on trade and other receivables	(242 529)	2 056 401
Impairment of other receivables from non-exchange transactions	(2 897 606)	(2 307 096)
Amortisation on intangible assets	18 321	27 557
Depreciation on property, plant and equipment	24 322 637	20 343 638
Depreciation on investment property	2 657 976	66 825
Employee costs	94 281 194	81 156 006

Minimum lease payments

The disclosed payments also include payments for non-lease elements in the arrangement.

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
49. Cash generated from operations		
Surplus	47 138 653	84 030 903
Adjustments for:		
Depreciation and amortisation	26 998 934	20 438 020
Gain on sale of assets and liabilities	-	94 914
Impairment deficit	894 161	2 101 696
Bad debts written off	367 652	-
Movements in retirement benefit assets and liabilities	1 118 306	2 961 309
Movements in provisions	29 834 674	8 070 713
Changes in working capital:		
Inventories	(600 063)	(876 266)
Receivables from exchange transactions	(12 554 146)	(2 738 673)
Other receivables from non-exchange transactions	(6 418 057)	(53 957 535)
Prepayments	1 545 665	(2 409 263)
Payables from exchange transactions	(10 638 194)	44 971 222
VAT	(10 728 596)	(6 207 820)
Unspent conditional grants and receipts	(48 321)	1 599 201
Consumer deposits	765 278	1 161 472
	67 675 946	99 239 893

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
50. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	83 934 720	163 883 690
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	-	15 702 749
Total capital commitments	83 934 720	163 883 690
Already contracted for but not provided for	-	15 702 749
Not yet contracted for and authorised by accounting officer	83 934 720	179 586 439
Authorised operational expenditure		
Already contracted for but not provided for		
• Expenditure 1	32 693 391	-
Total operational commitments	32 693 391	-
Already contracted for but not provided for	32 693 391	-
Total commitments		
Total commitments	32 693 391	-
Authorised operational expenditure	32 693 391	-

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (expense)

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

51. Contingencies

Litigation in 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:

Labour Matters

- Case No KPD022102: Unfair dismissal (Arbitration): Estimate for legal costs and compensation R300 000
- Case no D463/20: Labour court review application: Estimate for legal costs and compensation R500 000

Other Matters

- Case No 3954.21 P: Nquthu Municipality vs The Executive Council of KZN & 6 others, Case No 4088.21P: Nquthu Municipality vs The Executive Council of KZN & 6 others and Case No 4178.21P: Nquthu Municipality vs The Minister of Cooperative Government and Traditional Affairs: Between R400 000 and R700 000
- Case no 60121: Buthelezi vs Nquthu Municipality: Between R35 000 and R70 000

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Figures in Rand

2021

2020

52. Related parties

Relationships
Accounting Officer

Details of the accounting officer have been disclosed under general information. His responsibilities and approval details are on the relevant report. Remuneration of the accounting officer is part of note.

Members of key management

Details of councillors and key management have disclosed in several areas within the annual financial statements as prescribed. Remuneration of senior management and councillors is disclosed on notes 37 and 38

53. 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.

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 in line with relevant policies.

Market risk

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.

54. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus (deficit) of R 858 483 650 and that the municipality's total liabilities exceed its assets by R 858 603 682.

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.

55. Events after the reporting date

The accounting officer is not aware of any adjusting or non-adjusting events after reporting date.

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Figures in Rand

	2021	2020
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56. Fruitless and wasteful expenditure

Opening balance as previously reported	643	-
Opening balance as restated	643	-
Add: Expenditure identified - current	33 035	643
Closing balance	33 678	643

57. Irregular expenditure

Opening balance as previously reported	233 841 253	101 374 202
Opening balance as restated	233 841 253	101 374 202
Add: Irregular Expenditure - current	214 086 751	132 467 051
Closing balance	447 928 004	233 841 253

58. 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. However the Speaker is currently not full time as he is currently in the service of the state on a full time basis. 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 councillor allowances are as per upper limits approved by COGTA.

59. Additional disclosure in terms of Municipal Finance Management Act

VAT

VAT receivable	16 936 416	132 352 769
VAT payable	-	126 144 949
	16 936 416	258 497 718

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

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59. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding. Only one councillor's account had amounts outstanding for more than 90 days at 30 June 2021:

30 June 2021	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr ET Nhlebela	463	8 702	9 165
Cllr SD Masimula	152	-	152
Cllr CN Skosana	156	-	156
	771	8 702	9 473

30 June 2020	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr ET Nhlebela	737	17 403	18 140
Cllr SD Masimula	376	-	376
Cllr CN Skosana	401	-	401
Cllr Hoffman	4 548	364	4 912
Cllr BI Zwane	4 548	364	4 912
Cllr Z Sithole	4 548	364	4 912
Cllr ET Nhlebela	4 548	364	4 912
Cllr NG Mdlalose	3 828	306	4 134
Cllr NM Buthelezi	4 548	364	4 912
Cllr IL Shabalala	4 548	364	4 912
Cllr SP Mathe	4 548	364	4 912
Cllr MR Ngobese	4 548	364	4 912
Cllr NN Khanye	4 548	364	4 912
Cllr JZ Ndima	4 548	364	4 912
Cllr HM Shelembe	4 548	364	4 912
	55 370	21 713	77 083

During the year the following Councillor's had arrear accounts outstanding for more than 90 days.

30 June 2020	Highest outstanding amount	Aging (in days)
Cllr ET Nhlebela	18 140	365

60. 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.

61. Segment Information

General Information

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61. Segment information (continued)

Identification of segments

The municipality is organised and reports to management and governance structures on the basis of five major functional areas: Budget and Treasury, Community Services, Planning and Economic Development/LED/Tourism, Technical Services and Corporate and other support services/units. These are based on municipal powers as cited on the IDP as well as municipal classification per the standard chart of accounts.

A segment is an activity of an entity:

(a) that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity).

(b) whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and

(c) for which separate financial information is available.

Within these functional areas, 3 reportable segments were identified by management. 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 identified reportable segments are as follows:

- Community Services
- Planning and Economic Development
- Technical Services

Aggregated segments

The grouping of these segments is consistent with the functional classification of government activities which considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered.

Types of goods and/or services by segment

The type of goods and services in these services are those consistent with the provision of basic services to municipal customers and community. The nature of the services generate economic benefits for the municipality as well improve the service potential of the municipality.

Measurement of segment surplus or deficit, assets and liabilities

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.

62. Accounting by principals and agents

The entity is a party to a principal-agent arrangement(s).

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62. Accounting by principals and agents (continued)

Details of the arrangement(s) is/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:

Implementation of the Integrated National Electrification Grant:

The municipality receives a conditional grant as part of the Division of Revenue Act allocations. The purpose of this grant is to roll out an electrification programme to communities within the municipal area. Part of the conditions of the grant is to spend it in areas or projects specified within the approved memorandum of agreement entered into between the municipality and the department of mineral and energy.

According to the list of beneficiary areas listed in the MOA for the current and previous reporting periods, they fall outside the areas currently supplied by the municipality in line with the license. The entity is an agent in this agreement as defined by the accounting standard for principals and agents. These areas are supplied directly by Eskom and thus the municipality does not have the ability to use all or substantially all of the resources that results from the electrification of those areas. Eskom will be the recipient of the revenue from the electricity sales.

Entity as agent

Revenue recognised

The aggregate amount of the revenue that met the grant conditions is R6 641 715 (2020:19 000 000). The total unspent portion of the grant as at 30 June 2021 is R358 285 (2020: 0)

Resources (including assets and liabilities) of the entity under the custodianship of the agent

The resources have been recognised/have not been recognised by the agent in its financial statements. [Choose as appropriate]

The remittance of resources during the period [State details].

The expected timing of remittance of remaining resources by the agent to the entity, are [State timing and details].

The expected timing of remittance of remaining resources by the agent to third parties, are [State timing and details].

Resource or cost implications for the entity if the principal-agent arrangement is terminated, are [State information/discussion].

[Provide additional info as appropriate]

Fee paid

Resource and/or cost implications for the entity if the principal-agent arrangement is terminated

The resource and/or cost implications for the entity if the principal-agent arrangement is terminated, are [State information/discussion].

[Provide additional info as appropriate]

