

# NQUTHU LOCAL MUNICIPALITY



## 2021/22 ANNUAL REPORT

# TABLE OF CONTENTS

ITEM	PAGE
NARRATIVE	
MAYOR'S FOREWORD	2 - 4
EXECUTIVE SUMMARY BY THE MUNICIPAL MANAGER	5
MUNICIPAL POWERS AND FUNCTIONS	6
NQUTHU LOCALITY	6 - 7
WARD INFORMATION	7
DEMOGRAPHICS	8 - 10
SOCIO-ECONOMIC CONDITIONS	10 - 16
FINANCIAL HEALTH	16 - 18
ORGANIZATIONAL DEVELOPMENT	18 - 21
WARD COMMITTEES	21 - 22
SOCIAL SECTOR FORUMS	22
RISK MANAGEMENT	22 - 23
ANTI-FRAUD AND CORRUPTION	23
SUPPLY CHAIN MANAGEMENT	23
BY-LAWS	23
POLICIES	23
BACK TO BASICS / MFMA CIRCULAR 88	24
MUNICIPAL WEBSITE	24
PUBLIC SATISFACTION SURVEY	24
INTERNAL AUDIT	24
AUDIT COMMITTEE	24
POLITICAL GOVERNANCE	25 - 27
ADMINISTRATIVE GOVERNANCE	27
WATER PROVISION	28
SANITATION	28
WASTE MANAGEMENT	28 - 31
ELECTRICITY	31
FREE BASIC SERVICE AND INDIGENT SUPPORT	32
ROADS	32
TRANSPORT	32
STORMWATER	32
PLANNING	32 - 34
GEOGRAPHICAL INFORMATION SYSTEMS (GIS)	34
LOCAL ECONOMIC DEVELOPMENT	35 - 36
COMMUNITY FACILITIES	36 - 37
POLLUTION CONTROL	37
BIODIVERSITY	37
TRAFFIC MANAGEMENT	37 - 39

<b>ITEM</b>	<b>PAGE</b>
<i>DISASTER MANAGEMENT AND FIRE FIGHTING</i>	39 - 40
<i>SPORTS</i>	40
<i>TOURISM, ARTS, CULTURE AND HERITAGE</i>	40
<i>YOUTH AND EARLY CHILDHOOD DEVELOPMENT</i>	40 - 41
<i>VULNERABLE GROUPS AND SOCIAL PROGRAMMES</i>	41 - 42
<b>2021/22 AUDITED ANNUAL PERFORMANCE REPORT</b>	
<i>LEGISLATIVE FRAMEWORK</i>	44 - 45
<i>PURPOSE OF THE REPORT</i>	45
<i>PERFORMANCE MANAGEMENT PROCESSES</i>	45 - 46
<i>EVIDENCE TO SUPPORT REPORTED PERFORMANCE</i>	46 - 47
<i>ANNUAL PERFORMANCE REPORT SUMMARY</i>	47
<i>PERFORMANCE COMPARISON</i>	47 - 49
<i>PERFORMANCE HIGHLIGHTS PER EACH KPA</i>	49 - 53
<i>ANNUAL PERFORMANCE REPORT SCORECARD</i>	53 - 93
<i>ASSESSMENT OF SERVICE PROVIDERS</i>	94 - 106
<i>KEY AREAS TO NOTE</i>	107
<i>LESSONS LEARNT GOING FORWARD</i>	107
<i>CONCLUSION</i>	107
<b>AUDIT COMMITTEE REPORT</b>	
<i>AUDIT AND PERFORMANCE COMMITTEE REPORT FOR THE PERIOD ENDING 30 JUNE 2022</i>	109 - 113
<b>2021/22 AUDIT REPORT (AUDITOR GENERAL)</b>	
<i>REPORT OF THE AUDITOR-GENERAL OF SOUTH AFRICA FOR THE YEAR ENDED 30 JUNE 2022</i>	115 - 126
<b>2021/22 AUDITED ANNUAL FINANCIAL STATEMENTS</b>	
<i>NQUTHU LOCAL MUNICIPALITY ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022</i>	128 - 216

**2021/22  
ANNUAL  
REPORT  
NARRATIVE**

## HAPTER 01

### COMPONENT A: MAYOR'S FOREWORD

#### MAYOR'S FOREWORD



***His Worship the Mayor: Cllr IL Shabalala***

#### **Vision**

At the beginning of the financial year, the municipality's vision was-

*"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".*

However, the new council that was elected in to lead the municipality in the 2022/23 to 2026/27 council term determined a new vision for the municipality, which is-

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

The municipality will always strive to attain this vision. In the 2021/22 financial year, the municipality made some progress in pursuit of its IDP objectives and initiated quite a number of infrastructure, local economic development and social programmes.

#### **Key Policy Developments**

The main policy development in the previous term was the introduction of the District Development Model (DDM) and the 2021/22 financial was the year that the municipality had to participate and contribute in the formation of DDM structures within Umzinyathi district and also participate in the development of the Umzinyathi District One Plan. The primary goal of this model is to cure the gaps and/or weaknesses that are prevalent in the intergovernmental structures which result in the poorly coordinated and fragmented planning and implementation of development programmes and/or projects of government at all levels.

## Key Service Delivery Improvements

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

- **Electricity:** The municipality is doing extremely well with regard to connecting electricity to the grid and is close to achieving universal connection status. In the current financial year, over 70 households were connected to the grid in Ward 01 Qhudeni area which was the only area without bulk lines and electricity.
- **Community halls:** a total of 9 community halls were constructed and 4 were completed in the financial year under review.
- **Early childhood development centres:** a total of 3 ECD centres (Creches) were planned for construction and 2 were completed.
- **Access roads:** a total of 7 access roads were still under construction with 2 of those at an advanced construction stage at the end of the financial year.
- **Road maintenance:** All reported/identified potholes were fixed within the set municipal turn-around time and 66km of gravel roads were graded.
- **Sportsfields:** Springlake sportsfield was completed in the previous financial year but Council decided to upgrade it to include additional facilities and that project was completed.
- **Residential development:** the municipality initiated a residential development project which is part of the expansion of Nquthu Town and this projects is done in phases that run parallel and construction is advancing well despite challenges that were overcome.

## 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 2022/23 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 terms of service delivery, there is still ample room for improvement in that area and the municipality received disclaimer audit opinion for the past two years. More still need to be done reach the real potential of this municipality which include, among others:

- Improving integrated development planning processes to ensure that the IDP is a living document that all stakeholders, both internal and external, understand and support. It is the ultimate goal of the municipality to develop a summarized version of the IDP and translate it to Zulu and Sotho

which are two vernacular languages in Nquthu. This has always been our goal but been always deferred, we are hoping to achieve it for 2023/24 IDP and budget.

- The municipality is doing everything in its power reverse this audit outcome. The AG Action Plan was developed and its implementation was monitored by the Audit Committee on a quarterly basis and going forward the municipality will strengthen its controls to ensure compliance with applicable laws and procedures.
- Developing and implementing Public Participation Plan to ensure that our public participation activities are well coordinated to avoid duplication and ensure efficiency. Municipal officials have begun the processes to develop this policy.
- Cascade performance management to all employees with the primary purpose of improving efficiency and accountability. The new Municipal Staff Regulation which came into effect on 01 July 2022 has made it more easier to cascade performance because it provides clear guidelines in terms of structures that have to be formed and processes that has to be applied.

### **Agreements / Partnerships**

The municipality is in long standing partnership with Bornem Municipality of Belgium which has produced very good results in the areas of waste management, local economic development and early childhood development. Another partner in Assupol Community Trust which has made an immense contribution in the early childhood development sector. Over 10 ECDs have been built and over 10 ECDs have been renovated since this partnership started. 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.



**Cllr. IL Shabalala**

**Mayor Nquthu Local Municipality**

## COMPONENT B: EXECUTIVE SUMMARY

### 1.1. EXECUTIVE SUMMARY BY THE MUNICIPAL MANAGER

Getting into the 2021/22 financial year the municipality carried into this financial year a very serious challenge of two successive disclaimers in the previous financial years. Reversing such a poor audit opinion by the Auditor-General was one of the important priorities for the municipality.

Indeed, service delivery is very important, and the municipality has made serious strides in rolling out different infrastructure projects and implementing other developmental programmes of an economic and social nature. However, every effort that is put to produce service delivery output must adhere to prescribed legislatives prescripts and follow correct processes and procedures to ensure compliance, particularly when goods and services are procured to produce the desired service delivery outputs. Further to that, law requires that when the municipality reports at the end of the financial year, the information and figures that are reported in the Annual Financial Statements and the Annual Performance Report must be accurate, credible and be devoid of any misstatements so that the public receive truthful information. As a municipality we have been able to move away from the disclaimer of opinion and intend to work tirelessly to attain clean administration that will ultimately deliver a clean audit outcome.

We also recognise that the municipality's cash reserves are being depleted and as a result our investment income has decreased considerably. This is accompanied by growing spending patterns and going forward the municipality will be working cut unnecessary spending and also focus on implementing cost containment measures. The municipality intends improving its projects management and contract management functions to ensure that all infrastructure projects are completed on time and are of good standard.

As the municipality we look forward to continuing to develop the people of Nquthu and building a municipality that is efficiently managed and has a clean administration. Thank you.



---

**MR MB JIYANE**

**MUNICIPAL MANAGER**

**NQUTHU LOCAL MUNICIPALITY**

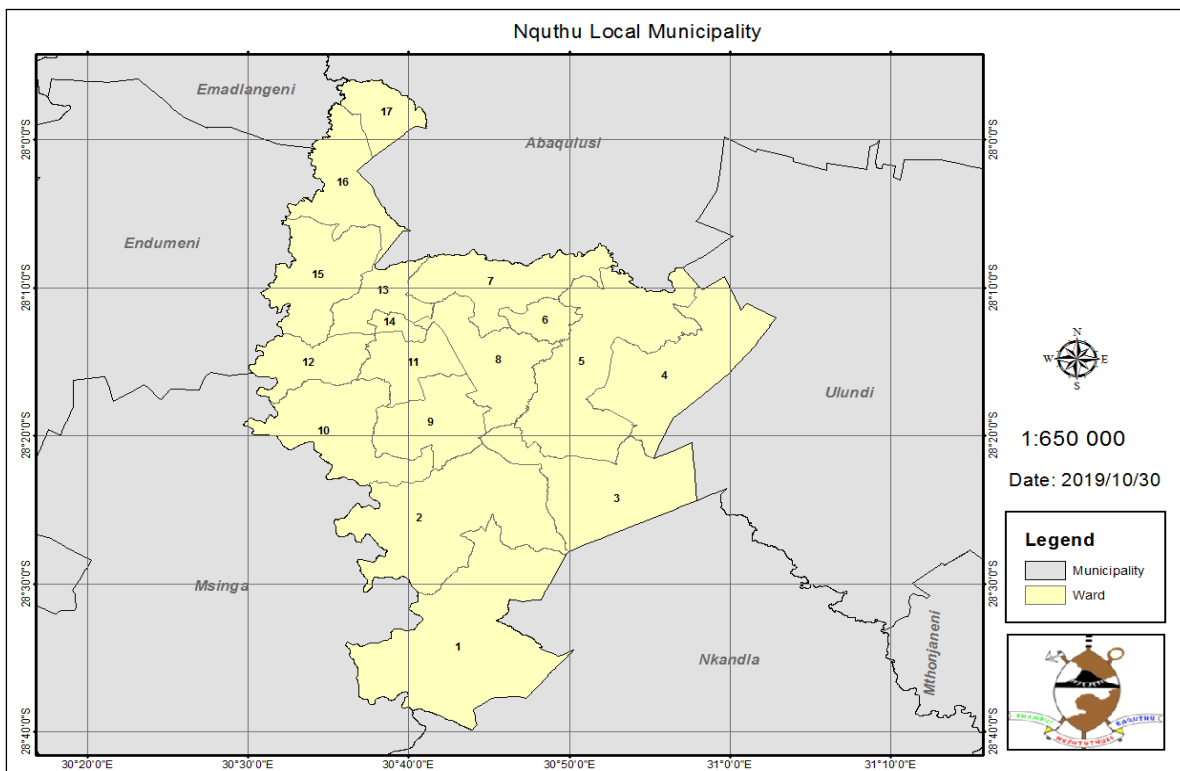


## 1.2. MUNICIPAL POWERS AND FUNCTIONS

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

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

## 1.3. NQUTHU LOCALITY



**Figure 1:** Nquthu locality

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

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

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

#### 1.4. WARD INFORMATION

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

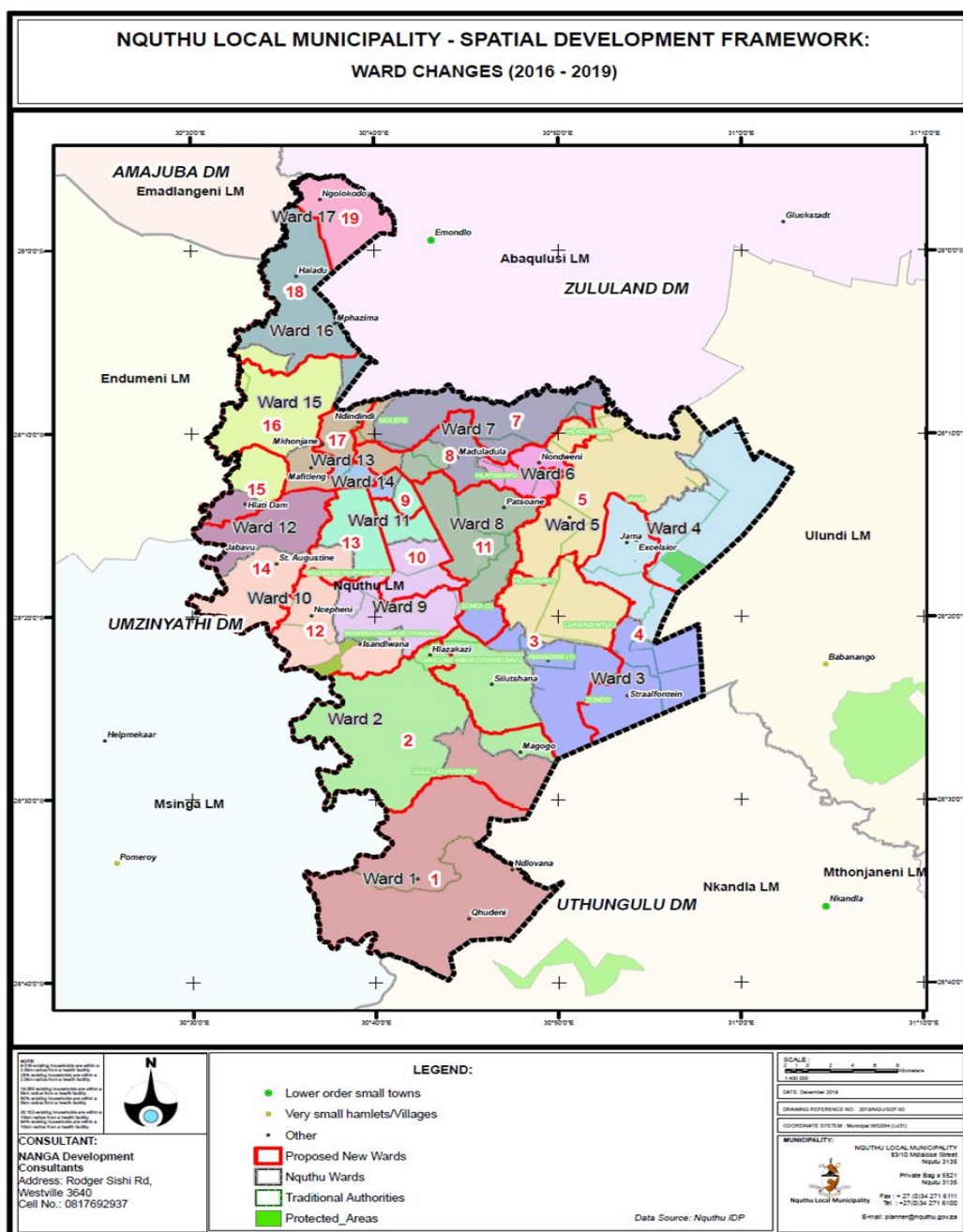


Figure 2: Nquthu wards from 01 November 2021

## 1.5. DEMOGRAPHICS

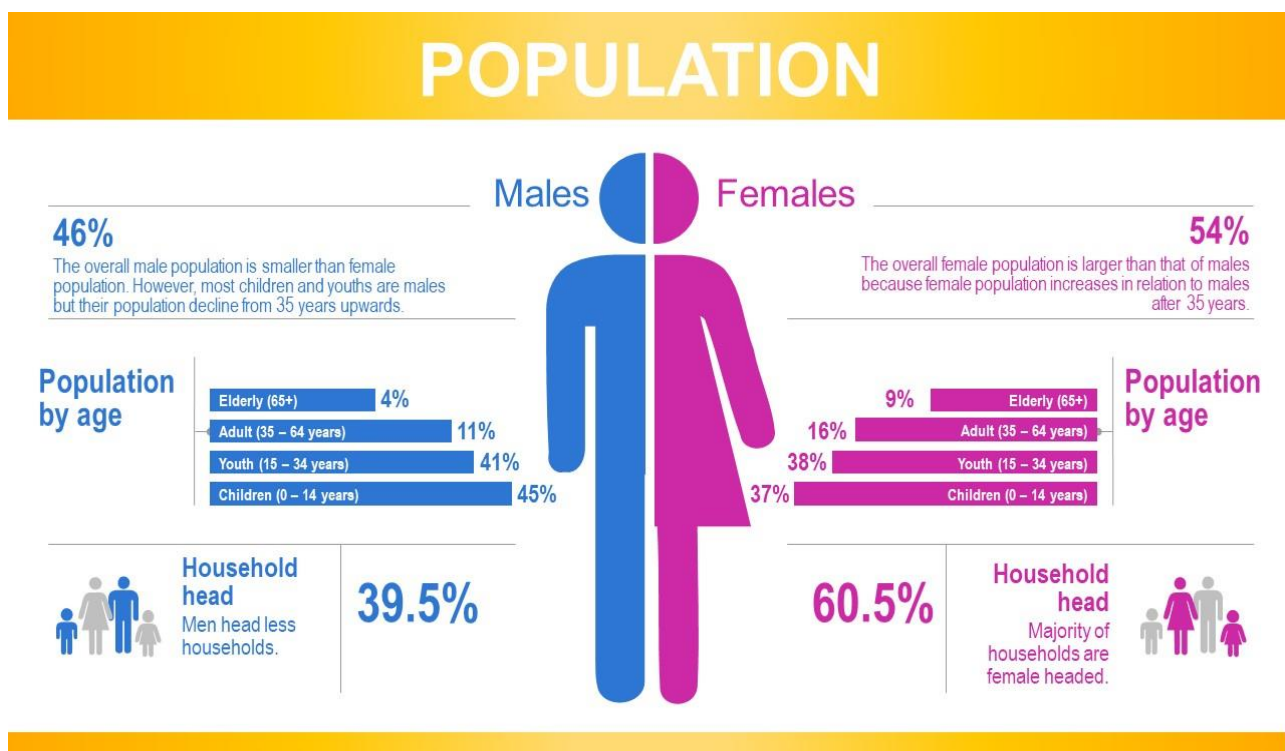


Figure 3: Population infographic

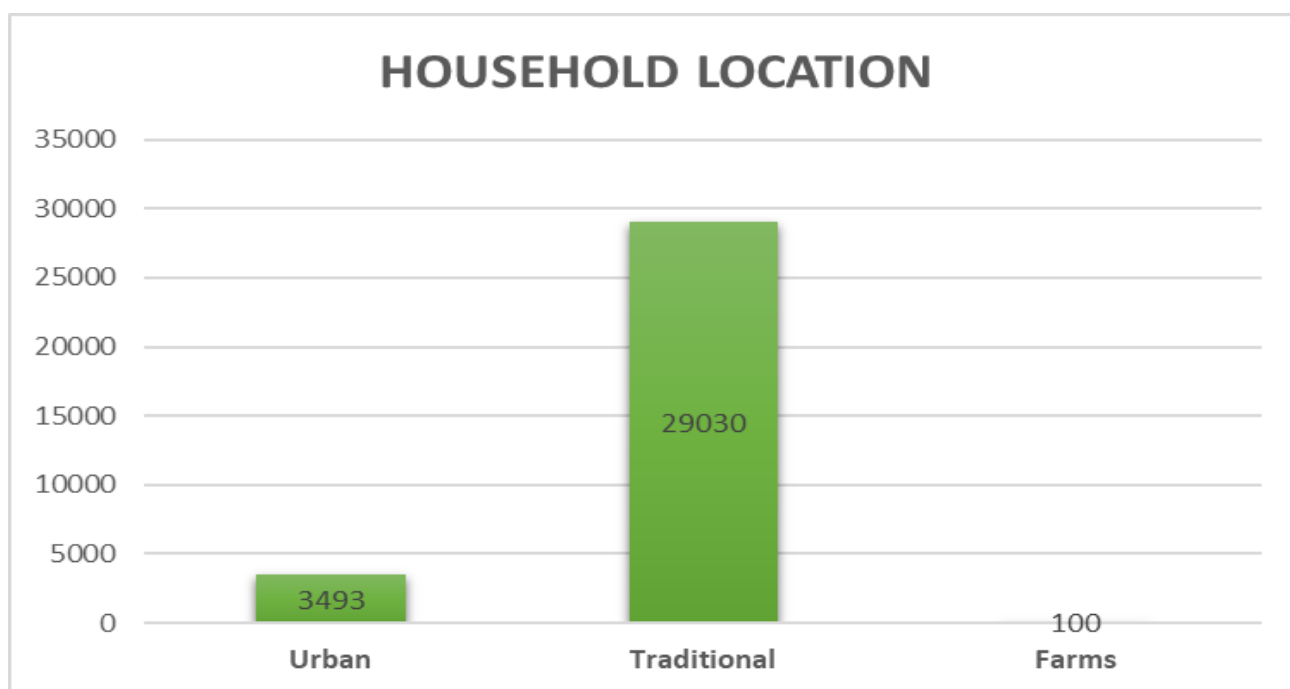
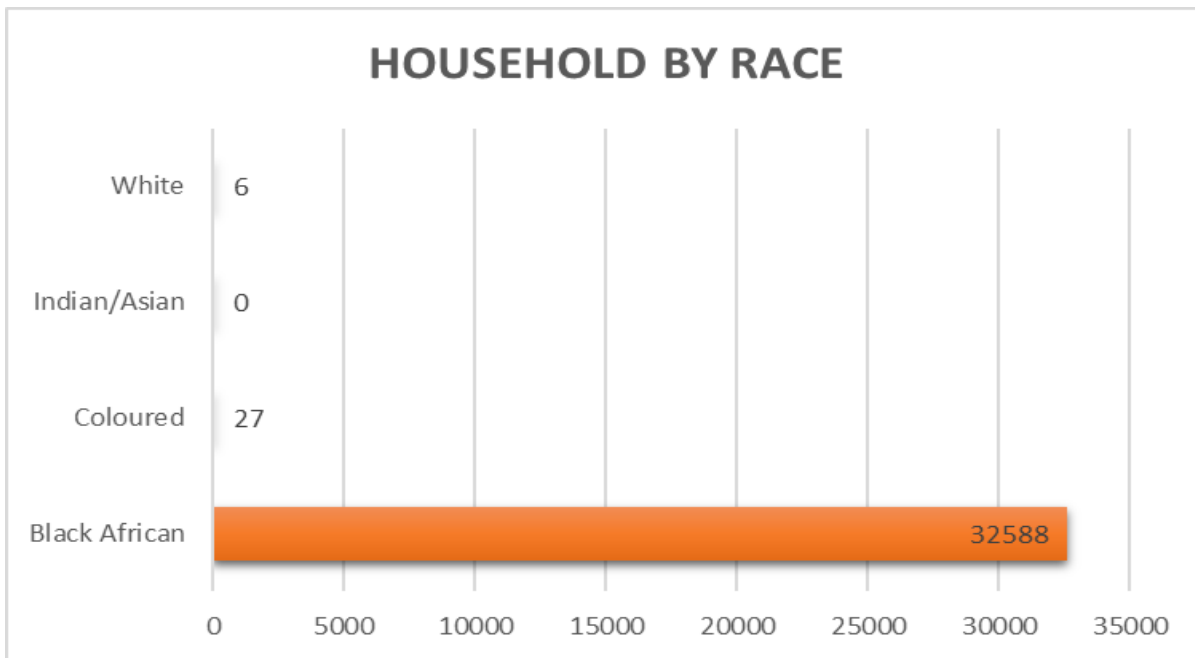
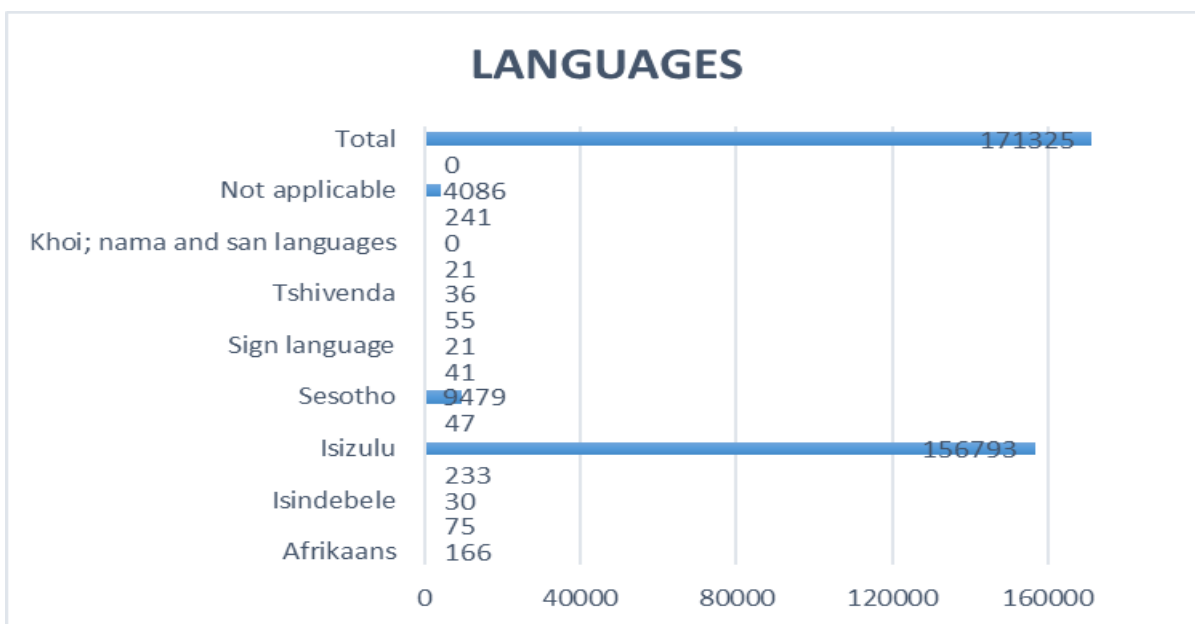


Figure 4: Households



**Figure 5:** Household by race



**Figure 5:** Spoken languages

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

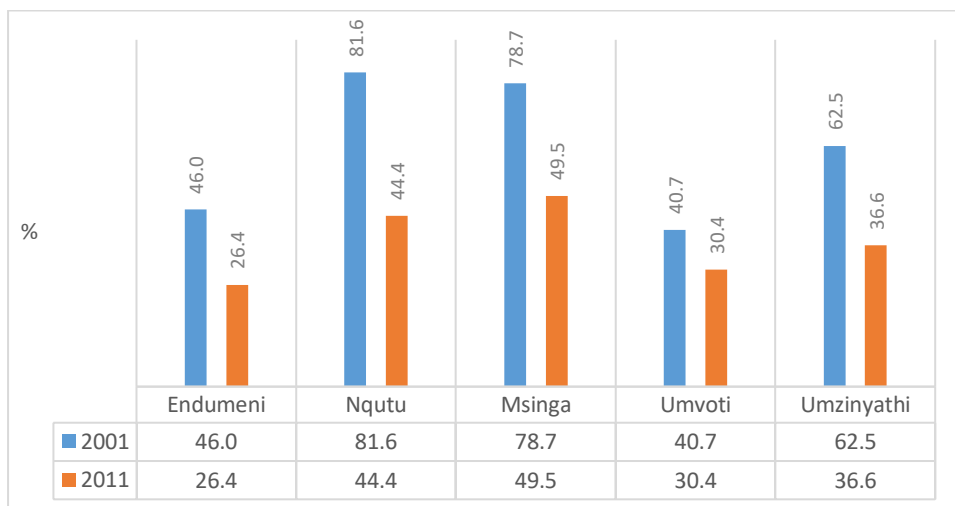
- The municipality is an overwhelmingly rural municipality with 89% of households located in rural areas which are underdeveloped in the main;
- Almost 100% of the households and/or population is African due to the traditional character of the area;

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

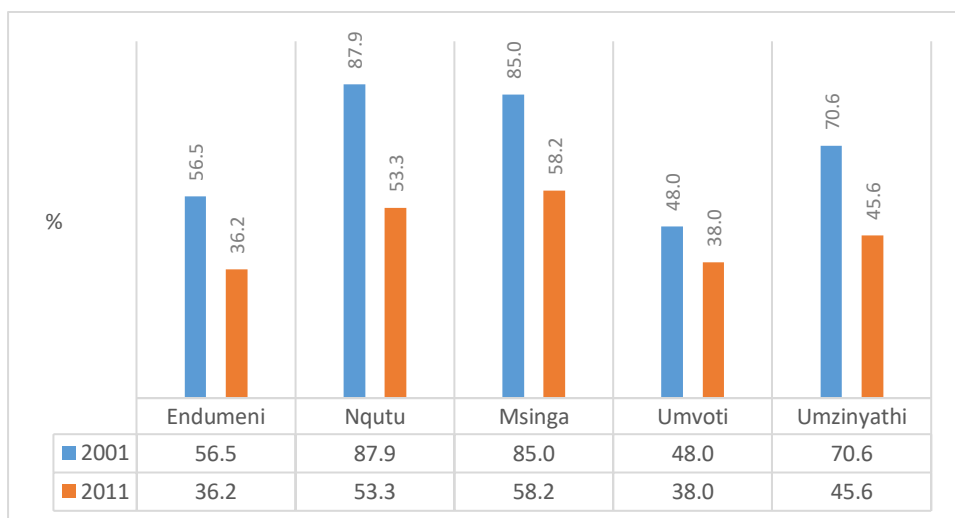
## 1.6. SOCIO-ECONOMIC CONDITIONS

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

### 1.6.1. UNEMPLOYMENT RATE



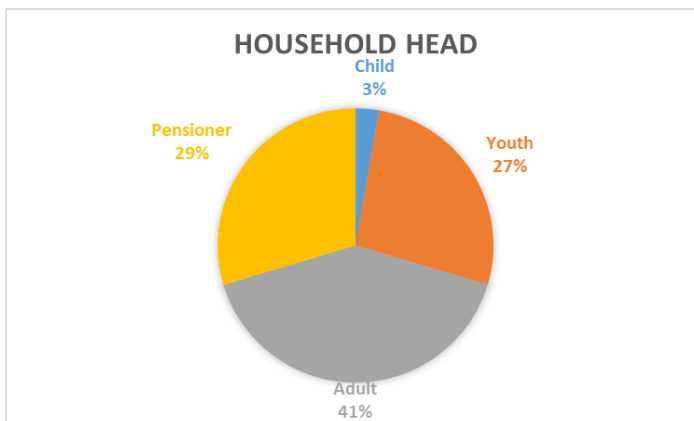
**Figure 6: Unemployment rate**



**Figure 7: Youth unemployment rate**

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

## 1.6.2. HOUSEHOLD HEADS

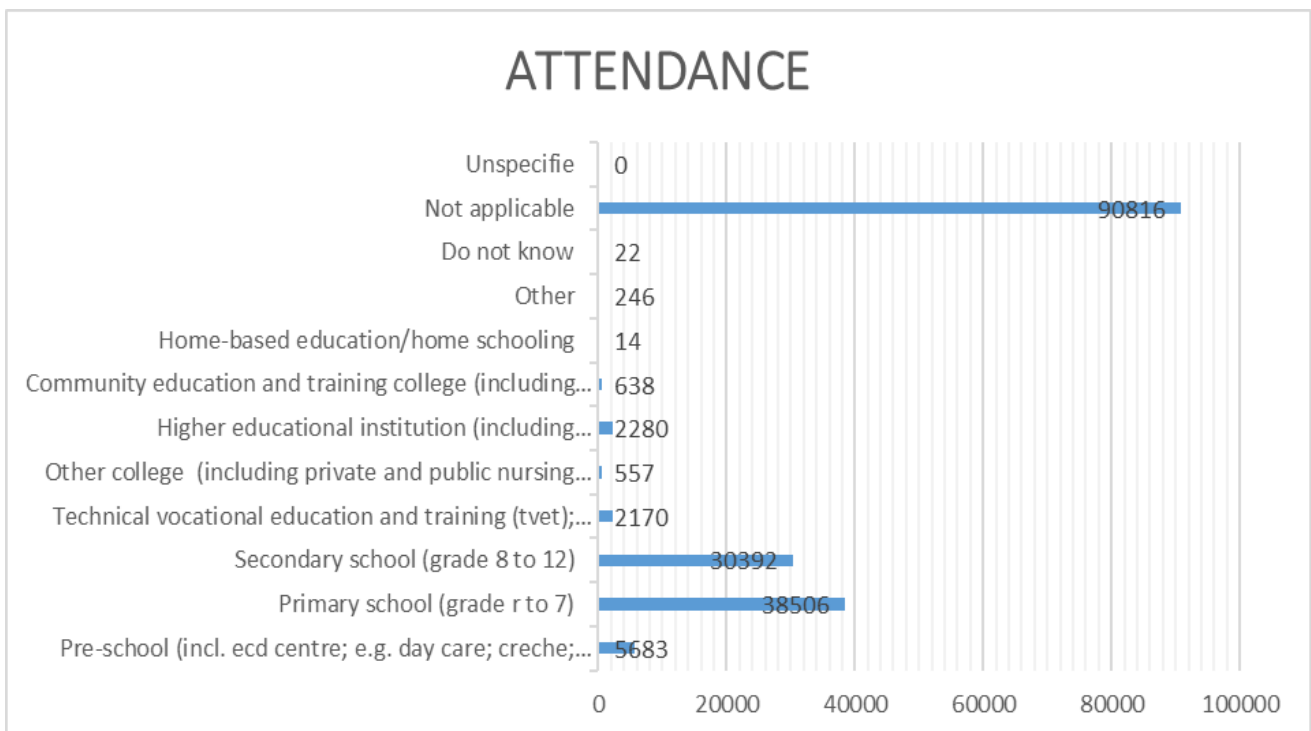


While majority of households are headed by adults, **29%** are headed by pensioners, **27%** by youth and **3%** by children. When the general and youth unemployment rate is taken into account that paints a very bleak picture about the living conditions in most households, especially those headed by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

**Figure 8:** Household head

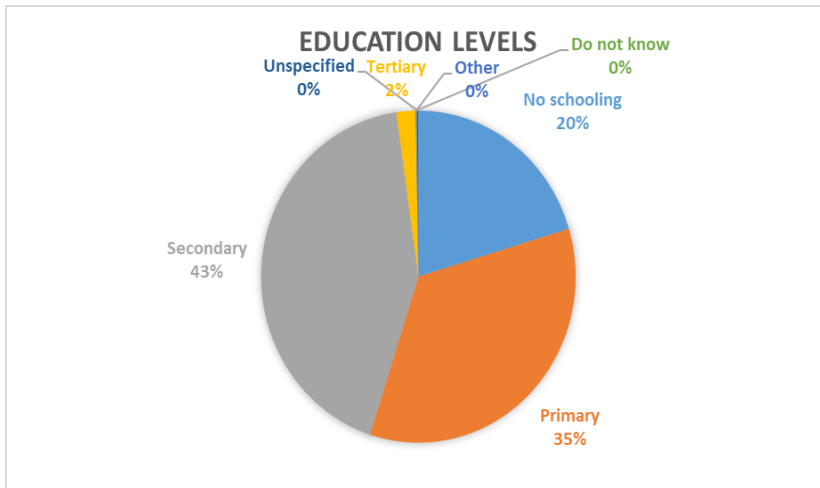
## 1.6.3. EDUCATION

### 1.6.3.1. Attendance



**Figure 9:** Attendance

### 1.6.3.2. Education levels



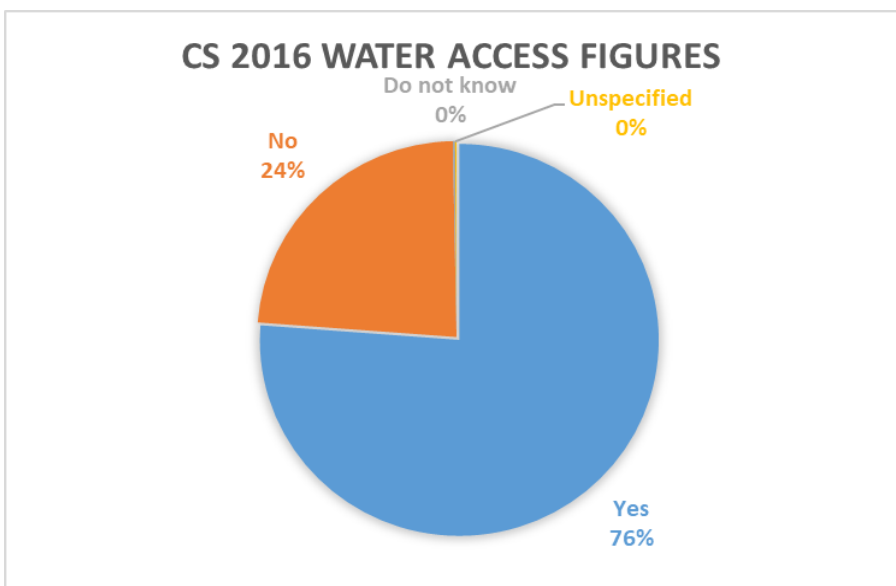
As outlined in **Figure 8** and **9**, only 2% of the population has post school qualifications which is a sign of low skills levels. And, by today's norms, the literacy rate of 20% is quite high but at least that relates to adults and elders who are the victims of the past.

**Figure 10:** Education levels

### 1.6.4. ACCESS TO BASIC SERVICES

#### 1.6.4.1. Water

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



**Figure 11:** Access to water

#### 1.6.4.2. Sanitation

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

#### 1.6.4.3. Electricity

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

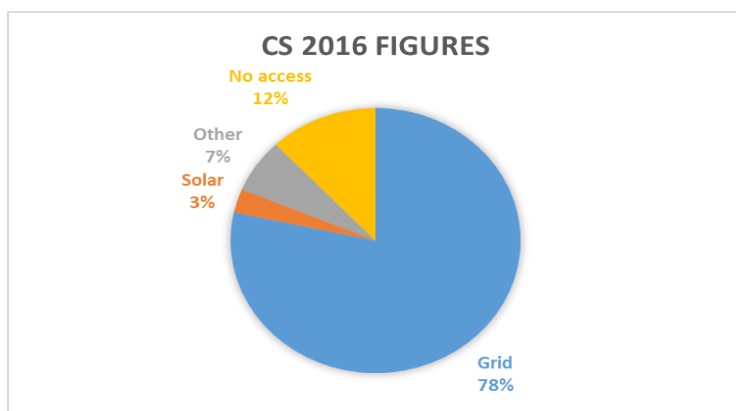


Figure 12: Access to electricity

#### 1.6.4.4. Refuse removal

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

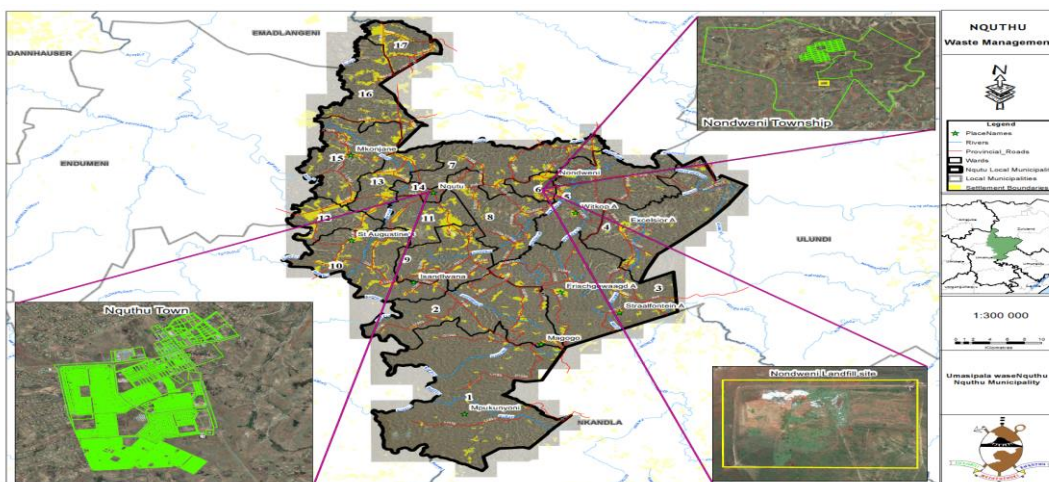


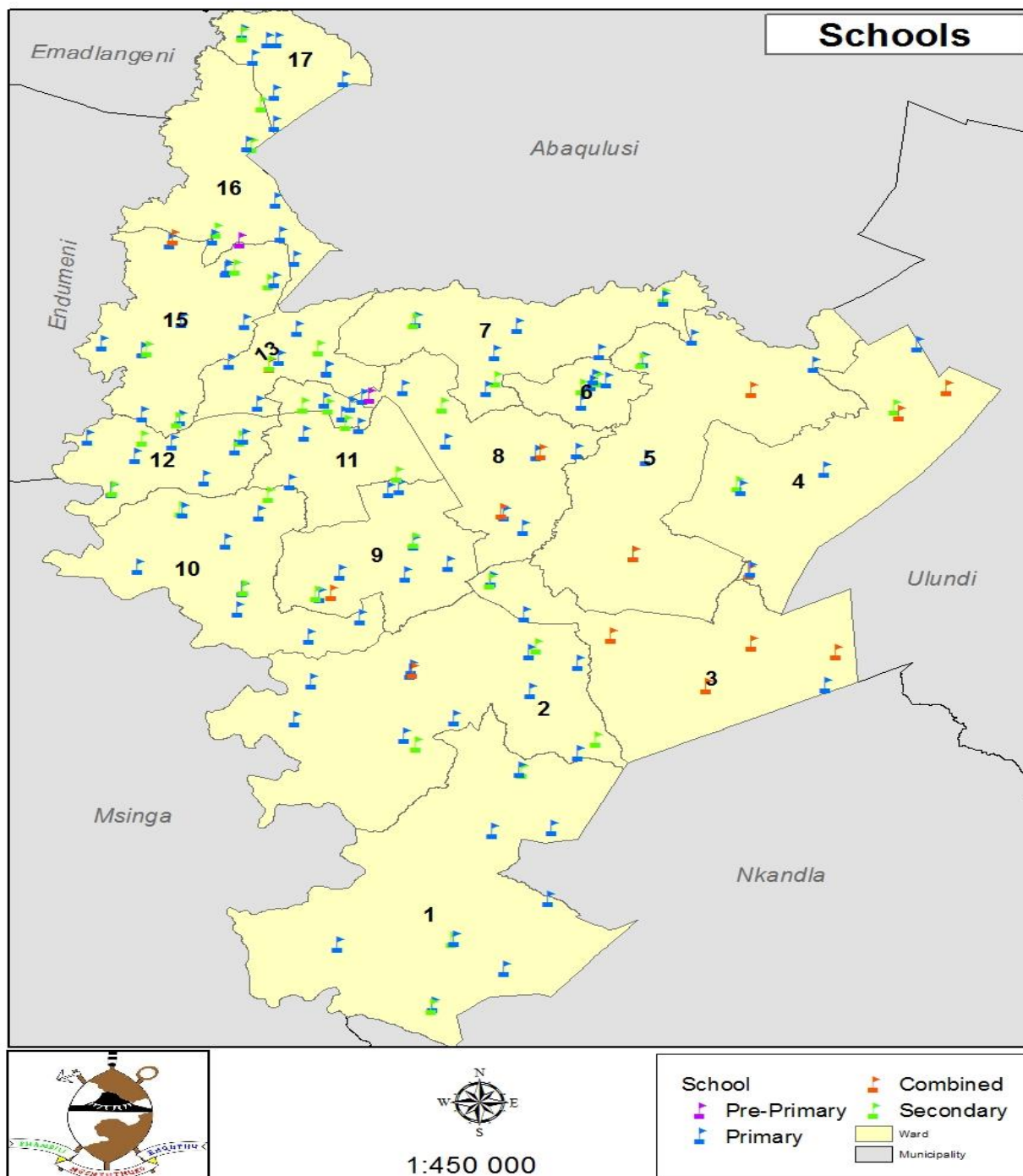
Figure13: Waste collection areas



## 1.6.5. ACCESS TO PUBLIC FACILITIES AND SERVICES RENDERED

### 1.6.5.1. Education facilities

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



**Figure14:** Education facilities

### 1.6.5.2. Health facilities

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

Endumeni	Msinga	Nquthu	Umvoti
1. Dundee Gateway	1. COSH Gateway	1. CJM Gateway	1. Greytown Gateway
2. Empathe Clinic	2. Collessie Clinic	2. Clinic Felani Clinic	2. Amakhabela Clinic
3. Glenridge Clinic	3. Cwaka Clinic	3. Hlathi Dam Clinic	3. Amatimatolo Clinic
4. Sakhimpilo Clinic	4. Douglas Clinic	4. Isandlwana Clinic	4. Ehlanzeni Clinic
5. Siphimpilo Clinic	5. Elandskraal Clinic	5. KwaNyezi Clinic	5. Eshane Clinic
6. Wasbank Clinic	6. Ethembeni Clinic	6. Mangeni Clinic	6. Kranskop Clinic
	7. Gunjana Clinic	7. Manxili Clinic	7. KwaSenge Clinic
	8. Mandleni Clinic	8. Masotsheni Clinic	8. Muden Clinic
	9. Mawele Clinic	9. Mhlungwane	9. Ntembisweni Clinic
	10. Mazabeko Clinic	10. Mkhonjane Clinic	10. Pine St Clinic
	11. Mbangweni Clinic	11. Nkande Clinic	11. Sibuyane Clinic
	12. Mhlangana Clinic	12. Nondweni Clinic	12. Ukuthula Clinic
	13. 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)		

**Figure15:** Health facilities

### 1.6.5.3. Halls

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

### 1.6.5.4. Libraries

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

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

#### **1.6.5.5. Sports-fields**

No sports-field was built or revamped in the 2021/22 financial year since a plan to construct Ngonini Sports-field in Ward 10 that was planned in previous years stalled. However, existing sports-fields are being maintained by the municipality.

#### **1.6.5.6. Service centres**

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

### **1.6.6. FINANCIAL HEALTH**

#### **1.6.6.1. Budget and treasury department**

The budget and treasury department had an acting Chief Financial Officer (CFO) up until September 2021 when a fulltime CFO was appointed. All the units in the department had 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 but this may be impossible going forward due to the fact that the municipality is currently struggling with the employee related cost that is above a set norm.

#### **1.6.6.2. Revenue**

Revenue generation is key in ensuring the financial sustainability of the municipality. The municipality generated a total of R 284 944 837 in the year under review and R 281 497 314 in the previous financial year, which represent an increase of 1.2% percent in revenue growth, such revenue growth is not sufficient since it is far below rising operation costs. Based on the revenue table below, the following observations are made:

- There was an increase of over R2 million in service charges and the municipality need to maintain these increases going forward.
- There was also an increase of over R16 million in property rates which is a sign that ratepayers are recovering from the negative effects of COVID which had seriously affected revenue generation.
- There is decline in rental of facilities and equipment income which is not good especially for the maintenance of municipal facilities and equipment since the income they generate should ideally be used to operate and/or maintain such facilities or equipment.
- There was also a decline of over R3 million in interests earned on investment which may be attributable to declining cash reserves and also keeping an unreasonable amount of cash that is not needed for immediate use in the primary account.
- Lastly, government grants and subsidies decreased by over R14 million which was expected after COVID related financial support was scaled down.

<b>FIGURES IN RAND</b>	<b>NOTE(S)</b>	<b>2022</b>	<b>2021 RESTATED*</b>
<b><i>Revenue from exchange transactions</i></b>			
Service charges	24	25 105 306	22 963 473
Housing Development Construction contract	25	1 643 462	2 029 067
Rental of facilities and equipment	26	769 443	840 971
Other income	27	1 377 083	660 401
Interest revenue	28	7 574 464	11 034 135
<b>Total revenue from exchange transactions:</b>		<b>36 469 758</b>	<b>37 528 047</b>
<b><i>Revenue from non-exchange transactions</i></b>			
<i>Taxation revenue</i>			
Property rates	29	45 634 506	28 638 446
Property rates - penalties imposed	29	4 358 151	2 255 611
Licences and Permits	30	1 022 912	968 386
<i>Transfer revenue</i>			
Government grants & subsidies	31	196 747 760	211 435 364
Fines, Penalties and Forfeits	32	711 750	671 460
<b>Total revenue from non-exchange transactions:</b>		<b>248 475 079</b>	<b>243 969 267</b>
<b>TOTAL REVENUE</b>		<b>284 944 837</b>	<b>281 497 314</b>

### **1.6.6.3. Budget**

The municipality's budget was funded and credible. Of course, there are pressures with regard to insufficient financial resources and competing development priorities but the municipality managed to produce a good and balanced budget that community supported during public participation processes. The actual figures are outlined and analysed in the AFS part of this report, however; attention is drawn to the fact that the municipality overspent on its budget by just over R8 million despite the fact that the budget was adjusted upwards by over R49 million during an adjustment budget. Going forward, the municipality will have to ensure that it confines its spending to the allocated budget.

### **1.6.6.4. Expenditure**

Expenditure should be incurred in line with the budget and in cases where a there is a need to deviate such deviation was authorized through an adjustment budget and the unspent amounts carried over as savings. However, there was an overspending which hopefully will be prevented in future.

### **1.6.6.5. Collection rate**

The overall collection rate was 76% which is 19% behind the recommended collection rate. The municipality has a serious challenge of a high number of poor households which makes it very difficult to make adequate collection, but the municipality is doing everything within its power to improve

collection. There is also a service provider who assist with debt collection and the municipality must assess the performance of this service provider so that benefit is derived from the services provided.

#### 1.6.6.6. Unauthorized, Irregular, fruitless and wasteful expenditure

The unauthorized, irregular, fruitless and wasteful expenditure outlined below paints a very grim picture about the levels of compliance with applicable legislation in as far as financial management is concerned within the municipality. However, 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 and prevent a recurrence of such, especially fruitless and wasteful expenditure.

##### *Fruitless and wasteful*

Opening balance as previously reported	: R 33 678
Opening balance as restated	: R 33 678
Add: Expenditure identified – current	: R 38 165
<b>CLOSING BALANCE</b>	<b>: R 71 843</b>

##### *Irregular expenditure*

	<b>2022</b>	<b>2021</b>
Opening balance as previously reported	R 75 026 418	R 233 841 253
Correction of prior period error	-	(R 147 896 233)
<b>Opening balance as restated</b>	<b>R 75 026 418</b>	<b>R 85 945 020</b>
Add: Irregular Expenditure - current	R 121 079 401	R 159 435 235
Less: Amount written off - current	-	(R 170 353 837)
<b>CLOSING BALANCE</b>	<b>R 196 105 819</b>	<b>R 75 026 418</b>

#### 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 capacity.

### 1.6.7. ORGANIZATIONAL DEVELOPMENT

#### 1.6.7.1. Critical posts

The municipality has five departments; 04 Section 54 and 56 posts were filled with full-time incumbents for the whole of 2021/22 financial year. 01 Section 54 and 56 posts was on acting basis. Therefore, all departments had HODs and the municipality intends to maintain this trend going forward.

DESIGNATION	STATUS OF THE POST
<b>Municipal Manager</b>	Filled post
<b>Chief Financial officer</b>	Filled post
<b>Director Corporate &amp; Community Services</b>	Acting Basis [ 03 January 2022- 09 August 2021]
<b>Director Planning, Housing and LED</b>	Filled post
<b>Director Technical Services</b>	Filled post

### 1.6.7.2. Staff establishment

The municipal staff establishment is two hundred and ninety [ 290]. There was a staff compliment of two hundred and fifty-seven [257] employees as at the end of the financial year. The staff vacancy rate was sitting at 11% as at 30 June 2022. 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	26-May-22
2	Induction policy	26-May-22
3	Placement policy	26-May-22
4	Promotion, transfer and secondment policy	26-May-22
5	Relocation policy	26-May-22
6	Acting allowance policy	26-May-22
7	Job evaluation policy	26-May-22
8	Termination of service policy	26-May-22
9	Overtime, stand-by, shift and night work allowance policy	26-May-22
10	Leave policy	26-May-22
11	Training and skills development policy	26-May-22
12	Experiential training policy	26-May-22
13	Succession plan policy	26-May-22
14	Internal bursary policy	26-May-22
15	Disciplinary code and procedure	26-May-22
16	Grievance policy	26-May-22
17	Diversity management policy	26-May-22
18	Employment equity policy	26-May-22
19	HIV and AIDS policy	26-May-22
20	Occupational health policy	26-May-22
21	Sexual harassment policy	26-May-22

NO.	POLICY	REVIEW DATE
22	Smoking in the workplace policy	26-May-22
23	Employee assistance policy	26-May-22
24	Work attendance policy	26-May-22
25	Bereavement policy	26-May-22
26	Dress-code, uniform and protective clothing policy	26-May-22
27	Information and communication usage policy	26-May-22
28	Housing allowance policy	26-May-22
29	Remuneration policy	26-May-22
30	Payroll management and administration policy	26-May-22
31	Performance management policy	26-May-22
32	Human resource strategy	26-May-22

**Table 1: Reviewed HR Policies**

#### 1.6.7.4. Vacancy rate

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

DEPARTMENTS	TOTAL	FILLED	VACANCIES	RATE
Office of the Municipal Manager	16	15	1	6%
Planning, LED, Housing and Tourism	15	12	3	20%
Corporate	37	32	5	14%
Community Services	69	60	9	13%
Budget and Treasury	46	34	12	26%
Technical Services	107	104	3	15.4%
<b>TOTAL VACANCY RATE</b>	<b>290</b>	<b>257</b>	<b>33</b>	<b>11%</b>

**Table 2: Vacancy rate**

#### 1.6.7.5. Skills development

At the beginning of each financial year the municipality developed a workers' skills plan and set aside the budget at an amount of R400 000 to implement this plan. Skills development is one critical element in ensuring that the municipality attains the institutional capacity that allows it to deliver on its delivery mandate. The municipality spent 25% of the WSP budget during the year due to limitation of budget allocation for accommodation.

#### 1.6.7.6. Employment equity

The municipality is an equal opportunity employer and is committed to ensure a demographic balance of its workforce. The municipality has an employment equity plan in place but it has not reached its targets in full despite its efforts. Employment Equity Plan was adopted by Council on the 29 March 2022 and the reviewed plan was submitted Department of Employment and Labour in 14 January 2022. The municipality have a total of 4 disabled workers.

#### **1.6.7.7. Injury on duty**

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

#### **1.6.7.8. Suspensions**

There were two employees on suspension during the financial year and both cases were successfully resolved following the applicable processes and procedures.

#### **1.6.7.9. Employee wellness programme**

The productivity of staff is dependent on a number of factors and one of them is their wellness either socially, economically, physically and emotionally. The municipality always strives to ensure that its employees' wellness is looked after by initiating a number of programmes aimed at supporting them. In this financial year an employee wellness event was held on 27 August 2021 for EAP Women Empowerment whereby the following activities were undertaken:

- Presentation by Natal Joint Municipal Pension Fund;
- Aerobics by employees to promote physical exercising;
- Medical Aid presentations (LA Health, Hosmed, SAMWUMED); and
- Financial literacy/management presentation by J Leslie and Company.

In addition to this, almost all employees underwent a medical examination which would also inform some of the interventions that the municipality may embark on in future.

#### **1.6.7.10. LLF functionality**

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

#### **1.6.7.11. Job evaluation**

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

#### **1.6.7.12. Labour unrest/strikes**

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

### **COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION**

#### **2.1. WARD COMMITTEES**

##### **Ward Committees status and functionality**

Nquthu LM has established ward committees in all its nineteen (19) wards soon after the local government elections that took place on the 01 of November 2021. All these ward committees will be



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

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

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

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

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

## **2.2. SOCIAL SECTOR FORUMS**

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

- ✓ Women's Forum
- ✓ Men's Forum
- ✓ Disability Forum
- ✓ Senior Citizen Forum
- ✓ Support Group Forum
- ✓ Local Aids Acouncil (LAC) and Local Task Team (LTT)
- ✓ Youth Council

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

## COMPONENT D: CORPORATE GOVERNANCE

### **2.3. RISK MANAGEMENT**

#### *Risk management unit*

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

### *Risk management committee*

There is a risk management committee consisting of an independent chairperson (who is also a member of the audit committee), risk management officer, all HODs and risk champions representing all departments. This committee is fully functional and it was held as follows, 20 September 2021, 29 November 2021. Risk Management Committee workshop was conducted on the 05-10 June 2022.

### *Risk management forum*

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

### *Risk management processes*

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

## **2.4. ANTI-FRAUD AND CORRUPTION**

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

## **2.5. SUPPLY CHAIN MANAGEMENT**

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

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

## **2.6. BY-LAWS**

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

## **2.7. POLICIES**

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

## **2.8. BACK TO BASICS / MFMA CIRCULAR 88**

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

## **2.9. MUNICIPAL WEBSITE**

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

## **2.10. PUBLIC SATISFACTION SURVEY**

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

## **2.11. INTERNAL AUDIT**

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

The scope of internal audit is wide to cover as many areas as possible to ensure that internal control deficiencies are identified early enough so that suitable intervention can be made. The internal audit unit conducted an audit and issued 20 reports in the 2021/22 financial year:

## **2.12. AUDIT COMMITTEE**

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

## CHAPTER 02: GOVERNANCE

### COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

#### 2.13. POLITICAL GOVERNANCE

##### 2.13.1. Political structure

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

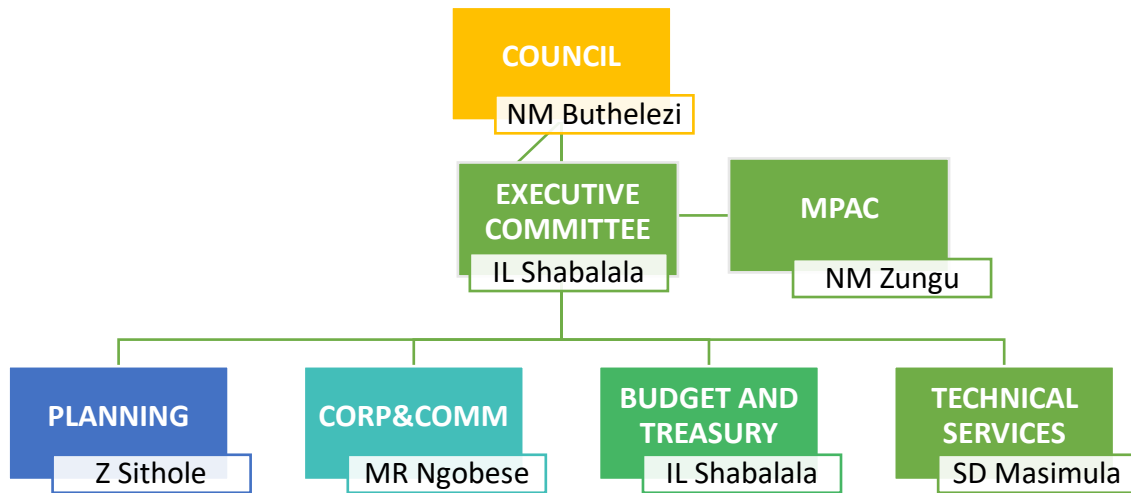


Figure 1: Political structure (including names of structures and chairpersons)

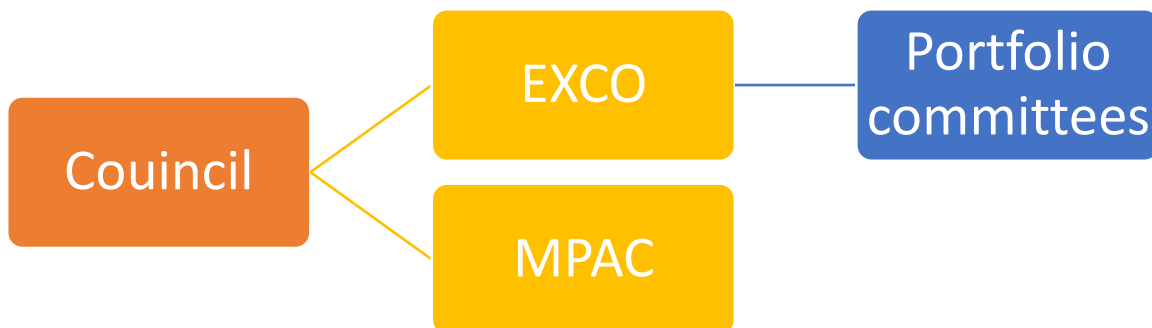


Figure 2: Relationship between council and its structures

### 2.13.2. Executive committee

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

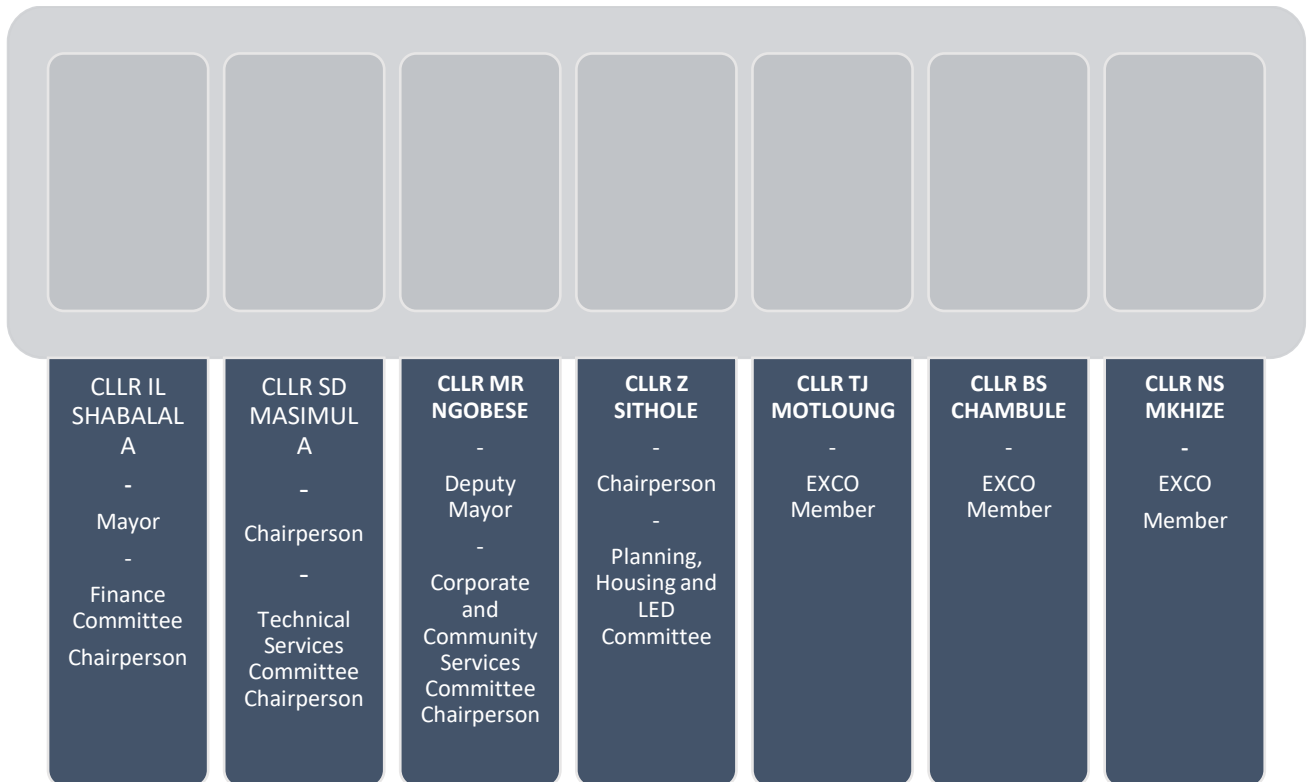


Figure 3: Members of the Executive Committee

### 2.13.3. Full time councillors

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

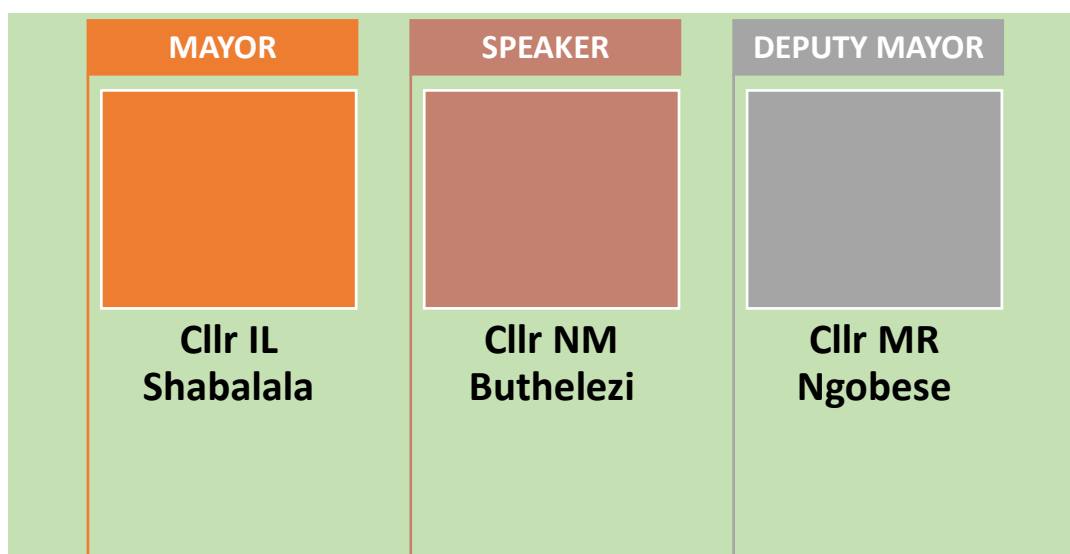


Figure 4: Full-time office bearers

#### 2.13.4. Other municipal committees

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

*Table 3: Municipal Public Accounts Committee members.*

#### 2.13.5. Portfolio committees

#### 2.13.6. Functional analysis

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

### 2.14. ADMINISTRATIVE GOVERNANCE

#### 2.14.1. Administration structure

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

#### 2.14.2. Management committee (MANCO)

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

## **CHAPTER 03: SERVICE DELIVERY PERFORMANCE**

### **COMPONENT A: BASIC SERVICES**

#### **3.1. WATER PROVISION**

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

#### **3.2. SANITATION**

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

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

##### **3.3.2. Waste collection**

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

##### **3.3.3. Recycling**

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

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

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

One of the benefits of the recycling programme is to divert the amount of waste form going to the landfill site thus making an impact in extending its lifespan. In the 2021/22 financial year, 417 tons of waste was diverted from the landfill site.

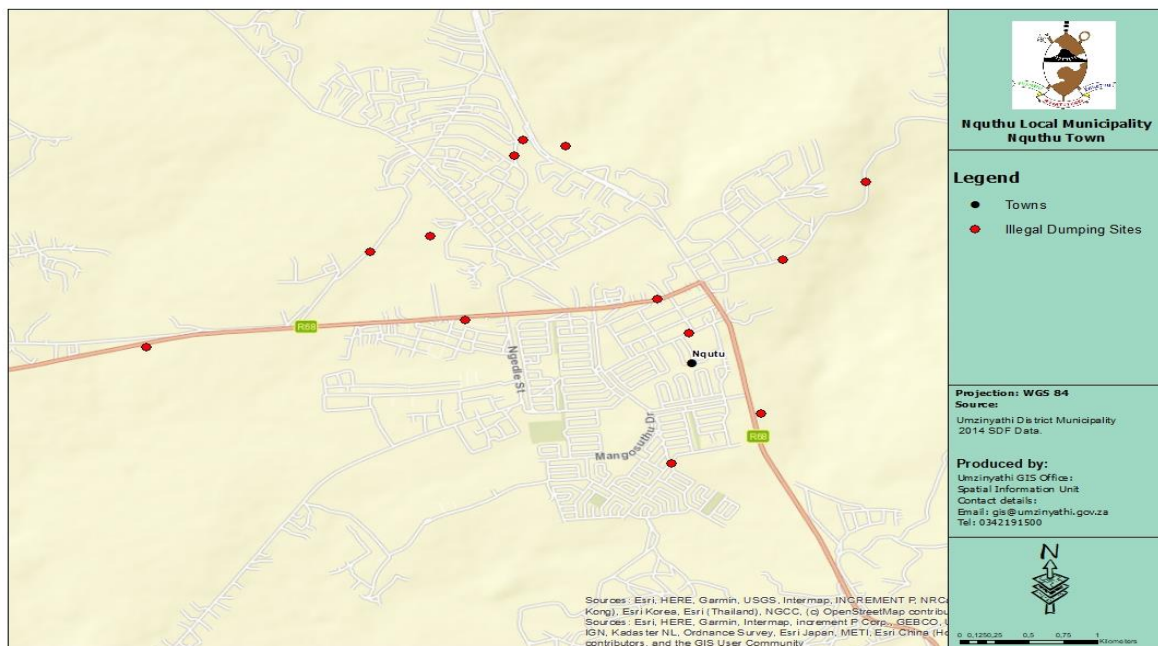
### 3.3.4. Landfill site

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

### 3.3.5. By-law enforcement

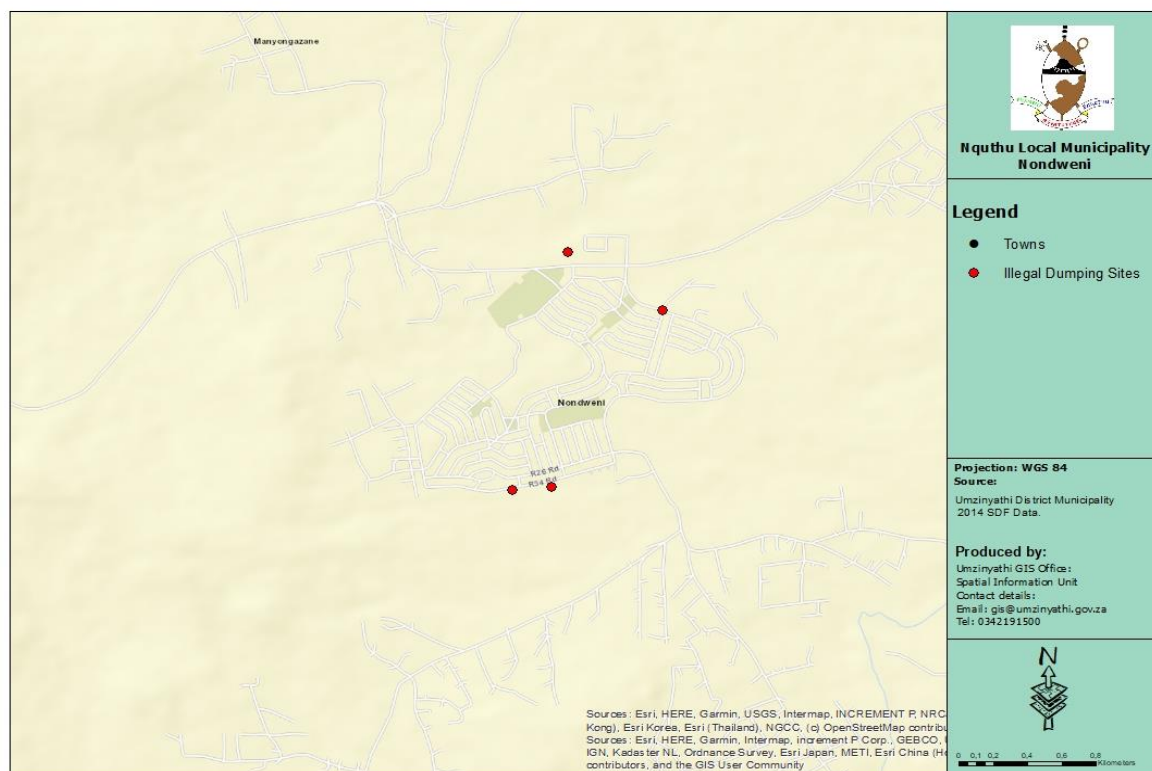
The municipality has a functional development compliance committee which seeks to enforce waste management bylaws, among other things. The municipality is struggling with the challenge of illegal dumping and identified a number of areas where illegal dumping is a serious challenge, as shown in the maps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

#### *Nquthu Town*





## Nondweni area



### 3.3.6. Awareness campaigns

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

The following campaigns were conducted in the 2021/22 financial year:

No.	Area	Date
1	Nquthu Town (targeting street vendors)	20 August 2021
2	Nquthu old taxi rank	04 May 2022
3	Nquthu Town	05 October 2021
4	Encome Primary School	29 September 2021
5	Ekukhanyeni Primary School	24 August 2021

### 3.3.7. Challenges

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

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

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

### 3.4. ELECTRICITY

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

#### *Municipal licence area*

- 3 electricity applications were received and finalized.
- 18 new electricity infills were made in the Empumelelweni area.

#### *Eskom areas*

- In the Eskom areas (i.e., all wards except Ward 9), a total of 722 connections were made but there were serious challenges in obtaining supporting schedules on time which resulted in the AG to qualify the reported figure during the 2021/22 audit.

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

### **3.5. FREE BASIC SERVICE AND INDIGENT SUPPORT**

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

## **COMPONENT B: ROAD TRANSPORT**

### **3.6. ROADS**

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, three access roads were completed and two were partially complete at the end of the financial year, two of these are tarred roads in Nquthu town. Plans to improve roads maintenance are underway and the municipality will appoint a maintenance technician in 2019/20 so that maintenance work can be properly planned and executed.

### **3.7. TRANSPORT**

The role of function of the municipality as far as transportation is concerned is currently limited to issuing of operating permits and approval of routes to taxi operators and also the maintenance of taxi ranks in terms of ablution facilities and refuse collection. However, plans are underway to develop the municipality's Integrated Local Transport Plan which will become a blueprint for transportation regulation within the municipality.

### **3.8. STORMWATER**

Water drainage system is a very critical in managing water flow especially during heavy rains to prevent uncontrolled flooding or dangerous accumulation of water on the road, especially in Nquthu Town. The bulk stormwater project was nearly complete at the end of the 2021/22 financial year. The main purpose of this stormwater is to channel water away from Nquthu Town's residential areas to prevent potential flooding that may result from heavy rains. The municipality has extensive stormwater network but the maintenance and/or cleaning remains a challenge due to a low repairs and maintenance budget.

## **COMPONENT C: PLANNING AND DEVELOPMENT**

### **3.9. PLANNING**

#### **3.9.1. Integrated development planning**

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

### ***IDP Process Plan***

Section 27 of MSA directs the municipality to design a process to followed in developing the IDP and involve the public in that process. The process plan was duly developed in line with the provisions of MSA and it then became a guiding document in the development of the municipality's 2022/23 IDP.

### ***Strategic planning***

The municipality held a strategic planning session in 14 February 2022 to 18 February 2022 to plan for the 2022/23 financial year by deeply taking stock and analysing the overall developmental situation in terms of progress made, service delivery backlog, financial position, strengths, weaknesses and development priorities. Ultimately, resolutions were taken and subsequently table to Council for approval and implementation.

### ***Public consultation***

Integrated development planning must respond to the needs of the people and therefore public consultation is a critical part of the process. When the first IDP draft is approved by Council it is then issued to the public for comments and also sent to provincial COGTA for preliminary assessment. The IDP was duly issued to the public for comments and the roadshow was also conducted to engage communities directly. Further to that, the rate payers of Nquthu Town and AmaKhosi were also met separately to ensure an even broader consultation. All the inputs received were considered in compiling the final draft which was also made public after adoption.

### ***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 2021/22 IDP was rated at 81.1% by KZN COGTA which constitute a marginal improvement from a previous financial year.

### **3.9.2. Spatial and development planning**

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

#### ***Programmes/projects***

<b>No.</b>	<b>Programmes/project name</b>	<b>Responsible section</b>	<b>Budget</b>
<b>1.</b>	Spatial Development Framework Review	Development Planning	R 0
<b>2.</b>	Hlathi Dam Precinct Plan	Development Planning	R 300 000
<b>3.</b>	Processing Development Applications	Development planning	R 0
<b>4</b>	Number of Development Compliance Committee meetings	Development planning	R 0
<b>5</b>	Scheme Register update	Development planning	R 0
<b>6</b>	Land administration	Development planning	R 0

No.	Programmes/project name	Responsible section	Budget
7	Management of Development Planning Risk Register	Development planning	R 0
8	Drafting Municipal comments on Developmental matters	Development planning	R 0
9	Management of outdoor advertisement	Development planning	R 0

**Achievements:**

- All project were completed.
- There is a functional Municipal Manning Tribunal.
- There is a Municipal Authorised officer.
- There is a Development Compliance Committee to enforce compliance.
- There are planning tools in place.

**Challenges:**

- There is a need of budget on activities such as SDF review and precinct plans because they are multidisciplinary.
- Land invasion remains a pervasive challenge and very difficult to contain.
- Shortage of local area plans in strategic areas.
- Shortage of municipal land for development.

**3.10. GEOGRAPHICAL INFORMATION SYSTEMS (GIS)**

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

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

### **3.11. LOCAL ECONOMIC DEVELOPMENT**

#### **3.11.1. Internal capacity**

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

#### **3.11.2. Implementation of LED programmes**

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

##### **3.11.2.1. Business registration support**

The LED unit with the support of EDTEA in the Umzinyathi district provide business registration services to all informal businesses to ensure that their businesses are formalized and have legal recognition and business entities. A total of five cooperatives were assisted to register in the financial year.

##### **3.11.2.2. Subcontracting programme**

The municipality initiated a subcontracting programme with an aim of growing emerging contractors by providing them with opportunities to get the required experience and grow in terms of CIDB grading and also get business opportunities. Quite a number of businesses have benefitted from this programme and are now eligible to apply for construction projects that require higher grading.

##### **3.11.2.3. SMME training**

One of the challenges facing SMMEs is lack of both business management and technical skills that they require to produce products and services. A total of three SMME training were conducted to support local SMMEs and the municipality hopes to upscale this programme to ensure that all businesses reach their potential and make a contribution to fight unemployment and poverty.

##### **3.11.2.4. LED programmes**

No.	Programmes/project name	Budget	Number of beneficiaries
1.	Poverty Alleviation (Equipment for Coops and Fencing equipment for Farmers)	R2,5 million R1,5 million	22 Coops 22 Farmers
2.	Drivers Licence Development Programme	R500 000	37
3.	Women In Business Seminar and Fair	R100 000	50
4.	Business practical and technical Trainings	R100 000	80

We have managed to build tangible networks with other institutions particular Durban University of Technology and University of KwaZulu Natal where they have trained and graduated with advanced business skills our three small businesses. That has assisted them to advance their businesses operations and profit margins. We have also assisted some of our 7 small businesses to benefit from other sources of funding particular Operation Vula and Seda funding programmes. International Labour Organisation has issued vouchers to 24 of our informal traders as part of support. The main challenge we have is insufficient budget. There is a huge demand for our services to business community at large, but find that the budget is limiting us. Thus, we work a lot with our partners in trying to solicit some funds and services, but it will never be enough.

## COMPONENT D: COMMUNITY SERVICES

### 3.12. COMMUNITY FACILITIES

#### 3.12.1. Library services

There is a library manager, a librarian, computer assistants, general workers and volunteers placed at mobile libraries and school libraries which amounts to eighteen fulltime library staff members and six volunteers who receive a monthly stipend.

#### *Services and programmes*

In addition to standard library services, there are also a number of other services and/or activities that the library carries out the following highlights are reported for the 2021/22 financial year:

- **Basic Computer Skills training:** The municipality realizes the importance of computer literacy in the current digital environment. Our libraries provide a platform whereby communities are given basic computer skills as a form of skills development. These trainings have assisted a number of youth with computer basic skills.
- **Library Outreach Programme:** Our libraries conduct outreach programmes in order to alert the community about the services rendered in libraries. These outreach programmes are mostly done in local schools and community meetings.
- **Year-end Activities:** Nquthu Public Library conducted a year-end activity for children in December 2021, which was a great success. The theme of the event was Libraries for lifelong learning. Children compete in different educational activities.

#### 3.12.2. Community halls

The municipality has over fifty community halls and has surpassed the CSIR standard that is applied to determine community hall accessibility level in rural areas. This is due to the fact that the municipality has invested a lot in infrastructure development in the past, especially community halls. In the year under review, a total of nine community halls were under construction and seven of those were completed as at 30 June 2022.

#### 3.12.3. Cemeteries

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

#### COMPONENT E: ENVIRONMENTAL PROTECTION

##### **3.13. POLLUTION CONTROL**

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

##### **3.14. BIODIVERSITY**

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

The municipality has not yet designed specific programmes and projects dealing with matters of biodiversity due to capacity constraints, however; the municipality through its Spatial Development Framework identifies areas that need constant attention of the municipality so that the biodiversity nature and character of Nquthu as a whole and also to ensure that all developmental programmes and projects are geared promote biodiversity protection.

#### COMPONENT F: SAFETY AND SECURITY

##### **3.15. TRAFFIC MANAGEMENT**

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

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

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

##### **3.15.1. Internal capacity**



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

### 3.15.2. Traffic management programmes and activities

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

DESCRIPTION	NO.
<i>Road blocks conducted</i>	121
<i>Written notices issued (tickets)</i>	876
<i>Chargers against offenders</i>	1090
<i>Suspension notices (un-roadworthy cars removed from the road)</i>	77
<i>Road obstructions attended to</i>	2976
<i>Warrants executed</i>	73
<i>Incidents attended (accidents)</i>	49
<i>Number of stray animals impounded</i>	98

*Table 4: Traffic police work done*

#### *Animal control/pounding*

The municipality has an animal pound where it keeps stray animals after which the owners of such animals collect them after paying the charged fine. The animals are auctioned if the owner has not been successfully identified after the prescribed timeframe. A total of 98 stray animals were pounded in this financial year. In the past, Nquthu had a serious challenge of stray animals in Nquthu Town but numbers has gone down since the animal pound was constructed.

### 3.15.3. Testing ground

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

DESCRIPTION	NUMBER	TARIFF
Professional Driving Permit category G and P	1245	R150.00
Temporary Driving Permit	908	R90.00
Drivers' Licence renewal	2194	R250.00
Learner's Licence	1928	R150.00
Duplicate Learners' Licence	32	R80.00

In overall, a total of 6 307 community members/applicants received a licences and permits services from the traffic management unit. More services will be included once the municipal testing ground offices commence its operations in the near future.

#### **3.15.4. Testing ground**

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

### **3.16. DISASTER MANAGEMENT AND FIRE FIGHTING**

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

#### **3.16.1. 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. The municipality is doing everything in its power to respond to fire emergencies within set turn-around time standards. However, there are far flung areas which may make it difficult to respond should fire emergencies occur in those areas and this remains a possibility that the municipality is not in a good position to respond to due to capacity constraints.

#### **3.16.2. Disaster management awareness campaigns**

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

#### **3.16.3. 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 three hundred and eighty-six lightning conductors were erected in the financial year and the municipality would like to increase this number if finances allow due to high levels of vulnerability.

#### COMPONENT G: SPORTS AND RECREATION

##### 3.17. SPORTS

The Sports unit is located in the Community Services component of the Corporate and Community Services department and has a dedicated employee in the form of the Senior Sports Coordinator. The municipality has done very well in all the categories it is participating in. The municipality’s normal sports calendar was disrupted due to COVID restrictions that were still in place at the period where most sports activities take place in the financial year. However, the Mayoral Cup was conducted and was a success.

##### 3.18. TOURISM, ARTS, CULTURE AND HERITAGE

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

#### COMPONENT H: SOCIAL INTERVENTIONS

##### 3.19. YOUTH AND EARLY CHILDHOOD DEVELOPMENT

The municipality has a dedicated youth development unit which is located in the office of the MM. This unit has a compliment of three employees consisting of a youth manager and two officers. There are a variety of youth development programmes that were implemented in the 2021/22 financial year. Early childhood development is the function of the youth development unit. Below are some of the programmes that were undertaken.

##### Programmes/projects

No.	Programmes/project name	Number of beneficiaries
1.	Jumpstart Youth Skills Development Program	73
2.	Youth Outreach Program (UNISA)	160
3.	Youth Outreach Program (Nhlalakahle Secondary School)	850
4.	Department of Labour Youth Outreach Program	120

## Activities/events

No.	Event/activity name	Date	Venue
1.	2021 Nelson Mandela Commemoration Day	16 September 2021	Mpumelweni Community Hall
2.	NQUTHU-SANRAL Career Day	23 October 2021	ISANDLWANA Battlefields
3.	Material for Creches	04 October 2021	Bambuhlanga Crech, Ward 6
4.	Material for Creches	07 October 2021	Nsekwini Crech, Ward 7
5.	Material for Creches	18 October 2021	Msawethu Crech, Ward 15
6.	Material for Creches	26 October 2021	Sandisulwazi Crech, Ward 5
7.	Youth Headed Households	14 January 2022	VA Makhoba Hall, Nquthu
8.	Youth Tertiary Registrations Outreach (NSFAS Registration with ZENZELE Matric Upgrades)	4-6 January 2022	VA Makhoba Hall, Nquthu
8.	Grade 12 Excellence Awards	08 February 2022	Mpumelweni Community Hall, Nquthu
9.	She-Conquers Teenage Pregnancy Awareness Program	03 March 2022	VA Makhoba Hall, Nquthu
	School Uniform Distribution	Third Quarter (2022)	19 Schools around Nquthu
9.	Nquthu Career Expo	19 April 2022	VA Makhoba Hall, Nquthu
	Sizakancane Crech SORT Turning	10 May 2022	Sizakancane Crech, Ndindindi Area, Ward 8
10.	Take a Child to Work Program	09 June 2022	Nquthu Municipality Council Chamber

### 3.20. VULNERABLE GROUPS AND SOCIAL PROGRAMMES

The municipality has put as one of its priorities the development and safeguarding the welfare of the vulnerable groups in our communities, including the elderly, women, children, people living with dis-

abilities, 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.

**2021/22  
AUDITED  
ANNUAL  
PERFORMANCE  
REPORT**

### 3. Legislative framework

Nquthu Local Municipality Annual Performance Report for 2021/22 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 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.

Municipal Staff Regulations has also been promulgated and commenced on 01 July 2022, such regulations have wide implications for performance management especially individual performance since it has the effect of enforcing cascading performance management to all employees and also prescribes the processes to be followed. Going forward, the Annual Report will also report about individual performance.

#### **4. Purpose of the report**

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

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

#### **5. Performance management processes**

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 then 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 then 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.

## 6. Evidence to support reported performance

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

identify relevant and adequate evidence to support reported performance and also improve the credibility of the report.

## 7. Annual performance report summary

### 7.1. Overall performance

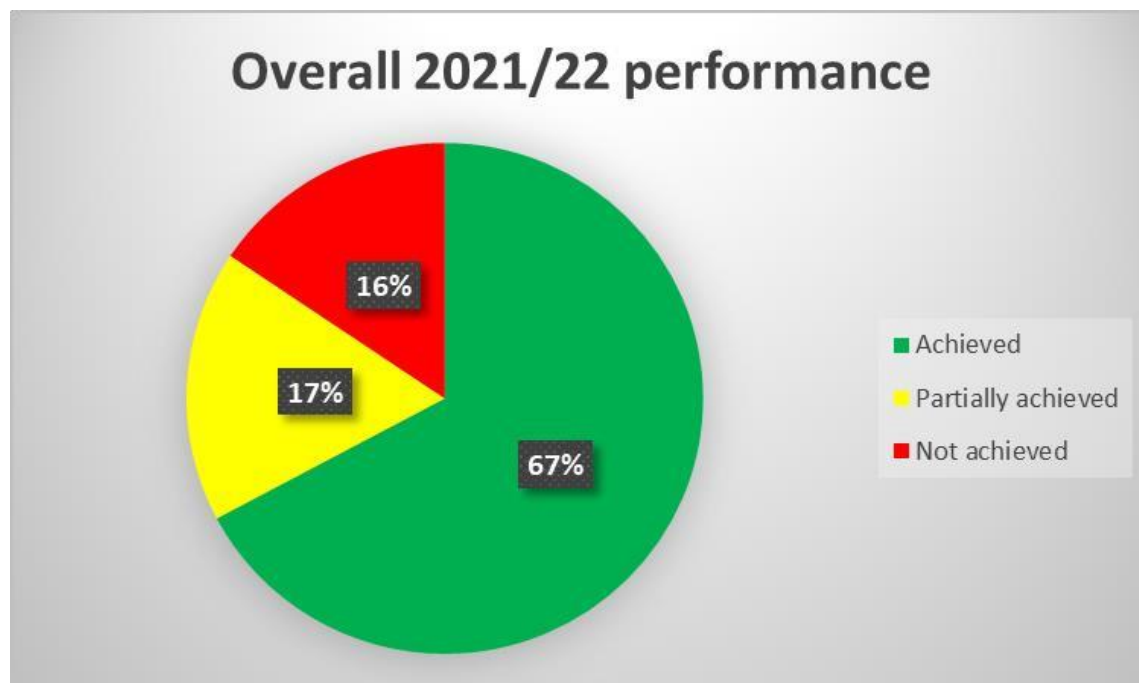


Figure 01: Overall performance

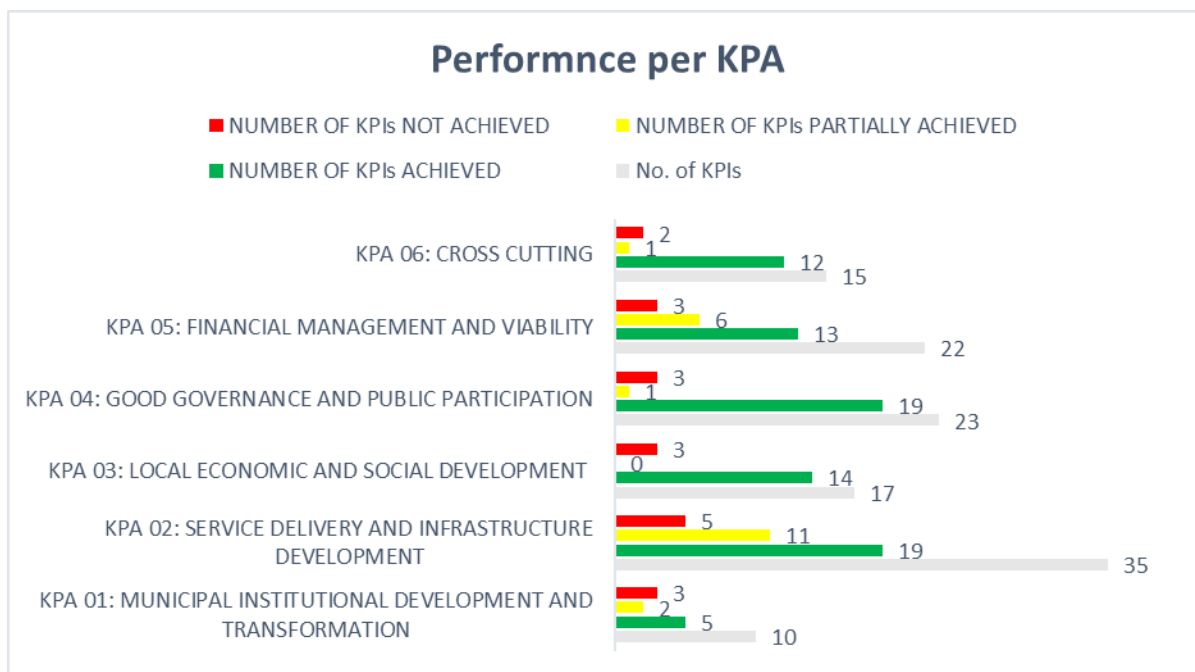
Figure 01 above shows that out of 122 KPIs that were set, 67% of them were achieved while 17% were partially achieved and 16% were not achieved. Ideally, the municipality should meet all set targets, but measures are in place to improve performance going forward.

### 7.2. Performance comparison

#### 7.2.1. Performance comparison per key performance area

KPA	No. of KPIs	NUMBER OF KPIs ACHIEVED	NUMBER OF KPIs PARTIALLY ACHIEVED	NUMBER OF KPIs NOT ACHIEVED
KPA 01: MUNICIPAL INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION	10	5	2	3
KPA 02: SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT	35	19	11	5
KPA 03: LOCAL ECONOMIC AND SOCIAL DEVELOPMENT	17	14	0	3
KPA 04: GOOD GOVERNANCE AND PUBLIC PARTICIPATION	23	19	1	3
KPA 05: FINANCIAL MANAGEMENT AND VIABILITY	22	13	6	3
KPA 06: CROSS CUTTING	15	12	1	2
<b>TOTAL</b>	<b>122</b>	<b>82</b>	<b>21</b>	<b>19</b>

Figure 02: Performance per KPA table



**Figure 03:** Performance comparison per KPA in KPI numbers

KPA	Achieved
KPA 01: MUNICIPAL INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION	50.0%
KPA 02: SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT	54.3%
KPA 03: LOCAL ECONOMIC AND SOCIAL DEVELOPMENT	82.4%
KPA 04: GOOD GOVERNANCE AND PUBLIC PARTICIPATION	82.6%
KPA 05: FINANCIAL MANAGEMENT AND VIABILITY	59.1%
KPA 06: CROSS CUTTING	80.0%

**Figure 04:** Performance comparison per KPA in percentages

KPA 04 had most achievement rate while KPA 01 represented the lowest achievement rate. However, it should be noted that most unachieved KPIs in KPA 01 do not directly relate to service delivery but internal institutional matters.

### 7.2.2. Performance comparison with previous years

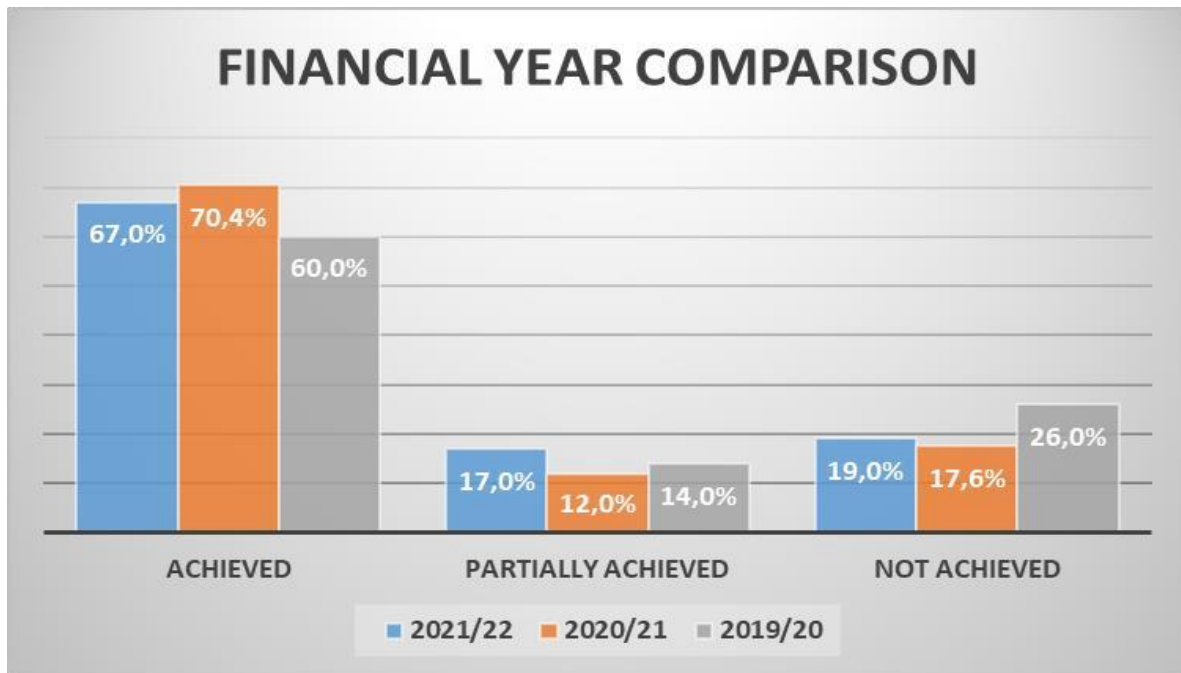


Figure 05: Performance comparison with past years

Figure 05 above shows that overall performance suffered in the 2021/22 financial year in relation to the previous financial year. The number of achieved KPIs decreased by 3.4%, the number of partially achieved KPIs increased by 5% and the number of unachieved KPIs increased by 2.6% which represent an overall negative impact on performance, the number of unachieved and partially achieved KPIs remain a challenge.

### 7.3. Performance highlights per each KPA

#### 7.3.1. Municipal Institutional Development and Transformation

##### (a) Performance highlights

- Despite the resignation of the Director Corporate and Community Services, the municipality succeeded to prevent a leadership vacuum by appointing an acting incumbent and also initiating appointment processes for a permanent incumbent.
- Performance reports are consistently tabled to Council to enable it to play its oversight role and monitor municipal performance.
- ICT is also one of the areas where the municipality has improved on in terms of capacity which has reduced findings in this area.

##### (b) Challenges

- Fleet management remains a serious challenge for the municipality and this is shown by high fuel usage, high maintenance costs and persistent audit findings.
- The municipality has not realized its potential when it comes to training of its workforce and councillors.

##### (c) Measures to improve performance

- Ring-fence WSP budget and closely monitor implementation in terms of staff and councillor training to enhance municipal capacity.
- Fleet management has been centralized through the establishment of the Fleet Management Officer with the aim of ensuring implementation of the fleet management policy and related controls.

### **7.3.2. Service Delivery and Infrastructure Development**

#### **(a) Performance highlights**

- **Electricity:** The municipality is doing extremely well with regard to connecting electricity to the grid and is close to achieving universal connection status. In the current financial year, over 70 households were connected to the grid in Ward 01 Qhudeneni area which was the only area without bulk lines and electricity.
- **Community halls:** a total of 9 community halls were constructed and 4 were completed in the financial year under review.
- **Early childhood development centres:** a total of 3 ECD centres (Creches) were planned for construction and 2 were completed.
- **Access roads:** a total of 7 access roads were still under construction with 2 of those at an advanced construction stage at the end of the financial year.
- **Road maintenance:** All reported/identified potholes were fixed within the set municipal turn-around time and 66km of gravel roads were graded.
- **Sportsfields:** Springlake sportsfield was completed in the previous financial year but Council decided to upgrade it to include additional facilities and that project was completed.
- **Residential development:** the municipality initiated a residential development project which is part of the expansion of Nquthu Town and this projects is done in phases that run parallel and construction is advancing well despite challenges that were overcome.

#### **(b) Challenges**

- Huge infrastructure backlog especially access roads, LED projects and early childhood development centres.
- Poor performance by service providers which delay the completion of infrastructure projects which sometimes makes termination inevitable.
- Disjuncture between the municipality's spatial planning priorities and infrastructure planning which compromises the spatial and economic vision of the municipality.

#### **(c) Measures to improve performance**

- Strengthen contract management to monitor the performance of service providers to ensure that project timelines are met.
- Investigate the feasibility of centralizing the municipality's planning function within the planning department ensure that the municipality's long-term development priorities are realized.

### **7.3.3. Local Economic Development and Social Development**

#### **(a) Performance highlights**

- The subcontracting projects is going quite well and make a meaningful contribution in transferring skills and upgrading local emerging contractors.
- All wards did benefit from SMME support programme whereby SMMEs are capitalized with equipment that they need to improve their productive capacity.
- All wards also benefitted from fencing material support to enable the fencing of grazing fields and crop fields to protect both their livestock and plantations.
- The municipality has a number of programmes aimed at uplifting the youth, minors (early childhood development sector), elderly, disabled, gender issues, etc. All the programmes aimed at these sectors were successfully implemented.
- The municipality is one of the best performers in sports and it did participate in all district and provincial competitions and made serious achievements in most codes.

#### **(b) Challenges**

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

#### **(c) Measures to improve performance**

- Investing more in economic infrastructure which will produce more employment opportunities and increase the buying power of Nquthu.
- Improve infrastructure planning to respond correctly to the spatial, economic and social needs of Nquthu.

### **7.3.4. Good Governance and Public Participation**

#### **(a) Performance highlights**

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

- The municipality has Batho Pele and related policies in place and implement them to improve its responsiveness and customer service.
- The municipality is doing well in respect of the functioning of the audit committee, internal audit unit and risk management.

**(b) Challenges**

The municipality has grappled with a disclaimer audit outcome for two consecutive financial years and this does not create a good impression about the municipality.

**(c) Measures to improve performance**

Implement the AG Action Plan and properly attend to internal audit reports in time and implement its recommendations as much as possible.

Continuously monitor the compliance register and make swift necessary interventions whenever necessary.

**7.3.5. Financial Management and Viability**

**(a) Performance highlights**

- The municipality’s budget has always been funded and the biggest of the municipality’s capital budget is funded internally.
- The municipality was able to appoint a permanent incumbent in the position of CFO.

**(b) Challenges**

- Disclaimer audit opinion on the municipality’s AFS which is mainly attributable to a serious challenges arising from the financial system.
- Declining revenue collection due to decreasing investment revenue, equitable share grant and municipal collections.
- Increasing operational costs especially as it relates employee related costs and utilization of consultants.
- Irregular expenditure which is mostly caused by instances of non-compliance with applicable financial provisions.

**(c) Measures to improve performance**

- Correcting the closing balances for the previous financial years and implementing the AG Action Plan to ensure that audit outcomes are improved going forward.
- Improve the collection of own revenue to ensure that the municipality is gradually improving its grant dependency status.
- Implement cost containment measures to curb escalating operational costs to ensure the municipality financial sustainability.

**7.3.6. Cross Cutting**

**(a) Performance highlights**

- The municipality’s Fire Brigade is able to respond to structural fires on time despite the challenges that they are facing.

- The Buy Back Centre diverts huge amount s of waste from the landfill site and also held to expand collection of recyclable waste to other areas outside Nquthu Town and Nondweni.
- The municipality has planning documents in place and conduct annual reviews where necessary.

**(b) Challenges**

- Land invasion and land disputes with some traditional authorities which negatively affect or compromise planned development.
- Insufficient implementation of spatial provisions of the municipality’s own development plans

**(c) Measures to improve performance**

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

**8. Annual performance report scorecard**

The performance scorecard is the product of the SDBIP that was approved by the Mayor and also tabled to Council. During the financial year under review, the SDBIP was reviewed twice due to the fact that the municipality had two adjustment budgets. The second adjustment budget was brought about by additional funding from MIG and INEP (due to the grant spending performance of the municipality) that were injected to the municipality after the adjustment budget had also taken place. A report was tabled to Council during the first review of the SDBIP, however; the second adjustment a detailed report was not tabled but the SDBIP was duly reviewed and an opportunity to make further adjustments to improve the credibility of end of year reporting was seized.



IDP Ref.	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAMME	KEY PERFORMANCE INDICATOR	KPI Ref. No.	FORMULA TO MEASURE PERFORMANCE	MSCOA Project	BUDGET (in Rands)	COMPARISON WITH PREVIOUS YEAR		BASELINE	2021 /22 ANNUAL TARGET	2021 /22 REVISED TARGET	ACTUAL	COMMENT	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE	
										2020 /21 TARGET	2020 /21 ACTUAL										
<b>ANNUAL PERFORMANCE SCORECARD FOR 2021/22 FINANCIAL YEAR</b>																					
<b>KPA 01: MUNICIPAL INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION</b>																					
<b>PGDP GOAL 2: HUMAN RESOURCE DEVELOPMENT</b>																					
2.1	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	COR P-01	(1) Actual budget spent/ (2) WSP budget x 100	4710 Training & Skills Development	400,000.00	100%	100%	100%	100%		25%	Only 25% of the budget actually spent on the training.	Procurement of training services were curtailed by suspension of procurement exceeding R 30 000.	The LLF will monitor WSP implementation at a quarterly basis	N/A	Expenditure Report	
					Percentage of municipal skills development levy recovered	COR P02	((1) R-value of municipal skills development levy recovered/ (2) R-value of the total qualifying value of the municipal skills development levy)	N/A		New KPI	New KPI	NEW PKI	1%		1%	1% was recovered.				N/A	Skills development levy report
					Percentage of vacant posts filled within 3 months	COR P-03	(1) Sum of the number of days from advertisement to appointment / (2) Number of appointments	N/A	-	3 months	3 months	3 months (100%)	100%	100%		46%	Most positions not filled within three months.				N/A

IDP Ref.	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAM ME	KEY PERFORM ANCE INDICATO R	KPI Ref. No.	FORMULA TO MEASURE PERFORM ANCE	MSCOA Project	BUDGET (in Rands)	COMPARISO N WITH PREVIOUS YEAR		BASELINE	2021 /22 ANN UAL TARG ET	2021 /22 REVI SED TARG ET	ACTU AL	COMMENT	REASON FOR VARIENCE	CORRECTIV E MEASURE	WARD	PORTFOLIO OF EVIDENCE
										2020 /21 TARG ET	2020 /21 ACT UAL									
<b>ANNUAL PERFORMANCE SCORECARD FOR 2021/22 FINANCIAL YEAR</b>																				
							ts made													
					Staff vacancy rate	COR P-04	Number of vacancies / Total number of positions in the organogram x 100			New KPI	New KPI	14.8 6%	0%	0%	25%	Vacancy rate stood at 25% as at 30 June 2022	Vacancies not filled to allow incoming Council to review organizational structure	All vacancies will be filled after the new organizational structure is approved.	N/A	Advert and Appointment letters
				Provide in-service training to students who have completed their degrees/diplomas	Number of in-service trainees (ON HOLD DUE TO LACK OF OFFICE SPACE)	COR P-28	Number of in-services trainees appointed		-			-	-					-	-	
				Ensuring that critical posts and all budgeted vacant posts are filled	Top Management Stability	COR P-05	Number of Senior Management positions filled	N/A	-	100 %	60%	60%	100%	100%	80%	One senior manager in acting capacity	Appointment process underway and awaiting COGTA concurrence processes.	Appointment will be effected as soon as COGTA processes are finalized		Organogram and List of Vacancies
2. 2			To ensure an effective municipal ICT system	Monitor the ICT systems by ensuring a functional IT steering	Number of IT steering committee meetings conducted	COR P-27	Number of steering committee meetings			New KPI	New KPI	N/A	4	4	Meetings conducted as planned			N/A	Attendance Register and Minutes	

IDP Ref.	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAM ME	KEY PERFORMANCE INDICATOR	KPI Ref. No.	FORMULA TO MEASURE PERFORMANCE	MSCOA Project	BUDGET (in Rands)	COMPARISON WITH PREVIOUS YEAR		BASELINE	2021 /22 ANNUAL TARGET	2021 /22 REVISED TARGET	ACTUAL	COMMENT	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE						
										2020 /21 TARGET	2020 /21 ACTUAL															
<b>ANNUAL PERFORMANCE SCORECARD FOR 2021/22 FINANCIAL YEAR</b>																										
1.4			committee	Date of review and approval of developed ICT Plan	COR P-06	Date of approval	N/A	-	30-Jun-21	28-May-21	28-May	30-Jun-22	30-Jun-22	30-Jun-22	ICT Charter/Plan and related policies approved by Council on 30-June-2022			N/A	Council Resolution							
									To ensure effective management of municipal performance	Table performance reports to enable Council to monitor performance	Number of Performance reports tabled to Council	MM-01	Number of performance reports tabled to Council	N/A	-	4	4	4	4	4	4	All quarterly performance reports tabled to Council			N/A	Council Resolution
											Number of Performance reports submitted and discussed to Departmental Meetings	ALL-01	Sum of SDBIP meetings for all departments	N/A	-	20	4	4	20	20	20	All departments conducted departmental meetings.			N/A	SDBIP Report and Minutes
1.6			To ensure effective fleet management system	Implementation of Fleet Management Policy	COR P-08	Reduce internal audit findings on fleet management by 50% by 30 June 2022	2020/21 findings - 2021/22 findings / 2020/21 findings x100	N/A	-	New KPI	New KPI	50%	50%	20%	Implementation of the municipality's Fleet Management Policy remains a challenge.	Municipal fleet decentralized was decentralized department and there was no one task with this function.	Fleet Management unit has been established and a Fleet Management Officer was appointed to ensure Fleet Management Policy implementation.	N/A	Signed Report							

IDP Ref.	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAMME	KEY PERFORMANCE INDICATOR	KPI Ref. No.	FORMULA TO MEASURE PERFORMANCE	MSCOA Project	BUDGET (in Rands)	COMPARISON WITH PREVIOUS YEAR		BASELINE	2021 /22 ANNUAL TARGET	2021 /22 REVISED TARGET	ACTUAL	COMMENT	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE
										2020 /21 TARGET	2020 /21 ACTUAL									
<b>ANNUAL PERFORMANCE SCORECARD FOR 2021/22 FINANCIAL YEAR</b>																				
<b>KPA 02: SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT</b>																				
<b>PGDP GOAL 4: STRATEGIC INFRASTRUCTURE</b>																				
2.1	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 un surfaced road [50km] graded	TEC H-01	(1) Kilometres of road graded / (2) Kilometres of un surfaced road identified for maintenance X100		-	100%	164.82%	164.82%	100%	100%	132%	Plant hired to respond to road damage caused by heavy rains	Plant hired to deal with excessive road damage.		All	Road maintenance report and job cards
				To ensure improved quality of municipal road network	Percentage of reported pothole complaints resolved within standard municipal response time	TEC H-02	((1) Number of potholes fixed within 3 working days / (2) Number of potholes reported)		-	100%	97.87%	97.87%	100%	100%	100%	All potholes fixed within set time			9	List of reported fixed potholes
				To ensure the expansion of access road network	Construction of Nsubeni Road in Ward 05	TEC H-03	Percentage of completion	12812   Nsubeni road-ward-4	2,612,763.00	New KPI	New KPI	New KPI	100%	50%	82%	32% above set target and going well			5	Progress reports and completion certificates
					Construction of Ophindo Road in Ward 04	TEC H-04	Percentage of completion	12813   Ophindo road-ward-3	7,149,056.00	New KPI	New KPI	New KPI	100%	50%	77%	27% ahead of set target			4	Progress reports and completion certificates

IDP Ref.	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAM ME	KEY PERFORMANCE INDICATOR	KPI Ref. No.	FORMULA TO MEASURE PERFORMANCE	MSCOA Project	BUDGET (in Rands)	COMPARISON WITH PREVIOUS YEAR		BASELINE	2021 /22 ANNUAL TARGET	2021 /22 REVISED TARGET	ACTUAL	COMMENT	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE
										2020 /21 TARGET	2020 /21 ACTUAL									
<b>ANNUAL PERFORMANCE SCORECARD FOR 2021/22 FINANCIAL YEAR</b>																				
					Construction of Hwanqana Road in Ward 05	TEC H-05	Percentage of completion	12814   Hwanqana road -ward-5	4,100,752.00	New KPI	New KPI	New KPI	100%	50%	72%	22% ahead of set target			5	Progress reports and completion certificates
					Construction of Slonjana Road in Ward 18	TEC H-06	Percentage of completion	12817   Slonjane road	2,695,652.00	New KPI	New KPI	New KPI	100%	80%	66%	14% behind target	Construction halted due to cashflow challenges.	The project was budget for in the 2022/23 financial year and construction is underway.	18	Progress reports and completion certificates
					Construction of Ntuzuma Road in Ward 07	TEC H-07	Percentage of completion	12823   NTUZUMA ROAD	2,695,652.00	New KPI	New KPI	New KPI	100%	28%	22%	Progress stands at 22% as at 30 June 2022.	Construction halted due to cashflow challenges.	The project was budget for in the 2022/23 financial year and construction is underway.	7	Completion Certificate
					Construction of Mbilane Gravel Road in Ward 11	TEC H-08	Percentage of completion	4675   Mbilane gravel road	4,627,395.00			New KPI	100%	100%	98%	Only 2% behind target	Delayed by unforeseen earthwork difficulties which required a different excavation and construction procedure that was not planned and had financial implications.	A variation of order application was made and was approved by the municipality to perform a different excavation and construction procedure and the	11	Completion Certificate

IDP Ref.	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAMME	KEY PERFORMANCE INDICATOR	KPI Ref. No.	FORMULA TO MEASURE PERFORMANCE	MSCOA Project	BUDGET (in Rands)	COMPARISON WITH PREVIOUS YEAR		BASELINE	2021 /22 ANNUAL TARGET	2021 /22 REVISED TARGET	ACTUAL	COMMENT	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE
										2020 /21 TARGET	2020 /21 ACTUAL									
<b>ANNUAL PERFORMANCE SCORECARD FOR 2021/22 FINANCIAL YEAR</b>																				
					Construction of Gubazi Access Road in Ward 13	TEC H-09	Percentage of completion	12824   Gubazi Road	3,771,687.00			2.00	100%	25%	35%	10% ahead of target			13	Progress reports and completion certificates
			Improvement of electricity services, affordability, access, connection, and energy sustainability	Improved affordability of electricity	Percentage of households with electricity connections receiving Free Basic Electricity	TEC H-10	(1) Number of households receiving FBE / (2) Number of households connected to the grid within the municipality x 100	2104 Free Basic Services				4 394 (17.1%)	18%	18.0%	7.69%	Currently, over 7% of households receive FBE from the municipality.	Not all qualifying households received FBE in Eskom areas.	An indigent register compilation processes has been initiated and going forward more qualifying households will receive FBE.	All	ONTEC Report and Eskom invoices (and beneficiary lists)
2.2				To ensure improved access to electricity	Number of dwellings provided with connections to mains electricity supply by the municipality	TEC H-11	Number of households connected by the municipality to the grid in the financial year	N/A	4,347,827.00				32,622	682	73	A total of 682 connections were planned initially and 887 were connected in terms of electricity infrastructure but only 73 were have been energised as at 30 June 2022.	There were delays in energizing households due to a reason that meter box are only installed once Eskom has energised powerlines to mitigate theft risk that results	Due to the fact a connection is deemed not to be complete before it is energized, all households that are not yet connected are regarded as not	All	Schedule for Eskom and municipality

IDP Ref.	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAM ME	KEY PERFORMANCE INDICATOR	KPI Ref. No.	FORMULA TO MEASURE PERFORMANCE	MSCOA Project	BUDGET (in Rands)	COMPARISON WITH PREVIOUS YEAR		BASELINE	2021 /22 ANNUAL TARGET	2021 /22 REVISED TARGET	ACTUAL	COMMENT	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE
										2020 /21 TARGET	2020 /21 ACTUAL									
<b>ANNUAL PERFORMANCE SCORECARD FOR 2021/22 FINANCIAL YEAR</b>																				
					Percentage of valid customer applications for new electricity connections processed in terms of municipal service standards [14 Days]	TEC H-12	(1)Number of new connections made within 14 days/(2)Number of all valid application x 100					100%	100%	100%	100%	All valid electricity connections were finalized within a turn-around period of 14 days. The application is valid only when all compliance requirements contained in the Meter Installation Checklist are met.			All	Reports and job cards

IDP Ref.	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAM ME	KEY PERFORMANCE INDICATOR	KPI Ref. No.	FORMULA TO MEASURE PERFORMANCE	MSCOA Project	BUDGET (in Rands)	COMPARISON WITH PREVIOUS YEAR		BASELINE	2021 /22 ANNUAL TARGET	2021 /22 REVISED TARGET	ACTUAL	COMMENT	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE
										2020 /21 TARGET	2020 /21 ACTUAL									
<b>ANNUAL PERFORMANCE SCORECARD FOR 2021/22 FINANCIAL YEAR</b>																				
				Improved energy sustainability	Percentage of total electricity losses	TEC H-13	(Number of Electricity Units Purchased and/or Generated - Number of Electricity Units Sold) / Number of Electricity Units Purchased and/or Generated) × 100					27.5 %	10%	10%	25%	Electricity losses gradually improving but the figures may be inaccurate/overstated since unmetered municipal building have been recently identified	Illegal connections and aging infrastructure.	The municipality continues to monitor electricity losses and to develop new solutions	9	Approved electricity loss report
2.3			To improve access to network connectivity	To improve access to network connectivity	Accessibility of network hotspots to the public at the municipal main offices	COR P-09	Number of network hotspots within the municipality						1	1	0	The hotspot is in place but compromised by an outdated server	Lack of server capacity	procurement of new server underway	9	Signed Report and Pictures



IDP Ref.	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAM ME	KEY PERFORM ANCE INDICATO R	KPI Ref. No.	FORMULA TO MEASURE PERFORM ANCE	MSCOA Project	BUDGET (in Rands)	COMPARISO N WITH PREVIOUS YEAR		BASELINE	2021 /22 ANN UAL TARG ET	2021 /22 REVI SED TARG ET	ACTU AL	COMMENT	REASON FOR VARIENCE	CORRECTIV E MEASURE	WARD	PORTFOLIO OF EVIDENCE				
										2020 /21 TARG ET	2020 /21 ACT UAL													
<b>ANNUAL PERFORMANCE SCORECARD FOR 2021/22 FINANCIAL YEAR</b>																								
2.4			Improve access to public facilities including community halls, Sport fields, and ECDS	Ensuring access to public facilities by construction of community halls			((1) Sum of days booked across all paid community halls in the period of assessment / (2) Sum of available days for all paid community halls in the period of assessment)												9	Community hall bookings report				
					Percentage utilisation rate of community halls	COR P-26																		
					Construction of Gobinsimbi Hall in Ward 14	TEC H-15	Percentage of completion	12833   Gobinsimbi Hall	2,488,579.00	New KPI	New KPI	N/A	100%	50%	65%	15% ahead of target and going well						14	Progress reports and completion certificates	
					Construction of Kwabiya Hall in Ward 17	TEC H-16	Percentage of completion	12839   Kwabiya Hall	2,392,975.00	New KPI	New KPI	N/A	100%	50%	55%	5% above set target and going well							17	Progress reports and completion certificates
					Construction of Hlathidam Hall in Ward 15	TEC H-17	Percentage of completion	12836   Hlathi Dam Hall	2,314,665.00	New KPI	New KPI	N/A	12%	12%	60%	10% above set target and going well							15	Progress reports and completion certificates
				Construction of Ezinkondlwani Hall in Ward 09	TEC H-18	Percentage of completion	12834   Ezinkondlwani Hall	2,434,783.00	New KPI	New KPI	N/A	100%	50%	35%	15% behind set target	Construction halted due to cashflow challenges.	The project was budget for in the 2022/23 financial year and construction		9	Progress reports and completion certificates				

IDP Ref.	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAM ME	KEY PERFORMANCE INDICATOR	KPI Ref. No.	FORMULA TO MEASURE PERFORMANCE	MSCOA Project	BUDGET (in Rands)	COMPARISON WITH PREVIOUS YEAR		BASELINE	2021 /22 ANNUAL TARGET	2021 /22 REVISED TARGET	ACTUAL	COMMENT	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE
										2020 /21 TARGET	2020 /21 ACTUAL									
<b>ANNUAL PERFORMANCE SCORECARD FOR 2021/22 FINANCIAL YEAR</b>																				
																				n is underway.
					Construction of Jabavu Community Hall in Ward 14	TEC H-19	Percentage of completion	6461 Jabavu Community Hall	1,188,644.00	100%	60%	60%	100%	100%	100%	Jabavu Hall was completed in 22 October 2021 since it was almost complete in the previous financial year.			9	Progress reports and completion certificates
					Construction of Odudela Community Hall in Ward 07	TEC H-20	Percentage of completion	4656 Odudela Community Hall	2,013,150.00	100%	98%	98%	100%	100%	100%	Jabavu Hall was completed in 17 August 2021 since it was almost complete in the previous financial year.			7	Progress reports and completion certificates
					Construction of Sgubudu Community Hall in Ward 12	TEC H-21	Percentage of completion	6459 Sgubudu Community Hall	2,152,559.00	100%	35%	35%	100%	100%	56%	44% behind set target.	The contractor could not continue with construction due to financial challenges.	A cession agreement was prepared and agreed to by the contractor and, after delays, the contractor to continue with the project was identified and the cession agreement was duly signed.	12	Progress reports and completion certificates

IDP Ref.	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAMME	KEY PERFORMANCE INDICATOR	KPI Ref. No.	FORMULA TO MEASURE PERFORMANCE	MSCOA Project	BUDGET (in Rands)	COMPARISON WITH PREVIOUS YEAR		BASELINE	2021 /22 ANNUAL TARGET	2021 /22 REVISED TARGET	ACTUAL	COMMENT	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE
										2020 /21 TARGET	2020 /21 ACTUAL									
<b>ANNUAL PERFORMANCE SCORECARD FOR 2021/22 FINANCIAL YEAR</b>																				
					Construction of Sizamile Hall in Ward 06	TEC H-41	Percentage of completion	12850   Sizamile Hall	2,839,752.00	New KPI	New KPI	N/A	50%	50%	55%	5% ahead of set target			6	Progress reports and completion certificates
					Construction of Nqulu Community Hall in Ward 01	TEC H-42	Percentage of completion			100%	99%	99%	100%	100%	100%	Nqulu Community Hall was completed at the beginning of the financial year on 24 July 2021.				Progress reports and completion certificates
					Construction of Ngwetshana Community Hall in Ward 13	TEC H-22	Percentage of completion	11621 Ngwetshana Community Hall	2,948,810.00	100%	35%	35%	100%	100%	100%	Ngwetshana Hall was 30% complete at the beginning of the financial year and was completed of 18 November 2021.			13	Progress reports and completion certificates
					Construction of Fire Offices in Ward 09	TEC H - 23	Percentage of completion	4688 Fire Station offices	5,086,956.00	100%	10.22%	10.22%	100%	100%	44%	This project has had serious challenges in the past and completion was delayed.	The service provider was appointed but delayed to commence actual work on site.	The service provider will commence with work in the 2023/24 financial year.	9	Progress reports and completion certificates
					Construction of Traffic Offices in Ward 09	TEC H-24	Percentage of completion	4689 Traffic Offices	7,546,595.00	100%	86%	86%	100%	100%	95%	The project is 95%.	The scope of the project was extended to include suitable ablution facilities and this reverse	Additional work is being performed to install ablution facilities and the project will	9	Progress reports and completion certificates



IDP Ref.	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAM ME	KEY PERFORMANCE INDICATOR	KPI Ref. No.	FORMULA TO MEASURE PERFORMANCE	MSCOA Project	BUDGET (in Rands)	COMPARISON WITH PREVIOUS YEAR		BASELINE	2021 /22 ANNUAL TARGET	2021 /22 REVISED TARGET	ACTUAL	COMMENT	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE
										2020 /21 TARGET	2020 /21 ACTUAL									
<b>ANNUAL PERFORMANCE SCORECARD FOR 2021/22 FINANCIAL YEAR</b>																				
					infrastructure and electrical networks) in Ward 09															
					Construction of Nquthu Residential Development Phase II (Road stormwater) in Ward 09	TEC H-29	Percentage of completion		11,247,922.00	100%	33%	33%	100%	75%	42%	33% behind set target	The previous contractor was terminated and left serious defects on site	The new contractor has addressed all defects and construction is now underway and progressing well	9	Progress reports and completion certificates
					Number of Housing Forum Meetings conducted	Plan 21	Number of meetings conducted	N/A	NA	4	4	4	4	4	3	Housing Forum meetings held in the first three quarters	The last meeting was cancelled due to poor attendance	Going forward, a register of present stakeholders will be signed and the Housing Manager will reschedule the meeting and indicate	N/A	Attendance register

IDP Ref.	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAM ME	KEY PERFORM ANCE INDICATO R	KPI Ref. No.	FORMULA TO MEASURE PERFORMA NCE	MSCOA Project	BUDGET (in Rands)	COMPARISO N WITH PREVIOUS YEAR		BASELINE	2021 /22 ANN UAL TARG ET	2021 /22 REVI SED TARG ET	ACTU AL	COMMENT	REASON FOR VARIENCE	CORRECTIV E MEASURE	WARD	PORTFOLIO OF EVIDENCE
										2020 /21 TARG ET	2020 /21 ACT UAL									
<b>ANNUAL PERFORMANCE SCORECARD FOR 2021/22 FINANCIAL YEAR</b>																				
				Expanding access to Sportfield facilities	Upgrading of Springlake Sportsfield in Ward 15	TEC H-39	Percentage of completion		2, 179, 707.00	New KPI	New KPI	N/A	N/A	100%	100%	All upgrades completed			15	Progress reports and completion certificates
<b>KPA 03: LOCAL ECONOMIC AND SOCIAL DEVELOPMENT</b>																				
<b>PGDP GOAL 1: INCLUSIVE ECONOMIC GROWTH</b>																				
3.1	Service delivery	Achieve inclusive Economic growth and development to alleviate poverty	Ensure growing the local economy	Implement ation of municipal Agricultural Plan	Provision of fencing material to all ward	PLA N-01	Number of wards that benefited from the programme	2939 LED Poverty Alleviation	1,747,826.00	17	17	17	17	17	17	All wards did benefit from a fencing programme as planned.			All	Report and signed list of beneficiaries
				Promote the formalization of SMMEs	Percentag e of cooperativ es registered within 90 day turn around time	PLA N-02	Number of valid cooperative applications processed and finalized within 90 days / Number of valid cooperative applications received x 100	N/A	-	100 %	100%	100%	100%	100%	100%	All 5 cooperatives registered within 90 days			All	Cooperativ e Certificate and Register of processed application s

IDP Ref.	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAMME	KEY PERFORMANCE INDICATOR	KPI Ref. No.	FORMULA TO MEASURE PERFORMANCE	MSCOA Project	BUDGET (in Rands)	COMPARISON WITH PREVIOUS YEAR		BASELINE	2021 /22 ANNUAL TARGET	2021 /22 REVISED TARGET	ACTUAL	COMMENT	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE
										2020 /21 TARGET	2020 /21 ACTUAL									
<b>ANNUAL PERFORMANCE SCORECARD FOR 2021/22 FINANCIAL YEAR</b>																				
					Percentage of total municipal operating expenditure spent on contracted services physically residing within the municipal area	FIN-01	(1) R-value of operating expenditure on contracted services within the municipal area / (2) Total municipal operating expenditure on contracted services			New KPI	New KPI	N/A	100%	30%	36%	A reasonable amount of operational budget is spent on local service providers.			All	MFMA Circular 71 ratio template and Trial Balance.
					Average time taken to finalise business license applications	PLA N-03	(1) Sum of the total working days per business application finalised/ (2) Number of business applications finalised	N/A	-	30 days	30 days	30 days	30 Days	30 days	21 days	Turn-around time for business registrations below average			All	Signed Register of Business Licence issued
				Build the capacity of local SMMEs to make them competitive and sustainable	Number of wards benefiting from capital equipment support for SMMEs	PLA N-04	Number of wards that benefited from the programme	3150 Small Business Development	969,961.00	17	17	17	17	17	17			All	Report and signed list of beneficiaries	

IDP Ref.	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAMME	KEY PERFORMANCE INDICATOR	KPI Ref. No.	FORMULA TO MEASURE PERFORMANCE	MSCOA Project	BUDGET (in Rands)	COMPARISON WITH PREVIOUS YEAR		BASELINE	2021 /22 ANNUAL TARGET	2021 /22 REVISED TARGET	ACTUAL	COMMENT	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE
										2020 /21 TARGET	2020 /21 ACTUAL									
<b>ANNUAL PERFORMANCE SCORECARD FOR 2021/22 FINANCIAL YEAR</b>																				
					Number of SMMEs Trainings conducted	PLA N-05	Number of SMMEs trained	3150- Small Business	434,782.00	8	10	10	2	3	3	3 SMME trainings conducted			All	List of cooperatives benefited, Attendance Register Training
				Use local procurement and subcontracting as an instrument to support local economic growth	Thirty (30%) of subcontracting for all capital projects over R1m	PLA N-06	Number of sub-contractors appointed / Number of capital projects over R 1 million implemented	N/A	N/a	100%	100%	100%	100%	100%	100%	Subcontracting programme going well			All	Subcontractors beneficiary list and Reports and Pictures and Contracts
				Support local youth enterprises to unleash their potential and innovation	Number of beneficiaries on Drivers Licence Programme	PLA N-07	(1)Number of beneficiaries	2773 Drivers License Assistance Project	430,000.00	34	44	44	34	22	0	The programme was put on hold due to budgetary constraints	Budgetary constraints	The programme will be revived in future subject to availability of financial resources	All	Signed beneficiary list
3.2			To ensure growing the tourism sector in the municipality	Facilitate tourism initiatives and events	Number of tourism initiatives facilitated	PLA N-08	(1)Number of tourism initiatives facilitated	3619 Tourism Promotion	203,913.00	2	2	2	2	2	3	Isandlwana Commemoration was held jointly with Umzinyathi DM on 22 January 2022. June rural horse riding was held in June 2022 while visits to tourism establishments were		Budgeted for in the 2022/23 financial year		Signed Reports and Pictures



IDP Ref.	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAMME	KEY PERFORMANCE INDICATOR	KPI Ref. No.	FORMULA TO MEASURE PERFORMANCE	MSCOA Project	BUDGET (in Rands)	COMPARISON WITH PREVIOUS YEAR		BASELINE	2021 /22 ANNUAL TARGET	2021 /22 REVISED TARGET	ACTUAL	COMMENT	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE
										2020 /21 TARGET	2020 /21 ACTUAL									
<b>ANNUAL PERFORMANCE SCORECARD FOR 2021/22 FINANCIAL YEAR</b>																				
3.3			Promotion of Social cohesion through Arts and Culture development programmes	Facilitate and participate in all art, culture and heritage activities	Number of Art and Culture programmes implemented	PLAN-09	(1) Number of Arts and Culture initiatives conducted	3430 ART: Culture and Heritage & uMhlanga	702,800.00	1	1	1	2	4	4	<p>profiled in May 2022.</p> <p>Ingoma was held on 24 Dec, Oswenka, Nobuhle and Isicathamiya on 26th of Dec, Ingoma yabeSuthu on 27 Dec. The Maskandi Festival was held in October 2021. The new database for crafters was compiled during the 4th quarter.</p>				Signed Reports and Pictures

IDP Ref.	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAMME	KEY PERFORMANCE INDICATOR	KPI Ref. No.	FORMULA TO MEASURE PERFORMANCE	MSCOA Project	BUDGET (in Rands)	COMPARISON WITH PREVIOUS YEAR		BASELINE	2021 /22 ANNUAL TARGET	2021 /22 REVISED TARGET	ACTUAL	COMMENT	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE
										2020 /21 TARGET	2020 /21 ACTUAL									
<b>ANNUAL PERFORMANCE SCORECARD FOR 2021/22 FINANCIAL YEAR</b>																				
				Creation of jobs to alleviate poverty by implementing local, economic development initiatives including capital projects	Number of work opportunities created and maintained by the municipality through Public Employment Programmes (incl. EPWP, CWP and other related employment programmes)	TEC H-34	(1) Simple count of the number of work opportunities provided by the municipality for the period under review	11631 Expanded Public Works	1,087,999.00	221	1,245	1,245	221	221	239				All	List of beneficiaries
11.1	Ensure accelerated social development of the people of Nquthu	Promotion of all sports codes in the municipality	Ensure the implementation of all sports development and plans	Number of sport codes participating in all municipal ward	COR P-11	(1) Number of sports codes the municipality participated in	3537 Youth & Sport	1,541,241.00	3	3	3	3	3	3				N/A	List of participants per sport code	
				Number of Nquthu Horses participating on Provincial Dundee July	COR P-12	(1) Number of horses participated in the event	3537 Youth & Sport	1,541,241.00	18	18	18	18	18	18	18 horses participated				N/A	Signed Report

IDP Ref.	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAMME	KEY PERFORMANCE INDICATOR	KPI Ref. No.	FORMULA TO MEASURE PERFORMANCE	MSCOA Project	BUDGET (in Rands)	COMPARISON WITH PREVIOUS YEAR		BASELINE	2021 /22 ANNUAL TARGET	2021 /22 REVISED TARGET	ACTUAL	COMMENT	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE
										2020 /21 TARGET	2020 /21 ACTUAL									
<b>ANNUAL PERFORMANCE SCORECARD FOR 2021/22 FINANCIAL YEAR</b>																				
11.2			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	COR P-13	(1)Number of representative forums	N/A	-	20	20	20	20	20	20	All forum meetings conducted			All	Attendance Registers
11.3			Ensuring Early Childhood Development in Nquthu	Providing support to ECD centres	Number of early childhood development activities conducted	MM-06	(1)Number of ECD activities conducted	N/A	-	4	4	4	4	4	4	All ECD activities conducted			All	Signed youth development office report
11.4			Ensuring youth development in Nquthu	Initiating and implementing youth development initiatives	Average number of library visits per library	COR P-25	(1) Total number of library visits / (2) Count of municipal libraries			New KPI	New KPI	New KPI	40	2781	7674	Library visits numbers are increasing dramatically which is testimony to improved accessibility.			All	Attendance Register
					Percentage of youth development initiative facilitated as per plan	MM-07	(1) Number of youth development initiatives facilitated/(2) Number of planned youth initiatives	5854 Youth Programs	1,102,452.00	100%	100%	100%	100%	100%	100%	100%	A total of four planned youth development activities were implemented and two more unplanned additional activities were also carried out.			All
<b>KPA 04: GOOD GOVERNANCE AND PUBLIC PARTICIPATION</b>																				
<b>PGDP GOAL 3: HUMAN &amp; COMMUNITY DEVELOPMENT and GOAL 6: GOVERNANCE AND POLICY</b>																				

IDP Ref.	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAMME	KEY PERFORMANCE INDICATOR	KPI Ref. No.	FORMULA TO MEASURE PERFORMANCE	MSCOA Project	BUDGET (in Rands)	COMPARISON WITH PREVIOUS YEAR		BASELINE	2021 /22 ANNUAL TARGET	2021 /22 REVISED TARGET	ACTUAL	COMMENT	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE
										2020 /21 TARGET	2020 /21 ACTUAL									
<b>ANNUAL PERFORMANCE SCORECARD FOR 2021/22 FINANCIAL YEAR</b>																				
6.1	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	MM-08	(1) Number of IDP and Budget Steering Committee meetings conducted	N/A	-	4	4	4	4	4	6	6 IDP and Budget Steering Committee meetings held.			All	Attendance Registers
					Date of approval of Draft IDP 2022/23	MM-09	(1) Date of approval by Council	N/A	-	30-Mar	30-Mar	30-Mar	30-Mar-22	30-Mar-22	29 March 2022	Draft IDP for 2022/23 approved by Council on 29 March 2022			All	Council Resolution
					Date of approval of Final IDP 2022/23	MM-10	(1) Date of approval by Council	N/A	-	30-Jun	28-May	28-May	30 June 2022		26 May 2022	Final IDP duly approved by Council within a set timeline			All	Council Resolution
					Date of Strategic Planning conducted	MM-11	(1) Date of the strategic planning meeting	11629 IDP Strategic Planning	260,000.00	15-Mar	12-Mar	12-Mar	15 March 2022	15 March 2022	14-18 February 2022	Strategic planning conducted to determine development priorities for the new Council term			All	Attendance Registers
					Number of IDP presentations to OSS Stakeholders	MM-12	(1) Number of OSS meetings with municipal representation	N/A	-	4	4	4	4	2	3	Due to OSS challenges, the IDP Stakeholder Representative Forum was resuscitated and conducted on 12 May 2022. Further to that, Nquthu Ratepayers and amaKhosi were engaged separately on			All	Attendance Registers



IDP Ref.	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAMME	KEY PERFORMANCE INDICATOR	KPI Ref. No.	FORMULA TO MEASURE PERFORMANCE	MSCOA Project	BUDGET (in Rands)	COMPARISON WITH PREVIOUS YEAR		BASELINE	2021 /22 ANNUAL TARGET	2021 /22 REVISED TARGET	ACTUAL	COMMENT	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE
										2020 /21 TARGET	2020 /21 ACTUAL									
<b>ANNUAL PERFORMANCE SCORECARD FOR 2021/22 FINANCIAL YEAR</b>																				
4.1			Improved municipal responsiveness	Ensure that all complaints received are attended to on time	Percentage of official complaints responded to through the municipal complaint management system [14 Days]	MM-14	(1) Percentage of complaints responded to within 14 days / (2) Total number of complaints received x 100	N/A	-	100%	100%	100%	100%	100%	100%	All complaints received responded to within 14 working days.			All	Updated Complaints Register
				Ensure that all ward committees are functional	Percentage of Ward Committee Functionality	CORP-14	((1)The number of ward committees with 6 or more members)/((2)Total number of wards)*100	N/A	-	100%	83%	83%	100%	100%	100%	The term of WCs expired after 01 November 2021 and have to be elected after the election on new councillors. They were duly elected and COGTA issued a schedule for functionality assessment. In this regard, the target is deemed to be achieved in relation to the task that had to be performed.			All wards	Assessment Report from Cogta

IDP Ref.	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAMME	KEY PERFORMANCE INDICATOR	KPI Ref. No.	FORMULA TO MEASURE PERFORMANCE	MSCOA Project	BUDGET (in Rands)	COMPARISON WITH PREVIOUS YEAR		BASELINE	2021 /22 ANNUAL TARGET	2021 /22 REVISED TARGET	ACTUAL	COMMENT	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE
										2020 /21 TARGET	2020 /21 ACTUAL									
<b>ANNUAL PERFORMANCE SCORECARD FOR 2021/22 FINANCIAL YEAR</b>																				
4.3			More effective municipal administration	Ensure that councillors declare their interests	Percentage of councillors who have declared their financial interests	COR P-15	(1) Number of councillors that have declared their financial interests/ (2) Total number of municipal councillors *100	N/A	-	100%	12%	12%	100%	100%	100%	All councillors duly declared their interests.			N/A	Signed Declaration Forms
4.5			Improved council functionality	Prevent disruption of council meetings to ensure smooth functioning of council	Percentage of councillors attending council meetings	COR P-16	((1) The sum total of all councillor attendance of all council meetings / ((2)The total number of council meetings x (3) The total number of council members in the municipality ))			New KPI	New KPI	New KPI	100%	100%	100%	All councillors attend meetings and when they are absent leave of absence is duly approved by Council.			N/A	

IDP Ref.	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAMME	KEY PERFORMANCE INDICATOR	KPI Ref. No.	FORMULA TO MEASURE PERFORMANCE	MSCOA Project	BUDGET (in Rands)	COMPARISON WITH PREVIOUS YEAR		BASELINE	2021 /22 ANNUAL TARGET	2021 /22 REVISED TARGET	ACTUAL	COMMENT	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE
										2020 /21 TARGET	2020 /21 ACTUAL									
<b>ANNUAL PERFORMANCE SCORECARD FOR 2021/22 FINANCIAL YEAR</b>																				
4.6			To ensure the municipality maintains a functional Back to Basics status	Back to Basics programme implementation	Number of Back 2 Basics Reports submitted to Cogta	MM-15	Number of B2B reports submitted to COGTA	N/A	-	4	4	4	4	4	4	Report compiled and submitted			N/A	Proof of submission to Cogta
4.7			To ensure improved communication with communities	Engaging communities about all development or infrastructure projects	Number of community engagement conducted to launch infrastructure projects	MM-16	(1) Number of community engagements conducted to launch infrastructure projects			24	27	27	24	24	29	All new infrastructure projects launched by the Mayor.	Projects launched before Q4	Not applicable since the annual target was met	All	Attendance Register
4.8			To ensure effective risk management	Implement the municipality's risk management policy and strategy	Percentage of risk action plan implemented	MM-17	(1) Number of implemented action plans/(2) Number of all action plans x 100	N/A	-	10000%	6200%	6200%	100%	100%	80%	80% of risk action plans implemented which is 18% improvement on the previous financial year but 20% short of set target.	Some risk action plans had financial implications and could not be realized	All risk action plans must be realistic so that they can be implemented	N/A	Updated Risk Action Plan
					Number of Risk Management Committee Meeting Conducted	MM-18	(1) Number of meetings conducted	N/A	-	4	4	4	4	4	5	5 RMC meetings were conducted and, further to that; a 5 day RM workshop was held from 5-10 June 2022.			N/A	Attendance Register



IDP Ref.	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAM ME	KEY PERFORM ANCE INDICATO R	KPI Ref. No.	FORMULA TO MEASURE PERFORM ANCE	MSCOA Project	BUDGET (in Rands)	COMPARISO N WITH PREVIOUS YEAR		BASELINE	2021 /22 ANN UAL TARG ET	2021 /22 REVI SED TARG ET	ACTU AL	COMMENT	REASON FOR VARIENCE	CORRECTIV E MEASURE	WARD	PORTFOLIO OF EVIDENCE
										2020 /21 TARG ET	2020 /21 ACT UAL									
<b>ANNUAL PERFORMANCE SCORECARD FOR 2021/22 FINANCIAL YEAR</b>																				
4.9			Strive to attain a clean audit	Ensure that the AG Action Plan is implemented and that Audit Committees and reports to Council	Number of Audit Committee reports to Council	MM-19	(1) Number of Audit Committee reports to Council	N/A	-	2	1	2	2	2	2	AC reports tabled to Council, AC Chairperson's report and Risk Chairperson report tabled.			N/A	AC Reports
					Percentage of AG Action Plan implemented	MM-20	(1) Number of action plans implemented / (2) Number of AG Action Plans developed x 100	N/A	-	New KPI	New KPI	New KPI	100%	100%	36%	Resolution of audit findings in progress	The municipality had a financial system challenges in the past	All findings are being resolved	N/A	Updated Action Plan
					Number of audit committee meetings	MM-21	(1) Number of meetings conducted	N/A	-	4	4	4	4	4	7	7 Audit Committee meetings held to strengthen reviews of the AFS and APR in an effort to deal with poor audit outcomes.			N/A	Attendance Register
					Prevent recurrence of AG findings	MM-22	1) Number of repeat audit findings	N/A	-	0	24	24	0	0	13	There are a lot of repeat findings that were repeated in the 2020/21 financial year.	Inability to provide sufficient supporting documentation to support reported information and failure to address material	Full implementation of the AG Action Plan.	N/A	Audit report and updated AG Action Plan

IDP Ref.	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAM ME	KEY PERFORMANCE INDICATOR	KPI Ref. No.	FORMULA TO MEASURE PERFORMANCE	MSCOA Project	BUDGET (in Rands)	COMPARISON WITH PREVIOUS YEAR		BASELINE	2021 /22 ANNUAL TARGET	2021 /22 REVISED TARGET	ACTUAL	COMMENT	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE
										2020 /21 TARGET	2020 /21 ACTUAL									
<b>ANNUAL PERFORMANCE SCORECARD FOR 2021/22 FINANCIAL YEAR</b>																				
																	variances.			
				Ensure the implementation of the internal audit plan	Number of internal audit report issued	MM-23	(1) Number of internal audit reports issued		2,608,696.00	22	22	22	20	20	21	All internal Audit reports issued.			N/A	Internal Audit Reports
4.1			To ensure effective records management system	Awareness of staff on the implementation of records management system	Number of Records Management Awareness's conducted	COR P-18	(1) Number of Records Management awareness's conducted	N/A	-	1	1	1	1	1	1	Records Management awareness workshop conducted and also included awareness items for other sections, e.g. GIS.			N/A	Attendance Register
			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	COR P-19	(1) Number of reports tabled to Council	N/A	-	4	4	4	4	4	4	IGR reports duly reported to Council every quarter.			All	Reports to Council
<b>KPA 05: FINANCIAL MANAGEMENT AND VIABILITY</b>																				
<b>PGDP GOAL 6: GOVERNANCE AND POLICY</b>																				

IDP Ref.	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAMME	KEY PERFORMANCE INDICATOR	KPI Ref. No.	FORMULA TO MEASURE PERFORMANCE	MSCOA Project	BUDGET (in Rands)	COMPARISON WITH PREVIOUS YEAR		BASELINE	2021 /22 ANNUAL TARGET	2021 /22 REVISED TARGET	ACTUAL	COMMENT	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE
										2020 /21 TARGET	2020 /21 ACTUAL									
<b>ANNUAL PERFORMANCE SCORECARD FOR 2021/22 FINANCIAL YEAR</b>																				
5.1	Sound financial management	Improved and sound financial management and viability	To ensure effective expenditure management	Ensuring that the municipality execute its procurement plan	Percentage of Procurement Plan implemented	ALL-02	(1) Number of procurement plan items implemented / (2) Number of all procurement plan items x 100	N/A	-	100%	54%	54%	100%	100%	85%	15% of procurement plan provisions was not implemented because set timelines were not complied with.	Deviation from approved procurement plan.	MANCO will monitor procurement plan implementation.	N/A	Procurement Plan report
5.2			Ensure municipal financial sustainability	Maintain proper municipal financial sustainability	Percentage of Level of Cash Backed Reserves	FIN-02	(Cash and Cash Equivalents - Bank Overdraft + Short Term Investment + Long Term Investment - Unspent Conditional Grants) / (Net Assets - Accumulated Surplus - Non Controlling Interest - Share Premium - Share Capital - Fair Value Adjustment - Revaluation Reserve)	N/A	-	100%	100%	100%	100%	100%	100%	955%	The other reserves are adequately covered by more than 100% by cash reserves. This reserve is housing development fund reserve.			N/A

IDP Ref.	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAM ME	KEY PERFORMANCE INDICATOR	KPI Ref. No.	FORMULA TO MEASURE PERFORMANCE	MSCOA Project	BUDGET (in Rands)	COMPARISON WITH PREVIOUS YEAR		BASELINE	2021 /22 ANNUAL TARGET	2021 /22 REVISED TARGET	ACTUAL	COMMENT	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE
										2020 /21 TARGET	2020 /21 ACTUAL									
<b>ANNUAL PERFORMANCE SCORECARD FOR 2021/22 FINANCIAL YEAR</b>																				
5.3			To ensure improved municipal liquidity position	Ensure that the municipality is in a good position to meet its short-term liabilities by maintaining a set current ratio	Current Ratio	FIN-03	Current Assets / Current Liabilities	N/A		1.5-2:1	6.43	6.43	1.5-2:1	1.5-2:1	1.7 :1	The norm for this ratio is 1.5 to 2 is to 1. We are within the norm, however the municipality should put more controls to ensure it does not carry huge amount of current liabilities and therefore does not regress from the norm.			N/A	MFMA Circular 71 ratio template and Trial Balance.
				Prudent management of municipal finances to ensure sustainability	Liquidity Ratio	FIN-04	(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	N/A	-	3	18	18	1.5-2:1	1.5-2:1	2.23:1	Set target was met.			All	MFMA Circular 71 ratio template and Trial Balance.

IDP Ref.	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAM ME	KEY PERFORMANCE INDICATOR	KPI Ref. No.	FORMULA TO MEASURE PERFORMANCE	MSCOA Project	BUDGET (in Rands)	COMPARISON WITH PREVIOUS YEAR		BASELINE	2021 /22 ANNUAL TARGET	2021 /22 REVISED TARGET	ACTUAL	COMMENT	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE
										2020 /21 TARGET	2020 /21 ACTUAL									
<b>ANNUAL PERFORMANCE SCORECARD FOR 2021/22 FINANCIAL YEAR</b>																				
							Disposal of Assets)													
				Ensure municipality's ability to meet at least its monthly fixed operating commitments from cash and short-term investment without collecting any additional revenue, during that month.	Number of months for municipality's ability to meet at least its monthly fixed operating commitments	FIN-05	"((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, and Provision for Bad Debts, Impairment and Loss on Disposal of	N/A	-	3 months	18 months	18 months	3 months	3 months	06 months	The norm for this ratio is 1 to 3 months, and we are above the norm. The municipality is maintaining its cash reserves for future investment in infrastructural assets.			All	MFMA Circular 71 ratio template and Trial Balance.

IDP Ref.	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAM ME	KEY PERFORMANCE INDICATOR	KPI Ref. No.	FORMULA TO MEASURE PERFORMANCE	MSCOA Project	BUDGET (in Rands)	COMPARISON WITH PREVIOUS YEAR		BASELINE	2021 /22 ANNUAL TARGET	2021 /22 REVISED TARGET	ACTUAL	COMMENT	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE
										2020 /21 TARGET	2020 /21 ACTUAL									
<b>ANNUAL PERFORMANCE SCORECARD FOR 2021/22 FINANCIAL YEAR</b>																				
							Assets). " ((Gross Debtors - Bad Debt Provision) / Billed Revenue)) × 365													
5.4			To ensure improved debt management	Improve debt collection by billing of all municipal debtors	Net Debtors Days	FIN-06	((Gross Debtors - Bad Debt Provision) / Billed Revenue)) × 365	N/A	-	30 days	-198	-198	30 Days	30 Days	120 days	The norm for this ratio is 30 days and we are above the norm.	It has been indicated above in relation to other ratios that the main challenge is with collection from communal land as there are no receipts from it and also duplicate invoices due to financial system errors.	The municipality continues to strengthen its debt collection efforts.	All	MFMA Circular 71 ratio template and Date Age Analysis report

IDP Ref.	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAMME	KEY PERFORMANCE INDICATOR	KPI Ref. No.	FORMULA TO MEASURE PERFORMANCE	MSCOA Project	BUDGET (in Rands)	COMPARISON WITH PREVIOUS YEAR		BASELINE	2021 /22 ANNUAL TARGET	2021 /22 REVISED TARGET	ACTUAL	COMMENT	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE
										2020 /21 TARGET	2020 /21 ACTUAL									
<b>ANNUAL PERFORMANCE SCORECARD FOR 2021/22 FINANCIAL YEAR</b>																				
					Bad Debts written off as percentage of Bad debts provision.	FIN-19	Bad Debts Written-off (Period under review)/ Provision for Bad Debt (Period under review x 100			New KPI	New KPI	New KPI	N/A	80%	5%	The ratio is below the norm of 100%.	Payment arrangements made with debtors.	The municipality has however adequately budgeted for the bad debt written off.	All	Council Resolution
					Collection Rate	FIN-07	Gross Debtors Opening Balance + Billed Revenue – Gross Debtors Closing Balance - Bad Debts Written Off) / Billed Revenue x 100	N/A	-	95%	106%	106%	95%	95%	76%	The municipality's collection rate is 19% behind set target which is 95% norm set by NT.	Culture of non-payment and high levels of poverty.	Strengthening of collection efforts and compilation of a credible indigent register to make necessary provisions for poor households	All	MFMA Circular 71 ratio template and Date Age Analysis report
				Keep municipal assets in good state by efficient spending of maintenance budget	Repairs and Maintenance as a % of Property, Plants and Equipment and Investment Property (Carrying Value)	ALL-03	(1) Total Repairs and Maintenance Expenditure / ((2) Property, Plant and Equipment + (3) Investment Property (Carrying Value)) x 100	N/A	-	8%	0%	0%	8%	8%	2%	The ratio is far below the norm of 8% which is concerning. Municipal infrastructure repairs and maintenance is required for the continued provision of service delivery, e.g. breakdowns in	The municipality invested heavily on infrastructure projects and some of that infrastructure is not due for maintenance and adequate funding was	Future expenditure on repairs and maintenance to be reviewed.	All	MFMA Circular 71 ratio template and Trial Balance.

IDP Ref.	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAM ME	KEY PERFORMANCE INDICATOR	KPI Ref. No.	FORMULA TO MEASURE PERFORMANCE	MSCOA Project	BUDGET (in Rands)	COMPARISON WITH PREVIOUS YEAR		BASELINE	2021 /22 ANNUAL TARGET	2021 /22 REVISED TARGET	ACTUAL	COMMENT	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE
										2020 /21 TARGET	2020 /21 ACTUAL									
<b>ANNUAL PERFORMANCE SCORECARD FOR 2021/22 FINANCIAL YEAR</b>																				
				Invest optimally in infrastructure by spending budgeted capital expenditure	Capital Expenditure to Total Expenditure	FIN-08	Total Capital Expenditure / Total Expenditure (Total Operating Expenditure + Capital Expenditure) × 100	N/A	-	10%	20%	20%	10%	10%	52%	As mentioned above, the municipality has invested a lot of financial resources on infrastructure projects.			All	MFMA Circular 71 ratio template and Trial Balance.
5.5			To ensure improved financial management	Ensure proper budget implementation and that expenditure is incurred in acceptable standards	Percentage of a municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the	FIN & TECH-09	Actual capital Expenditure / Budget Capital Expenditure × 100	N/A	-	100%	100%	100%	100%	100%	100%	The municipality performed quite well in capital expenditure spending which resulted in additional MIG and INEP grant funding.			All	MFMA Circular 71 ratio template and Trial Balance.



IDP Ref.	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAM ME	KEY PERFORMANCE INDICATOR	KPI Ref. No.	FORMULA TO MEASURE PERFORMANCE	MSCOA Project	BUDGET (in Rands)	COMPARISON WITH PREVIOUS YEAR		BASELINE	2021 /22 ANNUAL TARGET	2021 /22 REVISED TARGET	ACTUAL	COMMENT	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE
										2020 /21 TARGET	2020 /21 ACTUAL									
<b>ANNUAL PERFORMANCE SCORECARD FOR 2021/22 FINANCIAL YEAR</b>																				
					municipality's integrated development plan															
					Percentage of operating budget spend	FIN-10	Actual Operating Expenditure / Budgeted Operating Expenditure x 100	N/A	-	100%	66%	66%	100%	100%	118%	Operational budget was spend and exceeded by 18% which may potentially result in unauthorised expenditure.			All	MFMA Circular 71 ratio template and Trial Balance.
					Percentage of irregular expenditure incurred	ALL-04	(Irregular, Fruitless and Wasteful and Unauthorised Expenditure) / Total Operating Expenditure x100	N/A	-	0%	66%	66%	0%	0%	43%	42.7% irregular expenditure incurred	Non-compliance with applicable laws and/or procedures	AG Action Plan and IA reports recommendations implementation	N/A	MFMA Circular 71 ratio template and UIFW report

IDP Ref.	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAM ME	KEY PERFORMANCE INDICATOR	KPI Ref. No.	FORMULA TO MEASURE PERFORMANCE	MSCOA Project	BUDGET (in Rands)	COMPARISON WITH PREVIOUS YEAR		BASELINE	2021 /22 ANNUAL TARGET	2021 /22 REVISED TARGET	ACTUAL	COMMENT	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE
										2020 /21 TARGET	2020 /21 ACTUAL									
<b>ANNUAL PERFORMANCE SCORECARD FOR 2021/22 FINANCIAL YEAR</b>																				
					Percentage of municipal payments made to service providers who submitted complete forms within 30-days of invoice submission	FIN-11	(Gross Debtors - Bad debt Provision)/ Actual Billed Revenue) × 365	N/A	-	30 days	30 days	30 days	30 days	30 days	30 days	All valid invoices whereby there are no outstanding issues are paid in time.			All	MFMA Circular 71 ratio template and Trial Balance.
					Number of Budget Steering Committee meetings convened	FIN-12	(1) Number of meetings conducted	N/A	-	3	3	3	4	4	6	6 IDP and Budget Steering Committee meetings held.			All	Attendance Register and Minutes
					Submit 2022/23 Draft Annual Budget to the Council	FIN-13	(1) Date of approval by Council	N/A	-	30-Mar	30-Mar	30-Mar	30-Mar-22	30-Mar-22	29 March 2022	Draft budget approved before the set deadline.			All	Council Resolution
					Submit 2022/23 Annual Budget to the Council	MM & CFO-14	(1) Date of approval by Council	N/A	-	30-May	28-May	28-May	30-May-22	30-May-22	26-May-22	2022/23 Annual Budget approved by Council			All	Council Resolution

IDP Ref.	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAMME	KEY PERFORMANCE INDICATOR	KPI Ref. No.	FORMULA TO MEASURE PERFORMANCE	MSCOA Project	BUDGET (in Rands)	COMPARISON WITH PREVIOUS YEAR		BASELINE	2021 /22 ANNUAL TARGET	2021 /22 REVISED TARGET	ACTUAL	COMMENT	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE
										2020 /21 TARGET	2020 /21 ACTUAL									
<b>ANNUAL PERFORMANCE SCORECARD FOR 2021/22 FINANCIAL YEAR</b>																				
				Ensure effective procurement management by adhering to a set average turnaround time for awarding of bids	Average number of days from the point of advertising to the letter of award per 80/20 procurement process	FIN-15	(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 x 100	N/A	-	90 Days	90 Days	90 Days	90 Days	90 Days	90 days	All tenders are concluded within set time			All	Tender Register
				Ensure that electricity distribution losses does not exceed 10%	Percentage of electricity Distribution Losses	TECH-36	(Number of Electricity Units Purchased and/or Generated - Number of Electricity Units Sold) / Number of Electricity Units Purchased and/or Generated) x 100	N/A	-	10%	28%	28%	10%	10%	25%	Electricity losses gradually improving	Aging infrastructure and illegal connections.	The municipality continues to monitor electricity losses and to develop new solutions	9	Approved electricity loss report

IDP Ref.	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAMME	KEY PERFORMANCE INDICATOR	KPI Ref. No.	FORMULA TO MEASURE PERFORMANCE	MSCOA Project	BUDGET (in Rands)	COMPARISON WITH PREVIOUS YEAR		BASELINE	2021 /22 ANNUAL TARGET	2021 /22 REVISED TARGET	ACTUAL	COMMENT	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE	
										2020 /21 TARGET	2020 /21 ACTUAL										
<b>ANNUAL PERFORMANCE SCORECARD FOR 2021/22 FINANCIAL YEAR</b>																					
				Ensure effective and consistent reporting	Submission of 2020/21 AFS to AG by 31 August 2021	FIN-16	(1) Date of Submission of AFS to AG	N/A	-	30-Oct	31-Oct	31-Ocr	31-Aug-21	31-Aug-21	31 August 2021	AFS submitted to AG prior to set deadline			N/A	Acknowledgement letter	
					Number of S71 reports tabled to Council	FIN-17	(1) Number of reports tabled to Council	N/A	-	12	2	2	12	12	12	12	Reports tabled to Council			N/A	Council Resolution
					Number of S52 reports tabled to Council	FIN-18	(1) Number of reports tabled to Council	N/A	-	4	4	4	4	4	4	4	Report tabled to Council			N/A	Council Resolution
<b>KPA 06: CROSS CUTTING</b>																					
<b>PGDP GOAL 5: ENVIRONMENTAL SUSTAINABILITY, GOAL 6: GOVERNANCE AND POLICY and GOAL 7: SPATIAL EQUITY</b>																					
6.1			To ensure effective land use management and development planning	Reviewing of Urban Design Framework (UDF) and SDF to address spatial challenges in Nquthu Town	Date of approval of Hlathidam Precinct Plan by Council	PLA N-11	(1) Date of approval by Council	12726 Hierarchy of Plans	300,000.00	New KPI	New KPI	New KPI	30-Jun-22	30-Jun-22	26-May-22	Hlathi Dam was finalized and duly approved by Council.				Inception Report and PSC Minutes	
					Date of Approval of SDF by Council	PLA N-14	(1) Date of approval by Council	12726 hierarchy of Plans	134,783.00	31-Mar-21	04-Feb-21	04-Feb-21	31-Mar-22	30-Jun-22	26-May-22	The SDF was reviewed and duly approved by Council.				All	Council Resolution
					Percentage of development complete applications approved within six	PLA N-15	(1) Number of valid development applications approved within 6 months/(2) Number of	12731 MPT running cost	282,609.00	100%	100%	100%	100%	100%	100%	100%	All valid (i.e. complete) development applications are processed and finalized within a 6 month turn-around time.				All

IDP Ref.	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAMME	KEY PERFORMANCE INDICATOR	KPI Ref. No.	FORMULA TO MEASURE PERFORMANCE	MSCOA Project	BUDGET (in Rands)	COMPARISON WITH PREVIOUS YEAR		BASELINE	2021 /22 ANNUAL TARGET	2021 /22 REVISED TARGET	ACTUAL	COMMENT	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE
										2020 /21 TARGET	2020 /21 ACTUAL									
<b>ANNUAL PERFORMANCE SCORECARD FOR 2021/22 FINANCIAL YEAR</b>																				
					months		valid applications received x 100													
6.2			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)	PLA N-16	(1) Number of GIS service requests responded to within 30 days/ (2) Number of all GIS service requests received x 100	N/A	-	100 %	100%	100%	100%	100%	100%	All GIS requests processed within set turn-around time			All	Register of GIS Request and signed proof of receipt
					Percentage of implementation of GIS Strategy	PLA N-17	(1) Number of GIS Strategy activities implemented / GIS Strategy provisions/activities x 100	3612 GIS Data Acquisition & Policies	451,796.00	New KPI	New KPI	New KPI	100%	100%	100%	GIS Strategy well implemented to enhance the municipality's GIS function capabilities.			All	GIS Action Plan and supporting POEs of achieved items
					Number of GIS awareness campaigns conducted	PLA N-18	(1) Number GIS awareness conducted	3612 GIS Data Acquisition & Policies	28,435.00	4	4	4	4	4	9	Over 5 awareness activities were conducted due to the fact that the GIS unit also utilises all available			All	Attendance registers, posters

IDP Ref.	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAMME	KEY PERFORMANCE INDICATOR	KPI Ref. No.	FORMULA TO MEASURE PERFORMANCE	MSCOA Project	BUDGET (in Rands)	COMPARISON WITH PREVIOUS YEAR		BASELINE	2021 /22 ANNUAL TARGET	2021 /22 REVISED TARGET	ACTUAL	COMMENT	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE
										2020 /21 TARGET	2020 /21 ACTUAL									
<b>ANNUAL PERFORMANCE SCORECARD FOR 2021/22 FINANCIAL YEAR</b>																				
					Develop a single spatial data set per quarter	PLAN-19	(1) Number of datasets developed	3612 GIS Data Acquisition & Policies	463,138.00	1	2	2	4	4	7 datasets produced.	A total of seven datasets were produced due to increased dataset demand within the municipality.	More datasets had to be produced that were initially not anticipated.		All	Data set submission proof
6.3			Ensure compliance with National building Regulations Act and Building Standards and Bylaws	Creating awareness to local community National Building Regulations Act and building standards	Number of Building Inspections conducted	PLAN-20	(1) Number of building inspections conducted	2811 KZN242_EB S04011	-	40	60	60	80	80	73	73 inspections made which is only inspection away from set target.	Inspections are dependent on submitted applications and inspections conducted as a result of suspected/reported building regulations violations.	This indicator will be removed or restructured to ensure that set targets measure the actual performance of the municipality.	9	Building inspection register
7.1	response to disasters and crime		Improve mitigation effects of emergencies and disasters	Improve disaster response time and Alertness to the community	Percentage of compliance with the required immediate attendance time for	CORP-20	(1) Number of structural fire incidents where the attendance time was less than 3	11626 Disaster Respond	186,957.00	100%	100%	100%	100%	100%	100%	All structural fire incidents are responded to within set response time			All	Incident Report

IDP Ref.	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAM ME	KEY PERFORMANCE INDICATOR	KPI Ref. No.	FORMULA TO MEASURE PERFORMANCE	MSCOA Project	BUDGET (in Rands)	COMPARISON WITH PREVIOUS YEAR		BASELINE	2021 /22 ANNUAL TARGET	2021 /22 REVISED TARGET	ACTUAL	COMMENT	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE
										2020 /21 TARGET	2020 /21 ACTUAL									
<b>ANNUAL PERFORMANCE SCORECARD FOR 2021/22 FINANCIAL YEAR</b>																				
					structural fire incidents		hours / (2) Total number of calls for structural fire incidents received *100													
					Number of lightning conductors installed on vulnerable areas	COR P-21	(1) Number of lightning conductors installed in identified households	12719 Lightning Conductors	6,852,069.00	1097	1210	1210	288	288	389	Target of 288 exceeded by 101 lightning conductors			All	Signed beneficiary list
					Number of Campaigns on Disaster Management	COR P-22	(1) Number of Disaster Management campaigns conducted	5925 Awareness campaigns	-	6	18	18	12	12	15	15 campaigns conducted to promote alert communities.			All	Attendance Register
8.1		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	COR P-23	(1) Number Access Control Register reviews conducted	N/A	-	4	4	4	4	4	4	Proof that access control is conducted was produced quarterly. Access control is conducted to protect municipal property and ensure human safety within the municipal precinct.			N/A	Access control register

IDP Ref.	BACK TO BASIC PILLAR	GOAL	IDP OBJECTIVE	IDP STRATEGY / IDP PROGRAMME	KEY PERFORMANCE INDICATOR	KPI Ref. No.	FORMULA TO MEASURE PERFORMANCE	MSCOA Project	BUDGET (in Rands)	COMPARISON WITH PREVIOUS YEAR		BASELINE	2021 /22 ANNUAL TARGET	2021 /22 REVISED TARGET	ACTUAL	COMMENT	REASON FOR VARIANCE	CORRECTIVE MEASURE	WARD	PORTFOLIO OF EVIDENCE
										2020 /21 TARGET	2020 /21 ACTUAL									
<b>ANNUAL PERFORMANCE SCORECARD FOR 2021/22 FINANCIAL YEAR</b>																				
8.1			To ensure safer local roads	Maximum enforcement of road traffic laws and municipal bylaws	Number of road blocks conducted	CORP-24	(1) Number of road blocks conducted	N/A	-	40	48	48	45	45	46	A total of 46 road blocks conducted to enforce traffic laws.			All	Attendance Register
10.1		Sustainable development and environmental management	To ensure effective environmental protection	Initiating and implementation of all municipal environmental management programmes	Tonnes of municipal solid waste diverted from landfill per capita	TECH-37	(1) Number of kilograms/tonnes in waste received by the Buy Back Center			180	131,43	131,43	250	400	417	The BBC recycling programme is going well and making an impact in diverting waste from the landfill site which will extend its lifespan.			6	Signed Report
					Number of Waste management Campaigns conducted	TECH-38	(1) Number of waste management campaigns conducted	N/A	-	4	6	6	4	4	4	Waste management campaigns were conducted to promote responsible waste disposal practices by communities.			All	Attendance Register and signed report



## 9. Assessment of service providers

The municipality's capacity to perform all its functions is limited and service providers have to be appointed through applicable procurement processes to provide services to enable the municipality to deliver services and also meet its operational requirements. Service providers are mostly hired to provide the following services, among others:

- ❖ ICT services for financial, payroll and information technology services;
- ❖ Protecting municipal property and protection services to Councillors;
- ❖ Professional services like AFS compilation, legal services and other services of a similar nature, and
- ❖ Architectural, project management and construction services.

Service provider's performance has to be managed to ensure that the municipality derive value for money from such services and also meet its operational and service delivery needs. 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.

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

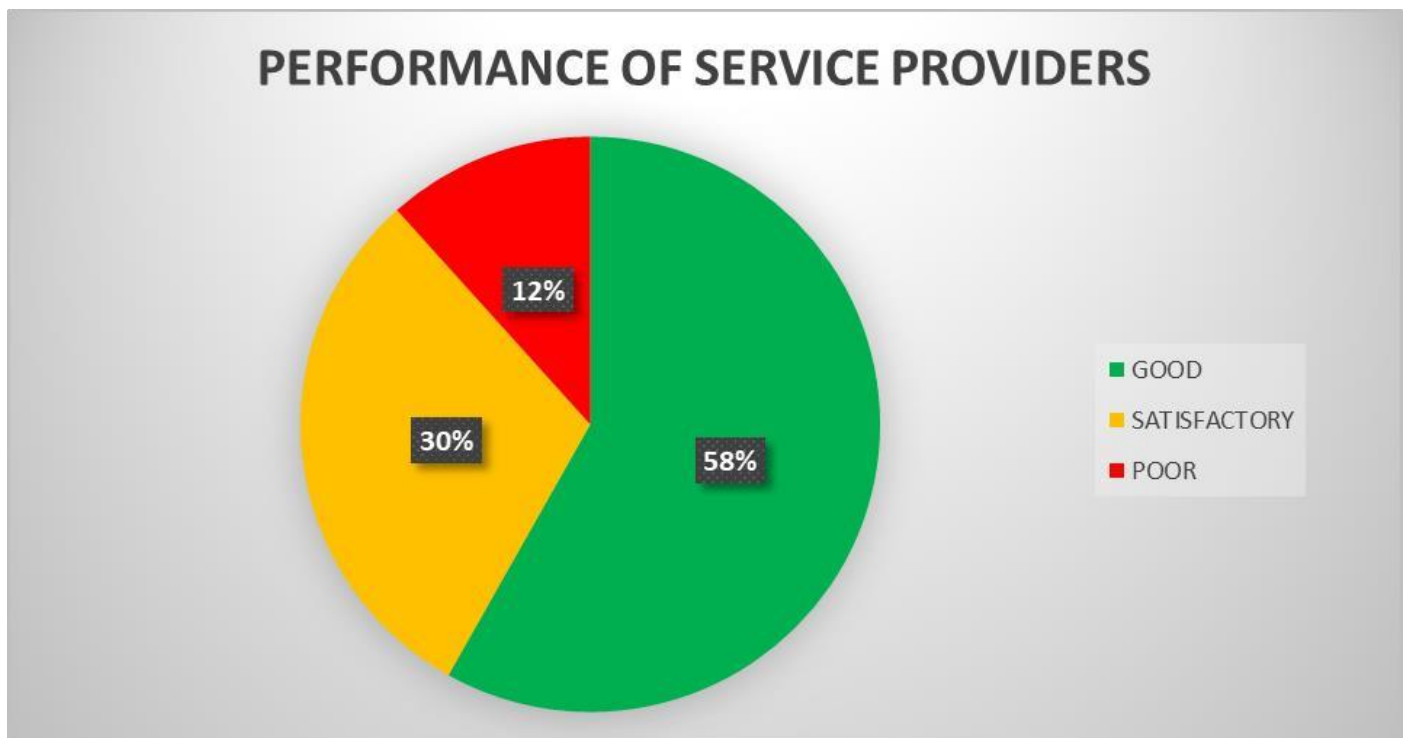


Figure 06: Performance of service providers

No.	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
1	NQU5050/021/2019-2020	BUSIZWE TRADE AND SUPPLIES	03/08/2020	CONSTRUCTION OF JABAVU COMMUNITY HALL	R 3 364 087,87	100%	60%	100%	100%		S	
2	NQULM12/2020/2021	MAJKI CONSTRUCTION AND PLANT HIRE	30/04/2021	CONSTRUCTION OF NGWETSHANA COMMUNITY HALL	R 3 413 273,60	100%	35%	100%	100%	G		
3	NQU5000/041/2019-2020	NTUNGANI CONSTRUCTION JV XOLI M	30/10/2020	CONSTRUCTION OF NQUTHU BULK STORMWATER PHASE 1 -WARD 14	R 15 295 550,95	100%	70%	100%	97%		S	
4	NQU5050/032/2019-2020	MCHILOBOMVU CIVILS CONSTRUCTION	30/10/2020	CONSTRUCTION OF ODUDELA COMMUNITY HALL	R 3 220 000,00	100%	0.98	100%	100%	G		
5	NQU5050/039/2019-2020	STOMP DA YARD (PTY) LTD	23/11/2020	CONSTRUCTION OF SIGUBUDU COMMUNITY HALL	R 3 773 651,75	100%	35%	100%	56%			1
6	NQU5040/010/2020-2021	KANYENATHI ENTERPRISE (PTY) LTD	26/11/2020	CONSTRUCTION OF ZALAKWANDE CRECHE	R 1 965 000,25	100%	70%	100%	100%	G		
7		ZIPHELELE PLANNING & ENVIRONMENTAL CONSULTANCY	30/03/2021	DEVELOPMENT OF HLATHI DAM PRECINCT PLAN	R 402 500,00	N/A	N/A	100%	100%	G		
8	NQU0021/044/2019-2020	XTEC PMB (PTY) LTD	04/12/2020	LEASE OF MULTI-FUNCTIONAL PRINTING SERVICES FOR THE PERIOD OF 36 MONTHS	R 1 359 478,63	Ongoing	Ongoing	Ongoing	Ongoing		S	
9	NQU0063/043/2020-2021	COW CATCHERS CC	16/11/2020	MAINTENANCE ANIMAL POUND FOR THE PERIOD OF 36 MONTHS		Ongoing	Ongoing	Ongoing	Ongoing		S	

No.	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
10	NQU11622/2020-2021	SIYEJABULA SECURITY SOLUTIONS	30/03/2021	PANEL FOR PROVISION OF SECURITY FOR THE PERIOD OF 36 MONTHS	R 27 934 530,12	Ongoing	Ongoing	Ongoing	Ongoing	G		
11	NQU11622/2020-2021	FEZILE SECURITY SERVICES	30/03/2021	PANEL FOR PROVISION OF SECURITY FOR THE PERIOD OF 36 MONTHS	R 27 120 500,00	Ongoing	Ongoing	Ongoing	Ongoing	G		
12	NQU11622/2020-2021	SIZOWAKHA SECURITY & CLEANING SERVICES	30/03/2021	PANEL FOR PROVISION OF SECURITY FOR THE PERIOD OF 36 MONTHS	R 26 392 500,00	Ongoing	Ongoing	Ongoing	Ongoing	G		
13	NQU11622/2020-2021	QOMKUFA SECURITY	30/03/2021	PANEL FOR PROVISION OF SECURITY FOR THE PERIOD OF 36 MONTHS	R 25 978 030,52	Ongoing	Ongoing	Ongoing	Ongoing	G		
14	NQU6046/2020-2021	SIYEJABULA SECURITY SOLUTIONS	30/03/2021	PANEL FOR VIP PROTECTION FOR A PERIOD OF 36 MONTHS	R 11 340,66	Ongoing	Ongoing	Ongoing	Ongoing	G		
15	NQU6046/2020-2021	SIZOWAKHA SECURITY & CLEANING SERVICES	30/03/2021	PANEL FOR VIP PROTECTION FOR A PERIOD OF 36 MONTHS	R 5 629,00	Ongoing	Ongoing	Ongoing	Ongoing	G		
16	NQU6046/2020-2021	QOMKUFA SECURITY	30/03/2021	PANEL FOR VIP PROTECTION FOR A PERIOD OF 36 MONTHS	R 18 371,72	Ongoing	Ongoing	Ongoing	Ongoing			P
17	NQULM/2/20-21	SUKUMASAKHE	30/04/2021	PANEL OF SERVICE PROVIDERS TO HIRE PLANT FOR A	AS PER RATES	Ongoing	Ongoing	Ongoing	Ongoing	G		

No.	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
				PERIOD OF 36 MONTHS								
18	NQULM/2/20-21	SELE AND MUSA TRADING AND TOURS	30/04/2021	PANEL OF SERVICE PROVIDERS TO HIRE PLANT FOR A PERIOD OF 36 MONTHS	AS PER RATES	Ongoing	Ongoing	Ongoing	Ongoing			P
19	NQULM/2/20-21	MULTI-SOLUTIONS	30/04/2021	PANEL OF SERVICE PROVIDERS TO HIRE PLANT FOR A PERIOD OF 36 MONTHS	AS PER RATES	Ongoing	Ongoing	Ongoing	Ongoing	G		
20	NQULM/2/20-21	SURE BOSS TRADING AND PROJECTS	30/04/2021	PANEL OF SERVICE PROVIDERS TO HIRE PLANT FOR A PERIOD OF 36 MONTHS	AS PER RATES	Ongoing	Ongoing	Ongoing	Ongoing		S	
21	NQULM/2/20-21	OURKINGDOM ENGINEERING AND PROJECTS	30/04/2021	PANEL OF SERVICE PROVIDERS TO HIRE PLANT FOR A PERIOD OF 36 MONTHS	AS PER RATES	Ongoing	Ongoing	Ongoing	Ongoing	G		
22	NQULM/2/20-21	ASIZIQALELE CONTRACTORS	30/04/2021	PANEL OF SERVICE PROVIDERS TO HIRE PLANT FOR A PERIOD OF 36 MONTHS	AS PER RATES	Ongoing	Ongoing	Ongoing	Ongoing		S	
23	NQULM/5/20-21	B I INFRASTRUCTURE CONSULTANTS (PTY) LTD	20/05/2021	PROJECT MANAGEMENT UNIT FOR THE PERIOD OF 36 MONTHS	R 4 046 620,00	Ongoing	Ongoing	Ongoing	Ongoing	G		
24	NQU0063/042/2020-2021	NEO SOLUTIONS (PTY) LTD	16/11/2020	PROVIDE SERVICES ON LICENSE SUPPORT AND		Ongoing	Ongoing	Ongoing	Ongoing	G		

No.	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
				MAINTENANCE FOR 36 MONTHS								
25	NQULM14/2020-2021	SDM ASSET MANAGEMENT AND CONSULTING	03/06/2021	PROVISION OF ASSET MANAGEMENT SYSTEM AND SUPPORT FOR THE PERIOD OF 36 MONTHS	R 2 999 416,12	Ongoing	Ongoing	Ongoing	Ongoing	G		
26	NQULM16/2020-2021	ZG THEMBA LENSHA (PTY) LTD	29/06/2021	PROVISION OF FOOD VOUCHERS FOR SMALL BUSINESS	R 830 000,00	N/A	N/A	100%	100%		S	
27	NQULM17/2020-2021	CCG SYSTEMS (PTY) LTD	29/06/2021	PROVISION OF HR AND PAYROLL SYSTEM FOR A PERIOD OF 36 MONTHS	R 3 639 190,92	Ongoing	Ongoing	Ongoing	Ongoing		S	
28	NQULM15/2020-2021	NKOSINGIPHE INKAZIMULO TRADING AND PROJECTS	29/06/2021	PROVISION OF PANEL OF SERVICE PROVIDERS TO DO AFS FOR THE PERIOD OF 36 MONTHS	R 1 252 523,75	Ongoing	Ongoing	Ongoing	Ongoing		S	
29	NQU0021/006/2020-2021	TELKOM SA SOC LIMITED	16/11/2020	PROVISION OF SMS MESSAGING	R 28 930,00	Ongoing	Ongoing	Ongoing	Ongoing	G		
30	NQU0020/030/2019-2020	ADVENTURE TRAVEL	26/11/2020	PROVISION OF TRAVEL AGENT SERVICES FOR THE PERIOD OF 36 MONTHS	R 900,10	Ongoing	Ongoing	Ongoing	Ongoing		S	

No.	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
31	NQU17054/2020-2021	EMALANGENI TECHNOLOGIES (PTY) LTD	29/06/2021	RE-ADVERT PROVISION OF UNCAPPED INTERNET SERVICESFOR A PERIOD OF 36 MONTHS	R 2 079 462,03	Ongoing	Ongoing	Ongoing	Ongoing		S	
32	NQU11610/2020-2021	CAPSTAN TRADING 898	05/02/2021	RENOVATION OF KWANYEZI COMMUNITY HALL	R 1 007 748,50	N/A	N/A	100%	100%	G		
33	NQU11607/2020-2021	ZIME-DU TRADING ENTERPRISE	05/02/2021	RENOVATION OF NONDWENI COMMUNITY HALL	R 1 098 415,29	N/A	N/A	100%	100%	G		
34	NQU0040/004/2020-2021	NISUCRAFT (PTY) LTD	23/11/2020	SUPPLY AND DELIVERY OF BATTERIES AND FITMENT OF TYRES	R 589 671,00	Ongoing	Ongoing	Ongoing	Ongoing		S	
35	NQU0040/001/2020-2021	MNUMZANE GROUP CC	26/11/2020	SUPPLY AND DELIVERY OF CLEANING MATERIAL FOR A PERIOD OF 36 MONTHS	R 599 887,97	Ongoing	Ongoing	Ongoing	Ongoing	G		
36	NQU2939/2020-2021	ABAQULUSI FINANCE ADVISORS	30/03/2021	SUPPLY AND DELIVERY OF FENCING MATERIALS	R 1 681 736,43	N/A	N/A	100%	100%	G		
37	NQU0018/007/2020-2021	BRAND PARTNERS (PTY) LTD	04/12/2020	SUPPLY AND DELIVERY OF NEWSLETTER ,CALENDARS & DIARIES	R 2 524 274,04	Ongoing	Ongoing	Ongoing	Ongoing	G		
38	NQU0030/003/2020-2021	UMJOKANE TRADING ENTERPRISE	16/11/2020	SUPPLY AND DELIVERY OF PLANNING	R 450 370,00	N/A	N/A	100%	100%		S	

No.	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
				MATERIAL								
39	NQU0040/002/2020-2021	ESHENI CONTRACTING	26/11/2020	SUPPLY AND DELIVERY STATIONERY FOR 36 MONTHS	R 347 970,00	Ongoing	Ongoing	Ongoing	Ongoing			P
40	NQULM11/2020-2021	SILINDINQABA TRADING ENTERPRISE	20/05/2021	SUPPLYING AND DELIVERY OF HEAVY DUTY PORTABLE SOCCER POLES AND SOCCER NETS	R 829 980,00	N/A	N/A	100%	50%	G		
41	NQULM06/2021-2022	MAGOLWANE & ZIPHOZONKE JV	09/09/2021	Construction of Nsubeni Road in Ward 05	R6,009,715.73	N/A	N/A	50%	82%	G		
42	NQULM02/2021-2022	KING MAX PTY LTD	09/09/2021	Consstruction of Ophindo Road in Ward 04	R6,826,332.14	N/A	N/A	50%	77%		S	
43	NQULM09/2021-2022	SURE BOSS TRADING & PROJECTS	09/09/2021	Construction of Hwanqana Road in Ward 05	R5,997,741.30	N/A	N/A	50%	72%	G		
44	NQULM04/2021-2022	SPHERICH PTY LTD	09/09/2021	Construction of Slonjana Road in Ward 18	R3,639,879.88	N/A	N/A	80%	66%		S	
45	NQULM10/2021-2022	OUR KINGDOM ENGINEERING (main contractor)	09/09/2021	Construction of Ntuzuma Road in Ward 07	R9,843,198.76	N/A	N/A	28%	22%	G		
46	NQULM07/2021-2022	GOLDEN MILLENIUM TRADING	09/09/2021	Construction of Mbilane Gravel Road in Ward 11	R4,099,422.20	N/A	N/A	100%	98%	G		
47	NQULM13/2021-2022	SELE AND MUSA TRADING AND TOURS	09/09/2021	Construction of Gubazi Access Road in Ward 13	R12,745,722.55	N/A	N/A	25%	35%		S	

No.	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
48	NQULM11/2021-2022	MAJKI CONSTRUCTION	09/09/2021	Construction of Gobinsimbi Hall in Ward 14	R3,989,670.62	N/A	N/A	50%	65%	G		
49	NQULM01/2021-2022	INDAWO YAMI CO-OP	09/09/2021	Construction of Kwabiya Hall in Ward 17	R2,408,769.00	N/A	N/A	50%	55%		S	
50	NQULM003/2021-2022	ISIKHONYANE CIVILS	09/09/2021	Construction of Hlathidam Hall in Ward 15	R3,653,966.28	N/A	N/A	12%	60%	G		
51	NQULM12/2021-2022	TAP TAP TRADING & PROJECTS	09/09/2021	Construction of Ezinkondlwaneni Hall in Ward 09	R5,507,892.23	N/A	N/A	50%	35%		S	
52	NQULM18/2021-2022	NEBO SOLUTIONS PTY LTD	26/10/2021	Construction of Sizamile Hall in Ward 06	R3,867,301.80	N/A	N/A	50%	55%	G		
53	NQU5050/28/2019-2020	ENDUNENI CONTRACTORS CC	05/05/2020	Construction of Nqulu Community Hall in Ward 01	R3,948,459.17	100%	99%	100%	100%		S	
54	NQU5000/020/2019-2020	VITSHA TRADING (main contractor)	24/05/2019	Construction of Fire Offices in Ward 09	R15,025,390.44	100%	10.22%	100%	44%			P
55	NQU5050/368/2019-2020	SHIKANI TRADING (main contractor)	18/12/2018	Construction of Traffic Offices in Ward 09	R5,932,519.93	100%	86%	100%	100%			P
56	NQU5050/016/2019-2020	KWAMVELIHLE TRADING	09/09/2021	Construction of Section 4 Creche in Ward 12	R2,373,375.00	N/A	N/A	100%	100%	G		
57	NQU5000/18/2019-2020	MELA OKUHLE TRADING ENTERPRISE	24/04/2020	Construction of Nquthu Residential Development phase 1 (Water and sewer bulk infrastructure and electrical networks) in Ward	R34,163,428.27	100%	63%	75%	96%	G		



No.	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
				09								
58	NQU5000/17/2019-2020	MELA OKUHLE TRADING ENTERPRISE	24/04/2020	Construction of Nquthu Residential Development Phase II (Road stormwater) in Ward 09	R32,844,991.30	100%	33%	75%	42%	G		
59	NQULM13/2021-2022	ZANOTHA PROJECTS	19/07/2021	Upgrading of Springlake Sportsfield in Ward 15	R1,689,632.97	N/A	N/A	100%	100%	G		
60	NQU/376/2018-2019	DLV ENGINEERS (consultant)	2015/03/15	PANEL OF STRUCTURAL ELECTRICAL AND CIVIL ENGINEERING CONSULTANTS FOR 36 MONTHS	35% discount of 14% of construction value	Ongoing	Ongoing	Ongoing	Ongoing	G		
61	NQU/376/2018-2019	VANGISA CONSULTING(consultant turned turnkey)	2015/03/15	PANEL OF STRUCTURAL ELECTRICAL AND CIVIL ENGINEERING CONSULTANTS FOR 36 MONTHS	2% discount rate of 14% of project value	Ongoing	Ongoing	Ongoing	Ongoing	G		
62	NQU/376/2018-2019	SPK ENGINEERS (consultant)	2015/03/15	PANEL OF STRUCTURAL ELECTRICAL AND CIVIL ENGINEERING CONSULTANTS FOR 36 MONTHS	5% discount rate of 14% of project value	Ongoing	Ongoing	Ongoing	Ongoing	G		
63	NQU/376/2018-2019	MN AFRICA CONSULTING (consultant)	2015/03/15	PANEL OF STRUCTURAL ELECTRICAL AND CIVIL ENGINEERING CONSULTANTS FOR 36 MONTHS	2% discount rate of 14% of project value	Ongoing	Ongoing	Ongoing	Ongoing	G		

No.	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
64	NQU/376/2018-2019	INFRA CHAMPS CONSULTING (consultant)	2015/03/15	PANEL OF STRUCTURAL ELECTRICAL AND CIVIL ENGINEERING CONSULTANTS FOR 36 MONTHS	15% dicount rate of 14% of contract value	Ongoing	Ongoing	Ongoing	Ongoing	G		
65	NQU/376/2018-2019	THOKOMELA TRADING (consultant)	2015/03/15	PANEL OF STRUCTURAL ELECTRICAL AND CIVIL ENGINEERING CONSULTANTS FOR 36 MONTHS	1,5% discount of 14% of project value	Ongoing	Ongoing	Ongoing	Ongoing	G		
66	NQU/376/2018-2019	CIV TECH ENGINEERS (consultants)	2015/03/15	PANEL OF STRUCTURAL ELECTRICAL AND CIVIL ENGINEERING CONSULTANTS FOR 36 MONTHS	2% discount rate of 14% of project value	Ongoing	Ongoing	Ongoing	Ongoing		S	
67	NQU/376/2018-2019	MATLA CONSULTING (consultant)	2015/03/15	PANEL OF STRUCTURAL ELECTRICAL AND CIVIL ENGINEERING CONSULTANTS FOR 36 MONTHS	13% discount of 14% construction value	Ongoing	Ongoing	Ongoing	Ongoing			P
68	NQU/376/2018-2019	GIBB ENGINEERING (consultant)	2015/03/15	PANEL OF STRUCTURAL ELECTRICAL AND CIVIL ENGINEERING CONSULTANTS FOR 36 MONTHS	4% discount of 14% of project value	Ongoing	Ongoing	Ongoing	Ongoing	G		
69	NQU/376/2018-2019	AFI CONSULT (consultant)	2015/03/15	PANEL OF STRUCTURAL ELECTRICAL AND CIVIL ENGINEERING CONSULTANTS FOR	4,8% discount of 14% of the contract value	Ongoing	Ongoing	Ongoing	Ongoing	G		

No.	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
				36 MONTHS								
70	NQU/376/2018-2019	SIMPHULWAZI	2015/03/15	PANEL OF STRUCTURAL ELECTRICAL AND CIVIL ENGINEERING CONSULTANTS FOR 36 MONTHS	1% dicount rate of 14% of contract value	Ongoing	Ongoing	Ongoing	Ongoing	G		
71	NQU/376/2018-2019	KHUSI PROJECTS	2015/03/15	PANEL OF STRUCTURAL ELECTRICAL AND CIVIL ENGINEERING CONSULTANTS FOR 36 MONTHS	14% of construction value	Ongoing	Ongoing	Ongoing	Ongoing	G		
72	NQU0030/316/2017	UMHLABA GEOMATICS	2017/08/29	GENERAL VALUATION, PREPARATION AND UPDATING OF VALUATION ROLL FOR IMPLEMENTATION ON 1 JULY 2018 TO 30 JUNE 2023	R 920,000.00	Ongoing	Ongoing	Ongoing	Ongoing	G		
73	NQU0022/351/2018	DM ICT SERVICES	2018/09/18	SUPPLY, INSTALL AND CONFIGURE DISASTER RECOVERY SOLUTRION	584587.88	Ongoing	Ongoing	Ongoing	Ongoing			P
74	NQU0022/350/2018	MOBILE TELEPHONE NETWORKS T/A MTN SA	2018/10/30	SUPPLY, INSTALL AND CONFIGER PABX SYSTEM FOR 60 MONTHS	R 1,052,577.75	Ongoing	Ongoing	Ongoing	Ongoing		S	

No.	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
75	NQU0030/352/2018	ZAMASWAZI WASTE REMOVAL	2018/11/01	OPERATION OF A BUY BACK CENTRE	R 13,999,995.20	Ongoing	Ongoing	Ongoing	Ongoing		S	
76	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	Ongoing	Ongoing	Ongoing	Ongoing	G		
77	NQU0022/006/2019-2020	JOREN COMMUNICATIONS	2019/11/07	PROVISION TO HOST WEBSITE & BACKUP WEBSITE FOR 36 MONTHS FOR NQUTHU MUNICIPALITY	R 455,400.00	Ongoing	Ongoing	Ongoing	Ongoing			P
78	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	Ongoing	Ongoing	Ongoing	Ongoing	G		
79	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	Ongoing	Ongoing	Ongoing	Ongoing	G		
80	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	Ongoing	Ongoing	Ongoing	Ongoing	G		
81	NQU0040/374/2018-2019	BIDVEST STEINER	2020/05/05	PROVISION OF SANITARY BINS FOR THE PERIOD	R 271,889.13	Ongoing	Ongoing	Ongoing	Ongoing		S	

No.	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
				OF 36 MONTHS								
82	NQULM07/2020-2021	IDWALADWALA TRADING	26/07/2021	SUPPLY AND DELIVERY OF UNIFORM FOR MUNICIPALSTAFF FOR 36 MONTHS	R 1,721,200.00	Ongoing	Ongoing	Ongoing	Ongoing			P
83	NQULM17/2020-2021	THE DOCUMENT WAREHOUSE PTY LTD	19/07/2021	PROVISION OF EXTERNAL DOCUMENTS FOR A PERIOD OF 36 MONTHS	R 114,959.24	Ongoing	Ongoing	Ongoing	Ongoing		S	
84	NQULM21/2021-2022	PK FINANCIAL CONSULTANTS CC	25/11/2021	PROPOSAL FOR REVENUE ENHANCEMENT AND DEBT COLLECTION CONSULTING SERVICES FOR THE PERIOD OF 36 MONTHS	15% COMMISSION	Ongoing	Ongoing	Ongoing	Ongoing		S	
85	NQU0000/64/2009	SEBATA MUNICIPAL SOLUTION	25/01/2017	EMS HOSTED/ EMS SUPPORT/SEBTA CONNECT/ WEBSITE HOSTING	RATE BASED	Ongoing	Ongoing	Ongoing	Ongoing		S	
86	NQU0050/370/2018-2019	KUHLEZAH TRADING AND PROJECTS	24/05/2019	SUPPLY, DELIVER AND INSTALL WENDY HOUSES FOR A PERIOD OF 36 MONTHS	RATE BASED	Ongoing	Ongoing	Ongoing	Ongoing	G		

## **10. Key areas to note**

### **10.1. Addressing of 2021/22 audit findings**

Maximum effort has been put into attending to all issues identified by the Auditor-General in the previous audit to improve the quality of performance information. In the past, there were instances of non-alignment between the IDP, SDBIP and the Annual Performance Report and that has been addressed. Discrepancies were also identified in the evidence that was provided and that has also been attended to.

### **10.2. Improving performance**

The municipality has improved notably in the following areas:

- Increased number of infrastructure projects and high rate of project completion and capital budget spending has improved dramatically which resulted in additional INEP and MIG grant funding.
- There are no community unrest relating to municipal service delivery issues since service delivery protest relate to water issues which is not the function of the municipality.

### **10.3. Deteriorating performance**

The municipality has not done well in the following areas:

- Non-alignment of the municipality's spatial vision and plans with the actual infrastructure development projects on the ground.
- There is a persistent incurrence of irregular expenditure which points non-compliance with applicable laws and regulations and may hinder the municipality in dealing with poor audit opinion.

## **11. Lessons learnt going forward**

The causes for underperformance and unfavourable audit outcomes can be traced to the following causes:

- Failure to monitor compliance with applicable legislation and laws;
- Poor contract management which results in project implementation delays caused by incompetent or poor performing service providers, and
- Ensuring full implementation of the municipalities sector plans to ensure that the IDP vision and development goals are realized.

## **12. Conclusion**

The municipality will build on the gains that it has achieved in the 2021/22 financial year and also invest more effort in ensuring compliance and improving performance and accelerating service delivery and infrastructure development. There is a lot of potential that still needs to be unleashed and the municipality is committed to realizing this potential by constantly engaging on a self-introspection exercise to identify and address areas of weaknesses.

**2021/22**  
**AUDIT**  
**COMMITTEE**  
**REPORT**

# Audit and Performance Committee Report for the period ending 30 June 2022

## 1. Background

Nquthu Local Municipality's Council in its meeting which was held on 21 January 2021 resolved to appoint the Audit and Performance Committee as prescribed by Section 166 of the Municipal Finance Management Act 56 of 2003. The Audit and Performance Committee serves the purpose of being an independent advisory body to Council, the Political Office Bearers and the Accounting Officer thereby assisting Council in its oversight role.

## 2. Membership of the Audit and Performance Committee

The Audit and Performance Committee consists of independent members as required by section 166 of the Municipal Finance Management Act 56 of 2003(MFMA) and they are:

- Mr S Majola : Audit and Performance Committee Chairperson
- Ms N Thungo : Audit and Performance Committee Member
- Ms P Sihlongonyane : Audit and Performance Committee Member

The MFMA requires that the committee meet at least four times a year, which translates to one meeting per quarter. Due to the COVID-19 pandemic that wreaked havoc throughout the world, the committee only held its meetings virtually. Five meetings were held for the year under review. Member's attendance in those meetings is as follows:

MEMBER NAME	MEETINGS ATTENDED
Mr S Majola	5
Ms N Thungo	5
Ms P Sihlongonyane	5

Members attended all the meetings as per above.

## 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 Municipal Finance Management Act (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 Committee and Management with assurance that the system of internal controls of the Municipality were effective or not.

The Audit and Performance Committee monitored the implementation of both the internal auditor's and Auditor-General's recommendations by management to ensure that reasonable steps were taken by management to address internal control weaknesses identified. *We can report that management accepted the recommendations proposed, most of them have been implemented, and others are in progress.*

We followed up on management's action plan to address the Auditor-General's report for the 2020/21 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. These are discussed extensively in paragraphs 6 and 9 below. We can report that management accepted the recommendations proposed. 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 municipality has an external service provider who carries out the internal audit services for the municipality. Audit committee approved the internal audit plan for 2021/22 financial year. 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 themselves to

continuously support the Internal Audit Activity in order for the Municipality to improve the effectiveness of internal controls and realise 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. *We recommend that management continue to implement recommendations made by internal audit to improve internal controls*

## **7. Financial reporting and financial management**

### *Financial Reporting*

We reviewed the monthly financial reports and we have raised our concerns about the reports submitted to us. Our main concerns here were:

- Decrease in the debtors' collection rate
- Accuracy of statements of accounts since the municipality received a disclaimer audit opinion in the previous financial year

*We recommend that the municipality should consider:*

- Reviewing its revenue enhancement strategy
- Review all account balances that the OA-G had concerns with in their audit report for 2020/21 financial year and correct these balances as per recommendations provided by OA-G

### *Financial management*

We are happy to report that the municipality at the end of the financial year was in a good financial standing, meaning that there were adequate funds to settle outstanding debt and unspent grant funds were cashed backed.

*We still recommend that 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)**

The audit and performance committee monitored performance reporting of the municipality and highlighted a number of issues that had to be addressed by management. Performance assessments were conducted during the year and improvements were noted 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 should be submitted for performance achieved*
- *Management should continually strive to ensure that targets are achieved*
- *Corrective measures for performance improvement should be implemented where targets are not met*

These recommendations were discussed and agreed upon with management.

## **9. External Audit**

The municipality received a disclaimer opinion for the 2020/21 financial year. This resulted from a number of differences that the OA-G noted between the figures on the AFS and those that were on the accounting system used by the municipality to compile the AFS. An action plan to address the issues raised by the OA-G was developed by management and we monitored the implementation of this plan in our quarterly meetings. We agreed with the accounting officer that management will also monitor the implementation of this plan in all their management meetings. As at the end of the financial year, some of the issues had been addressed and others were partially addressed but management committed to address all issues before the submission of the AFS to the OA-G.

*We recommend that the municipality work close with the OA-G staff to show them how these findings were addressed as the municipality is currently being audited.*

## **10. Risk Management and Compliance**

The municipality has a Risk Management Committee (RMC) that deals with matters of risk management. The Municipality's Internal Audit Unit plays as an advisory role in Risk management and compliance. A risk register was compiled and is continually updated by the RMC on a quarterly basis.

*We recommended to management that this register be updated with the Auditor-General's findings and other emerging risks. We still recommend that workshops for all staff be conducted to ensure that all employees aware of the importance of risk management as well as their role in this regard.*

## **11. Corporate governance**

As the committee, we appreciate the efforts by Management in improving internal controls. We will continue to support management and advise Council as required by section 166 of the MFMA. Management should continue working closely with

internal audit and the audit team to improve the quality of reports and internal controls.

*We also recommend that Council to continue playing 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**

**2021/22**  
**AUDIT REPORT**  
**(AUDITOR**  
**GENERAL)**

**REPORT OF THE AUDITOR-GENERAL  
OF SOUTH AFRICA**

**FOR THE YEAR ENDED 30 JUNE 2022**

Nquthu Local Municipality



# 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

### Qualified opinion

1. I have audited the financial statements of the Nquthu Local Municipality set out on pages-127 to 216, which comprise the statement of financial position as at 30 June 2022, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects and possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Nquthu Local Municipality as at 30 June 2022, and its financial performance and cash flows for the year then ended in accordance with the Standard of Generally Recognised Accounting Practice ((SA Standards of GRAP ) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue of South Africa), (Act No 9 of 2021) (Dora).

### Basis for qualified opinion

#### Revenue from non-exchange transactions

3. 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 adjustment was necessary to revenue from non-exchange transactions: property rates stated at R45,63 million (2020-21: R28,64 million) in note 29 to the financial statements.

#### Receivables from non-exchange transactions

4. 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 adjustment was necessary to receivables from non-exchange transactions stated at R29,95 million (2020-2021: R14,30 million) in note 6 to the financial statements.

5. The municipality did not calculate the allowance for impairment of debtors in accordance with the SA Standards of GRAP 104, *Financial Instruments*. The municipality applied assumptions which were inappropriate and did not assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. I was not able to determine the full extent of the errors in the allowance for impairment as it was impracticable to do so. Consequently, I was unable to determine whether any adjustment was necessary to the allowance for impairment for receivables from non-exchange transactions stated at R22,56 million (2020-21: R22,05 million) in the note 6 to the financial statements.

#### Receivables from exchange transactions

6. The municipality did not calculate the allowance for impairment of debtors in accordance with the SA Standards of GRAP 104, *Financial Instruments*. The municipality applied assumptions which were inappropriate and did not assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. I was not able to determine the full extent of the errors in the allowance for impairment as it was impracticable to do so. Consequently, I was unable to determine whether any adjustments were necessary to the allowance for impairment for receivables from exchange transactions stated at R2,90 million (2020-21: R2,96 million) in note 9 to the financial statements.

#### Property plant and equipment

7. The municipality did not recognise donated assets in accordance with the requirement of the SA Standard of GRAP 17, *Property, plant and equipment* in the prior year. The municipality did not recognise donated assets which met the definition of an asset and in some instances, the municipality recognised assets that did not meet the definition of an asset. Consequently, the corresponding figure of property, plant and equipment is misstated by an amount which was impracticable to determine. Additionally, there was an impact on the surplus for the period and on the accumulated surplus. My opinion on the current year financial statement is modified because of the effect of this matter on the comparability of the property plant and equipment for the current year.

#### Investment properties

8. The municipality did not recognise donated assets in accordance with the requirement of the SA Standard of GRAP 16, *Investment Property* in the prior year. The municipality did not recognise donated assets which met the definition of an asset and in some instances, the municipality recognised assets that did not meet the definition of an asset. Consequently, the corresponding figure of investment property is misstated by an amount which was impracticable to determine. My opinion on the current year financial statement is modified because of the effect of this matter on the comparability of the investment property for the current year.



### Irregular expenditure

9. The municipality did not include the full extent of the irregular expenditure incurred in the financial statements, This was due to payments made in contravention of the supply chain management requirements, which resulted in the irregular expenditure. I was unable to quantify the full extent of the understatement of irregular expenditure stated at R196,11 million (2020-21: R75,03 million) in note 55 to the financial statements as it was impracticable to do so.

### Unauthorised expenditure

10. The municipality did not include the full extent of the unauthorised expenditure incurred in the financial statements as there was no opening balance disclosed. I was unable to quantify the full extent of the understatement of unauthorised expenditure stated at R24,95 million (2020-21: R0) in note 61 to the financial statements as it was impracticable to do so.

### Context for the opinion

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

### Emphasis of matter

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

### Material losses – electricity

15. As disclosed in note 41 to the financial statements, material electricity losses of R11, 51 million (2020-21: R12, 99 million) was incurred, which represents 25% (2020-21: 28%) of total electricity purchased. The electricity losses was due to undetermined technical and non-technical factors.

### Responsibilities of the accounting officer for the financial statements

16. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the GRAP and the requirements of the MFMA, and 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.

17. 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**

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

19. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

## **Report on the audit of the annual performance report**

### **Introduction and scope**

20. In accordance with the Public Audit Act 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 selected development priority presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

21. 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.

22. 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 KPA 02 – Service delivery and Infrastructure development priority presented in the municipality's annual performance report for the year ended 30 June 2022.

23. 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.

24. The material findings on the usefulness and reliability of the performance information of the selected development priority are as follows:

**KPA 02 – Service delivery and Infrastructure development**

**Various indicators**

25. The method of calculation for measuring the planned indicator was 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. As a result, limitations were placed on the scope of my work and I was unable to audit the reliability of the achievement in the annual performance report for the indicators listed below:

<b>Indicator description</b>	<b>Planned target</b>	<b>Reported achievement</b>
Percentage of reported pothole complaints resolved within 3 working days	100%	100%
Number of dwellings provided with connections to mains electricity supply by the municipality	682	927
Percentage of households with electricity connections receiving Free Basic Electricity	18%	16.2%
Percentage of valid customer applications for new electricity connections processed in terms of municipal service standards (14 days)	100%	100%

**Other matters**

26. I draw attention to the matters below.

**Achievement of planned targets**

27. The annual performance report on pages 57 to 67 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 paragraph 25 of this report.

## Adjustment of material misstatements

28. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of KPA 02 – Service delivery and Infrastructure development. 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.

## Report on the audit of compliance with legislation

### Introduction and scope

29. 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.
30. The material findings on compliance with specific matters in key legislation are as follows:

### Financial statements

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 qualified audit opinion.

### Expenditure management

31. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA
32. 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 qualification paragraph. The majority of the disclosed irregular expenditure was caused by non-adherence to supply chain regulations.
33. Reasonable steps were not taken to prevent unauthorised expenditure, as required by section 62(1)(d) of the MFMA. The expenditure disclosed does not reflect the full extent of the unauthorised expenditure incurred as indicated in the basis for qualification paragraph. The majority of the disclosed unauthorised expenditure was caused by budget overspending.

## Consequences management

34. 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
35. Irregular expenditure incurred by the municipality were not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA

## Procurement and contract management

36. 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). Similar non-compliance was also reported in the prior year.
37. Some of the contracts and quotations were accepted from bidders whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of SCM regulation 43. Similar non-compliance was also reported in the prior year.
38. Some of the tenders which failed to achieve the minimum qualifying score for functionality criteria were not disqualified as unacceptable tender in accordance with 2017 Preferential Procurement Regulation 5(6).
39. Some of the construction contracts were awarded to contractors that were not registered with the CIDB and did not qualify for the contract in accordance with section 18(1) of the CIDB Act and CIDB Regulations 17 and 25(7A).
40. Some of the invitation to tender for procurement of commodities designated for local content and production, did not stipulated the minimum threshold for local production and content as required by the 2017 Preferential Procurement Regulation 8(2). Similar non-compliance was also reported in the prior year.
41. Some of the contracts were extended or modified without the approval of a properly delegated official, in contravention of SCM Regulation 5.
42. The performance of some of the contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA. Similar non-compliance was also reported in the prior year.
43. The contract performance and monitoring measures were not in place to ensure effective contract management, as required by section 116(2)(c)(ii) of the MFMA. Similar non-compliance was also reported in the prior year.

## Other information

44. 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 those selected development priority presented in the annual performance report that have been specifically reported in this auditor's report.
45. 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.
46. 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 development priority presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
47. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

## Internal control deficiencies

48. 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 the qualified opinion, the finding on the annual performance report and the findings on compliance with legislation included in this report.
49. Management did not adequately resolve some of the material misstatements reported in the prior and current financial years, due to inadequate application of the financial reporting framework.
50. Management did not adequately monitor and review the performance against predetermined objectives to ensure that reported performance information was useful and reliable.
51. Management did not perform adequate monitoring and review over compliance with applicable legislation

## Other reports

52. I draw attention to the following engagements 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. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
53. Special Investigating Unit has received the allegations pertaining to corruption and money laundering in relation to the former Municipal manager to which they have requested the information to assess against the requirements of the special investigating units and special tribunals Act No. 74 of 1996
54. 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

30 November 2022



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## **Annexure – Auditor-general’s responsibility for the audit**

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected development priority and on the municipality’s compliance with respect to the selected subject matters.

### **Financial statements**

2. In addition to my responsibility for the audit of the financial statements as described in this auditor’s report, I also:
  - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
  - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality’s internal control
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.
  - conclude on the appropriateness of the accounting officer’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the Nquthu local municipality to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause a municipality to cease operating as a going concern
  - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

### **Communication with those charged with governance**

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



4. I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

**2021/22  
AUDITED  
ANNUAL  
FINANCIAL  
STATEMENTS**

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022



Nquthu Local Municipality  
Annual Financial Statements  
for the year ended 30 June 2022

---

\* See Note

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## General Information

---

<b>Legal form of entity</b>	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)
<b>Nature of business and principal activities</b>	The provision of infrastructure and services to communities in a sustainable manner in order to promote social and economic development, and to promote a safe and healthy environment.
Mayor	Cllr. I.L Shabalala (As from 9 November 2021)
Councillors (As from 9 November 2021)	Cllr. M.R Ngobese (Deputy Mayor) (As from 9 November 2021) Cllr. N.M Buthelezi (Speaker) Cllr. Z. Sithole - Exco Member Cllr. B.S Chambule - Exco Member Cllr. N.S Mkhize - Exco Member Cllr. T.J Motloung - Exco Member Cllr. S.D Masimula - Exco Member Cllr. M.E Mnguni- Chief Whip Cllr. S.M Buthelezi Cllr. J.N Khoza Cllr. T.A Dlamini Cllr. S.M.C Zikode Cllr. S.M Kunene Cllr. L.S Hoffman Cllr. C.T Buthelezi Cllr. N.M Khanye Cllr N.M Zungu Cllr. C.S Thusini Cllr L Mkhwanazi Cllr. S.S Langa Cllr. S.B Simelane Cllr. M.I Khoza Cllr. S. Radebe Cllr Z Ndlovu Cllr P.W.J Buthelezi Cllr. M.C Mnguni Cllr. T.M Hadebe Cllr S.H Ngobese Cllr. K.A Masinga Cllr. S. Ngcobo Cllr. R.A Ndlovu Cllr. S.Y Nyoka Cllr. G.A.N Buthelezi Cllr. S.G Hlatshwayo Cllr. Q.M Ngobese Cllr. P.P Ntombela Cllr. L.C Moloji Cllr. R.S Langa Cllr E.M Mkhwanazi Cllr MSK Gumbi Cllr C.N Xulu Cllr S.P Khumalo
Ordinary Councillors (Exited 08 November 2021)	

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## General Information

---

	Cllr F.A Hlatshwayo Cllr J.Z Ndimma Cllr G.F Molefe Cllr B.I Zwane Cllr H.M Shelembe Cllr. N.G Mdlalose Cllr. E.T Nhlebela Cllr S.G Kunene
<b>Amakhosi</b>	Inkosi M.P.M Mazibuko Inkosi T.J Ngobese Inkosi F.P Hlatshwayo Inkosi PBN Molefe Inkosi ND Mncube Inkosi S.K Sithole
<b>Accounting Officer</b>	Mr. SB Mthembu
<b>Chief Finance Officer (CFO)</b>	Mr. BH Bhengu
<b>Registered office</b>	Municipal Building 83/11 Mdlalose Nquthu 3135
<b>Business address</b>	Municipal Building 83/11 Mdlalose Street Nquthu 3135
<b>Bankers</b>	ABSA South Africa
<b>Auditors</b>	Auditor General of South Africa
<b>Attorneys</b>	Rose Pereira Correia Attorneys

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Index

---

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

	<b>Page</b>
Accounting Officer's Responsibilities and Approval	5
Statement of Financial Position	6
Statement of Financial Performance	7
Statement of Changes in Net Assets	8
Cash Flow Statement	9
Statement of Comparison of Budget and Actual Amounts	10 - 11
Accounting Policies	12 - 35
Notes to the Annual Financial Statements	36 - 89

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
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
VAT	Value Added Tax
SDL	Skills Development Levy
PAYE	Pay as you earn
SCM	Supply Chain Management

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## 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.

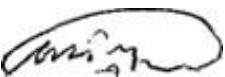
The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2023 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable 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 33&34 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

The annual financial statements set out on page 6, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2022 and were signed on its behalf by:



---

**Accounting Officer**  
**Mr. SB Mthembu**

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	3	2 028 225	1 476 328
Overpayment to councillors	4	37 009	110 592
Operating lease asset	5	145 890	171 651
Receivables from non-exchange transactions	6	29 950 795	14 297 575
VAT receivable	7	12 948 909	14 823 945
Prepayments	8	17 826	206 122
Receivables from exchange transactions	9	8 432 541	10 394 546
Other receivable from exchange transaction	10	151 645	262 845
Cash and cash equivalents	11	130 502 942	198 219 956
		<b>184 215 782</b>	<b>239 963 560</b>
<b>Non-Current Assets</b>			
Investment property	12	19 371 051	19 437 712
Property, plant and equipment	13	594 916 585	516 902 696
Intangible assets	14	24 428	36 642
Heritage assets	15	78 888	78 888
		<b>614 390 952</b>	<b>536 455 938</b>
<b>Total Assets</b>		<b>798 606 734</b>	<b>776 419 498</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Finance lease obligation	16	-	20 306
Payables from exchange transactions	17	53 748 809	41 873 692
Consumer deposits	18	526 908	502 659
Long service awards	19	473 000	416 000
Unspent conditional grants and receipts	20	376 834	1 192 594
Provisions	21	8 665 984	8 818 969
Other Financial Liabilities	22	-	358 286
		<b>63 791 535</b>	<b>53 182 506</b>
<b>Non-Current Liabilities</b>			
Long service awards	19	3 949 000	3 393 000
Provisions	21	2 232 839	1 712 169
		<b>6 181 839</b>	<b>5 105 169</b>
<b>Total Liabilities</b>		<b>69 973 374</b>	<b>58 287 675</b>
<b>Net Assets</b>		<b>728 633 360</b>	<b>718 131 823</b>
Reserves			
Housing Development fund	23	133 710	130 173
Accumulated surplus		728 499 650	718 001 650
<b>Total Net Assets</b>		<b>728 633 360</b>	<b>718 131 823</b>

\* See Note 50



# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	24	25 105 306	22 963 473
Housing Development Construction contract	25	1 643 462	2 029 067
Rental of facilities and equipment	26	769 443	840 971
Other income	27	1 377 083	660 401
Interest revenue	28	7 574 464	11 034 135
<b>Total revenue from exchange transactions</b>		<b>36 469 758</b>	<b>37 528 047</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	29	45 634 506	28 638 446
Property rates - penalties imposed	29	4 358 151	2 255 611
Licences and Permits	30	1 022 912	968 386
<b>Transfer revenue</b>			
Government grants & subsidies	31	196 747 760	211 435 364
Fines, Penalties and Forfeits	32	711 750	671 460
<b>Total revenue from non-exchange transactions</b>		<b>248 475 079</b>	<b>243 969 267</b>
<b>Total revenue</b>		<b>284 944 837</b>	<b>281 497 314</b>
<b>Expenditure</b>			
Employee related costs	33	(87 839 693)	(81 735 743)
Remuneration of councillors	34	(13 085 499)	(12 013 952)
Depreciation and amortisation	35	(24 813 357)	(22 181 306)
Finance costs	36	(899 254)	(1 081 614)
Lease rentals on operating lease	37	(333 367)	(284 007)
Debt Impairment	38	(1 036 101)	(3 181 041)
Inventory Consumed	3	(437 128)	(295 914)
Bulk purchases	40	(30 663 273)	(26 414 193)
Contracted services	41	(67 371 221)	(51 350 815)
Housing development construction expenditure	25	(1 643 462)	(2 029 067)
General Expenses	42	(45 460 156)	(46 924 938)
<b>Total expenditure</b>		<b>(273 582 511)</b>	<b>(247 492 590)</b>
<b>Operating surplus</b>		<b>11 362 326</b>	<b>34 004 724</b>
Loss on disposal of assets	13	(54 492)	(3 313 711)
Actuarial losses	19	(149 583)	(56 867)
Impairment of assets	43	(614 745)	(720 588)
Inventories losses/write-downs	3	(45 509)	-
		<b>(864 329)</b>	<b>(4 091 166)</b>
<b>Surplus for the year</b>		<b>10 497 997</b>	<b>29 913 558</b>

\* See Note 50

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Changes in Net Assets

Figures in Rand	Housing development fund	Accumulated surplus	Total net assets
Opening balance as previously reported	126 724	811 465 029	811 591 753
Adjustments			
Correction of errors	-	(123 376 937)	(123 376 937)
<b>Balance at 01 July 2020 as restated*</b>	<b>126 724</b>	<b>688 088 092</b>	<b>688 214 816</b>
Changes in net assets			
Interest received	3 449	-	3 449
Net income (losses) recognised directly in net assets	3 449	-	3 449
Surplus for the year	-	29 913 558	29 913 558
Total recognised income and expenses for the year	3 449	29 913 558	29 917 007
Total changes	3 449	29 913 558	29 917 007
<b>Restated* Balance at 01 July 2021</b>	<b>130 173</b>	<b>718 001 653</b>	<b>718 131 826</b>
Changes in net assets			
Interest received	3 537	-	3 537
Net income (losses) recognised directly in net assets	3 537	-	3 537
Surplus for the year	-	10 497 997	10 497 997
Total recognised income and expenses for the year	3 537	10 497 997	10 501 534
Total changes	3 537	10 497 997	10 501 534
<b>Balance at 30 June 2022</b>	<b>133 710</b>	<b>728 499 650</b>	<b>728 633 360</b>
Note(s)	23		

\* See Note 50

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Property rates		36 363 365	57 088 066
Sale of goods and services		29 275 219	25 541 232
Grants		196 747 760	184 420 057
Interest income		6 956 693	11 034 135
Housing development income		1 643 462	2 029 067
Other receipts		25 158 284	6 641 714
		<b>296 144 783</b>	<b>286 754 271</b>
<b>Payments</b>			
Employee costs		(100 436 383)	(91 183 623)
Suppliers		(131 867 514)	(101 716 408)
Finance costs		(899 254)	(1 081 614)
Housing development expenditure		(1 643 462)	(2 029 067)
Prepayments	8	-	206 122
INEP Projects paid		(25 158 284)	(6 641 714)
		<b>(260 004 897)</b>	<b>(202 446 304)</b>
<b>Net cash flows from operating activities</b>	<b>46</b>	<b>36 139 886</b>	<b>84 307 967</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	13	(103 836 594)	(142 443 461)
<b>Cash flows from financing activities</b>			
Finance lease payments		(20 306)	(115 004)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(67 717 014)</b>	<b>(58 250 498)</b>
Cash and cash equivalents at the beginning of the year		198 219 956	256 470 454
<b>Cash and cash equivalents at the end of the year</b>	<b>11</b>	<b>130 502 942</b>	<b>198 219 956</b>

\* See Note 50

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	26 449 325	-	26 449 325	25 105 306	(1 344 019)	62
Rental of facilities and equipment	580 388	-	580 388	769 443	189 055	62
Other income	458 558	-	458 558	1 377 083	918 525	62
Interest revenue	3 433 741	-	3 400 007	7 574 464	4 174 457	62
<b>Total revenue from exchange transactions</b>	<b>30 922 012</b>	<b>-</b>	<b>30 888 278</b>	<b>34 826 296</b>	<b>3 938 018</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	43 067 484	-	43 067 484	45 634 506	2 567 022	
Property rates - penalties imposed	-	-	-	4 358 151	4 358 151	62
Licences and Permits	1 104 278	-	1 104 278	1 022 912	(81 366)	
<b>Transfer revenue</b>						
Government grants & subsidies	200 984 000	20 800 000	221 784 000	196 747 760	(25 036 240)	62
Fines, Penalties and Forfeits	3 705 199	-	3 705 199	711 750	(2 993 449)	62
<b>Total revenue from non-exchange transactions</b>	<b>248 860 961</b>	<b>20 800 000</b>	<b>269 660 961</b>	<b>248 475 079</b>	<b>(21 185 882)</b>	
<b>Total revenue</b>	<b>279 782 973</b>	<b>20 800 000</b>	<b>300 549 239</b>	<b>283 301 375</b>	<b>(17 247 864)</b>	
<b>Expenditure</b>						
Personnel	(107 370 624)	9 910 737	(97 459 887)	(87 839 693)	9 620 194	62
Remuneration of councillors	(12 996 671)	(1 289 408)	(14 286 079)	(13 085 499)	1 200 580	62
Depreciation and amortisation	(22 472 401)	479 249	(21 993 152)	(24 813 357)	(2 820 205)	62
Impairment loss/ Reversal of impairments	-	-	-	(614 745)	(614 745)	62
Finance costs	-	-	-	(899 254)	(899 254)	62
Lease rentals on operating lease	-	-	-	(333 367)	(333 367)	62
Debt Impairment	(6 300 000)	-	(6 300 000)	(1 036 101)	5 263 899	62
Inventory consumed	(10 177 574)	825 659	(9 351 915)	(437 128)	8 914 787	62
Bulk purchases	(22 900 000)	(8 695 653)	(31 595 653)	(30 663 273)	932 380	62
Contracted Services	(23 194 541)	(15 911 526)	(39 106 067)	(67 371 221)	(28 265 154)	62
Transfers and Subsidies	(6 277 149)	(838 582)	(7 115 731)	-	7 115 731	62
General Expenses	(22 073 117)	(34 199 630)	(56 272 747)	(64 485 907)	(8 213 160)	62
<b>Total expenditure</b>	<b>(233 762 077)</b>	<b>(49 719 154)</b>	<b>(283 481 231)</b>	<b>(291 579 545)</b>	<b>(8 098 314)</b>	
<b>Operating deficit</b>	<b>46 020 896</b>	<b>(28 919 154)</b>	<b>17 101 742</b>	<b>(8 278 170)</b>	<b>(25 379 912)</b>	
Loss on disposal of assets and liabilities	-	-	-	(54 492)	(54 492)	62
Actuarial gains/losses	-	-	-	(149 583)	(149 583)	62
Inventories losses/write-downs	-	-	-	(45 509)	(45 509)	
	-	-	-	(249 584)	(249 584)	
<b>Deficit before taxation</b>	<b>46 020 896</b>	<b>(28 919 154)</b>	<b>17 101 742</b>	<b>(8 527 754)</b>	<b>(25 629 496)</b>	

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## 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						
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>46 020 896</b>	<b>(28 919 154)</b>	<b>17 101 742</b>	<b>(8 527 754)</b>	<b>(25 629 496)</b>	

Reconciliation

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

Figures in Rand	Note(s)	2022	2021
-----------------	---------	------	------

### 1. Presentation of Annual Financial Statements

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

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

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

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

These accounting policies are consistent with the previous period.

#### 1.1 Going concern assumption

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

#### 1.2 Significant judgements and sources of estimation uncertainty

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

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

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

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

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

#### Impairment testing

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

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

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 21 - Provisions.

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.2 Significant judgements and sources of estimation uncertainty (continued)

#### Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 19.

#### Allowance for doubtful debts

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

#### Accounting by principals and agent

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

Additional information is disclosed in Note 22.

#### Impairment of statutory receivables

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

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

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

### 1.3 Investment property

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

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

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

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

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

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.3 Investment property (continued)

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

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

#### Cost model

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

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

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

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.

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 12).

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

### 1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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



# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.4 Property, plant and equipment (continued)

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 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.

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

---

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

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

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

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

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

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

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

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

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.4 Property, plant and equipment (continued)

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 13).

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

### 1.5 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

If the related asset is measured using the revaluation model:

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

### 1.6 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.6 Intangible assets (continued)

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.

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

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

---

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

---

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 14).

Intangible assets are derecognised:

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

### 1.7 Heritage assets

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

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

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

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

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

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.7 Heritage assets (continued)

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 15).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 15).

#### Recognition

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

#### Initial measurement

Heritage assets are measured at cost.

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

#### Subsequent measurement

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

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

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

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

#### Impairment

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

#### Transfers

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

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

#### Derecognition

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

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

## Accounting Policies

---

### 1.8 Financial instruments

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

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

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

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

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

A financial asset is:

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

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

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

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.8 Financial instruments (continued)

#### Classification

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

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

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

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

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

The 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:

### 1.9 Statutory receivables

#### Identification

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

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

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

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

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

#### Recognition

The municipality recognises statutory receivables as follows:

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

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.9 Statutory receivables (continued)

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

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

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

#### Derecognition

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

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.9 Statutory receivables (continued)

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

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

### 1.10 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 - lessor

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

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

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

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

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

#### Operating leases - lessee

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

### 1.11 Inventories

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

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

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

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



# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.11 Inventories (continued)

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.

### 1.12 Housing development construction contracts

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

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

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

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

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

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

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

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

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

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

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 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.

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## 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.

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.

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.13 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## 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.

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## 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 48.

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, an 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

Annual Financial Statements for the year ended 30 June 2022

## 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.

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

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.16 Revenue from exchange transactions (continued)

#### Rendering of services

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

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

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

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

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

#### Interest, royalties and dividends

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

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

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

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

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

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

### 1.17 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.



# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.17 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

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

#### Recognition

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

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

#### Measurement

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

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

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

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

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.17 Revenue from non-exchange transactions (continued)

#### Fines

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

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

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

### 1.18 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).

#### 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 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

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.19 Accounting by principals and agents (continued)

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

### 1.20 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).

### 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.

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.24 Segment information (continued)

#### Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

The reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

### 1.25 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 2021/07/01 to 2022/06/30.

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.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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

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

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 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.

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 1 July, 2022 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25 : Employee Benefits	To be determined	Unlikely there will be a material impact
• iGRAP 7 : Limit on the Defined benefit Assets	To be determined	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	1 April 2023	Unlikely there will be a material impact
• iGRAP : The effect of post Decisions on Materiality	1 April 2023	Unlikely there will be a material impact
• GRAP 1 (amended) : Presentation of Financial Statements	1 April 2023	Unlikely there will be a material impact

### 3. Inventories

Consumable stores	2 073 734	1 476 328
Inventories (write-downs)	2 073 734 (45 509)	1 476 328 -
	<b>2 028 225</b>	<b>1 476 328</b>

Inventory has been recorded using the weighted average cost method. Inventory is carried as a lower of cost or current replacement value. Stock take was conducted on 30 June 2022 to determine the quantity and value of inventory at hand.

Inventory was assessed for redundancy and abnormal wastage and inventory write-down was identified in the current year. Inventory write-downs relates to outdated items and redundant items

#### Movement during the year

Carrying value of inventories at the beginning of the year	1 476 328	876 266
Inventories purchased during the year	1 034 534	895 976
Inventories recognised as an expense during the year	(437 128)	(295 914)
Write-downs	(45 509)	-
	<b>2 028 225</b>	<b>1 476 328</b>

#### Inventory pledged as security

There was no inventory pledged as security.

### 4. Overpayment to councillors

#### Overpayment to councillors

At beginning of the year	110 592	527 671
Repayments	(73 583)	(417 079)
	<b>37 009</b>	<b>110 592</b>

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 4. Overpayment to councillors (continued)

The councillors benefited from the payment of upper limits which was later endorsed by the MEC to be unduly. The municipality and the councillors agreed that the amount will be deducted monthly until the amount is repaid in full

### 5. Operating lease Receivable

Current assets	145 890	171 651
----------------	---------	---------

### Leasing Arrangements

#### The Municipality as Lessor:

Operating Leases relate to the following:

Lease of premises owned by the municipality to Vodacom (PTY) Ltd with lease terms of 9 years and 11 months, with no option to extend. The lessee does not have an option to purchase the property at the expiry of the lease period

Lease of premises owned by the municipality to Electoral Commission with lease terms of 60 months, with no option to extend. The lessee does not have an option to purchase the property at the expiry of the lease period

Lease of premises owned by the municipality to ATC South Africa with lease terms of 9 years and 11 months, with no option to extend. The lessee does not have an option to purchase the property at the expiry of the lease period

Lease of premises owned by the municipality to Unjani Clinic with lease terms of 60 months, with no option to extend. The lessee does not have an option to purchase the property at the expiry of the lease period

Operating leases have been straightlined in accordance with GRAP 13 requirements

#### Operating lease receivable

- within one year	316 146	237 249
- in second to fifth year inclusive	617 995	460 647
- later than five years	282 716	-
	<b>1 216 857</b>	<b>697 896</b>

### 6. Receivables from non-exchange transactions

#### Gross balances

Consumer debtors - Rates	52 105 770	35 966 858
Consumer debtors - Fines	4 170 482	3 558 691
	<b>56 276 252</b>	<b>39 525 549</b>

#### Less: Allowance for impairment

Consumer debtors - Rates	(22 558 025)	(22 049 093)
Consumer debtors - Fines	(3 767 432)	(3 178 881)
	<b>(26 325 457)</b>	<b>(25 227 974)</b>

#### Net balance

Consumer debtors - Rates	29 547 745	13 917 765
Consumer debtors - Fines	403 050	379 810
	<b>29 950 795</b>	<b>14 297 575</b>

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>6. Receivables from non-exchange transactions (continued)</b>		
<b>Summary of debtors by customer Category</b>		
<b>Rates</b>		
Current (0 -30 days)	281 067	355 648
31 - 60 days	281 597	357 428
61 - 90 days	4 069 287	2 489 178
91 - 120 days	4 004 439	2 429 615
121 - 180	4 399 401	2 405 794
> 180 days	39 069 538	59 156 649
Less: Revenue Reversal	-	(31 227 454)
	52 105 329	35 966 858
Less: Allowance for impairment	(22 558 025)	(22 049 093)
	<b>29 547 304</b>	<b>13 917 765</b>
<b>Fines</b>		
Current (0 -30 days)	48 300	53 900
31 - 60 days	108 800	20 600
61 - 90 days	25 000	123 200
91 - 120 days	229 850	53 510
121 - 180 days	37 200	188 300
> 180 days	3 730 232	3 178 881
	4 179 382	3 618 391
Less: Allowance for impairment	(3 767 432)	(3 178 881)
	<b>411 950</b>	<b>439 510</b>
<b>Summary of debtors by customer classification- Property rates</b>		
Government	27 590 186	13 948 495
Commercial	1 585 549	869 116
Households	6 212 747	11 095 307
Other	16 716 847	10 035 815
	<b>52 105 329</b>	<b>35 948 733</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	25 227 974	21 453 508
Contributions to allowance	1 097 483	3 774 466
	<b>26 325 457</b>	<b>25 227 974</b>



# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

---

Figures in Rand	2022	2021
-----------------	------	------

---

### 6. Receivables from non-exchange transactions (continued)

#### Statutory receivables general information

##### Revenue reversal

During a review of Property rates billing which was carried out by the municipality, duplicate accounts were identified and a reversal of revenue billing and corresponding statutory debtor was reversed. This has resulted in historical debt amounting to R31 227 454 being reversed in the year ended 30 June 2021.

.

##### Grap 104 Assessment

In line with GRAP 104, the entity has assessed observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

- (i) adverse changes in the payment status of borrowers in characterised by increased number of delayed payments); and
- (ii) national economic conditions that correlate with defaults on the assets in the group due to a contracting economy.

Lockdown measures have caused revenues and employment rates to fall precipitously.

The assessment for impairment was carried out as per GRAP 104.

##### Transaction(s) arising from statute

The municipality has two classes of receivables that meet the criteria of statutory receivables, being property rates which are levied in terms of the Municipal Property Rates Act and Traffic fines are issued in terms of the Administrative Adjudication of Road Traffic Offences (AARTO Act) by way of notices to offenders which specify the value of the fine that must be paid.

.

##### Determination of transaction amount

Property rates are governed by The Local Government: Municipal Property Rates Act 6 of 2004. Property rates values are calculated based on market value of properties as per applicable valuation roll. Provision for bad debts on statutory debtors is determined risk profile of each customer and default rate per risk profile as determined by the municipality. 8% interest is charged on all arrear accounts of 30 days or more at the rate of 8%

Traffic fines are governed by Administrative Adjudication of Road Traffic Offences Act No 46 of 1998 (AARTO) and National Road Traffic Act, No. 93 of 1996 of South Africa. Traffic fines charged are determined by The National Road Traffic Offence Charge Book. Due to high rate of default payments of traffic fines, the municipality provides for bad debts at rate of 100% on traffic fines which are 5 months past due. 8% interest is charged on all arrear accounts of 30 days or more at the rate of 8%

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

Debtors with outstanding balances at the reporting date are assessed for impairment. Debtors age analysis is used and debtors owing more than 150 days are considered for impairment. Assessment for impairment is done at individual account balance first. This done taking into account the payment historical behavior.

Thereafter, debtors not impaired at individual level are grouped into Households and industrial/Commercial categories for collective assessment. Government accounts are not assessed for impairment.

##### Statutory receivables past due but not impaired

Statutory receivables which are less than 4 months past due are not considered to be impaired. At 30 June 2022, R11 101 807 (2021:R 8 067 625 -) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	390 397	378 028
2 months past due	4 094 287	2 612 318
3-4 months past due	6 617 123	5 072 469

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>6. Receivables from non-exchange transactions (continued)</b>		
<b>Statutory receivables impaired</b>		
As of 30 June 2022, Statutory receivables of R 44 853 747 - (2021: R59 157 349-) were impaired and provided for.		
The amount of the provision was R26 325 456.99 - as of 30 June 2022 (2021:R25 227974.71 -).		
The ageing of these receivables is as follows:		
5 months	2 053 767	2 314 514
6 Months and above	39 442 561	59 164 676
<b>7. VAT receivable</b>		
VAT	12 948 909	14 823 945
<b>The VAT receivable balance is comprised of:</b>		
Input VAT claimed through VAT 201 returns	(17 458 326)	(23 165 699)
Undeclared VAT output	(157 367 075)	(118 607 202)
Undeclared VAT input	187 774 310	156 596 846
	<b>12 948 909</b>	<b>14 823 945</b>
The municipality accounts for value added tax on an accrual basis but claimed/ paid over to SARS on cash basis in accordance with section 15 (2) of the value added tax act No. 89 of 1991		
<b>8. Prepayments</b>		
Fire-arms	17 826	206 122
<b>9. Receivables from exchange transactions</b>		
<b>Gross balances</b>		
Electricity	3 429 134	3 973 089
Rentals	1 548 802	1 287 588
Refuse	6 356 350	8 096 995
	<b>11 334 286</b>	<b>13 357 672</b>
<b>Less: Allowance for impairment</b>		
Electricity	(176 815)	(167 799)
Rentals	(167 717)	(213 627)
Refuse	(2 557 213)	(2 581 700)
	<b>(2 901 745)</b>	<b>(2 963 126)</b>
<b>Net balance</b>		
Electricity	3 252 319	3 805 290
Rentals	1 381 085	1 073 961
Refuse	3 799 137	5 515 295
	<b>8 432 541</b>	<b>10 394 546</b>

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>9. Receivables from exchange transactions (continued)</b>		
<b>Electricity</b>		
Current (0 -30 days)	1 515 427	1 554 337
31 - 60 days	268 561	657 570
61 - 90 days	181 717	457 001
91 - 120 days	121 790	45 052
121 - 180 days	255 283	43 901
> 180 days	1 086 356	1 215 228
	<b>3 429 134</b>	<b>3 973 089</b>
<b>Summary of Debtors by Classification - electricity</b>		
Government	1 227 872	2 077 140
Commercial	2 004 753	1 697 005
Households	126 162	132 771
Other	70 347	65 911
	<b>3 429 134</b>	<b>3 972 827</b>
<b>Refuse</b>		
Current (0 -30 days)	168 789	183 232
31 - 60 days	114 718	120 660
61 - 90 days	94 934	109 588
91 - 120 days	83 049	103 685
121 - 180 days	151 158	102 109
> 180 days	5 743 702	7 461 452
	<b>6 356 350</b>	<b>8 080 726</b>
<b>Summary of Debtors by Classification - Refuse</b>		
Government	149 630	4 984 311
Commercial	196 489	192 661
Household	4 413 882	2 884 141
Other	1 596 349	19 613
	<b>6 356 350</b>	<b>8 080 726</b>
<b>Rental</b>		
Current (0 -30 days)	118 245	114 646
31 - 60 days	50 290	36 263
61 - 90 days	35 071	34 625
91 - 120 days	37 868	28 876
121 - 180	73 410	26 989
> 180 days	1 233 918	1 046 189
	<b>1 548 802</b>	<b>1 287 588</b>
<b>Summary of Debtors by Classification - Rentals</b>		
Government	5 876	5 551
Commercial	1 542 804	1 281 799
Household	122	238
	<b>1 548 802</b>	<b>1 287 588</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	2 963 126	3 556 551
Contributions to allowance	9 016	12 282
Reversal of allowance	(70 398)	(605 707)
	<b>2 901 744</b>	<b>2 963 126</b>

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

---

Figures in Rand	2022	2021
-----------------	------	------

---

### 9. Receivables from exchange transactions (continued)

#### Consumer debtors pledged as security

There were no consumer debtors pledged as security.

### 10. Other Receivables from exchange transactions

Overpayments	18 636	263 010
Bank Unauthorised transactions	133 009	-
	<b>151 645</b>	<b>263 010</b>

---

#### Trade and other receivables general information

During 2022 financial year, an amount of R 132 943 was deducted from the municipality's bank account without the approval from the municipality.

Overpayment to suppliers occurred in the previous financial years and these amounts have been collected subsequent to year end

.

### 11. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	478 544	14 152 841
Short-term deposits	130 024 398	184 067 115
	<b>130 502 942</b>	<b>198 219 956</b>

---

#### Cash and cash equivalents pledged as collateral

There was no cash and cash equivalents pledged as collateral.

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand				2022			2021
<b>11. Cash and cash equivalents (continued)</b>							
<b>The municipality had the following bank accounts</b>							
Account number / description	Bank statement balances			Cash book balances /Investment register			
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020	
Absa Bank - Call Account 92 7785 1394	1 670 268	1 626 089	847 338	1 670 268	1 626 089	847 338	
Absa Bank - Call Account 93 0769 5892	55 980	54 554	4 980 241	55 980	54 554	4 980 241	
Absa Bank - Investment Account - 93 3821 7106	32 353	19 487 338	87 577 286	32 353	19 487 338	87 577 286	
Absa Bank - Notice Select Account - 9365964328	21 596	-	-	21 596	-	-	
Absa Bank - Call Account 9370560646	17 200 025	-	-	17 200 025	-	-	
Absa Bank - Call Account 9370652142	5 240 217	-	-	5 240 217	-	-	
Absa Bank - Notice Select Account - 9370762765	44 618 252	-	-	44 618 252	-	-	
Absa Bank - Investment Account - 20 7862 1826	-	-	10 672 456	-	-	10 672 456	
Absa Bank -Primary account- 40 5356 2762	478 544	14 152 841	17 691 487	478 544	14 152 841	17 691 487	
Absa Bank - Investment Account - 91 4284 5014	266 646	259 602	-	266 646	259 602	-	
FNB Bank - Investment Account - 71848462554	8 726 874	8 344 274	8 006 613	8 726 874	8 344 274	8 006 613	
FNB Bank - Investment Account - 62372311408	8 769 124	8 478 713	8 228 862	8 769 124	8 478 713	8 228 862	
FNB Bank - Investment Account - 71848460889	7 379 610	7 056 076	6 770 543	7 379 610	7 056 076	6 770 543	
FNB Bank - Investment Account - 74429052166	14 160 519	13 554 747	13 010 300	14 160 519	13 554 747	13 010 300	
Standard Bank - Investment Account - 308585569014	6 522	6 371	6 245	6 522	6 371	6 245	
Standard Bank - Investment Account - 308585569063	21 875 345	21 003 295	20 260 977	21 875 345	21 003 295	20 260 977	
Standard Bank - Investment Account - 308585569058	-	-	13 796 637	-	-	13 796 637	
Investec Bank - Investment Account - 508022451	-	-	13 742 670	-	-	13 742 670	
Investec Bank - Investment Account - 508022453	-	-	12 419 529	-	-	12 419 529	
Investec Bank - Investment Account - 508022455	-	-	28 536 113	-	-	28 536 113	
Investec Bank - Investment Account - 508022500	-	56 717 492	-	-	56 717 492	-	
Nedbank - Call Account 03 7165 014 039 (3)	-	-	4 311 338	-	-	4 311 338	
Nedbank - Investment Account - 03 7165 014 039 (5)	1 067	47 478 564	6 934 604	1 067	47 478 564	6 934 604	
Nedbank - Call Account 03 7165 014 039 (7)	-	-	13 003 853	-	-	13 003 853	
Nedbank - Call Account 03 7165 014 039 (12)	-	-	21 481 151	-	-	21 481 151	

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

---

Figures in Rand					2022	2021
<b>11. Cash and cash equivalents (continued)</b>						
<b>Total</b>	<b>130 502 942</b>	<b>198 219 956</b>	<b>292 278 243</b>	<b>130 502 942</b>	<b>198 219 956</b>	<b>292 278 243</b>

---

### Closed Bank Accounts

The following accounts were previously used by the municipality and are no longer in use:

Investec Bank-508022452

Standard Bank-308585569

FNB Bank-7467765532

FNB Bank-74602071652

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 12. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	20 821 786	(1 450 735)	19 371 051	20 821 786	(1 384 074)	19 437 712

#### Reconciliation of investment property - 2022

	Opening balance	Depreciation	Total
Investment property	19 437 712	(66 661)	19 371 051

#### Reconciliation of investment property - 2021

	Opening balance	Depreciation	Total
Investment property	19 504 374	(66 662)	19 437 712

#### Pledged as security

There is no investment property pledged as security.

#### Amounts recognised in surplus or deficit

Rental revenue from Investment property	256 596	196 111
---	---------	---------

There were no direct operating expenses incurred from renting the property.

There were no contractual obligations to purchase, construct or develop the investment property. There were also no contractual obligations for repairs, maintenance or enhancements.

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 13. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	11 876 972	-	11 876 972	11 876 972	-	11 876 972
Buildings	30 243 079	(10 367 729)	19 875 350	30 243 079	(9 207 494)	21 035 585
Plant and machinery	14 862 340	(8 407 305)	6 455 035	14 441 538	(7 512 607)	6 928 931
Furniture and fixtures	3 284 544	(2 557 161)	727 383	3 289 959	(2 403 549)	886 410
Transport assets	41 119 851	(20 156 697)	20 963 154	40 078 101	(17 480 147)	22 597 954
IT equipment	3 837 162	(2 508 655)	1 328 507	3 239 849	(2 311 249)	928 600
Infrastructure - Roads and Stormwater Community	319 254 098	(80 984 761)	238 269 337	280 703 019	(68 960 468)	211 742 551
Electricity Infrastructure	258 376 357	(33 278 011)	225 098 346	214 260 075	(27 027 625)	187 232 450
Leased assets - Computer equipment	76 458 741	(9 319 831)	67 138 910	58 718 040	(8 016 940)	50 701 100
Refuse	-	-	-	193 718	(129 278)	64 440
	4 927 312	(1 743 721)	3 183 591	4 507 211	(1 599 508)	2 907 703
<b>Total</b>	<b>764 240 456</b>	<b>(169 323 871)</b>	<b>594 916 585</b>	<b>661 551 561</b>	<b>(144 648 865)</b>	<b>516 902 696</b>



# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 13. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Work in progress	Depreciation	Impairment loss	Total
Land	11 876 972	-	-	-	-	-	11 876 972
Buildings	21 035 585	-	-	-	(1 160 235)	-	19 875 350
Plant and machinery	6 928 931	501 852	(22 919)	-	(952 829)	-	6 455 035
Furniture and fixtures	886 410	60 373	(12 182)	-	(207 158)	(60)	727 383
Motor vehicles	22 597 954	1 411 750	(70 090)	-	(2 976 460)	-	20 963 154
IT equipment	928 600	773 123	(45 341)	-	(327 875)	-	1 328 507
Infrastructure - Roads and Stormwater	211 742 551	-	-	38 551 079	(11 488 045)	(536 248)	238 269 337
Community	187 232 450	17 203 621	-	26 912 661	(6 180 827)	(69 559)	225 098 346
Electricity Infrastructure	50 701 100	-	-	17 740 701	(1 294 013)	(8 878)	67 138 910
Leased Assets	64 440	-	(61 615)	-	(2 825)	-	-
Refuse	2 907 703	420 101	-	-	(144 213)	-	3 183 591
	<b>516 902 696</b>	<b>20 370 820</b>	<b>(212 147)</b>	<b>83 204 441</b>	<b>(24 734 480)</b>	<b>(614 745)</b>	<b>594 916 585</b>

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 13. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Work in progress	Depreciation	Impairment loss	Total
Land	11 876 972	-	-	-	-	-	11 876 972
Buildings	22 211 584	-	-	-	(1 160 004)	(15 995)	21 035 585
Machinery and equipment	4 921 387	3 164 360	(117 651)	-	(1 039 165)	-	6 928 931
Furniture and office equipment	571 953	529 514	(14 765)	-	(200 292)	-	886 410
Transport assets	15 510 104	10 477 635	-	-	(2 832 223)	(557 562)	22 597 954
Computer equipment	719 213	547 841	(73 541)	-	(264 913)	-	928 600
Roads and stormwater infrastructure	170 994 506	60 495 569	(3 107 455)	(5 781 887)	(10 733 682)	(124 500)	211 742 551
Community	133 194 716	33 542 880	(299)	25 732 032	(5 214 351)	(22 528)	187 232 450
Electricity infrastructure	38 524 734	23 661 439	-	(10 986 491)	(498 582)	-	50 701 100
Leased assets - Computer equipment	96 660	-	-	-	(32 220)	-	64 440
Refuse removal	2 234 778	793 816	-	-	(120 891)	-	2 907 703
	<b>400 856 607</b>	<b>133 213 054</b>	<b>(3 313 711)</b>	<b>8 963 654</b>	<b>(22 096 323)</b>	<b>(720 585)</b>	<b>516 902 696</b>

#### Pledged as security

No property plant and equipment has been pledged as security for any liabilities of the municipality.

There are assets under construction that are taking significantly longer to complete than expected due to delays caused by contractors on site.

#### Carrying value of property, plant and equipment that is taking significantly longer period of time to complete than expected:

Mafihleng Sportfield	3 412 774	3 412 774
Sheep and Wool	5 382 079	5 382 079
Nquthu stormwater and southern canal	4 008 735	4 008 735
Mangwebuthanani Electrification	10 725 296	10 725 296

#### Assets subject to finance lease (Net carrying amount)

Computer equipment	-	64 440
--------------------	---	--------

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 13. Property, plant and equipment (continued)

#### Reconciliation of Work-in-Progress 2022

	Included within Infrastructure Electricity	Included within Roads and Stormwater	Included within Community Assets	Total
Opening balance	23 510 704	42 233 257	57 262 648	123 006 609
Additions/capital expenditure	17 740 700	39 564 489	43 364 207	100 669 396
WIP write off	-	-	(139 878)	(139 878)
Transferred to completed items	-	(1 013 410)	(16 311 668)	(17 325 078)
	<b>41 251 404</b>	<b>80 784 336</b>	<b>84 175 309</b>	<b>206 211 049</b>

#### Reconciliation of Work-in-Progress 2021

	Included within Infrastructure Electricity	Included within roads and Stormwater	Included within Community Assets	Total
Opening balance	34 497 191	48 034 217	31 530 616	114 062 024
Additions/capital expenditure	12 674 949	43 332 078	70 964 283	126 971 310
Transferred to completed items	(23 661 436)	(49 133 038)	(45 232 251)	(118 026 725)
	<b>23 510 704</b>	<b>42 233 257</b>	<b>57 262 648</b>	<b>123 006 609</b>

#### Expenditure incurred to repair and maintain property, plant and equipment

#### Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Maintenance of unspecified assets	413 334	165 002
-----------------------------------	---------	---------

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 14. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, internally generated	623 878	(599 450)	24 428	623 878	(587 236)	36 642

#### Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software, internally generated	36 642	(12 214)	24 428

#### Reconciliation of intangible assets - 2021

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

#### Pledged as security

There are no intangible assets pledged as security:

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 15. Heritage assets

	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	78 888	-	78 888	78 888	-	78 888

#### Reconciliation of heritage assets 2022

	Opening balance	Total
Art Collections, antiquities and exhibits	78 888	78 888

#### Reconciliation of heritage assets 2021

	Opening balance	Total
Art Collections, antiquities and exhibits	78 888	78 888

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>16. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	-	20 561
	-	20 561
less: future finance charges	-	(255)
<b>Present value of minimum lease payments</b>	-	<b>20 306</b>
<b>Present value of minimum lease payments due</b>		
- within one year	-	20 306

The municipality entered into a finance lease agreement with MTN mobile network in June 2019. The agreement was that the lessor will supply 19 laptops to the lessee and the lessee will pay a monthly instalment of 10 279.95 starting from 1 September 2019

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

### 17. Payables from exchange transactions

Trade payables	15 345 946	6 986 592
Payments received in advance	8 754 604	10 784 478
Third parties payroll creditors	2 943 555	997
Retentions	22 436 974	19 827 793
Human Settlement - Housing development funds	1 537 972	1 497 330
Unallocated deposits	577 719	741 662
PAYE Debt	34 618	34 618
Bonus Accrual	2 117 421	2 000 222
	<b>53 748 809</b>	<b>41 873 692</b>

### 18. Consumer deposits

Electricity	429 160	429 960
Property rental	27 705	2 656
Refuse	70 043	70 043
	<b>526 908</b>	<b>502 659</b>

Upon application consumers pay consumer deposit. The deposit can be used to offset long outstanding debtors. Consumer deposits are refunded when the house is sold after the municipality has issued a clearance certificate

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 19. Long Service Award

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(4 422 000)	(3 809 000)
Non-current liabilities	(3 949 000)	(3 393 000)
Current liabilities	(473 000)	(416 000)
	<b>(4 422 000)</b>	<b>(3 809 000)</b>

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

In the month that each "Completed Service" milestone is reached, the employee is granted an LSA. Working days awarded are valued at 1/249th of annual earnings per day.

An employee with five or more years' service with the Municipality, who leaves the service of the Municipality for any reason whatsoever, excluding reasons relating to misconduct, shall receive a pro-rata LSA for any uncompleted (five-year) period of service. The pro-rata factor applicable is the number of years of service since an employee's most recent service milestone, divided by five.

The encashment or taking of LSA leave days must occur in the same year that the employee qualifies for the award.

The fair value of plan assets includes:

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

Opening balance	(3 809 000)	(2 678 847)
Net expense recognised in the statement of financial performance	(613 000)	(1 130 153)
	<b>(4 422 000)</b>	<b>(3 809 000)</b>

Net expense recognised in the statement of financial performance

Current service cost	(547 000)	(336 982)
Interest cost	(352 000)	(229 672)
Actuarial losses	(149 583)	(56 867)
Policy Changes	-	(808 000)
Benefit Paid	435 583	301 368
	<b>(613 000)</b>	<b>(1 130 153)</b>

Calculation of actuarial gains and losses

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

---

Figures in Rand	2022	2021
-----------------	------	------

---

### 19. Long Service Award (continued)

#### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	10.71 %	9.77 %
General earnings inflation rate (long-term)	7.15 %	5.98 %
Net effective discount rate	3.32 %	3.58 %

#### Demographic Assumptions

Demographic assumptions are required about the future characteristics of current employees who are eligible for LSA.

#### Promotional Earnings Scale.

The annual inflation rates below are in addition to the General Earnings Inflation assumption of 7.15% per annum for all employees.

#### Average Retirement Age

The normal retirement age of employees is 63. It has been assumed that employees will retire at age 61 on average, which then implicitly allows for expected rates of ill-health and early retirement. Employees who have passed the assumed average retirement age, have been assumed to retire at their next birthday.

#### Pre-Retirement Mortality

SA85-90 ultimate table, adjusted for female lives.

#### Withdrawal from Service

If an employee leaves, the employer's liability in respect of that employee ceases. It is therefore important not to overstate withdrawal rates.

#### **The basis on which the discount rate has been determined is as follows:**

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the employee benefit liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 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 6.15% was obtained from the differential between market yields on index-linked bonds (3.82%) consistent with the estimated terms of the liabilities and those of nominal bonds (10.71%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as  $((1+10.71\%-0.50\%)/(1+3.82\%))-1$ .

Thus, a general earnings inflation rate of 7.15% 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 3.32%.

It has been assumed that the next general earnings increase will take place on 1 July 2023.



# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 19. Long Service Award (continued)

#### Other assumptions

The results of the valuation are based on a number of assumptions. The extent to which the actual liability faced in the future by the Municipality differs from these results will depend on the extent to which actual experience differs from the assumptions made. The assumptions which tend to have the greatest impact on the results are:

- (i) the general earnings inflation rate assumption;
- (ii) the discount rate assumption;
- (iii) the average retirement age of employees; and
- (iv) assumed rates of withdrawal of employees from service.

Below is how the liability would change with a 1% increase or decrease in the discount rate used..

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	871 000	547 522

### 20. Unspent conditional grants and receipts

#### Unspent conditional grants and receipts comprises of:

##### Unspent conditional grants and receipts

MIG grant	-	-
Bernem grant	-	821 760
Library Volunteer	247 941	241 941
Sportsfield maintenance grant	128 893	128 893
	<b>376 834</b>	<b>1 192 594</b>

#### Movement during the year

Balance at the beginning of the year	1 192 594	1 599 201
Additions during the year	45 737 000	38 068 759
Withheld	-	(804 002)
Income recognition during the year	(46 552 760)	(37 671 364)
	<b>376 834</b>	<b>1 192 594</b>

See note 20 for reconciliation of grants from National/Provincial Government.

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

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 21. Provisions

#### Reconciliation of provisions - 2022

	Opening Balance	Additions	Total
Provision for landfill site	1 901 143	609 075	2 510 218
Leave	8 629 995	(241 390)	8 388 605
	<b>10 531 138</b>	<b>367 685</b>	<b>10 898 823</b>

#### Reconciliation of provisions - 2021

	Opening Balance	Additions	Total
Landfill site	995 083	906 060	1 901 143
Leave	7 160 157	1 469 838	8 629 995
	<b>8 155 240</b>	<b>2 375 898</b>	<b>10 531 138</b>

Non-current liabilities		2 232 839	1 712 169
Current liabilities		8 665 984	8 818 969
		<b>10 898 823</b>	<b>10 531 138</b>

#### 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 R2 510 218 and the remaining life is 20 years. Due to the uncertainty in timing and actual amount of the rehabilitation cost, management have made the best estimate to raise a provision based on the report. The detailed report is available for inspection at the registered office of the Municipality.

There are various limitations and assumptions that have a direct bearing on the cost estimates provided as indicated below:

- Costs are based on previous tender prices and generic costs and may vary depending on material availability, fuel price etc.;
- The previous year's cost was escalated since no changes were reported;
- Evaluation is based on approximate landfill size or the fenced area since the co-ordinates in the licence document does not correlate with the aerial view of the site (Google Earth used for evaluation);
- The design is based on the requirements of the licence issued;
- No site visit was conducted, cost estimate is therefor based on the information supplied by the Municipality as well as licence conditions;
- The estimated closure cost is based on a generic closure design not taking site specific condition into consideration and may vary significantly once the site has been upgraded.

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
-----------------	------	------

### 22. Accounting by principals and agents

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

#### Details of the arrangements are as follows:

Principal-agent arrangements relate to binding arrangements in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal). The following arrangement meets the criterion for such arrangements:

#### 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.

#### KwaZulu Natal Department of Transport

The agreement requires the municipality to perform all the testing functions on behalf of the department which consist of Driving licence test centre functions. The municipality is an Agent to the agreement as they are responsible for performing testing functions on behalf of the Department. Thus a principal agent arrangement exist. The municipality is the agent in terms of GRAP 109.

#### Financial implication

An amount of R24 800 000 (2021 :R7000 000) was transferred to the Municipality for Integrated National Electrification Programme during the year.

There are no funds receivable or payable to the department as at the end of the year. However the municipality pay out an amount to R79 to the department for the production of drivers licence card

#### Entity as agent

#### Revenue recognised

The aggregate amount of the revenue that met the grant conditions is R25 158 285 (2021: 6 641 715). The total unspent portion of the grant as at 30 June 2022 is R0 (2021: 358 286)

The aggregate amount of revenue recognised as a result of drivers' licence testing functions is R1 008 500 (2021: 954 713)

#### Entity as principal

#### Details of the arrangements are as follows:

#### Ontec System

The agreement requires ONTEC System to manage the sale of prepaid electricity on behalf of the of the municipality. The municipality is Principal to the agreement as ONTEC System is responsible for manage the sale of prepaid electricity on behalf of the municipality. Thus a principal agent arrangement exist. The municipality is the principal in terms of GRAP 109.

#### Fee paid

Fee paid as compensation to the agent	521 387	402 521
---------------------------------------	---------	---------

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>23. Housing Development Fund</b>		
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	130 173	126 724
Interest	3 537	3 449
	<b>133 710</b>	<b>130 173</b>

### 24. Service charges

Sale of electricity	23 761 087	21 605 186
Solid waste	1 344 219	1 358 287
	<b>25 105 306</b>	<b>22 963 473</b>

Included in service charges is free basic services for both electricity and refuse removal.

### 25. Housing development construction contracts

#### Contracts in progress at statement of financial position date

Revenue	1 643 462	2 029 066
Expenditure	(1 643 462)	(2 029 066)
	-	-

The Housing Development Construction contracts relate to agreements entered between the Municipality and the KwaZulu-Natal Department of Housing in respect of housing projects where the Municipality is a project developer in this arrangement. This arrangement is accounted for in line with GRAP 11 - Construction contracts

The Housing Development Construction Contract Expenses consists mainly of contracted services wherein the Municipality procures the services of building contractors and other consultants in the construction of the houses on its behalf

The Housing Development Construction Contract Revenue is recognised on a stage of completion based on the costs incurred. There are no contracts accounted for as work in progress given that costs are expensed when incurred.

The amount due for contract work done is recognised as a debtor and disclosed on the note for Receivables from exchange transactions.

The amounts received in advance for work to be done is recognised as a liability and disclosed on Note 17: Payables from exchange transactions.

As at 30 June 2022 there were no amounts withheld as retentions for housing development construction contract.

### 26. Rental of facilities and equipment

<b>Premises</b>		
Rental income	512 847	644 860
<b>Facilities and equipment</b>		
Rental of facilities	256 596	196 111
	<b>769 443</b>	<b>840 971</b>

Included in the above rentals are operating lease rentals at straight-lined amounts of R256 596 (2021: R196 111).

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>27. Other income</b>		
Commission: Transaction Handling Fees	191 046	184 848
Sale of property	384 180	-
Insurance proceeds	358 507	132 729
Skills Development Levy Refund	146 217	96 777
Sale of tender documents	204 250	126 750
Advertisement	150	4 339
Cemetery and burial	61 674	68 316
Fire Services	1 786	138
Photo copies	12 249	5 738
Building Plan Approval	10 148	34 428
Clearance Certificates	3 680	5 451
Town Planning and Servitudes	1 826	191
Buyers Card	1 370	696
	<b>1 377 083</b>	<b>660 401</b>
<b>28. Interest revenue</b>		
Short-term investments	6 956 693	10 277 202
Interest charged on trade and other receivables	617 771	756 933
	<b>7 574 464</b>	<b>11 034 135</b>

The amount included in Investment revenue arising from exchange transactions amounted to R 6 956 693 (2021:R 10 277 202)

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>29. Property rates</b>		
<b>Rates received</b>		
Residential	6 190 883	5 012 904
State	933 800	2 276 523
Commercial	38 509 823	21 349 019
	45 634 506	28 638 446
Property rates - penalties imposed	4 358 151	2 255 611
	<b>49 992 657</b>	<b>30 894 057</b>
<b>Valuations</b>		
Residential	576 112 000	576 112 000
Business and Commercial Properties	231 101 000	231 101 000
Public Service Infrastructure	964 481 000	964 481 000
Municipal Properties	106 267 000	106 267 000
Agriculture Properties Used for Agricultural Purposes	965 857 000	965 857 000
	<b>2 843 818 000</b>	<b>2 843 818 000</b>

The municipality implemented 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 30 April 2022. 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 2018.

### 30. Licences and permits (non-exchange)

Filming Fees	790	415
Hoarding (Collecting/Storing)	7 401	7 355
Trading licences	6 221	5 903
Road and Transport	1 008 500	954 713
	<b>1 022 912</b>	<b>968 386</b>

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>31. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	150 195 000	173 764 000
Energy Efficiency	2 000 000	-
Cybercadet grant	484 000	452 000
EPWP grant	1 260 000	1 088 000
Library support	1 871 000	1 809 000
Library Modular	1 364 000	1 722 531
Bornem	821 759	-
Library Volunteer	96 000	71 833
Finance Management Grant	1 850 001	1 900 000
	<b>159 941 760</b>	<b>180 807 364</b>
<b>Capital grants</b>		
INEP grant	-	-
Municipal Infrastructure grant	36 806 000	30 628 000
	<b>36 806 000</b>	<b>30 628 000</b>
	<b>196 747 760</b>	<b>211 435 364</b>
<b>Conditional and Unconditional</b>		
Included in above are the following grants and subsidies received:		
Conditional grants received	46 552 760	37 671 364
Unconditional grants received	150 195 000	173 764 000
	<b>196 747 760</b>	<b>211 435 364</b>
<b>Equitable Share</b>		
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.		
<b>Municipal Infrastructure Grant</b>		
Current-year receipts	36 806 000	30 628 000
Conditions met - transferred to revenue	(36 806 000)	(30 628 000)
	-	-
<b>Bornem Grant</b>		
Balance unspent at beginning of year	821 760	821 760
Conditions met - transferred to revenue	(821 760)	-
	-	<b>821 760</b>
<b>Library Volunteer</b>		
Balance unspent at beginning of year	241 941	217 755
Current-year receipts	102 000	96 000
Conditions met - transferred to revenue	(96 000)	(71 814)
	<b>247 941</b>	<b>241 941</b>

Conditions still to be met - remain liabilities (see note 20).

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>31. Government grants and subsidies (continued)</b>		
<b>Library Modular</b>		
Balance unspent at beginning of year	-	448 531
Current-year receipts	1 364 000	1 274 000
Conditions met - transferred to revenue	(1 364 000)	(1 722 531)
	-	-
<b>Grant 6</b>		
Conditions still to be met - remain liabilities (see note 20).		
Provide explanations of conditions still to be met and other relevant information.		
<b>Sportfield Maintenance</b>		
Balance unspent at beginning of year	128 896	128 896
Conditions still to be met - remain liabilities (see note 20).		
<b>Library Support</b>		
Current-year receipts	1 871 000	1 809 000
Conditions met - transferred to revenue	(1 871 000)	(1 809 000)
	-	-
<b>Energy Efficiency</b>		
Current-year receipts	2 000 000	-
Conditions met - transferred to revenue	(2 000 000)	-
	-	-
<b>Cybercadet</b>		
Current-year receipts	484 000	452 000
Conditions met - transferred to revenue	(484 000)	(452 000)
	-	-
<b>Financial Management Grant</b>		
Current-year receipts	1 850 000	1 900 000
Conditions met - transferred to revenue	(1 850 000)	(1 900 000)
	-	-
<b>Extended Public Works Program</b>		
Current-year receipts	1 260 000	1 088 000
Conditions met - transferred to revenue	(1 260 000)	(1 088 000)
	-	-



# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>32. Fines, Penalties and Forfeits</b>		
Illegal Connections Fines	28 100	1 000
Municipal Traffic Fines	683 650	670 460
	<b>711 750</b>	<b>671 460</b>

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>33. Employee related costs</b>		
Basic	68 565 676	63 650 746
Bonus	4 069 452	3 508 427
Medical aid - company contributions	2 717 708	2 412 276
UIF	484 972	467 741
Overtime payments	2 110 650	1 852 036
Car allowance	193 360	340 764
Housing benefits and allowances	73 581	94 267
Leave Gratuity	1 041 429	1 940 130
Standby allowances	1 633 327	1 266 812
Pension	6 752 251	5 978 246
Cellphone allowances	167 828	192 232
Bargain council	29 459	32 066
	<b>87 839 693</b>	<b>81 735 743</b>

### Remuneration of municipal manager

Annual Remuneration	1 030 759	1 066 426
Contributions to UIF, Medical and Pension Funds	2 012	1 903
Cellphone Allowance	-	3 000
	<b>1 032 771</b>	<b>1 071 329</b>

### Remuneration of chief finance officer

Annual Remuneration	755 460	164 924
Acting Allowance	31 776	243 099
Contributions to UIF, Medical and Pension Funds	1 863	317
Cellphone allowance	-	2 000
	<b>789 099</b>	<b>410 340</b>

During 2022 financial year, the CFO position was vacant for the month of July and new CFO was appointed in August 2021

During 2021 financial year, the CFO position was vacant for the period of 10 months and 1 person was acting

### Corporate and human resources (corporate services)

Annual Remuneration	276 966	846 307
Car Allowance	45 760	-
Contributions to UIF, Medical and Pension Funds	772	1 904
Cellphone Allowance	4 576	12 000
Acting Allowance	78 317	-
	<b>406 391</b>	<b>860 211</b>

During the 2022 financial year, this position was vacant for the month of June 2022 only and 1 person acted.

### Planning and Economic development

Annual Remuneration	755 460	234 829
Acting Allowance	36 150	-
Contributions to UIF, Medical and Pension Funds	1 863	476
Cellphone Allowance	-	2 000
	<b>793 473</b>	<b>237 305</b>

During the 2022 financial year, this position was vacant for the month of July and 1 person acted.

During the 2021 financial year, this position was vacant for 10 months and 2 people acted

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>33. Employee related costs (continued)</b>		
<b>Technical Services</b>		
Annual Remuneration	685 166	846 307
Car Allowance	147 600	-
Acting Allowance	14 810	-
Contributions to UIF, Medical and Pension Funds	2 012	1 903
Cellphone Allowance	9 808	12 000
	<b>859 396</b>	<b>860 210</b>

### 34. Remuneration of councillors

Mayor	902 110	905 259
Deputy Mayor	728 802	733 088
Mayoral Committee Members	1 847 963	1 618 372
Speaker	728 802	733 088
Councillors	8 526 817	7 630 127
Section 79 MPAC	351 005	394 018
	<b>13 085 499</b>	<b>12 013 952</b>

#### In-kind benefits

The Mayor, Deputy Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.

The Mayor has three full-time bodyguards. The Deputy Mayor and speaker have two full-time bodyguards.

The Executive Mayor has two full-time bodyguards.

#### 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.

### 35. Depreciation and amortisation

Property, plant and equipment	24 734 483	22 096 323
Investment property	66 661	66 662
Intangible assets	12 213	18 321
	<b>24 813 357</b>	<b>22 181 306</b>

### 36. Finance costs

Finance leases	254	8 355
Employee Benefit obligations	899 000	1 073 259
	<b>899 254</b>	<b>1 081 614</b>

### 37. Lease rentals on operating lease

#### Equipment

Contractual amounts	333 367	284 007
---------------------	---------	---------

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>38. Debt impairment</b>		
Non Exchange revenue	1 097 482	3 774 467
Exchange revenue	(61 381)	(593 426)
	<b>1 036 101</b>	<b>3 181 041</b>

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.

### 39. Bad Debts written off

Property Rates	125 704	42 724
Refuse	180 428	324 928
Interest	53 815	-
	<b>359 947</b>	<b>367 652</b>

The municipality writes off all indigent house consumers upon approval for registration as an indigent household consumer

### 40. Bulk purchases

Electricity - Eskom	30 663 273	26 414 193
---------------------	------------	------------

### Material losses -Electricity

	Units 2022	Units 2021
Total Purchased (KWh)	22 635 129	23 025 962
Total Sold (KWh)	(15 649 154)	(15 400 281)
Own Consumption (KWh)	(103 402)	(84 983)
Free basic Electricity (KWh)	(1 126 050)	(1 045 900)
<b>Total loss</b>	<b>5 756 523</b>	<b>6 494 798</b>

Monetary Value:

Average selling price per KWh	2	2
Losses in KWh	5 756 523	6 494 798
<b>Total</b>	<b>11 513 046</b>	<b>12 989 596</b>

Percentage Loss:

Electricity losses	25 %	28 %
--------------------	------	------

### 41. Contracted services

#### Outsourced Services

Administrative and Support Staff	985 842	507 590
Animal Pounding	135 000	221 579
Burial Services	549 298	-
Business and Advisory	1 644 558	874 015
Cleaning Services	1 820 254	1 637 801
Fire Services	1 945 450	5 481 600
Internal Auditors	2 873 666	1 324 675
Security Services	15 823 506	8 694 114

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>41. Contracted services (continued)</b>		
<b>Consultants and Professional Services</b>		
Business and Advisory	10 344 572	7 216 739
Infrastructure and Planning	1 802 148	840 519
Laboratory Services	22 850	192 400
Legal Cost	821 648	3 303 956
<b>Contractors</b>		
Building	238 894	2 161 082
Electrical	2 659 013	3 676 519
Maintenance of Unspecified Assets	25 205 031	14 685 491
Pest Control and Fumigation	471 591	449 585
Safeguard and Security	27 900	74 350
Removal of Hazardous Waste	-	8 800
	<b>67 371 221</b>	<b>51 350 815</b>
<b>42. General expenses</b>		
Advertising	3 538 900	4 039 243
Auditors remuneration	3 029 473	2 515 431
Bank charges	255 928	803 996
Remuneration to Ward Committees	855 800	1 989 400
Commission paid	521 387	402 521
Motor Vehicle Licence and Registration	495 735	498 904
Delivery expenses	-	105
Entertainment	33 784	88 488
Youth Support Programme	4 321 694	3 315 206
Events	4 273 048	5 823 995
Insurance	1 702 929	1 549 679
Vehicle Tracking	157 734	143 869
IT expenses	2 355 673	1 820 528
Indigent Relief- Free Basic Electricity	2 068 608	2 025 978
Skills Development Fund levies	790 217	632 974
Fuel and oil	4 796 022	3 190 475
Printing and stationery	377 767	476 504
Protective clothing	620 243	1 187 862
Subscriptions and membership fees	1 258 638	671 657
Telephone and fax	948 169	1 167 603
Transport	285 750	427 439
Accommodation	2 178 566	3 195 994
Travel and Subsistence	427 458	1 054 909
Electricity	1 788 724	485 953
Poverty Relief	8 239 309	9 209 091
Training	84 171	195 951
Seating Allowance for Traditional Leaders	29 429	2 933
Brokers Fees	25 000	8 250
	<b>45 460 156</b>	<b>46 924 938</b>
<b>43. Impairment of assets</b>		
<b>Impairments</b>		
Property, plant and equipment	614 745	720 588
<b>44. Auditors' remuneration</b>		
Fees	3 029 473	2 515 431

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>45. Operating lease</b>		
The municipality leases photocopying machines on a 36 month contract which commenced in February 2021. The previous contract ended. 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		
<b>46. Cash generated from operations</b>		
Surplus	10 497 997	29 913 558
<b>Adjustments for:</b>		
Depreciation and amortisation	24 813 357	22 181 306
Loss on sale of assets	54 492	3 313 711
Actuarial losses	149 583	56 867
Inventory consumed	437 128	295 914
Finance costs	899 254	1 081 614
Other Non-cash items	50 838	326 186
Impairment Assets	614 745	720 588
Debt impairment	1 036 101	3 181 041
Movements in operating lease assets and accruals	25 761	(1 307)
Movements in Long service award policy changes	-	808 000
Movements in leave provision	(241 390)	1 469 838
Movement in Bonus Accrual	117 199	364 013
<b>Changes in working capital:</b>		
Inventories	(551 897)	(600 062)
Other Receivables from exchange transactions	111 200	(262 845)
Receivable from exchange transactions	2 023 386	1 600 847
Other receivables from non-exchange transactions	(16 750 703)	29 122 177
Overpayment to councillors	73 583	417 079
Prepayments	188 296	1 612 759
Payables from exchange transactions	11 875 116	(5 774 396)
VAT	1 875 036	(6 459 557)
Unspent conditional grants and receipts	(815 760)	(406 607)
Consumer deposits	24 249	16 478
Other Financial Liabilities	-	358 286
Movement in Provision	(367 685)	972 479
	<b>36 139 886</b>	<b>84 307 967</b>

## 47. Commitments

### Authorised capital expenditure

#### Total capital commitments

Already contracted for but not provided for	69 178 434	191 588 020
---	------------	-------------

The adjustment of R107 653 300 in capital commitments for 2021 is due to the correction of duplicate transactions and capital projects that were not yet contracted for as at 30 June 2021. The correction of duplicate transactions resulted in decrease in expenditure and increase in commitments for 2021

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

---

Figures in Rand	2022	2021
-----------------	------	------

---

### 48. Contingencies

Litigation in is progress regarding the following matters to which the municipality is a party. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely. As at the reporting date, the outcome of the cases is uncertain. The best estimate of the financial exposure by the municipality determined in concurrence with the municipality's legal representatives is as follows:

#### **Est SE Nyandeni v Nquthu LM** ( Case. 10749/12)

There is a dispute on the Estate of ES Nyandeni since the municipality build on his land and the swap deal is being negotiated, the negotiations are promising to yield results. As at 30 June 2022 legal cost could not be estimated

#### **FM Madlala v Nquthu LM** (Case. 13749/16P)

LNS Holding was appointed as a middle-housing developer, they are demanding the municipality finalise transfers to buyers of property sites however the municipality is defending the matter because the agreement was not to sell vacant and commercial sites, but to build and sell completed structures (houses). Furthermore gains from those site sold before recoding the dispute were not paid over to the municipality. The matter for FM Madlala is linked to this matter because he bought land from this company and paid them and is now demanding the municipality to transfer that land to them. As at 30 June 2022 legal cost could not be estimated

#### **McCormick v Nquthu LM**

Nquthu Plaza-McCormick is demanding the municipality to finalise the transfer of land that was bought, the municipality is defending this matter as there are conditions in the deed of sale that the buyer has failed to meet despite being placed on terms. The municipality is willing to finalise the sale once the conditions are met.As at 30 June 2022 legal cost could not be estimated

#### **CoGTA v Nquthu LM** (Case. 3954/21p,4085/21p)

In 2021, the municipality was placed under administration. The Council resolved to challenge intervention on the 28th May 2021. The council further resolved on the 29th June 2021 to challenge the same following the approval by the National Minister to place the municipality under intervention. Legal costs are estimated to be between 300 000 to 700 000.

#### **LS Sangweni vs Nquthu LM** ( Case. D790/2021)

An application for review was submitted to labour court regarding the decision of the commissioner to reinstate Mrs LS Sangweni. There are fair prospects of success, however, should the decision be infavour of the employee the employer will have to pay for only legal fees and not compensation as employee is not suspended. Legal cost are estimated to be R300 000

#### **Nquthu vs IMATU** on behalf of S Kunene

An application for review was submitted to labour court regarding the decision of the commissioner to reinstate Mr S Kunene. There are fair prospects of success and the legal cost are estimated to be R450 000

#### **Nquthu LM vs BJ Buthelezi**

Mr BJ Buthelezi claims entitlement to Nquthu Erf 2461. He had bought the site before but later, through lawyers, he demanded and received the refund. There is also no deed of sale agreement in place. The matter is in Nquthu magistrate court. Legal cost are estimated to be R70 000

#### **Parties**

Nquthu vs IMATU on behalf of S Kunene  
LS Sangweni vs Nquthu LM  
COGTA v Nquthu LM  
McCormick v Nquthu LM  
FM Madlala v Nquthu LM  
Est SE Nyandeni v Nquthu LM  
Nquthu LM vs BJ Buthelezi

#### **Estimated Cost**

450 000  
300 000  
300 000 to 700 000  
Unkown  
Unkown  
Unkown  
70 000

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

---

Figures in Rand	2022	2021
-----------------	------	------

---

### 49. 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. 33

COGTA Administrator Ms Zandile Mngadi

In 2021 financial year, MEC local government placed the municipality under administration in terms of section 139 of the constitution of the republic of South Africa. The municipality does not incur any cost or expenses in relation to the duties performed by the administrator

Councillors and Senior 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 33

Councillors exercise a significant influence over the municipality's financial and administrative capacity by being the municipality's executive and legislative authority.

### Related party balances

#### Loan accounts - Owing by related parties

Councillors - Upper limits debt

37 009	110 592
--------	---------

- -

#### Upper limits debt

An amount was paid to councillors following a council decision. Following further clarification from COGTA, the municipality was required to recover the paid amounts. The councillors then signed an acknowledgement of debt for these amounts to be deducted from their remuneration on a monthly basis. The above is the amount outstanding at year end. The balance of Upper limits debts is disclosed on note 4

#### Data cards

The municipality entered into a contract with MTN group whereby data cards were procured for councillors in order to enable them to perform their functions virtually where required. The municipality in turn recovers the amounts on a monthly basis from the remuneration of the councillors. The above is the amount outstanding at year end.



# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 50. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

#### Statement of financial position

##### 2021

	Note	As previously reported	Correction of error	Re-classification	Restated
Receivables from exchange transactions	10	13 478 947	(3 084 401)	-	10 394 546
Overpayment to councillors	4	-	-	110 592	110 592
Operating lease asset	5	-	171 651	-	171 651
Receivables from non-exchange transactions		65 580 294	(51 223 019)	-	14 357 275
VAT receivable	7	16 936 416	(2 112 471)	-	14 823 945
Prepayments	8	863 598	(546 884)	(110 592)	206 122
Cash and cash equivalents	11	192 915 394	5 304 562	-	198 219 956
Other receivable from exchange transactions		-	262 845	-	262 845
Property, plant and equipment		545 566 108	(28 663 412)	-	516 902 696
Investment property		99 873 632	(80 435 920)	-	19 437 712
Employee benefit obligation		4 079 615	(4 079 615)	-	-
Long service awards	19	-	416 000	-	416 000
Finance lease obligation	16	222 776	(202 470)	-	20 306
Consumer deposits	18	1 926 750	-	(1 424 091)	502 659
Provisions	21	37 905 387	(29 086 418)	-	8 818 969
Payables from exchange transactions	17	34 333 028	6 116 573	1 424 091	41 873 692
Long service award	19	783 585	2 609 415	-	3 393 000
Housing Development Fund	23	120 032	10 141	-	130 173
Accumulated surplus		858 483 650	(140 292 127)	-	718 191 523
		<b>1 873 069 212</b>	<b>(324 835 550)</b>		<b>- 1 548 233 662</b>

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021			
<b>50. Prior-year adjustments (continued)</b>					
<b>Statement of financial performance</b>					
<b>2021</b>					
	Note	As previously reported	Correction of error	Re-classification	Restated
Rental of facilities and equipment	26	921 279	(20 608)	(59 700)	840 971
Housing Development Construction	25	-	2 029 066	-	2 029 066
Interest received (trading)		-	756 933	(756 933)	-
Commissions received		-	184 843	(184 843)	-
Other income	27	475 558	-	184 843	660 401
Licence and Permits	30	971 957	(3 571)	-	968 386
Interest received on investment	11	10 134 751	142 451	756 933	11 034 135
Property rates	29	31 559 772	(2 921 326)	-	28 638 446
Fines and Penalties	32	671 460	-	59 700	731 160
Employee related costs	33	(82 267 242)	531 499	-	(81 735 743)
Depreciation and amortisation	35	(26 998 934)	4 817 628	-	(22 181 306)
Impairment of PPE		(3 900 000)	3 827 412	-	(72 588)
Finance costs	36	(229 672)	(851 942)	-	(1 081 614)
Lease rentals on operating lease		(326 913)	42 906	-	(284 007)
Contracted services	41	(35 513 902)	-	(15 836 913)	(51 350 815)
Inventory consumed		-	(295 914)	-	(295 914)
Debt impairment		-	(2 781 559)	-	(2 781 559)
Loss on disposal of assets and liabilities		-	(3 313 708)	-	(3 313 708)
Housing Development Construction	25	-	(2 029 066)	-	(2 029 066)
General expenses	42	(41 396 629)	(8 815 846)	3 287 537	(46 924 938)
Actuarial gains and losses	19	-	(56 867)	-	(56 867)
Reversal of impairment		-	3 320 147	-	3 320 147
Transfers and subsidies		(11 024 444)	-	11 024 444	-
<b>Deficit for the year</b>		<b>(156 922 959)</b>	<b>(5 437 522)</b>	<b>(1 524 932)</b>	<b>(163 885 413)</b>

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

2022

2021

### 50. Prior-year adjustments (continued)

#### Statement of Financial Position - errors

The following prior period errors adjustments occurred:

##### Receivables from exchange transactions

In the prior year, a debt impairment was incorrectly calculated which resulted in a misstatement of R3 034 401, a prior adjustment was processed to make a correction to this amount.

##### Receivables from non-exchange transactions

In the prior year, a debt impairment was incorrectly calculated which resulted in a misstatement of R51 223 019, a prior adjustment was processed to make a correction to this amount

Reclassification of traffic fines debtors from rental debtors to receivables from non-exchange transactions

##### VAT receivable

A correction of trade payables and accrual was processed in the prior year which resulted in the adjustment of R2 112 471 on VAT receivable.

##### Prepayments

A correction was made relating to prepayments made but not captured on the system which resulted in the adjustment of R657 476. furthermore, a reclassification of overpayment to councillors was processed.

##### Overpayment to councillors

Reclassification of overpayment to councillors from prepayments resulted in the adjustment of R110 592.

##### Operating lease asset

A straightlining of operating leases for Vodacom, Unjani Clinic, and IEC was performed resulting to an operating lease adjustment of R171 651 which was not accounted for.

##### Other Receivable from Exchange transactions

An overpayment of R262 845 was made to Nusicraft in 30 June 2021 and it was not accounted for. The correction resulted to the adjustment of R262 8450

##### Employee benefit obligation

Related to post employee medical obligation which incorrectly recorded. The correction resulted to the adjustment of R4 079 615

##### Cash and cash equivalents

In the prior year interest on investment was incorrectly captured and accrued interest was not accounted for. A correction was made to include the interest made on short-term investments resulting in the adjustment of R5 304 562

##### Investment property

R80 435 920

##### Property, plant and equipment

R28 663 435.

##### Long service Awards

In the prior year, an incorrect long service award was disclosed as a non current liability. The correction of long service award resulted in the adjustment of R3 025 415. furthermore a split between non-current and current portion of long service award was performed.

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

2022

2021

### 50. Prior-year adjustments (continued)

#### Finance lease Obligation

In the prior year, the repayment of finance lease including the finance cost was incorrectly captured under lease rentals resulting to the incorrect amount disclosed. The correction of finance lease resulted in the adjustment of R202 470

#### Consumer deposits

In the prior year, a payable relating to Human settlement for housing development project was disclosed as consumer deposits. The reclassification of these funds to Construction contract payable (payables from exchange transactions) resulted in the adjustment of R1 424 091

#### Provisions

In the prior year, an incorrect amount of provision for landfill site was used and a portion of long service award was incorrectly captured under provisions. The correction of the landfill site provision and reclassification of long service awards resulted in the adjustment of R29 086 418

#### Payables from exchange transactions

In the prior years, retention were accounted for excluding VAT, surety was not accounted for, Human settlement payable was captured under consumer deposit and interest related to these funds were incorrectly recognized as interest revenue. The correction of the abovementioned line items resulted in the adjustment of R7 540 664

#### Housing Development Funds

In the prior year, the interest accumulated on these funds was incorrectly captured as interest on investments. The correction resulted in the adjustment of R10 141

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

---

Figures in Rand

2022

2021

---

### 50. Prior-year adjustments (continued)

#### Statement of Financial Performance - errors

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

2022

2021

### 50. Prior-year adjustments (continued)

The following prior period errors adjustments occurred:

#### **Rental of facilities and Equipment**

In the prior year, an income received in advance from Vodacom was incorrectly captured as revenue, furthermore rentals from operating leases were not straightlined as per GRAP 13. The correction resulted in the adjustment of R80 308 on rental of facilities and equipment.

#### **Housing Development construction contract revenue**

In the prior year, revenue on construction contract was not account for in terms of GRAP 11. The correction resulted in the adjustment of R2 029 066

#### **Other Income**

In the prior year, commision received from third parties was disclosed on the face of the statement of financial performance. The commission income has been disclosed under other income. The reclassification resulted in the adjustment of R184 843

#### **Licence and Permits**

Reconciliation of licence and permits was performed and it was established that some transactions were captured inclusive of VAT. The correction resulted in the adjustment of R3 571

#### **Interest received**

In the prior year, Interest accrued on investment was not accounted for and interest received was not captured on the system. furthermore, interest received from trading and interest received from investment has been consolidated and reported under one line item. The correction resulted in the adjustment of R142 451 and reclassification of R756 933

#### **Property rates**

In the prior year, revenue forgone was incorrectly classified as expenditure. The correction resulted in the adjustment of R2 025 978

#### **Fines and Penalties**

In the prior year, the amount of traffic fines was incorrectly captured under rentals. The correction resulted in the adjustment of R59 700

#### **Employee related costs**

In the prior year, vested benefit for long service award were incorrectly captured as a current year expenditure instead of a reduction in the long service award liability. furthermore, the recalculation of leave provision and bonus provision was performed. The correction on these line items resulted in adjustment of R531 499

#### **Depreciation and Amortisation**

R4 817 628

#### **Impairment on PPE**

R3 827 412

#### **Finance Cost**

In the prior year, finance cost on long service award and finance lease were account for as employee related cost and operating lease rentals respectively. The correction resulted in the adjustment of R851 942

#### **Lease rentals on operating lease**

In the prior year, finance cost on finance lease were captured under lease rentals. The correction resulted in the adjustment of R42 906

#### **General Expenses**

In the prior year, general expenses were incorrectly captured as transfers and subsidies and inventory consumed. The correction resulted in the adjustment of R6 789 868 and reclassification of R7 682 042

#### **Transfers and subsidies**

Reclassification adjustment of R11 024 444 was made to general expenses and contracted services

#### **Reversal of impairment**

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

2022

2021

### 50. Prior-year adjustments (continued)

An adjustment R3 320 147 was made relating to the impairment of debtors in the prior year

#### Contracted services

Reclassification from general expenses, transfers and subsidies and inventory consumed. The reclassification resulted in the adjustment of R4 867 334

#### Loss on disposal of assets

A correction was made to recognise a loss on disposal of assets of 3 313 708

#### Fruitless and wasteful expenditure

### 51. Risk management

#### Financial risk management

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

The global economic crises and the adverse impacts of the Covid 19 pandemic has had and will continue to have negative financial impacts on the municipality as well as the community. This will result in businesses closing down and individuals unable to settle their obligations with the municipality. A reduction in public spending will also impact on municipal spending on key focus areas. The uncertainties presented by the Covid 19 pandemic puts a strain on the finances of the municipality as well as spending within allocated budgets. The municipality continues to monitor and manage business risks (strategic and operational) and also assesses the impact of emerging risks on a continuous basis.

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and funding sources.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Payable from Exchange transactions	53 748 808	41 873 692
Consumer deposit	526 908	502 659
Unspent conditional grant	376 834	1 192 594

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 51. Risk management (continued)

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

Financial assets exposed to credit risk at year end were as follows:

	2022	2021
Cash and Cash Equivalents	130 502 942	198 219 956
Receivable from Exchange transactions	8 737 541	10 394 546
Receivable from non-exchange transaction	29 780 383	14 357 275
	<u><b>169 020 866</b></u>	<u><b>222 971 777</b></u>

#### 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.

Cash and Cash Equivalents	-	-	130 502 942	198 219 956
---------------------------	---	---	-------------	-------------

### 52. Going concern

The Municipality is technically solvent as its total assets exceed its total liabilities, liquidity is not a challenge as it has enough investments, cash and other assets to repay its short term obligations.

Further, the Municipality's management and the leadership remains committed to good budgeting and financial management, and for this purpose will continue to monitor the implementation of budgets, including expenditure, revenue collection and borrowing. The effective functioning of the budget processes will contribute significantly to developing and sustaining financial health in the Municipality..

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

### 53. Events after the reporting date

Management did not identify any events after reporting periods in their assessment..

### 54. Fruitless and wasteful expenditure

Opening balance as previously reported	33 678	643
<b>Opening balance as restated</b>	<b>33 678</b>	<b>643</b>
Add: Expenditure identified - current	38 165	33 035
<b>Closing balance</b>	<b>71 843</b>	<b>33 678</b>



# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>55. Irregular expenditure</b>		
Opening balance as previously reported	75 026 418	233 841 253
Correction of prior period error	-	(147 896 233)
<b>Opening balance as restated</b>	<b>75 026 418</b>	<b>85 945 020</b>
Add: Irregular Expenditure - current	121 079 401	159 435 235
Less: Amount written off - current	-	(170 353 837)
<b>Closing balance</b>	<b>196 105 819</b>	<b>75 026 418</b>

### 56. 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.

### 57. Additional disclosure in terms of Municipal Finance Management Act

#### VAT

VAT receivable	164 961 642	140 722 159
VAT payable	(152 012 733)	(125 898 214)
	<b>12 948 909</b>	<b>14 823 945</b>

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

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

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 57. 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 2022:

30 June 2022	Outstanding less than 90 days	Outstanding more than 90 days	Total
CIlr ET Nhlebela	374	10 238	10 612
CIlr SD Masimula	157	-	157
CIlr CN Skosana	654	-	654
	<b>1 185</b>	<b>10 238</b>	<b>11 423</b>

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

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

30 June 2021	Highest outstanding amount	Aging (in days)
CIlr ET Nhlebela	9 165	365

### 58. 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.

Heading				
EMERGENCY	-	-	-	192 400
SOLE SERVICE PROVIDER	-	-	342 745	327 427
	-	-	<b>342 745</b>	<b>519 827</b>

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

---

Figures in Rand

2022

2021

---

### 59. Segment information

#### General information

##### Identification of segments

The municipality is organised and reports to management and governance structures on the basis of six major functional areas: Budget and Treasury, Community Services, Planning and Economic Development/LED/Tourism, Technical Services, Executive and Council and General

The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes

##### Aggregated segments

##### 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.

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 59. Segment information (continued)

#### Segment surplus or deficit, assets and liabilities

#### 2021

	Community Services	Budget and Treasury	Planning and Economic Development	Technical Services	Office Of The Municipal Manager	Council And General	Total
<b>Revenue</b>							
Licenses and permits	955 127	7 355	5 903	-	-	-	968 385
Other income	96 777	460 880	34 428	68 316	-	-	660 401
Property rates	-	28 638 446	-	-	-	-	28 638 446
Service Charges	-	1 417 376	-	21 546 097	-	-	22 963 473
Interest revenue	96 964	10 277 202	-	659 969	-	-	11 034 135
Rental of facilities and equipment	-	644 860	196 111	-	-	-	840 971
Housing development revenue	-	-	2 029 067	-	-	-	2 029 067
Government grants and Subsidies	4 055 364	175 664 000	-	1 088 000	30 628 000	-	211 435 364
Property rates- penalties imposed	-	2 255 611	-	-	-	-	2 255 611
Fines, penalties and forfeits	671 460	-	-	-	-	-	671 460
<b>Total segment revenue</b>	<b>5 875 692</b>	<b>219 365 730</b>	<b>2 265 509</b>	<b>23 362 382</b>	<b>30 628 000</b>	<b>-</b>	<b>281 497 313</b>
<b>Entity's revenue</b>							<b>281 497 313</b>

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

	Community Services	Budget and Treasury	Planning and Economic Development	Technical Services	Office Of The Municipal Manager	Council And General	Total
<b>59. Segment information (continued)</b>							
<b>Expenditure</b>							
General Expenses	(15 496 531)	(4 427 300)	(2 909 117)	(24 091 986)	-	-	(46 924 934)
Contracted Services	(22 887 264)	(10 177 755)	(3 282 251)	(5 791 243)	(9 212 304)	-	(51 350 817)
Depreciation and Amortisation	(7 740 877)	(929 276)	(46 820)	(13 312 620)	(98 401)	(53 311)	(22 181 305)
Bulk Purchases	-	-	-	(26 414 193)	-	-	(26 414 193)
Finance Cost	-	(1 081 614)	-	-	-	-	(1 081 614)
Lease rental on operating lease	(284 007)	-	-	-	-	-	(284 007)
Inventory Consumed	-	(295 914)	-	-	-	-	(295 914)
Employee related Cost	(38 052 482)	(10 482 839)	(5 140 004)	(20 967 880)	(7 092 541)	-	(81 735 746)
Remuneration for councillors	-	-	-	-	-	(12 013 952)	(12 013 952)
Debt Impairment	-	(3 181 041)	-	-	-	-	(3 181 041)
Actuarial gains	-	(56 867)	-	-	-	-	(56 867)
Housing development expenditure	-	-	(2 029 066)	-	-	-	(2 029 066)
Profit or loss on Disposal of PPE	-	(3 313 711)	-	-	-	-	(3 313 711)
Impairment of Assets	-	(720 588)	-	-	-	-	(720 588)
<b>Total segment expenditure</b>	<b>(84 461 161)</b>	<b>(34 666 905)</b>	<b>(13 407 258)</b>	<b>(90 577 922)</b>	<b>(16 403 246)</b>	<b>(12 067 263)</b>	<b>(251 583 755)</b>
<b>Total segmental surplus/(deficit)</b>							<b>533 081 068</b>

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

	Community Services	Budget and Treasury	Planning and Economic Development	Technical Services	Office Of The Municipal Manager	Council And General	Total
<b>59. Segment information (continued)</b>							
<b>Assets</b>							
Inventory	-	1 476 328	-	-	-	-	1 476 328
Overpayment to councillors	-	110 592	-	-	-	-	110 592
Operating lease asset	-	171 651	-	-	-	-	171 651
Receivable from non-exchange revenue	-	14 297 575	-	-	-	-	14 297 575
VAT receivable	-	14 823 944	-	-	-	-	14 823 944
Cash and Cash Equivalent	-	198 219 978	-	-	-	-	198 219 978
Prepayments	-	206 122	-	-	-	-	206 122
Receivable from exchange transaction	-	10 394 546	-	-	-	-	10 394 546
Property plant and Equipment	224 882 664	11 063 224	225 070	280 033 782	527 256	166 424	516 898 420
Other receivables	-	262 845	-	-	-	-	262 845
Investment property	-	19 437 712	-	-	-	-	19 437 712
Intangible Assets	2 522	1 151	-	-	32 969	-	36 642
Heritage	78 888	-	-	-	-	-	78 888
<b>Total segment assets</b>	<b>224 964 074</b>	<b>270 465 668</b>	<b>225 070</b>	<b>280 033 782</b>	<b>560 225</b>	<b>166 424</b>	<b>776 415 243</b>
<b>Total assets as per Statement of financial Position</b>							<b>776 415 243</b>
<b>Liabilities</b>							
Finance lease Obligation	-	20 306	-	-	-	-	20 306
Unspent conditional grants	-	1 192 594	-	-	-	-	1 192 594
Payable from exchange transaction	-	39 873 470	-	-	-	-	39 873 470
Provisions	4 398 446	1 684 469	754 785	4 613 358	1 080 302	-	12 531 360
Consumer deposits	-	502 659	-	-	-	-	502 659
Long service Award	-	3 809 000	-	-	-	-	3 809 000
Other financial liabilities	-	358 286	-	-	-	-	358 286
<b>Total segment liabilities</b>	<b>4 398 446</b>	<b>47 440 784</b>	<b>754 785</b>	<b>4 613 358</b>	<b>1 080 302</b>	<b>-</b>	<b>58 287 675</b>
<b>Total liabilities as per Statement of financial Position</b>							<b>58 287 675</b>

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 59. Segment information (continued)

2022

	Community Service	Budget and Treasury	Planning and Economic Development	Technical Services	Office of the Municipal Manager	Council and General	Total
<b>Revenue</b>							
Licenses and permits	1 009 290	7 401	6 221	-	-	-	1 022 912
Other Income	146 217	774 863	394 328	61 674	-	-	1 377 082
Property rates	-	45 634 506	-	-	-	-	45 634 506
Interest revenue	28 796	6 956 693	57 565	531 410	-	-	7 574 464
Rental of facilities	-	512 847	256 596	-	-	-	769 443
Government grants and subsidies	3 815 000	152 866 760	-	3 260 000	36 806 000	-	196 747 760
Property rates- penalties	-	4 358 151	-	-	-	-	4 358 151
Fines, penalties and forfeits	683 650	-	-	28 100	-	-	711 750
Service Charges	-	1 368 928	-	23 736 378	-	-	25 105 306
Housing development Construction Contract	1 643 462	-	-	-	-	-	1 643 462
<b>Total segment revenue</b>	<b>7 326 415</b>	<b>212 480 149</b>	<b>714 710</b>	<b>27 617 562</b>	<b>36 806 000</b>	<b>-</b>	<b>284 944 836</b>
<b>Entity's revenue</b>							<b>284 944 836</b>

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

	Community Service	Budget and Treasury	Planning and Economic Development	Technical Services	Office of the Municipal Manager	Council and General	Total
<b>59. Segment information (continued)</b>							
<b>Expenditure</b>							
General expenses	(15 284 055)	(6 050 217)	(1 259 181)	(22 866 701)	-	-	(45 460 154)
Contracted Services	(28 267 270)	(22 290 150)	(2 279 203)	(1 602 746)	(12 931 853)	-	(67 371 222)
Bulk purchases	-	-	-	-	(30 663 273)	-	(30 663 273)
Lease rentals on operating lease	(333 367)	-	-	-	-	-	(333 367)
Housing development expenditure	(1 643 462)	-	-	-	-	-	(1 643 462)
Depreciation	(9 277 005)	(918 729)	(124 597)	(14 116 114)	(219 523)	(157 390)	(24 813 358)
Employee related cost	(31 665 586)	(11 830 621)	(5 326 732)	(26 743 442)	(12 273 312)	-	(87 839 693)
Inventory Consumed	-	(437 128)	-	-	-	-	(437 128)
Remuneration of councillors	-	-	-	-	-	(13 085 499)	(13 085 499)
Debt Impairment	-	(1 036 101)	-	-	-	-	(1 036 101)
Profit or loss on disposal of PPE	-	(54 492)	-	-	-	-	(54 492)
Impairment of Assets	-	(614 745)	-	-	-	-	(614 745)
Inventory write down	-	(45 509)	-	-	-	-	(45 509)
Actuarial gains	-	(149 583)	-	-	-	-	(149 583)
Finance cost	-	(254)	-	-	(899 000)	-	(899 254)
<b>Total segment expenditure</b>	<b>(86 470 745)</b>	<b>(43 427 529)</b>	<b>(8 989 713)</b>	<b>(65 329 003)</b>	<b>(56 986 961)</b>	<b>(13 242 889)</b>	<b>(274 446 840)</b>
<b>Total segmental surplus/(deficit)</b>							<b>559 391 676</b>



# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

	Community Service	Budget and Treasury	Planning and Economic Development	Technical Services	Office of the Municipal Manager	Council and General	Total
<b>59. Segment information (continued)</b>							
<b>Assets</b>							
Inventory	-	2 028 225	-	-	-	-	2 028 225
Overpayment to councillors	-	37 005	-	-	-	-	37 005
Operating lease Asset	-	145 890	-	-	-	-	145 890
Receivable from non-exchange	-	29 950 795	-	-	-	-	29 950 795
VAT receivable	-	12 948 909	-	-	-	-	12 948 909
Prepayment	-	17 826	-	-	-	-	17 826
Receivable from exchange	-	8 432 541	-	-	-	-	8 432 541
Cash and cash equivalent	-	130 502 942	-	-	-	-	130 502 942
Other receivables	-	151 645	-	-	-	-	151 645
Investment property	-	19 371 051	-	-	-	-	19 371 051
Property, plant and equipment	209 474 940	10 225 993	240 663	374 209 059	598 404	167 524	594 916 583
Intangible asset	23 661	768	-	-	-	-	24 429
Heritage asset	78 888	-	-	-	-	-	78 888
<b>Total segment assets</b>	<b>209 577 489</b>	<b>213 813 590</b>	<b>240 663</b>	<b>374 209 059</b>	<b>598 404</b>	<b>167 524</b>	<b>798 606 729</b>
<b>Total assets as per Statement of financial Position</b>							<b>798 606 729</b>
<b>Liabilities</b>							
Payable from exchange transaction	-	51 631 387	-	-	-	-	51 631 387
Consumer deposit	-	526 908	-	-	-	-	526 908
Long service award	-	4 422 000	-	-	-	-	4 422 000
Unspent conditional grants	-	376 834	-	-	-	-	376 834
Provision	3 658 954	1 894 154	783 510	5 494 403	1 185 223	-	13 016 244
<b>Total segment liabilities</b>	<b>3 658 954</b>	<b>58 851 283</b>	<b>783 510</b>	<b>5 494 403</b>	<b>1 185 223</b>	<b>-</b>	<b>69 973 373</b>
<b>Total liabilities as per Statement of financial Position</b>							<b>69 973 373</b>

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

### Measurement of segment surplus or deficit, assets and liabilities

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
-----------------	------	------

### 59. Segment information (continued)

#### Basis of accounting for transactions between reportable segments

The municipality applies the same measurement basis on the information disclosed for the reportable segment as that of the municipal financial statements, except for departmental charges which are allocated between the departments based on consumption, expenditure incurred or any other relevant basis of allocation agreed-upon by the respective departments. On the municipal financial statements, departmental charges are eliminated. There are no other allocations to the reportable segments.

#### Information about geographical areas

Although the municipality operates in several geographical areas across different wards, these areas are irrelevant for users of the financial statements to make decisions about the entity as the goods or services provided are substantially the same.

### 60. Change in estimate

#### Property, plant and equipment

The useful lives of certain classes of property, plant and equipment were adjusted during 2021/2022 to more accurately reflect the period of economic benefits or service potential derived from these assets. The effect of changing the remaining useful life of assets for the Municipality during 2021/2022 has decreased the depreciation charge for the current period and future periods by R564 722

### 61. Unauthorised expenditure

Add: Expenditure identified - current	24 953 355	-
---------------------------------------	------------	---

#### The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Non-cash	6 587 196	-
Cash	18 366 159	-
	<b>24 953 355</b>	<b>-</b>

#### Analysed as follows: non-cash

Impairment of Assets	614 745	-
Depreciation and amortisation	2 820 205	-
Finance charges	899 254	-
Loss on disposal of property, plant and equipment	54 492	-
Actuarial losses	149 583	-
Bad Debts written off	359 946	-
Housing Development Expenditure	1 643 462	-
Inventory write-down	45 509	-
	<b>6 587 196</b>	<b>-</b>

#### Analysed as follows: cash

Contracted services	9 819 539	-
General expenditure	8 213 753	-
Rental of operating lease	332 867	-
	<b>18 366 159</b>	<b>-</b>

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

---

Figures in Rand

---

### 62. Budget differences

#### Material differences between budget and actual amounts

Items with excess of actual expenditure and revenue over the final budget of 10% . There were no other material differences between the final budget and the actual amounts.

61.1 More rental income due to filling of vacant municipal rented properties.

61.2 Other income was higher than budget due to insurance proceeds and sale of properties that materialised and was not anticipated.

61.3 Higher than budgeted interest on investments was due to the lesser withdrawals than anticipated

61.4 Penalties imposed were not budgeted for

61.5 Government grants and subsidies shows an unfavourable position because grants that did not material.

61.6 Fines, penalties and forfeits shows an unfavourable balance, the municipality anticipated to receive more income from this revenue stream since it is difficult to estimate accurately.

61.7 Employee related costs were lower due to certain positions which were not filled during the financial year

61.8 Remuneration of councillors less since increments have not yet been approved

61.9 Depreciation and amortisation was higher than budgeted due to more projects completed than anticipated

61.10 Debt Impairment loss was lower than expected due to higher collections from consumers than anticipated.

61.11 Finance costs were higher than expected due to employee benefits obligations impact which was not budgeted for

61.12 Lease rentals on operating lease was higher than budget due to new lease agreements entered into than was initially expected.

61.13 Contracted services were higher due to an increase in the repairs and maintenance costs as well as consulting fees

61.14 Transfers and subsidies budget was misallocated.

61.15 General Expenses was higher than budget due to poverty alleviation costs which were not included in the budget as well as higher than expected events and fuel & oil costs.

61.16 Debt write-off, actuarial gains or losses, gains or losses on disposal of assets, impairment losses and inventory consumed were not budgeted for.