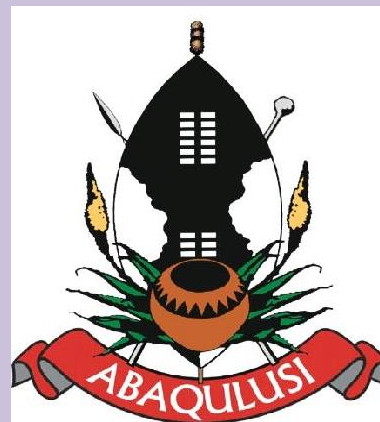
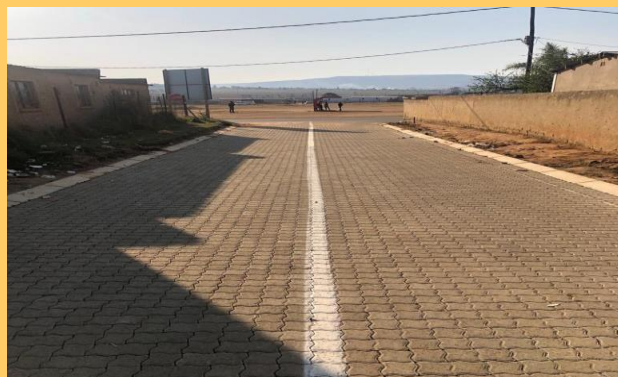


**01 July 2021 – 30 June 2022**



## **DRAFT ANNUAL REPORT 2021/22**

**1<sup>ST</sup> DRAFT**

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## LEGISLATIVE PROVISIONS

**Section 121 of the Local Government: Municipal Finance Management Act 56 of 2003 (MFMA) read with circular 63 of the MFMA Act No 56 of 2003 stipulates that:**

Every municipality and every municipality entity must for each financial year prepare an annual report in accordance with this Chapter. The council of a municipality must within nine months after the end of a financial year deal with the annual report of the municipality and of any municipal entity under the municipality's sole or shared control in accordance with section 129.

The purpose of an annual report is-

- To provide a record of activities of the municipality or municipal entity during the financial year to which the report relates;
- To provide a report on performance against the budget of the municipality or municipal entity for that financial year; and
- To promote accountability to the local community for the decision made throughout the year by the municipality or municipality entity

The annual report of the municipality must include-

- The annual financial statements of the municipality, and in addition, if section 122 (2) applies, consolidated annual financial statements, as submitted to the Auditor General for audit in terms of section 126 (1);
- The Auditor General report in terms of section 126 (3) on those financial statements.
- The annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal System Act;
- The Auditor General's audit report in terms of section 45 (b) of the Municipal Systems Act.
- An assessment by the municipality's accounting officer of any arrears on municipal taxes and service charges;
- An assessment by the municipality's accounting officer of the municipality's performance against the measurable performance objectives referred to in section 17 (3) (b) for revenue collection from each revenue source and for each vote in the municipality's approved budget for the relevant financial year;
- Particulars of any corrective action taken or to be taken in response to the issues raised in the audit reports referred to in paragraphs (b) and (d)

- Any explanation that may be necessary to clarify issues in connection with the financial statements;
- Any information as determined by the municipality;
- Any recommendations of the municipality's audit committee; and
- Any other information as may be prescribed.
- To provide a report on performance against the budget of the municipality or municipal entity for that financial year; and
- To promote accountability to the local community for the decision made throughout the year by the municipality or municipality entity

## ABREVIATIONS

|          |   |
|----------|---|
| AG       | Auditor General   |
| CBP      | Community Based Planning  |
| COGTA    | Cooperative Governance and Traditional Affairs                    |
| CWP      | Community Works Programmed  |
| B2B      | Back to Basics  |
| EPWP     | Expanded Public Works Programmed                                  |
| ExCom    | Executive Committee   |
| GIS      | Geographic Information System                                     |
| HIV/AIDS | Human Immuno-Deficiency Virus/Acquired Immune Deficiency Syndrome |
| ICT      | Information Communication Technology                              |
| IDP      | Integrated Development Plan                                       |
| IA       | Internal Audit  |
| IWMP     | Integrated Waste Management Plan                                  |
| KPA      | Key Performance Area  |
| KPI      | Key Performance Indicator   |
| KZN      | KwaZulu – Natal   |
| LED      | Local Economic Development  |
| MEC      | Member of Executive Council                                       |
| MIG      | Municipal Infrastructure Grant                                    |
| MPAC     | Municipal Public Accounts Committee                               |
| MSCOA    | Municipal Standard Chart of Accounts                              |
| MTEF     | Medium Term Expenditure Framework                                 |
| PMS      | Performance Management System                                     |
| PMU      | Project Management Unit   |
| SDF      | Spatial Development Framework                                     |
| SEA      | Strategic Environmental Assessment                                |
| SDBIP    | Service Delivery and Budget Implementation Plan                   |
| IDP RF   | Integrated Development Plan Representative Forum                  |

## **CHAPTER 01: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY**

### **BACKGROUND**

The AbaQulusi Municipality's Annual Report has been developed according to the provisions of Section 121 of the Municipal Finance Management Act (MFMA), 56 of 2003 and Section 46 of the Local Government: Municipal Systems Act (MSA), 32 of 2000. According to the National Treasury guidelines for the preparation of the Annual Report, the report should comprise of a number of chapters to reflect the key activities undertaken within the organisation during the year under review.

In presenting this report for the financial year ended 30 June 2021 the municipality acknowledge the progress made during the 2020/21 financial year and the challenges that lie ahead. A detailed account of all the challenges and remedial actions going forward has been provided within this report.



## MAYOR'S FOREWORD



I wish to humbly present the Annual Report of Abaqulusi Municipality which seeks to provide a record of activities during the year 2021/22 in terms of section 121 of the Local Government Municipal Finance Management Act 56 of 2003.

The Annual Report deals with the Municipality's record of activities for the year under review and, in so doing hopefully assists in identifying our successes, failures, and challenges. This report is therefore intended to attest to the combined efforts of the administrative and political leadership of the Municipality to gradually address fair and realistic expectations of our residents. The municipality achieved an unqualified audit outcome during the year 2021/22 and commits to present its affairs fairly in all material aspects in the year to come

### **Good Governance**

The political governance structures were in place during the year 2021/22 i.e., Council, Executive Committee and portfolio committees in terms of section 79 of the Local Government Municipal Structures Act 117 of 1998, and each Portfolio committees undertook their responsibilities in line with the National Key Performance Areas (KPA), objects of local government and developmental duties of the municipalities.

### **Administrative Capacity**

The municipality relies on the willing, dedicated and committed management to undertake its strategic role by implementing the (IDP) through (Service Delivery and Budget Implementation Plan (SDBIP) in doing so, the Executive Committee (EXCO) is also required to exercise a strategic role on day-to-day activities.

Furthermore, During the year 2021/22 the municipality had a full capacity on management positions which had been a positive factor into realisation of the set goals and objectives of Abaqulusi.

### **Public Participation**

Abaqulusi Municipality considers public participation as important and engaged the communities at the ward level to identify the needs and priorities of our people in terms of

chapter 4 of the Local Government Municipal Systems Act 32 of 2000,

The IDP Roadshows are used as platforms to serve this purpose and were undertaken from the 25<sup>th</sup> of April 2022 to the 04<sup>th</sup> of May 2022.

Furthermore, ward committees were used as an appropriate structure to facilitate the public participation process and will be enhanced during the year 2022/23

Our councillors had been in constant consultation with communities to improve transparency and

accountability on municipal affairs.

I wish to thank everyone who contributed positively in the journey of improving service delivery for our communities.

**Thank you,**

**CLLR. MC MAPHISA  
MAYOR**

## MUNICIPAL MANAGER'S OVERVIEW



The Annual Report is the culmination of the council's five-year Integrated Development Plan (IDP). The 5<sup>th</sup> generation IDP was developed and adopted in May 2022 and will be reviewed on annual basis in terms of section 34 of the Municipal Systems Act 32 of 2000. Therefore 2023/24 IDP Review will be the 1<sup>st</sup> review of the 2022/23 – 2026/27 IDP.

While IDP is a planning document, Annual Report is reporting document. Guided by section 121 of the Local Government Municipal Finance Management Act 56 of 2003, AbaQulusi municipality proudly presents its annual report Performance Area (KPA) is articulated broadly in the attached performance report where achievements on the set targets have been indicated with corrective measures on areas needing attention.

The service delivery in both urban and rural areas was a priority during the year under

which is

- a reflection of the past year record of activities of the municipality, performance against the budget of the municipality,
- and promoting accountability to the local community for the decision made throughout the year by the municipality

The municipality has ensured alignment of services through Reviewed IDP 2021/22 and the Service Delivery and Budget implementation Plan (SDBIP) which is our tool to ensure that priorities of AbaQulusi are met as set out in the IDP

It is also important to note that the municipality is gradually recovering from the impact of the COVID 19 Pandemics which affected our communities financially and socially as we recover it still challenging for some of communities to afford paying for basic services however, the municipality still undertake possible programmes to assist in this regard with limited resources and unlimited needs and wants.

To improve service delivery the management will work tirelessly irrespective of the existing challenges. The performance on each Key

review, as the honourable mayor has indicated in his foreword above. It is also important to note that in spite of the existing challenges the municipality has worked tirelessly and achieved unqualified audit outcome on financial and performance management.



I wish to convey my appreciation for the support to the staff without whom not much could be achieved. My sincere appreciation also goes to the management, my predecessors and political leadership for always providing the strategic direction needed in achieving our vision, as I joined the municipality one month before the end 2021/22 period, the management team, former councillors AbaQulusi will not be the same with efforts and commitment from all stakeholders in the development of our area

**ZG DHLAMINI**  
**MUNICIPAL MANAGER**

# CHAPTER 1

## EXECUTIVE SUMMARY



**To be the progressive, prosperous and sustainable economic hub of Zululand by 2035**

## CHAPTER 1: EXECUTIVE SUMMARY

This report addresses the performance of the AbaQulusi for the period 01 July 2020 to 30 June 2021 in respect of its core legislative obligations. Local government must create a participatory framework that defines and enhances the relationship between elected leaders and their communities. This requires that the council of the municipality provides regular and predictable reporting on programmed performance and the general state of affairs in their locality.

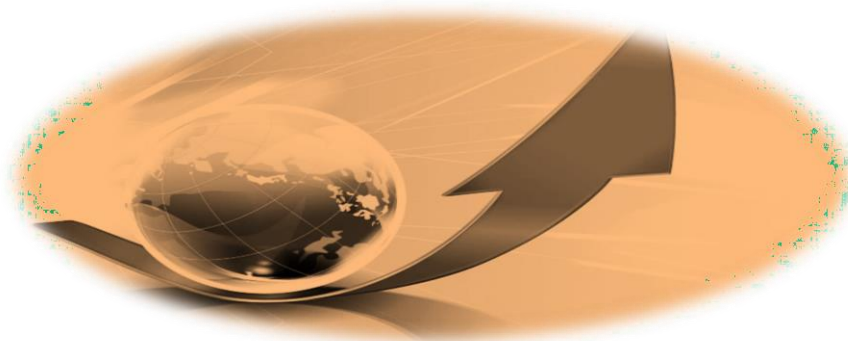
### OUR VISION



**To be the progressive, prosperous and sustainable economic hub of Zululand by 2035**

### MISSION STATEMENT

It is envisaged that the municipal vision will be achieved by:



**By creating a conducive environment focused on Agricultural, Industrial and Tourism Development in order to attract Investment and Provision of Basic Service Delivery**

## **Municipal Goals**

- **To reduce levels of infrastructure backlogs by providing Basic Services, Facilities and maintaining existing infrastructure.**
- **Empower and capacitate institutional structures and promotion of transparent cooperative governance.**
- **Ensure sound financial management and accountability.**
- **Ensure transparency, accountability, and community involvement in municipal affairs.**
- **To promote socio-economic growth and job opportunities.**
- **To redress the spatial imbalances and promote sustainable environmental planning.**

## 1.1 MUNICIPAL OVERVIEW

The AbaQulusi Local Municipality is located in the Northern part of KwaZulu-Natal Province and forms part of the Zululand District Municipality. It is named after the AbaQulusi, a Zulu clan whose descendants live in the vicinities of Vryheid, Utrecht, eDumbe and eNgoje.

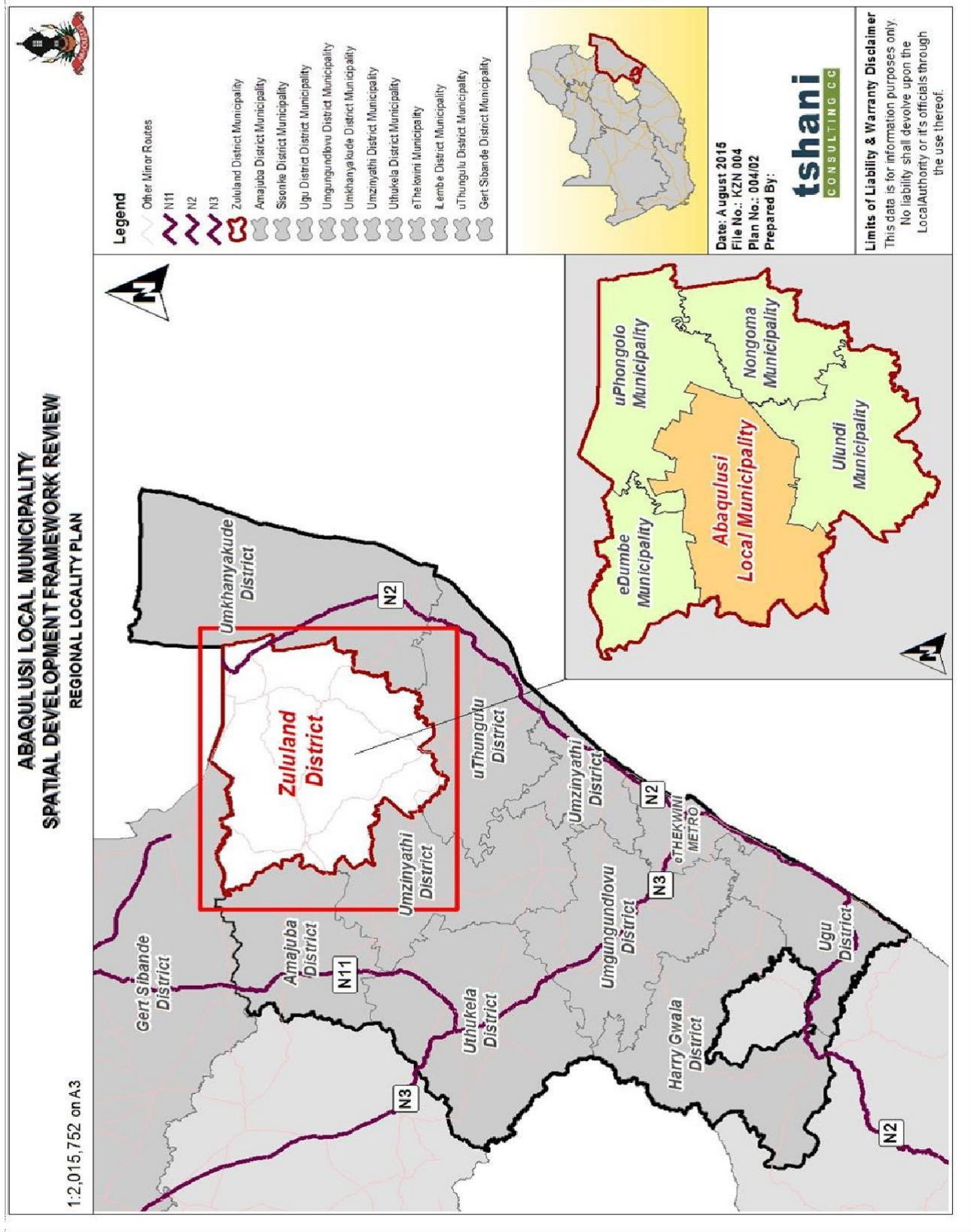
AbaQulusi Municipality comprises of many settlements, both rural and urban, with Vryheid being its main urban settlement/town. Other areas of interest that fall within the boundaries of AbaQulusi also include Louwsburg, eMondlo, Hlobane, Coronation, and Bhekuzulu and Lakeside. The municipality is split into 22 Wards and its geographical cover is estimated at 4185km<sup>2</sup> in extent making it one of the spatially largest municipalities in the province, occupied by a population of approximately 243 795 people, according to the Community Survey 2016.

The population of AbaQulusi has been growing steadily since 2011, moving from 211060 to 243 795 people, recording an increase of 32 735 people over a 5-year period. At present, AbaQulusi Municipality constitutes approximately 27% of the Zululand District Municipality making it the largest populated local municipality compared to the other local municipalities within the district.

The 4 other local municipalities that make up the Zululand Family include eDumbe, uPhongolo, Nongoma and Ulundi. The municipality is also characterized as the main hub for the district and is also very strategically positioned, sharing its border with all 4 local municipalities within the district, as well as with Amajuba and uMzinyathi District families.

The Locality Map below spatially depicts the AbaQulusi Municipality's location within the Zululand District Municipality and the KwaZulu-Natal Province.

Map 1: Locality Map

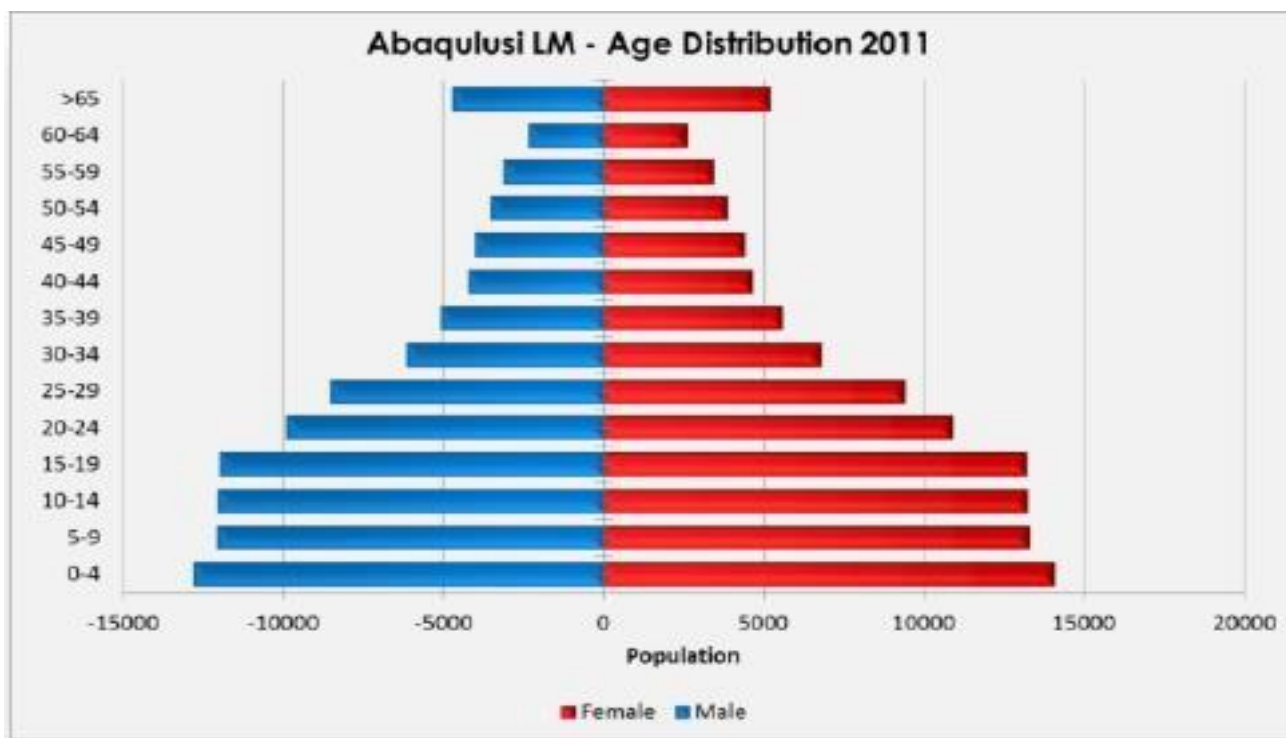


## 1.2 MUNICIPAL FUNCTION, POPULATION AND ENVIRONMENTAL OVERVIEW

The population of AbaQulusi has been growing steadily since 2001. From 2001 (191 019) to 2011 (211 032) the population of the municipality increased by 20 013 as per Census 2011, with a 1% growth rate per annum. The population density of AbaQulusi Local Municipality as expressed in terms of households per hectare depicts that the population within the municipality is not evenly distributed, within a high population density clustered around the main centre of Vryheid. There is a lower population concentration in the smaller urban centres of Hlobane, Louwsburg, eMondlo and Gluckstadt, while the outlying areas of Dlodlomo, Khambi Bhekumthetho, Gwebu, Ezibomvu, Ezidulini, and Mvuzini all have an even lower population density. The full breakdown of the AbaQulusi population distribution per ward is as follows:

Table 1 Population of AbaQulusi (2001 - 2011)

### Age groups and gender



## Population by ward

| WARD         | POPULATION | WARD | POPULATION     |
|--------------|------------|------|----------------|
| 1            | 10008      | 12   | 12708          |
| 2            | 8520       | 13   | 14253          |
| 3            | 11175      | 14   | 8604           |
| 4            | 6978       | 15   | 8103           |
| 5            | 10755      | 16   | 9417           |
| 6            | 10335      | 17   | 11889          |
| 7            | 10944      | 18   | 8085           |
| 8            | 4830       | 19   | 7437           |
| 9            | 6351       | 20   | 11124          |
| 10           | 2703       | 21   | 12603          |
| 11           | 11358      | 22   | 12852          |
| <b>Total</b> |            |      | <b>211 032</b> |

Source: Census 2011

### 1.2.1 ABAQULUSI KEY STATISTICS

Table 02: Key statistics

| DETAIL                    | STATISTICS     | DETAIL                             | STATISTICS |
|---------------------------|----------------|------------------------------------|------------|
| Total population          | 211,060        |                                    |            |
| Young (0-14)              | 36,7%          | Matric aged 20+                    | 28%        |
| Working Age (15-64)       | 58,6%          | Number of households               | 43299      |
| Elderly (65+)             | 4,7%           | Number of Agricultural households  | 16,838     |
| Dependency ratio          | 70,5           | Average household size             | 4.6        |
| Sex ratio                 | 90,9           | Female headed households           | 50%        |
| Growth rate               | 1% (2001-2011) | Formal dwellings                   | 78.8%      |
| Population density        | 50 persons/km2 | Housing owned/paying off           | 66.6%      |
| Unemployment rate         | 35,4%          | Flush toilet connected to sewerage | 40.9       |
| Youth unemployment rate   | 45,1%          | Weekly refuse removal              | 41,5%      |
| No schooling aged 20+     | 16,9%          | Piped water inside dwelling        | 38,8%      |
| Higher education aged 20+ | 6,6%           | Electricity for lighting           | 72.1%      |

The demographics within AbaQulusi Municipality as per STATS SA Community Survey 2016 is as follows:

### Population Sizes

| PERSONS            | CENSUS 2011 | COMMUNITY SURVEY 2016 |
|--------------------|-------------|-----------------------|
| Total population   | 211 060     | 243 795               |
| Growth rates       | 1.0         | 0.03                  |
| Change (%)         | 10.5        | 15.5                  |
| Population density | 50          | 58                    |

Source: STATS SA CS 2016



## Population Distribution

| SETTLEMENTS       | CENSUS 2011 | COMMUNITY SURVEY 2016 |
|-------------------|-------------|-----------------------|
| Urban formal      | 39.1%       | 38.6%                 |
| Traditional/Rural | 32.7%       | 35.6%                 |
| Farms             | 28.2%       | 25.7%                 |

Source: STATS SA CS 2016

## Population Composition

| PERSONS PROPORTION          | CENSUS 2011 | COMMUNITY SURVEY 2016 |
|-----------------------------|-------------|-----------------------|
| Young (0-14 years)          | 36.7%       | 37.9%                 |
| Youth (15-34 years)         | 36.5%       | 39.8%                 |
| Working age (15-64 years)   | 58.6%       | 57.8%                 |
| Elderly (65 years or older) | 4.7%        | 4.3%                  |
| Sex ratio (men/100 women)   | 91          | 93                    |
| Dependency ratio            | <b>70.5</b> | <b>70.8</b>           |

Source: STATS SA CS 2016

## Population Groups

| RACE          | CENSUS 2011 | COMMUNITY SURVEY 2016 |
|---------------|-------------|-----------------------|
| Black African | 95.4%       | 96.9%                 |
| Coloured      | 0.5%        | 0.7%                  |
| White         | 3.5%        | 2.3%                  |
| Indian/Asian  | 0.4%        | 0.2%                  |

Source: STATS SA CS 2016

## 1.3 SERVICE DELIVERY OVERVIEW

### 1.3.1 SERVICE DELIVERY HIGHLIGHTS

The table below specifies the basic service delivery highlights for the year on project completed and passed 60% progress, some of the projects are still in progress and are under construction during 2021/22. Progress is indicated under chapter 3 of Annual Performance Report, 2021/22 Organisational Scorecard.

|     | FOCUS AREA     | PROJECT NAME  | BUDGET        | STATUS  | WARD |
|-----|----------------|---|---------------|---|------|
| 1.  | Roads          | Tarring of Zama to kwaBalele - Bhekumtetho Road Ward 19 (Phase 2) | R R2 890 000  | <b>Target met, 100%</b> of road tarring completed 31 March 2022                             | 19   |
| 2   |                | Tarring of Zama to kwaBalele - Bhekumtetho Road Ward 19 (Phase 3) | R R 7 900 000 | <b>Target not met, 55%</b> of road tarred by 30 June 2022                                   | 19   |
| 3.  |                | Road Paving New Lakeside - Ward 22 - Phase 3                      | R R4 180 000  | <b>Target not met, 91%</b> of road paving completed by 30 June 2022                         | 22   |
| 4.  |                | Upgrading of Shoba Roads - Phase 1 - Ward 5                       | R R2 670 000  | <b>Target met 100%</b> of road upgraded by 27 April 2022 works completed 31 March 2022      | 5    |
| 5.  |                | Upgrading of Extension 16 (SASCO) Roads - Ward 8 (Phase 1)        | R R9 599 462  | <b>Target not met, 61%</b> of road upgraded by 30 June 2022                                 | 15   |
| 6.  |                | Upgrading of Mhlanga Gravel Road - Ward 15 (Phase 2)              | R3 000 000    | <b>Target met, 100%</b> of road upgraded and completed for practical purpose on 12 May 2022 | 15   |
| 10. | Community hall | Construction of Ward 13 Community Hall                            | R R5 022 038  | <b>Target met, 75%</b> of community hall construction completed by 29 June 2022             | 13   |

## 1.4 FINANCIAL HEALTH OVERVIEW

### 2021/22 DRAFT ANNUAL REPORT EXTRACT

The municipality began the financial year with a cash balance of R 23,7 million.

| Vote Description<br>R thousands                                      | Budget Year 2021/22 |                 |                |
|--|---------------------|-----------------|----------------|
|  | Original Budget     | Adjusted Budget | Year TD actual |
| <b><u>Revenue By Source</u></b>                                      |                     |                 |                |
| Property rates   | 83 493              | 101 776         | 102 067        |
| Service charges - electricity revenue                                | 219 846             | 213 127         | 205 169        |
| Service charges - water revenue                                      | 41 679              | 48 679          | 45 858         |
| Service charges - sanitation revenue                                 | 27 787              | 33 287          | 32 326         |
| Service charges - refuse revenue                                     | 23 174              | 25 163          | 22 221         |
| Rental of facilities and equipment                                   | 1 050               | 554             | 527            |
| Interest earned - external investments                               | 1 680               | 1 680           | 710            |
| Interest earned - outstanding debtors                                | –                   | 52 336          | 12 673         |
| Dividends received   | –                   | –               | –              |
| Fines, penalties and forfeits  | 24 773              | 17 270          | 17 953         |
| Licences and permits   | 5 148               | 7 294           | 5 820          |
| Agency services  | –                   | –               | –              |
| Transfers and subsidies  | 179 728             | 183 728         | 180 114        |
| Other revenue  | 5 576               | 5 137           | 29963          |
| Gains  | –                   | –               | 6131           |
| <b>Total Revenue (excluding capital transfers and contributions)</b> | <b>613 934</b>      | <b>690 032</b>  | <b>661 532</b> |
| <b><u>Expenditure By Type</u></b>                                    |                     |                 |                |
| Employee related costs   | 168 228             | 181 886         | 175 454        |
| Remuneration of councillors  | 19 123              | 18 863          | 17 865         |
| Debt impairment  | 6 730               | 6 730           | 25742          |
| Depreciation & asset impairment                                      | 42 666              | 42 666          | 109 395        |
| Finance charges  | –                   | –               | 255            |
| Bulk purchases - electricity   | 240 000             | 238 000         | 215 063        |
| Inventory consumed   | 25 828              | 23 235          | 48 391         |
| Contracted services  | 85 660              | 134 056         | 114 104        |
| Transfers and subsidies  | –                   | 8 000           | 0              |
| Other expenditure  | 25 318              | 29 813          | 103 614        |
| Losses   | –                   | –               | –              |
| <b>Total Expenditure</b>   | <b>613 553</b>      | <b>683 249</b>  | <b>809 883</b> |

|   |               |               |                 |
|---|---------------|---------------|-----------------|
| <b>Surplus/(Deficit)</b>  | <b>381</b>    | <b>6 783</b>  | <b>42 770</b>   |
| Transfers and subsidies - capital (monetary allocations) (National / Provincial and District) | 40 548        | 40 548        | 39 107          |
| <b>Surplus/(Deficit) after capital transfers &amp; contributions</b>                          | <b>40 928</b> | <b>47 330</b> | <b>-148 351</b> |
| <b>Surplus/ (Deficit) for the year</b>  | <b>40 928</b> | <b>47 330</b> | <b>-109 244</b> |

| <b>OPERATING RATIOS</b>                 |     |
|---|-----|
| <b>DETAILS</b>                          |     |
| <b>Employee cost</b>                    | 22% |
| <b>Repairs and Maintenance</b>          | 6%  |
| <b>Finance charges and depreciation</b> | 14% |

#### COMMENT ON OPERATING RATIOS

Employee-related cost is 22% of total operating expenditure while the norm recommended by the National treasury is between 30% and 35%. Repairs and Maintenance must be 8% of the operating budget in terms of the norm by National Treasury while the municipality is sitting at 6%. It must be mentioned that another huge portion of repairs and maintenance is in capital expenditure as renewal of existing. Finance charges and depreciation make up about 14% of total operational expenditure

| <b>TOTAL CAPITAL EXPENDITURE 2019/20 – 2021/22</b> |         |         |         |
|--|---------|---------|---------|
| <b>DETAILS</b>                                     |         |         |         |
|  | 2019/20 | 2020/21 | 2021/22 |
| <b>Original Budget</b>                             | 35 278  | 57 772  | 44 908  |
| <b>Adjustment Budget</b>                           | 43 983  | 51 390  | 47 330  |
| <b>Actual</b>                                      | 35 104  | 47 167  | 41 373  |

#### CAPABILITY OF THE MUNICIPALITY TO EXECUTE CAPITAL PROJECTS

The municipality was unable to allocate funding from its own revenue for the projects in road, water, electricity, and sewerage as the impact of the drought in the previous financial year where the municipality had to provide water without receiving any revenue for water severely impacted on the finances of the municipality.

| <b>EMPLOYEE EXPENDITURE 2019/20 – 2021/22</b> |                |                |                |
|---|----------------|----------------|----------------|
| <b>PERIOD</b>                                 | <b>2019/20</b> | <b>2020/21</b> | <b>2021/22</b> |
| <b>EXPENDITURE</b>                            | 176 161 456    | 167 755 459    | 177 131 563    |

### **Indigent Support (Including Free Basic Services)**

Most of the population in AbaQulusi Municipality is indigent; this has an impact of reduced revenue. The Municipality receives the free basic grant from National Treasury, which is utilized to offer the following free basic services:

- Free 50kwh of electricity a month
- Free rates up to the value R100,000
- Free 6kl of water per month
- Free refuse
- These allocations are per the national government policy guidelines
- The total cost for these Free Basic Services amounts to R8,5 million

### **Revenue Enhancement and Protection Strategies**

The following strategies are to be implemented:

- Review and implementation of the credit-control policy
- Strict management of the indigent register.
- Access to electricity through third party vendors.
- Customer awareness on illegal electricity connections.

### **Municipal Consumer Debt**

The increased number of indigents is negatively affecting the municipality's ability to collect all service revenue billed; there has been a considerable increase in the debtor's balances over 90 days as a result of this. These outstanding balances have been adequately provided for as doubtful debts.

### **Current and Planned Borrowings**

The municipality has no current or planned borrowings.

### **Municipality's Credit Rating**

The municipality does not have a credit rating currently.

### **Employee Related Costs**

The employee related costs account is approximately 22% of the total expenditure.

### **Supply Chain Management**

AbaQulusi municipality currently has Supply Chain Management Unit that manages the flow of goods and services guided by the municipal SCM policy. In order to give effect to the SCM Policy.

### **Status of Bid Committees in 2021/22**

The municipality has an established bid specification, evaluation and adjudication committee that is fully functional

## CHALLENGES

Challenges experienced for the reporting period are indicated in the table below

| CHALLENGES                        | DESCRIPTION  | ACTION TO BE TAKEN  |
|-----------------------------------|--|---|
| High level of indigent dependency | High level of indigent dependence is as results community that might be found eligible to get indigent benefit | Strict verification process to register on Indigent Register                  |
| Loss of income                    | The municipality lose a lot of income due to illegal electricity, water connections and illegal development    | Blocking of prepaid electricity<br>Handing over of accounts to attorneys      |
| High rate of debtors              |  | Revenue enhancement committee has been established assisted by national COGTA |

## INTERVENTIONS

- Revenue enhancement committee has been established assisted by national COGTA
- Blocking of prepaid electricity
- Handing over of accounts to attorneys
- Appointment of data cleansing service provider

## 1.5 ORGANISATIONAL DEVELOPMENT OVERVIEW

**Organizational development is used** to equip an organization with the right tools so that it can adapt and respond positively (profitably!) to changes in the market. **It is a process** through which an organization develops the internal capacity to be the most effective it can be in its mission work and to sustain itself over the long term. The Municipal environment is very dynamic and Abaqulusi is not exception in this regard.

The job evaluation process was undertaken during the year and 70% progress was made and most the job descriptions were submitted to the job evaluation unit (JEU). The municipality will undertake the remaining 30% during 2022/2023

#### **MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT**

| <b>HIGHLIGHTS</b>                        | <b>DESCRIPTION</b>   |
|--|--|
| Legislative and administrative authority | Council and its committees meet as prescribed. Council continues to make, review and administer by-laws for the effective administration of the functions assigned to it |
| Ward committees                          | ward committees functional in 23(twenty -three) wards and issues are being addressed to enhance participatory democracy  |



## 1.6 AUDITOR GENERAL REPORT

### 1.6.1 AUDITED OUTCOMES

The Auditor-General of South Africa has a constitutional mandate and, as the Supreme Audit Institution (SAI) of South Africa, exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence. In short, the Auditor-General checks the spending of public money by looking at whether it has been used ideally and for the purposes intended. This is done by annually checking all government spending. In turn, this can be described as an audit.

The Auditor-General's annual audit examines 3 areas:

- Fair presentation and absence of significant misstatements in financial statements
- Reliable and credible performance information for predetermined objectives
- Compliance with all laws and regulations governing financial matters.

There can be 5 different outcomes to an audit, once the municipality has submitted their financial statements to the Auditor-General, which can be simply defined as follows:

- **A clean audit:** The financial statements are free from material misstatements and there are no material findings on reporting on predetermined objectives or non-compliance with legislation.
- **Unqualified audit with findings:** The financial statements contain material misstatements. Unless they express a clean audit outcome, findings have been raised on either reporting on predetermined objectives or non-compliance with legislation, or both these aspects.
- **Qualified audit opinion:** The financial statements contain material misstatements in specific amount, or insufficient evidence for them to conclude that specific amounts included in the financial statements are not materially misstated.
- **Adverse Audit Opinion:** The financial statements contain material misstatements that are not confined to specific amounts, or the misstatements represent a substantial portion of the financial statements.
- **Disclaimer of Audit opinion:** The auditee provided insufficient evidence in the form of documentation on which to base an audit opinion. The lack of sufficient evidence is not confined to specific amounts or represents a substantial portion of the information contained in the financial statements.

The table below indicates the audit opinion received for the past four financial years:

| YEAR             | 2019/20                   | 2020/21                 | 2021/22                   |
|------------------|---------------------------|-------------------------|---------------------------|
| OPINION RECEIVED | Unqualified with findings | Qualified with findings | Unqualified with findings |

## 1.7 IDP PROCESS PLAN

According to chapter 5 of the Municipal Systems Act (MSA) of 2000, all municipalities have to undertake an Integrated Development Planning process (i.e., IDP Process Plan) to produce an Integrated Development Plan (IDP). The process plan in this case essentially fulfils the function of a business plan and/or operational plan for the review process of the IDP, Budget and PMS. It is a plan that simply defines **what** should happen, by **when** it should happen, **who** is responsible, and **how** it should happen during the process of formulating/reviewing an IDP, Budget and PMS for a Municipality.

Schedule of events to undertake the 5<sup>th</sup> generation IDP 2022/23 successfully are indicated in the table below

| DATE                  | ACTIVITY   | RESPONSIBILITY                                       |
|-----------------------|--|--|
| <b>JUNE/JULY 2021</b> |  |  |
| 22 June 2021          | Table Draft 2022/2023 IDP and Budget Process Plan to EXCO  | Director: Development Planning                       |
| 25 June 2021          | Table Draft 2022/2023 IDP and Budget Process Plan to Council   | Director: Development Planning                       |
| 31 June 2021          | Submission of Draft 2022/2023 IDP Process Plan to COGTA for comment  | Director: Development Planning                       |
| 01 July 2021          | Advertise Draft 2022/2023 IDP Process Plan to Public for comment   | Director: Development Planning                       |
| 15 July 2021          | Submission of 4 <sup>th</sup> Quarter PMS Report by all Departments  | Municipal Manager and All Directors                  |
| 31 July 2021          | Finalize Performance Agreements for Section 54/56  | Municipal Manager                                    |
| <b>AUGUST 2021</b>    |  |  |
| 17 August 2021        | Table 1 <sup>st</sup> Draft Annual Report to Audit Committee   | Municipal Manager                                    |
| 20 August 2021        | Table 1 <sup>st</sup> Draft Annual Report to MPAC  | Municipal Manager                                    |
| 24 August 2021        | -Table 1 <sup>st</sup> Draft Annual Report to EXCO<br>-Table Final 2022/2023 IDP and Budget Process Plan to EXCO       | Municipal Manager and Director: Development Planning |
| 26 August 2021        | -Table 1 <sup>st</sup> Draft Annual Report to Council<br>-Table Final 2022/2023 IDP and Budget Process Plan to Council | Municipal Manager and Director: Development Planning |
| 31 August 2021        | -Submission of Draft Annual Report and AFS to Treasury   | Municipal Manager and CFO                            |
| <b>SEPTEMBER 2021</b> |  |  |
| 17 September 2021     | KZN IDP Indaba   | KZN CoGTA and Director: Development Planning         |
| 29 September 2021     | IDP Steering Committee meeting to address 2021/2022 IDP MEC Comments   | Municipal Manager, All Directors and Managers        |

| DATE                 | ACTIVITY  | RESPONSIBILITY   |
|----------------------|---|--|
| <b>OCTOBER 2021</b>  |   |  |
| 04-17 October 2021   | IDP and Budget Roadshows (Needs Analysis) (Subject to COVID-19 Regulations)                                 | Office of the Mayor, Municipal Manager, All Directors    |
| 15 October 2021      | Submission of First Quarter Performance Reports and POE   | Municipal Manager and All Directors                      |
| 22 October 2020      | Submission of first Quarter Performance Report to Internal Audit  | Municipal Manager  |
| <b>NOVEMBER 2021</b> |   |  |
| 04 November 2021     | District IDP Alignment Session with KZN CoGTA   | ZDM and KZN CoGTA  |
| 12 November 2021     | First Quarter Performance Review (Informal)   | Municipal Manager and All Directors                      |
| 16-18 November 2021  | Draft Budget and IDP Working Session (Feedback from Roadshows and preparation for 2022-2023 IDP and Budget) | Municipal Manager, All Directors and Managers            |
| 19 November 2021     | IDP Best Practice-Alignment Session   | KZN CoGTA and Director: Development Planning             |
| <b>DECEMBER 2021</b> |   |  |
| 07 December 2021     | Table First Quarter Performance Reports to EXCO   | Municipal Manager  |
| 09 December 2021     | Table First Quarter Performance Reports to Council  | Municipal Manager  |
| 10 December 2021     | IDP Rep Forum (Subject to COVID-19 Regulations)   | Municipal Manager, All Directors and Office of the Mayor |
| <b>JANUARY 2022</b>  |   |  |
| 05 January 2022      | Submission of Second Quarter/ Half Year Performance Report  | Municipal Manager and All Directors                      |
| 12 January 2022      | Submission of Second Quarter/ Half Year Performance Report to Internal Audit                                | Municipal Manager  |
| 17 January 2022      | Mid-Year Budget and Performance assessments/review  | Municipal Manager and All Directors                      |
| 20 January 2022      | Table 2 <sup>nd</sup> Draft Annual Report and Mid-year Budget and Performance Report to MPAC                | Municipal Manager and CFO                                |
| 25 January 2022      | Table 2 <sup>nd</sup> Draft Annual Report and Mid-year Budget and Performance Report to EXCO                | Municipal Manager and CFO                                |
| 27 January 2022      | Table 2 <sup>nd</sup> Draft Annual Report and Mid-year Budget and Performance Report to COUNCIL             | Municipal Manager and CFO                                |
| 31 January 2022      | Submission of 2 <sup>nd</sup> Draft Annual Report and Mid-year Budget and Performance Report to Treasury    | Municipal Manager and CFO                                |
| <b>FEBRUARY 2022</b> |   |  |
| 01 February 2022     | Advertise Annual Report   | Municipal Manager  |
| 04 February 2022     | IDP Stakeholders Meeting  | KZN CoGTA and Director: Development Planning             |
| 8-10 February 2022   | Adjusted Budget and SDBIP Session   | EXCO, Municipal Manager, All Directors and Managers      |

| DATE                   | ACTIVITY  | RESPONSIBILITY  |
|------------------------|---|---|
| 14-18 February 2022    | Strategic Planning Session  | EXCO, Municipal Manager, All Directors and Managers       |
| 22 February 2022       | Table Adjusted Budget and SDBIP to EXCO   | Municipal Manager and CFO                                 |
| 24 February 2022       | Table Adjusted Budget and SDBIP to Council  | Municipal Manager and CFO                                 |
| <b>MARCH 2022</b>      |   |   |
| 01 March 2022          | Advertise Adjusted Budgeted and SDBIP   | Municipal Manager and CFO                                 |
| 18 March 2022          | MPAC-Oversight Report   | Municipal Manager and CFO                                 |
| 29 March 2022          | Table Draft 22/23 IDP, Budget, and Final Annual Report to EXCO  | Director: Development Planning, Municipal Manager and CFO |
| 31 March 2022          | Table Draft 22/23 IDP, Budget, and Final Annual Report to Council   | Director: Development Planning, Municipal Manager and CFO |
| <b>APRIL 2022</b>      |   |   |
| 01 April 2022          | Advertise Draft 22/23 IDP, Budget, and Final Annual Report  | Director: Development Planning, Municipal Manager and CFO |
| 01 April-15 April 2022 | IDP and Budget Roadshows (Discuss Draft IDP and Budget- Projects and Tariffs) (Subject to COVID-19 Regulations) | Office of the Mayor, Municipal Manager, All Directors     |
| 04 April 2022          | Deliver Draft 22/23 IDP and Budget to CoGTA (MEC)   | Director: Development Planning                            |
| 14 April 2022          | Submission of Third Quarter Performance Report  | Municipal Manager and All Directors                       |
| 22 April 2022          | Submission of Third Quarter Performance Report to Internal Audit  | Municipal Manager   |
| April 2022             | Draft IDP Feedback Session  | KZN CoGTA   |
| 26-28 April 2022       | Alignment of IDP, Budget and Develop 1 <sup>st</sup> Draft 22/23 SDBIP  | EXCO, Municipal Manager, All Directors and Managers       |
| <b>MAY 2022</b>        |   |   |
| 13 May 2022            | Third Quarter Performance Review (Informal)   | Municipal Manager and All Directors                       |
| 24 May 2022            | Table Final 2022/2023 IDP and Budget to EXCO  | Director: Development Planning, Municipal Manager and CFO |
| 26 May 2022            | Table Final 2022/2023 IDP and Budget to Council   | Director: Development Planning, Municipal Manager and CFO |
| <b>JUNE 2022</b>       |   |   |
| 27 May – 03 June 2022  | Develop 2 <sup>nd</sup> Draft 2021/2022 SDBIP   | EXCO, Municipal Manager, All Directors and Managers       |
| 01 June 2022           | Advertising of Final 2022/2023 IDP and Budget.  | Director: Development Planning and CFO                    |
| 01 June 2022           | Submission of Final 2022/2023 IDP and Budget to COGTA   | Director: Development Planning                            |

| DATE            | ACTIVITY   | RESPONSIBILITY                                      |
|-----------------|--|---|
| 09 June 2022    | Submit 2 <sup>nd</sup> Draft 2022/2023 SDBIP to Mayor        | Municipal Manager                                   |
| 16-23 June 2022 | Develop Final 2022/2023 SDBIP                                | EXCO, Municipal Manager, All Directors and Managers |
| 23 June 2022    | Submit Final 2022/2023 SDBIP to Mayor for Signature          | Municipal Manager                                   |
| 01 July 2022    | Advertise Final SDBIP, Submission of Final SDBIP to Treasury | Municipal Manager                                   |

# CHAPTER 2

## GOVERNANCE

### COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

Governance at AbaQulusi is made up of political and administrative governance. Political governance comprises of elected councillors and council committees. Its role is to play oversight role over administration of the municipality to ensure effective and efficient service delivery. Administrative governance is undertaken through various administrative structures under the leadership of the Municipal Manager.

The principal structure of municipality is Council chaired by Speaker of Council, Cllr. MB Khumalo. The Executive Committee is led by the Mayor, Cllr. MC Maphisa and is tasked with day – to –day running of the municipality. Political governance structures work together on day – to day basis to achieve service delivery goals and targets as set out in the municipal IDP

#### 2.1 POLITICAL GOVERNANCE

The political governance of AbaQulusi Municipality is undertaken by Executive Committee led by the Mayor, Cllr. MC Maphisa, who is the centre of governance system since executive powers are vested in him to manage the day-to-day affairs of the municipality. He has an overarching strategic and political responsibility to ensure smooth functioning of political and administrative governance of the municipality. In fulfilling this function, he is assisted by the Executive Committee comprising of 8 members of Council. The EXCO political structure is made up of the following: 5(five) IFP: Members, 3(three) ANC: Members, 1(one) EFF Members and 1(one) NFP member. Councillors and their political affiliation are indicated as follows:

## EXECUTIVE COMMITTEE MEMBERS



**Mayor**  
**Cllr. MC Maphisa**

**Political Representation: IFP**

The mayor is the centre of governance system since executive powers are vested in him to manage the day-to-day affairs of the municipality. He has an overarching strategic and political responsibility to ensure smooth functioning of political and administrative governance of the municipality.

Deputy Mayor  
**Cllr. MA Mazibuko**  
Political Representation: IFP

|   |  |   |   |
|---|--|---|---|
| <b>NN Mdlalose</b><br>Designation: Ward Councillor<br>Political Representation: ANC   | <b>Cllr. HB Khumalo</b><br>Designation: PR<br>Political Representation: ANC            | <b>Cllr. L Dube</b><br>PR Councillor<br>Political Representation: ANC                     | <b>Cllr FK Nene</b><br>PR Councillor / EXCO<br>Political Representation: NFP<br>Ward: 23                |
| <b>Cllr. LM Mtshali</b><br>Designation PR Councillor<br>Political Representation: IFP | <b>Cllr. HB Khumalo</b><br>Designation: PR Councillor<br>Political Representation: ANC | <b>Cllr. LWC Mtshali</b><br>Designation: Ward Councillor<br>Political Representation: IFP | <b>Cllr. BP Nhlengethwa</b><br>Designation: Ward Councillor<br>Political Representation: EFF<br>Ward: 1 |

Various portfolio committees are in place to ensure effective oversight role on council matters. The committees are established in terms of section 79 and 80 of the Government Municipal Structures Act No 117 of 1998. These committees include

## PORTFOLIO COMMITTEES

| NO. | COMMITTEE                     | CHAIRPERSON       | MEMBERS  |
|-----|-------------------------------|-------------------|--|
| 1.  | Executive Portfolio Committee | Cllr. MC Maphisa, | Cllr. MA Mazibuko, Cllr. NN Mdlalose, Cllr. HB Khumalo, Cllr. L Dube, Cllr. LWC Mtshali, Cllr. LM Mtshali, Cllr. BP Nhlengethwa, Cllr FK Nene      |
| 2.  | Technical Services Committee  | Cllr. ML Mtshali  | Cllr KZ Mbatha, Cllr XJ Zungu, Cllr MD Khumalo, Cllr AP Mbatha, Cllr. TE Vilakazi, Cllr KM Ntuli, Cllr PF Buthelezi, Cllr LM Xulu, Cllr VV Dlamini |






| NO. | COMMITTEE                             | CHAIRPERSON       | MEMBERS  |
|-----|---------------------------------------|-------------------|--|
| 3.  | Community Services                    | Cllr. MA Mazibuko | Cllr JX Sangweni, Cllr TE Vilakazi, Cllr SS Mthembu<br>Cllr XJ Zungu, Cllr BW Mdlalose, Cllr MM Lambiso<br>Cllr RF Nzuza, Cllr FK Nene, Cllr LN Khan, Cllr SN Buthelezi<br>Cllr BI Ngema, Cllr MB Mabaso   |
| 4.  | Finance Portfolio                     | Cllr. MC Maphisa  | Cllr. ZM Ngcobo, Cllr. SB Mkhwanazi, Cllr. MD Khumalo, Cllr.<br>BW Mdlalose, Cllr. MP Williams, Cllr. AP Mbatha, Cllr. PF<br>Buthelezi, Cllr. S Shelembe, Cllr. FK Nene, Cllr. BH Khumalo<br>Cllr. SN Buthelezi, Cllr. NN Mdlalose, Cllr. NM Sibiya, Cllr. ST<br>Mbokazi |
| 5.  | Corporate Services<br>Portfolio       |                   | Cllr. MP Williams, Cllr. BW Mdlalose, Cllr. SS Mthembu, Cllr.<br>MM Lambiso, Cllr. KM Ntuli, Cllr. JX Sangweni, Cllr. RF<br>Nzuza, M Mdletshe, Cllr. L Dube, Cllr. SN Ndlela, Cllr. BI<br>Ngema, Cllr. NN Mdlalose, Cllr. VV Dlamini                                     |
| 6.  | Development Planning<br>Portfolio     |                   | Cllr. LWC Mtshali, Cllr. MD Khumalo, Cllr. SB Mkhwanazi, Cllr.<br>AP Mbatha, Cllr. KZ Mbatha, Cllr. ZM Ngcobo, Cllr. MP<br>Williams, Cllr. RF Nzuza, Cllr. LM Xulu, Cllr. ST Mbokazi, Cllr.<br>NM Sibiya, Cllr. L Dube, Cllr. MB Mabaso, Cllr. BH Khumalo                |
| 7.  | Municipal Public Account<br>Committee | Cllr. M Victor    | Cllr. NP Ndlela, Cllr. BP Buthelezi, Cllr. MD Buthelezi, Cllr. E<br>Cronje, Cllr. PP Selepe, Cllr. CB Hlatshwayo, Cllr. BE Ndlela<br>Cllr. HV Khumalo  |



## 2.2 COUNCIL

Councillors are elected representatives serving predetermined term of office on the local council on behalf of their respective constituents. AbaQulusi municipal council has a total number of forty-five (45). Twenty-three (23) are represented as ward councillors and twenty-two (22) are party representatives. The Councils Political structure is made up of the following: African National Congress (ANC): 14 Members, Inkatha Freedom Party (IFP): 21 Members, Democratic Alliance (DA): 2 Members, Economic Freedom Fighters (EFF): 3 Members, 4 National Freedom Party (NFP) and Front Plus (VFP) 1. The Council is chaired by the Honourable Speaker, Councillor MB Khumalo.

The composition of Council and their political affiliation is as follows:

| KNOW YOUR COUNCILLORS  |   |   |   |   |
|--|---|---|---|---|
|  <p>Honourable Speaker<br/>Cllr MB Khumalo</p>       |   | <p>The Speaker is chairperson of the Municipal. He is responsible for the following</p> <ul style="list-style-type: none"> <li>• Presides at meetings of the Council.</li> <li>• Performs the duties and exercises the powers delegated to the Speaker in terms of Section 32 must ensure that the Council meets at least quarterly.</li> <li>• Must maintain order during meetings.</li> </ul> <p>Must ensure compliance in the Council and Council committees with the Code of Conduct set out in Schedule 5, and must ensure that Council meetings are conducted in accordance with the rules and orders of the Council.</p> |   |   |
|  <p>Cllr SB Mkhwanazi - Ward 1<br/>071 614 9000</p> |  <p>Cllr KZ Mbatha - Ward 2<br/>073 396 3685</p> |  <p>Cllr BE Ndlala - Ward 3<br/>083 506 8812</p>   |  <p>Honourable Speaker<br/>Cllr MB Khumalo</p> |   |
| <p>Name: SB Mkhwanazi<br/>Designation: Ward Councillor<br/>Political Representation: IFP<br/>Ward: 1</p>                               | <p>Name: KZ Mbatha<br/>Designation: Ward Councillor<br/>Political Representation: IFP<br/>Ward: 2</p>                               | <p>Name: BE Ndlala<br/>Designation: Ward Councillor<br/>Political Representation: IFP<br/>Ward: 3</p>   | <p>Name: MB Khumalo<br/>Designation: Hounourable Speaker/<br/>Ward Councillor Political<br/>Representation: IFP<br/>Ward: 4</p>     | <p>Name: TE Vilakazi<br/>Designation: Ward Councillor<br/>Political Representation: IFP<br/>Ward: 5</p> |

## KNOW YOUR COUNCILLORS



Name: BW Mdlalose  
Designation: Ward  
Councillor/Political  
Representation:IFP  
Ward: 6



Name: SS Mthembu  
Designation: Ward  
Councillor  
Political Representation:  
IFP Ward: 11

Name: MD Khumalo  
Designation: Ward  
Councillor/Political  
Representation:IFP  
Ward: 7



Name: NN Mdlalose  
Designation: Ward  
Councillor  
EXCO Member  
Political Representation:  
ANC  
Ward: 12



Name: BP Buthelezi  
Designation: Ward  
Councillor/Political  
Representation:IFP  
Ward: 8



Name: AP Mbatha  
Designation: Ward  
Councillor/ Whip of  
Council Political  
Representation:IFP  
Ward: 13



Name: M Viktor  
Designation: Ward  
Councillor  
/ MPAC Chairperson  
Political Representation:  
DA  
Ward: 9



Name: LWC Mtshali  
Designation: Ward  
Councillor/ EXCO  
Political Representation:  
IFP  
Ward: 14



Name: NM Sibiyi  
Designation: Ward  
Councillor/Political  
Representation: NC  
Ward: 10



Name: ML Mtshali  
Designation: Ward  
Councillor  
/EXCO Political  
Representation:IFP  
Ward: 15

## KNOW YOUR COUNCILLORS



Cllr HV Khumalo - Ward 16  
073 265 0938

Name: HV Khumalo  
Designation: Ward  
Councillor  
Political Representation:  
ANC  
Ward: 16



Cllr XJ Sangweni - Ward 17  
071 448 0600

Name: XJ Sangweni  
Designation: Ward  
CouncillorPolitical  
Representation:IFP  
Ward: 17



Cllr ZM Ngcobo - Ward 18  
078 847 8173

Name: ZM Ngcobo  
Designation: Ward  
CouncillorPolitical  
Representation:IFP  
Ward: 18



Hon. Deputy Mayor  
Cllr MA Mazibuko

Name: MA  
Mazibuko  
Designation:  
Honourable Deputy  
Mayor/Ward  
Councillor / EXCO  
Political Representation:  
IFP  
Ward: 19



Cllr CB Hlatshwayo - Ward 20  
081 456 0052

Name: CB Hlatshwayo  
Designation: Ward  
Councillor: Political  
Representation: NC  
Ward: 20



Cllr KM Ntuli - Ward 21  
078 266 5763

Name: KM Ntuli  
Designation: Ward  
CouncillorPolitical  
Representation:IFP  
Ward: 21



Cllr MM Lambiso - Ward 22  
078 166 5425

Name: MM Lambiso  
Designation: Ward  
CouncillorPolitical  
Representation:IFP  
Ward: 22



Cllr XJ Zungu - Ward 23  
079 735 4885

Name: XJ Zungu  
Designation: Ward  
Councillor Political  
Representation:IFP  
Ward: 23



PR Cllr FK Nene  
071 491 1905

Name: FK Nene  
Designation: PR  
Councillor / EXCO  
Political Representation:  
NFP  
Ward: 23



PR Cllr LM Xulu  
083 430 6234

Name: LM Xulu  
Designation: PR Councillor  
Political Representation:  
NFP  
Ward: 23



PR Cllr AT Mdletshe  
073 240 0178

Name: AT Mdletshe  
Designation: PR Councillor  
Political Representation:  
NFP  
Ward: 23



PR Cllr iNkosi MD Buthelezi  
078 812 1309

Name: iNkosi MD  
Buthelezi Designation: PR  
Councillor Political  
Representation:NFP  
Ward: 23



PR Cllr E Cronje  
068 087 2254

Name: E Cronje  
Designation: PR Councillor  
Political Representation  
Plus  
Ward: 23

## **2.3 ADMINISTRATIVE GOVERNANCE**

The Municipal Manager is the Accounting Officer of the Municipality. He is the head of the administration, and primarily serve as chief custodian of service delivery and implementation of political priorities. He is assisted by his Director's reports, which constitutes the senior management team, the administrative is depicted below comprising of the following departments

### **2.3.1 Executive Support Department**

Municipal Manager is Head of Administration and is responsible for the management of the municipality's administration in accordance with the Local Government Municipal Systems Act of 2000 and other legislation applicable to the municipality. The primary objective to measure, monitor and enhance the institution's performance and advise the political structures and political office bearers of the municipality.

The following units exist within the department:

- Internal Audit
- Executive Support
- Legal Services
- Performance Management
- Local Economic Development

### **2.3.2 Budget & Treasury Department**

Budget & Treasury is headed by the Chief Financial Officer (CFO), manages the financial affairs of municipality to ensure the optimum use of all municipal assets. In essence, it is the protector of the public purse as it levies taxes and charges on the public, collects the taxes and charges for the public, and administers the expenditure of those taxes and charges on goods, services and assets on behalf of the public.

The following units exist within the department:

- Revenue & Income
- Expenditure Management
- Supply Chain
- Budget and Treasury

### **2.3.3 Technical Services Department**

The Technical Services department's main objectives and functions are to provide the basic needs of the community as well as maintain the standard of service provided. The following units exist within the department:

- Project Management Unit (PMU)
- Roads and Storm -water,
- Electricity
- Water and Sanitation

#### **2.3.4 Corporate Services Department**

Enable support to Council, the Committees of Council, as well as to the Political Office Bearers, provide an effective and efficient human resource strategic and administration, ensure skilled workforce, ensure fair representation of the workforce, promote a conducive working environment provide optimal information technology services and infrastructure.

The following units exist within the department:

- Human Resource Management
- Human Resource Development
- General Administration
- Information Technology
- Council Support and
- Fleet Management

#### **2.3.5 Community Services Department**

The Community Development Department's core functions is to ensure that the community is well serviced in regards to: Public Safety, Education (Libraries) Sports & Recreation, Community Halls, Traffic Management and Solid Waste Management

The following units exist within the department:

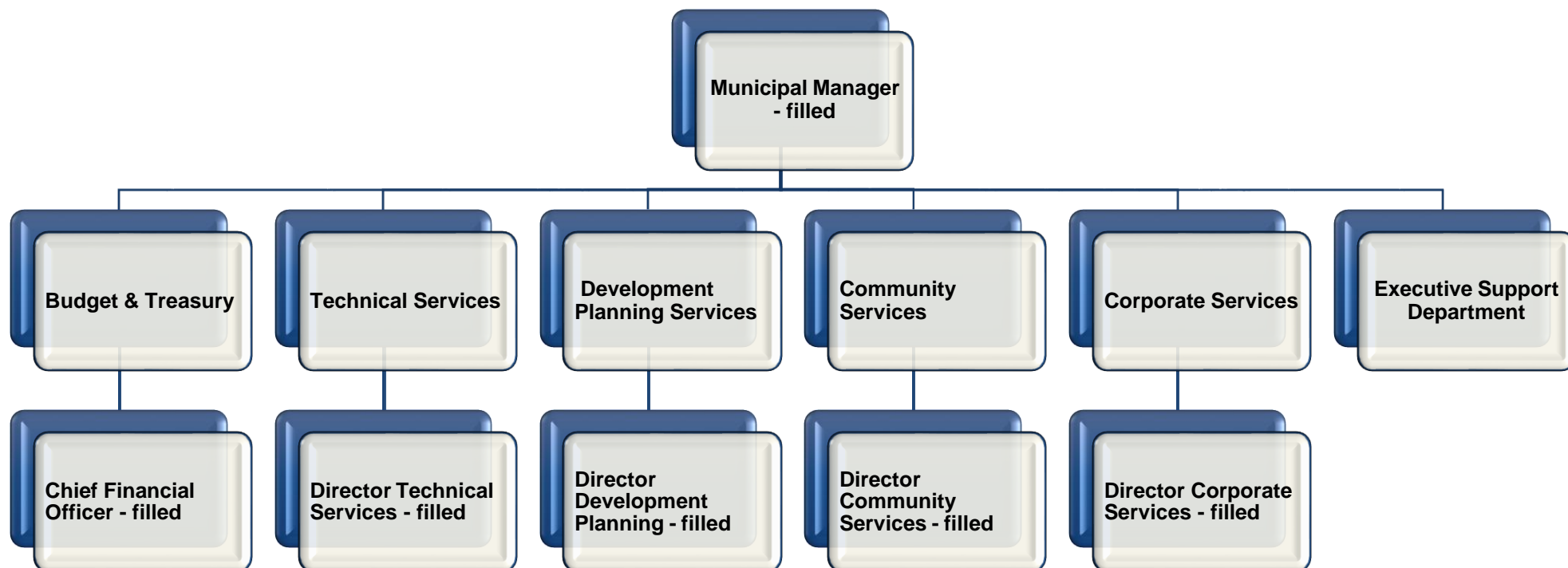
- Environmental Management
- Public Safety
- Recreational Services
- Community Services Centre

#### **2.3.6 Development Planning Department**

The Development Planning departments' primary function within the municipality is to regulate, control all developments. The following units exist within the department:

- Town Planning and GIS
- Human Settlement & Real Estate
- Building Inspectorate
- IDP and Development Planning

Depicted below is the Organogram of the municipality.



**Organogram**

## COMPONENT B: INTERGOVERNMENTAL RELATIONS

### 2.4 INTERGOVERNMENTAL RELATIONS

South Africa has an intergovernmental system guided by Intergovernmental Relations Framework Act no. 13 of 2005 and regulations. The principle behind this act is to promote cooperation between the three spheres of government – local, provincial and national. While responsibility for certain functions is allocated to a specific sphere, many other functions are shared among the three spheres.

The municipality participates in a number of national, provincial forums and district forum that are currently established for the purpose to share issues of common interest and resolve challenges at hand and facilitate service delivery mandate.

Furthermore, IGR in the context of South Africa mainly aims to achieve the following:

- Information Sharing
- Communication
- Consultation
- Engagement
- Co-operation

#### 2.4.1 PROVINCIAL INTERGOVERNMENTAL STRUCTURE

The mayor and municipal manager participate in the technical and provincial MUNIMEC respectively

The key IGR Structures that are established in the country provides a platform to achieve the above - mentioned is outlined as follows:

Table 9 IGR National and Provincial Structures

| SPHERE OF GOVERNMENT | IGR STRUCTURE   |
|----------------------|---|
| <b>National</b>      | <ul style="list-style-type: none"><li>▪ Presidents coordinating Council</li><li>▪ MinMECs/Budget Forum/Local Government Budget Council</li></ul>  |
| <b>Provincial</b>    | <ul style="list-style-type: none"><li>▪ Premiers co-ordinating Forums</li><li>▪ MuniMECs</li><li>▪ Local Government Communicators Forum</li></ul>   |
| <b>Local</b>         | <ul style="list-style-type: none"><li>▪ District Inter-Governmental Forums:</li><li>▪ The District Technical Forum</li><li>▪ Mayoral Forum</li><li>▪ Municipal Manager's Forum</li><li>▪ District Development Model (DDM)</li></ul> |



| SPHERE OF GOVERNMENT | IGR STRUCTURE  |
|----------------------|--|
|                      | <ul style="list-style-type: none"> <li>Communicators Forum</li> <li>Zululand Communicators Forum</li> <li>Sub Technical Forums (CFOs Forum, Planning Forum, Infrastructure Forum, Corporate Services Forum)</li> </ul> |

It must be noted that the AbaQulusi LM is fully committed and active in the Provincial and Local IGR Structures, however there will always be a need to revive structures functionality considering the local government dynamics and challenges

### Municipal Structures

Other than legislated and political structures, the following structures are also in place at AbaQulusi Local Municipality:

Table 10 IGR Municipal Structure

| Department                          | Structure  |
|-------------------------------------|--|
| <b>Executive Support Department</b> | <input type="checkbox"/> IDP Rep Forum<br><input type="checkbox"/> Operation Sukuma Sakhe<br><input type="checkbox"/> Rapid Response<br><input type="checkbox"/> Local Aids Council (LAC)<br><input type="checkbox"/> Disability Forum<br><input type="checkbox"/> Civil Society<br><input type="checkbox"/> AbaQulusi Youth Council |
| <b>Development Planning</b>         | <input type="checkbox"/> IDP Rep Forum   |
| <b>Corporate Services</b>           | <input type="checkbox"/> Local Labour Forum  |
| <b>Community Services</b>           | <input type="checkbox"/> Disaster Management Forum<br><input type="checkbox"/> Sports Forum  |
| <b>Development Planning</b>         | <input type="checkbox"/> Tourism Forum<br><input type="checkbox"/> Business Forum<br><input type="checkbox"/> Housing Forum  |

### PERFORMANCE HIGHLIGHTS

| ISSUE   | DESCRIPTION  |
|---|--|
| DDM   | ALM successfully hosted DDM Ministerial visit  |
| OSS   | Former Municipal Manager and Communications actively participated as a team for Covid-19   |
| Communications Forums (District and Provincial) | Successfully participated and developed Communications and Image Management Policy, Internal Communications Policy, Media Management Policy, Social Media Policy which are all supported and approved by all relevant structures |



| ISSUE                                | DESCRIPTION  |
|--------------------------------------|--|
|                                      | including Exco and Council   |
| MMRT/ ICMS (District and Provincial) | Successfully establish the MRRT and ICMS structures. Developed MRRT Policy which is supported and approved by all relevant structures, including Exco and Council. ICMS policy has been developed, supported and approved by the District, Province and Cogta. |

## CHALLENGES AND RECOMMENDATIONS

| CHALLENGE   | ACTION TO BE TAKEN TO ADDRESS CHALLENGES   |
|---|--|
| Capacity constraints on personnel to run the entire section | <p>There is a need to capacitate this Section by appointing</p> <ul style="list-style-type: none"> <li>• Manager: Mayor's Office and Communications – who will oversee coordination in Mayor's Office, Communications, IGR and Special Program</li> <li>• IGR Officer/ Coordinator – will focus on all IGR related matters</li> <li>• Special Programs Coordinator who will mainly focus on Local Aids Council, Disability Forum, Civil Society and AbaQulusi Youth Council</li> </ul> |
| Limited resources vs unlimited service delivery needs       | Strengthening of resources for service delivery demands  |

## COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

### 2.5 PUBLIC MEETINGS

Chapter 4 of the Local Government Municipal Systems Act 32 of 2000 indicates that a municipality must establish appropriate mechanisms, processes and procedures to enable the local community to participate in the affairs of the municipality, AbaQulusi Municipality prides itself on public participation as a mechanism in this regard to engage, inform and consult its communities on the affairs of the municipality within its municipality.

It is imperative that the public is involved in all municipal processes and decision making, achieving transparency and an all-inclusive society. The municipality's IDP Process Plan sets out the public participation structures and schedules that are usually implemented by the municipality for a specific year. It must be noted that although structures and schedules are in place, it does not always go to plan due to the constant demands within local government, therefore structure used to involve the public of municipal affairs include:

- Council Meetings
- IDP Representative Forums
- IDP/Budget Roadshows/Izimbizo
- Ward Committee Meetings
- Meetings with Amakhosi
- Meeting with Business
- Media Releases
- Website Releases

Amakhosi are also invited to Council meetings however, participation has not been much, considering some issues to be addressed at a Provincial level

AbaQulusi Municipality undertook 2021/22 IDP/Budget Roadshows regardless of the challenges posed by COVID 19 pandemic. Ward committee structures were utilised where possible to engage communities on affairs of the municipality.

## PUBLIC MEETINGS

The public meetings were held as follows during the period 2021/22

|     | WARD    | DATE       | VENUE                 | NO. OF PARTICIPANTS |
|-----|---------|------------|-----------------------|---------------------|
| 1.  | Ward 01 | 22/11/2021 | Mzamo Hall            | 75                  |
| 2.  | Ward 02 | 05/04/2021 | eSihlengeni           | 49                  |
| 3.  | Ward 03 | 13/08/2021 | Khambi Hall           | 60                  |
| 4.  | Ward 04 | 05/06/2022 | Zwathi Hall           | 85                  |
| 5.  | Ward 05 | 03/04/2021 | Xulu Community Centre | 92                  |
| 6.  | Ward 06 | 18/07/2022 | Coronation Hall       | 102                 |
| 7.  | Ward 07 | 14/05/2022 | Thuthukani Hal        | 105                 |
| 8   | Ward 08 | 12/12/2021 | Sikhame Creche        | 96                  |
| 9.  | Ward 09 | 03/06/2022 | Library Hall          | 23                  |
| 10  | Ward 10 | 26/08/2021 | King Zwelithini Hall  | 117                 |
| 11. | Ward 11 | 13/09/2021 | Ebhareni Hall         | 125                 |
| 12. | Ward 12 | 30/09/2021 | Gwebu Hall            | 111                 |
| 13. | Ward 13 | 23/02/2022 | Madampini Area        | 78                  |
| 14. | Ward 14 | 03/03/2022 | Ezibomvu Hall         | 135                 |
| 15. | Ward 15 | 08/12/2021 | Esigodini Area        | 56                  |
| 16. | Ward 16 | 19/08/2021 | Emadresini Hall       | 80                  |
| 17. | Ward 17 | 12/03/2022 | Mvuzini Area          | 102                 |
| 18. | Ward 18 | 31/07/2021 | Mondlo 'A' Hall       | 52                  |
| 19. | Ward 19 | 14/04/2022 | Mangosuthu Hall       | 37                  |
| 20. | Ward 20 | 06/06/2022 | Sekethwayo School     | 45                  |
| 21. | Ward 21 | 16/10/2021 | Qwabe Hall            | 63                  |
| 22. | Ward 22 | 17/02/2022 | Lakeside Hall         | 128                 |
| 23. | Ward 23 | 04/05/2022 | Cliffdale Hall        | 35                  |

The top three issues raised by the community during the above-mentioned meetings are as follows:

- Shortage of water
- Electricity fault and installation of electricity
- Fixing of access Roads

### 2.5.1 WARD COMMITTEES

The Ward Committees support the Ward Councilor who receives reports on development, participate in development planning processes, and facilitate wider community participation. To this end, the

Municipality constantly strives to ensure that all Ward Committees function optimally with community information provision, convening of meetings, ward planning, service delivery, IDP formulation and performance feedback to communities.

The purpose of a ward committee is:

- to get better participation from the community to inform council decisions;
- to make sure that there is more effective communication between the Council and the community; and
- to assist the ward councillor with consultation and report-back to the community.

Ward committees should be elected by the community they serve. ward committee may not have more than 10 members and women should be well represented. Ward councillor serves on the ward committee and act as the chairperson. Although ward committees have no formal powers, they advise the ward councillor who makes specific submissions directly to the administration. These committees play a very important role in the development and annual revision of the Integrated Development Plan of the area.

The table below indicates representation for 23 wards of AbaQulusi

| WARD | SURNAME          | FULL NAMES       | GENDER (M/F) | SECTOR REPRESENTED          | CONTACT NO.  |
|------|------------------|------------------|--------------|-----------------------------|--------------|
| 1    | Masuku           | Mpheni           | Male         | Faith Based                 | 071 188 7996 |
|      | Mngomezulu Mathe | Lindiwe          | Female       | Ratepayers                  | 076 098 3538 |
|      | Shabangu         | Nkosinathi       | Male         | Youth                       | 076 647 2137 |
|      | Mavuso           | Simphiwe         | Female       | Health & Social Dev.        | 076 701 3009 |
|      | Dlamini          | Nolwazi          | Female       | Women                       | 079 257 2682 |
|      | Khalishwayo      | Mbali            | Female       | Education                   | 079 748 4754 |
|      | Nkosi            | Sihle Erick      | Male         | Transport                   | 064 668 9519 |
|      | Mchunu           | David Thubelihle | Male         | Safety & Security           | 072 408 4851 |
|      | Buthelezi        | Nkosikhona       | Female       | Physical Challenged         | 072 038 3296 |
|      | Mhlongo          | Mthokozi         | Male         | Business                    | 079 071 5207 |
| 2    | Nkosi            | Dumsani          | Male         | Business & Informal Traders | 079 580 7708 |
|      | Sikhosana        | Njabulo          | Male         | Safety & Security           | 078 443 5051 |
|      | Ntshangase       | Nontobeko        | Female       | Faith Based                 | 073 940 2226 |
|      | Buthelezi        | Robert           | Male         | Education                   | 083 544 8981 |
|      | Mpanza           | Thoko            | Female       | Health & Social Dev.        | 083 437 0049 |
|      | Buthelezi        | Nokulunga        | Female       | Women                       | 076 129 9603 |
|      | Msezana          | Zanoxolo         | Male         | Public Transport            | 078 273 2256 |
|      | Ntuli            | Siyakhula Gift   | Male         | Youth                       | 071 408 0678 |
|      | Jiyane           | Zakithi          | Female       | Environment                 | 078 933 0303 |

| WARD | SURNAME     | FULL NAMES         | GENDER (M/F) | SECTOR REPRESENTED                   | CONTACT NO.             |
|------|-------------|--------------------|--------------|--------------------------------------|-------------------------|
|      | Ntshangase  | Sindisiwe Cebolini | Female       | Physical Challenged                  | 060 865 6044            |
| 3    | Ndlovu      | Khanyisile         | Female       | Faith Based & Enviro                 | 063 151 2893            |
|      | Mdluli      | Busiswe            | Female       | Women                                | 079 159 2057            |
|      | Nyathikazi  | Mfundo             | Male         | Safety & Security                    | 082 281 3717            |
|      | Nkwanyana   | Nonhlanhla         | Female       | Business & Informal Traders          | 071 105 7310            |
|      | Buthelezi   | Namile             | Female       | Traditional                          | 063 152 5707            |
|      | Magagula    | Thobile            | Female       | Health & Social Dev.                 | 082 742 9055            |
|      | Ndlela      | Sindi              | Female       | Physical Challenged & Senior Citizen | 071 021 8264            |
|      | Mpanza      | Gqama              | Female       | Education                            | 081 075 0086            |
|      | Ndlela      | Sandile            | Male         | Youth                                | 060 633 2593            |
|      | Shabalala   | Phumzile           | Female       | Transport                            | 079 736 1303            |
|      | Nyandeni    | Langelihle         | Male         | Farm Worker                          | 082 847 4817            |
| 4    | Zulu        | Zandile            | Female       | Environment & Tourism                | 064 729 1126            |
|      | Zulu        | Micheal            | Male         | Business & Informal Traders          | 079 244 7354            |
|      | Phakathi    | Siyabonga          | Male         | Education                            | 076 236 9079            |
|      | Mbatha      | Mandula Alpheus    | Male         | Farm Worker                          | 067 336 6825            |
|      | Zulu        | Zilethile          | Female       | Transport                            | 060 806 0357            |
|      | Khoza       | Velephi            | Female       | Health & Social Dev.                 | 072 472 1468            |
|      | Sangweni    | Nkosinathi         | Male         | Traditional Institution              | 076 424 2958            |
|      | Madonsela   | Thokozani          | Male         | Safety & Security                    | 079 159 2073            |
|      | Kunene      | Thembekile         | Female       | Youth                                | 072 065 7181            |
|      | Nxumalo     | Sithembile         | Female       | Safety & Security                    | 073 950 8891            |
| 5    | Nene        | Thami              | Male         | Physical Challenged                  | 082 075 3819            |
|      | Dlamini     | Nqobile            | Female       | Health & Social Dev.                 | 073 991 6452            |
|      | Nyandeni    | Lungi              | Female       | Transport                            | 079 148 7500            |
|      | Buthelezi   | Zwelakhe E.        | Male         | Faith Based                          | 071 437 6604            |
|      | Masondo     | Thuleleni          | Female       | Education                            | 079 800 2978            |
|      | Buthelezi   | Mkhesi             | Female       | Women & Environment                  | 066 023 2231            |
|      | Khumalo     | Sabelo             | Male         | Business                             | 076 930 7315            |
|      | Mtshali     | Mnothiseni         | Male         | Youth                                | 076 038 3668            |
|      | Mayise      | Melusi             | Male         | Traditional                          | 078 974 6365            |
|      | Khumalo     | Samuel Vika        | Male         | Safety & Security                    | 072 814 4158            |
|      | Mavundla    | Bonile Philisiwe   | Female       | Physical Challenged                  | 060 797 1603            |
| 6    | Mntambo     | Welcome            | Male         | Youth                                | 079 578 2002            |
|      | Nhleko      | Hlanganani         | Male         | Remote Communities                   | 072 639 2929            |
|      | Nhleko      | Lindiwe Primrose   | Female       | Traditional & Faith Based            | 076 821 3934            |
|      | Nkosi       | Langelihle         | Female       | Women                                | 078 935 8725            |
|      | Khalishwayo | Thamsanqa          | Male         | Health & Social Dev.                 | 076 728 835(incomplete) |
|      | Kunene      | Siphosakhe         | Male         | Senior Citizen                       | 079 547 6524            |

| WARD | SURNAME    | FULL NAMES    | GENDER (M/F) | SECTOR REPRESENTED           | CONTACT NO.  |
|------|------------|---------------|--------------|------------------------------|--------------|
|      | Mthethwa   | Diplomat      | Male         | Education & Informal Traders | 079 324 2598 |
|      | Zulu       | Siphamandla   | Male         | Transport                    | 063 312 4118 |
| 7    | Zulu       | Nokuthula     | Female       | Faith Based                  | 074 754 6938 |
|      | Ndaba      | Mishack       | Male         | Ratepayers                   | 071 899 6927 |
|      | Mzolo      | Xolani        | Male         | Physical Changelled          | 081 079 8078 |
|      | Dlamini    | Tholakele     | Female       | Senior Citizen               | 079 581 9118 |
|      | Sikhakhane | Herny         | Male         | Transport & Professional     | 078 264 2072 |
|      | Kunene     | Nkosingiphile | Female       | Environment & Tourism        | 079 065 3582 |
|      | Nhleko     | Zinhle        | Female       | Youth & Cic Association      | 063 398 3654 |
|      | Sithole    | Bhekithemba   | Male         | Education                    | 076 438 9697 |
|      | Sikhosane  | Tholi         | Female       | Business & Informal Traders  | 083 526 2377 |
|      | Buthelezi  | Thembelihle   | Female       | Neglected Community          | 072 148 8172 |
|      | Jones      | Dennis        | Male         | Business & Informal Traders  | 0846199000   |
| 8    | Ntombela   | Lindiwe       | Female       | Education                    | 0766786639   |
|      | Buthelezi  | Nkosingiphile | Female       | Senior Citizen               | 0761233518   |
|      | Mfusi      | Joyce         | Female       | Faith Based                  | 0739033121   |
|      | Zulu       | Nomusa        | Female       | Youth & Cic Association      | 0796155298   |
|      | Shabangu   | Michael       | Male         | Women                        | 0713782199   |
|      | Mnyandu    | Mduduzi       | Male         | Transport                    | 0725027109   |
|      | Mthethwa   | Khethinkosi   | Female       | Rate Payers                  | 0738643031   |
|      | Mhlongo    | Nkosikhona    | Female       | Enviroment                   | 0727030450   |
|      | Mbatha     | Simphiwe      | Male         | Safety and Security          | 0712166389   |
|      | Mkhonza    | Simphiwe      | Male         | Youth                        | 0716385220   |
| 9    | Ngema      | Joyce         | Female       | Faith Based                  | 0793598009   |
|      | Minott     | Gavin         | Male         | Safety and Security          | 0834570097   |
|      | Mkhonza    | Sithandokuhle | Female       | Sport and Enviroment         | 0677856187   |
|      | Masondo    | Sikhumbuzo    | Male         | Business and Infrastru       | 0723912427   |
|      | Mgcina     | Sizwe         | Male         | Disabled                     | 0829469662   |
|      | Mgcina     | Thandi        | Female       | Women                        | 0796291810   |
|      | Sikhakhane | Simiso        | Male         | Health and Social Dev        | 0798289606   |
|      | Mdlalose   | Xolani        | Male         | Rate Payers                  | 0717941581   |
|      | Nompilo    | Sithebe       | Male         | Senior Citizen               | 0833702184   |
|      | Mdlolose   | Nomfundo      | Female       | Youth and Sport              | 0630915549   |
| 10   | Sibiya     | Thembelihle   | Female       | Faith Based                  | 0789545241   |
|      | Majola     | David         | Male         | Transport                    | 0796262575   |
|      | Masondo    | Phumzile      | Male         | Safety and Security          | 0781579442   |
|      | Khumalo    | Ivin          | Male         | Enviroment                   | 0784303427   |
|      | Mthethwa   | Nokwazi       | Female       | Women                        | 0738206794   |

| WARD | SURNAME    | FULL NAMES        | GENDER (M/F) | SECTOR REPRESENTED         | CONTACT NO. |
|------|------------|-------------------|--------------|----------------------------|-------------|
|      | Mazibuko   | Thamisanqa        | Male         | Business                   | 0825065822  |
|      | Nkosi      | Nozipho           | Female       | Rate Payers and Disability | 0607228573  |
|      | Magubane   | Porinet Siphelele | Female       | Education                  | 0782096482  |
|      | Mashinini  | Yvonne            | Female       | Health and Social Dev      | 0788691412  |
| 11   | Sibiya     | Richard           | Male         | Business                   | 0604120103  |
|      | Sangweni   | Thabo             | Male         | Youth                      | 0822647225  |
|      | Xaba       | Aron              | Male         | Faith Based                | 0731142415  |
|      | Mtshali    | Nkosiyethu        | Male         | Health and Social Dev      | 0790170037  |
|      | Ngwenya    | Senzeni           | Female       | Rate payers                | 0665441461  |
|      | Nxumalo    | Velaphi           | Male         | Safety and Security        | 0726229101  |
|      | Buthelezi  | James             | Male         | Transport                  | 0630175757  |
|      | Khumalo    | Thokozani         | Female       | Education                  | 0717957930  |
|      | Mchunu     | Josi              | Male         | Senior Citizen             | 0731319778  |
|      | Ndlovu     | Gugu              | Female       | Women                      | 0797851409  |
|      | Mtshali    | Andile            | Male         | Faith Based                | 0798352997  |
|      | Gumbi      | Zama              | Female       | Education                  | 0767612792  |
|      | Khanyile   | Sipho             | Male         | Business                   | 0732902854  |
|      | Siyaya     | Sandile           | Male         | Health & Social Dev.       | 0769086335  |
| 12   | Nkosi      | Delisile          | Female       | Rate Payers                | 0714650416  |
|      | Hadebe     | Sifiso            | Male         | Senior Citizen             | 0726916531  |
|      | Xaba       | Fangitheni        | Female       | Women                      | 0726523573  |
|      | Mtshali    | Mzwandile         | Male         | Business                   | 0725643604  |
|      | Mlambo     | Sipho             | Female       | Youth                      | 0824089630  |
|      | Mlotshwa   | Thuli             | Female       | Transport                  | 0607247573  |
|      | Sikhakhane | Nomvelo           |              | Transport                  | 0729270240  |
|      | Buthelezi  | Buyisile          | Female       | Youth                      | 0799439951  |
|      | Mbokazi    | Zandile           | Female       | Business                   | 0715337573  |
|      | Ntuli      | Nomali            | Female       | Women                      | 0783867745  |
| 13   | Bophela    | Themba            | Male         | Senior Citizen             | 0781578487  |
|      | Mbatha     | Nakwa             | Female       | Rate Payers                | 0809294765  |
|      | Khanyile   | Henry             | Male         | Health & Social Dev.       | 0825050959  |
|      | Ntuli      | Ntombiyeziwe      | Female       | Business                   | 0826679350  |
|      | Madela     | Nkosinathi        | Male         | Education                  | 0711548023  |
|      | Zulu       | Hlengiwe          | Female       | Faith Based                | 0786423687  |
|      | Buthelezi  | Noluthando        | Female       | Faith Based                | 0721262699  |
|      | Maphisa    | Eunice Bongiwe    | Female       | Education                  | 0764428311  |
|      | Mwandla    | Thulile           | Female       | Business                   | 0723186883  |
|      | Mncube     | Siphesihle        | Female       | Health & Social Dev.       | 0789224195  |
| 14   | Buthelezi  | Dumazile          | Female       | Rate Payers                | 0761891594  |
|      | Mkhwanzi   | Cynthia           | Female       | Senior Citizen             | 0799651652  |
|      | Dlamini    | Sindile           | Female       | Women                      | 0766296569  |
|      |            |                   |              |                            |             |

| WARD | SURNAME     | FULL NAMES    | GENDER (M/F) | SECTOR REPRESENTED   | CONTACT NO. |
|------|-------------|---------------|--------------|----------------------|-------------|
|      | Mtshali     | Nkosingiphile | Female       | Business             | 0799750716  |
|      | Gumbi       | Thokozani     | Male         | Youth                | 0716462102  |
|      | Buthelezi   | Sifiso        | Male         | Transport            | 0660828673  |
| 15   | Zikode      | Ncamisile     | Female       | Transport            | 0733931449  |
|      | Mdlalose    | Mbongiseni    | Male         | Youth                | 0764663835  |
|      | Mazibuko    | Douglas       | Male         | Business             | 0712178661  |
|      | Moloi       | Ncamisile     | Female       | Women                | 0798039042  |
|      | Dubazane    | Hlengiwe      | Female       | Senior Citizen       | 0791788593  |
|      | Zwane       | Elsie         | Female       | Rate Payers          | 0715491124  |
|      | Nhlengethwa | Sakhile       | Male         | Health & Social Dev. | 0660286498  |
|      | Ngema       | Nhlanhla      | Male         | Business             | 0765540974  |
|      | Mthombeni   | Nokwazi       | Female       | Education            | 0790944680  |
|      | Sithole     | Bongekile     | Female       | Faith Based          | 0767729451  |
|      | Zuma        | Prince        | Male         | Business             | '0735756855 |
| 16   | Khumalo     | Vuyani        | Male         | Safety & Security    | '0825196084 |
|      | Mtshali     | Sibusiso      | Male         | Education            | '0764135829 |
|      | Masondo     | Nonhlanhla    | Female       | Youth                | '0793426872 |
|      | Nkosi       | Thulani       | Male         | Health & Social Dev. | 0837598848  |
|      | Madela      | Sindi         | Female       | Transport            | '0607840583 |
|      | Dubazane    | Thenjiwe      | Female       | Faith Based          | '0729357633 |
|      | Ndebele     | Lucky         | Male         | Rate Payers          | '0664022789 |
|      | Kubeka      | Nhlanhla      | Male         | Environment          | '0735780965 |
|      | Langa       | Xolani        | Male         | Senior Citizen       | '0782998704 |
|      | Mthethwa    | Thandeka      | Female       | Youth                | '0656581577 |
| 17   | Zulu        | Patricia      | Female       | Faith Based          | '0825389031 |
|      | Mhlanga     | Zandile       | Female       | Environment          | '0833638209 |
|      | Dlamini     | Philisiwe     | Female       | Transport            | '0833412058 |
|      | Shabalala   | Zakhele       | Male         | Senior Citizen       | '0660282789 |
|      | Magubane    | Mpume         | Female       | Health & Social Dev. | '0822988774 |
|      | Dlongolo    | Hleziphi      | Female       | Education            | '0781905270 |
|      | Mthembu     | Sifiso        | Male         | Safety & Security    | '0825241955 |
|      | Nkosi       | Samukelisiwe  | Female       | Business             | '0780875836 |
|      | Khweswa     | Gugu          | Female       | Safety & Security    | '0834219944 |
|      | Nyandeni    | Thembelihle   | Female       | Youth                | '0633269290 |
| 18   | Mbatha      | Sanelisiwe    | Female       | Education            | '0791126692 |
|      | Sangweni    | Lindiwe       | Female       | Environment          | '0768064286 |
|      | Msomi       | Samukelisiwe  | Female       | Rate Payers          | '0717573508 |
|      | Zulu        | Nonhlanhla    | Female       | Business             | '0736235866 |
|      | Dlamini     | Mzwakhe       | Male         | Senior Citizen       | '0791672392 |
|      | Xulu        | Phumlani      | Male         | Transport            | '0603753577 |



| WARD | SURNAME    | FULL NAMES    | GENDER (M/F) | SECTOR REPRESENTED   | CONTACT NO. |
|------|------------|---------------|--------------|----------------------|-------------|
|      | Nkosi      | Phelelani     | Male         | Faith Based          | '0834753272 |
|      | Khumalo    | Mantombazana  | Female       | Health & Social Dev. | '0834678839 |
| 19   | Mdlalose   | Siphiwe       | Male         | Health & Social Dev. | '0734369486 |
|      | Mthethwa   | Thenjiwe      | Female       | Transport            | '0730884661 |
|      | Xaba       | Zakhele       | Male         | Youth                | '0763342021 |
|      | April      | Nonceba       | Female       | Safety & Security    | '0726073327 |
|      | Dlamini    | Zamokuhle     | Female       | Rate Paters          | '0711003314 |
|      | Buthelezi  | Thandeka      | Female       | Education            | '0603860083 |
|      | Kunene     | Jabulile      | Female       | Environment          | '0717254261 |
|      | Jiyane     | Clementine    | Female       | Senior Citizen       | '0783893047 |
|      | Shongwe    | Siphiwe       | Female       | Faith Based          | '0713988855 |
|      | Mbatha     | Nomthandazo   | Female       | Business             | '0607098564 |
|      | Mtshali    | Phindile      | Female       | Environment          | '0722551115 |
|      | Mbokazi    | Petty         | Female       | Business             | '0710567547 |
|      | Khumalo    | Mdumiseni     | Male         | Safety & Security    | '0786187300 |
| 20   | Makhubo    | Gcinile       | Female       | Education            | '0733463950 |
|      | Shongwe    | Nelisiwe      | Female       | Faith Based          | '0782283535 |
|      | Mlangeni   | Nomfundo      | Female       | Youth                | '0712613998 |
|      | Mbhele     | Sizwe         | Male         | Transport            | '0733467427 |
|      | Xulu       | Nomathemba    | Female       | Rate Payers          | '0638176246 |
|      | Khoza      | Nkosingiphile | Female       | Women                | '0735625115 |
|      | Ximba      | Zemfundo      | Female       | Disability           | '0604924491 |
|      | Mdlalose   | Sizwe         | Male         | Youth                | '0640687693 |
|      | Mdluli     | Bhekuyise     | Male         | Business             | '0738612813 |
|      | Mdletshe   | Siphiwe       | Male         | Safety & Security    | '0794694408 |
| 21   | Shabalala  | Sifiso        | Male         | Health & Social Dev. | '0646642613 |
|      | Nkosi      | Vusi          | Male         | Transport            | '0792353251 |
|      | Ngwenya    | Vusumuzi      | Male         | Environment          | '0822614194 |
|      | Buthelezi  | Sizakele      | Female       | Rate Payers          | '0649536567 |
|      | Khanyile   | Ntombikayise  | Female       | Women                | '0636036650 |
|      | Sikhakhane | Saraphina     | Female       | Senior Citizen       | '0738835193 |
|      | Sikhakhane | Mbuyi         | Male         | Faith Based          | '660520201  |
|      | Ndwandwe   | Nkululeko     | Female       | Health & Social Dev. | '0739992525 |
|      | Mbatha     | Nkosingiphile | Female       | Environment          | '0710076561 |
|      | Mbatha     | Touch         | Male         | Transport            | '0818167772 |
| 22   | Zungu      | Mbongeni      | Male         | Education            | '0836970579 |
|      | Ntombela   | Porcia        | Female       | Safety & Security    | '0793286359 |
|      | Sibiya     | Fanisile      | Male         | Rate Payers          | '0736956751 |
|      | Mawela     | Dudu          | Female       | Women                | '0842830564 |
|      | Xulu       | Sphamandla    | Male         | Youth                | '0793721447 |
|      | Mbatha     | Musa          | Male         | Senior Citizen       | '0835876058 |

| WARD | SURNAME      | FULL NAMES  | GENDER (M/F) | SECTOR REPRESENTED   | CONTACT NO. |
|------|--------------|-------------|--------------|----------------------|-------------|
|      | Qwabe        | Zandile     | Female       | Business             | '0761956310 |
| 23   | Madhlamalala | Fikile      | Female       | Senior Citizen       | 0728164804  |
|      | Mndela       | Nombulelo   | Female       | Disability           | 0660155907  |
|      | Qwabe        | Joice       | Female       | Business             | 0796061727  |
|      | Ngcobo       | Nomusa      | Female       | Women                | 0714180094  |
|      | Myeni        | Samkelo     | Female       | Safety & Security    | 0724796237  |
|      | Nkwanyana    | Phumelele   | Female       | Health & Social Dev. | 0783960032  |
|      | Ncube        | Lungile     | Female       | Youth                | 0765527321  |
|      | Khumalo      | Sphehile    | Female       | Transport            | 0767246322  |
|      | Mthethwa     | Nompumelelo | Female       | Environment          | 0715299672  |
|      | Ndebele      | Sifiso      | Male         | Faith Based          | 0636224350  |

The table below provides information on the establishment of ward committees and their representation:

| WARD | COMMITTEE ESTABLISHED | COMMITTEE FUNCTIONING EFFECTIVELY |
|------|-----------------------|-----------------------------------|
| 1    | Yes                   | Yes                               |
| 2    | Yes                   | Yes                               |
| 3    | Yes                   | Yes                               |
| 4    | Yes                   | Yes                               |
| 5    | Yes                   | Yes                               |
| 6    | Yes                   | Yes                               |
| 7    | Yes                   | Yes                               |
| 8    | Yes                   | Yes                               |
| 9    | Yes                   | Yes                               |
| 10   | Yes                   | Yes                               |
| 11   | Yes                   | Yes                               |
| 12   | Yes                   | Yes                               |
| 13   | Yes                   | Yes                               |
| 14   | Yes                   | Yes                               |
| 15   | Yes                   | Yes                               |
| 16   | Yes                   | Yes                               |
| 17   | Yes                   | Yes                               |
| 18   | Yes                   | No                                |
| 19   | Yes                   | Yes                               |
| 20   | Yes                   | Yes                               |
| 21   | Yes                   | Yes                               |
| 22   | Yes                   | No                                |
| 23.  | Yes                   | No                                |

Communication dissemination methods include the following:

**Internal communication flow:**

- Communication between internal departments through staff circulars.
- Communication between committees, entities, affiliates, partners and staff.
- Cost reduction efforts by using notice boards

**External communication flow:**

- Traditional media: newspapers, radio, local newspaper.
- Electronic media: AbaQulusi website
- Social media: Facebook

## 2.6 IDP PARTICIPATION AND ALIGNMENT

Table 12 IDP Application and Alignment

| IDP Participation and Alignment Criteria*                                      | Yes/No |
|--|--------|
| Does the municipality have impact, outcome, input, output indicators?          | Yes    |
| Does the IDP have priorities, objectives, KPIs, development strategies?        | Yes    |
| Does the IDP have multi-year targets?  | Yes    |
| Are the above aligned and can they calculate into a score?                     | Yes    |
| Does the budget align directly to the KPIs in the strategic plan?              | Yes    |
| Do the IDP KPIs align to the Section 57 Managers                               | Yes    |
| Do the IDP KPIs lead to functional area KPIs as per the SDBIP?                 | Yes    |
| Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes              | Yes    |
| Were the indicators communicated to the public?                                | Yes    |
| Were the four quarter aligned reports submitted within stipulated time frames? | Yes    |
| * Section 26 Municipal Systems Act 2000  |        |

## COMPONENT D: CORPORATE GOVERNANCE

### 2.7 RISK MANAGEMENT

Section 62 (1) of the MFMA states that, the accounting officer of a municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that the resources of the municipality are used effectively, efficiently and economically and that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

The risk management function falls under Internal Audit in the Office of the Municipal Manager.

Risk management is as much about identifying opportunities as avoiding or mitigating losses. It is a logical and systematic process of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risks associated with any activity, function or process, in a way that enables an organization to minimize losses and maximize opportunities. The drive for local government transformation with limited resources has tended to force municipalities into taking a less conservative

Ongoing local government reforms have provided a broad administrative framework for further improvements to occur. These include more stringent corporate governance requirements, greater flexibility and a focus on results and accountability. Risk management trends and components already overlap with those of internal auditing, performance management, programme and project management, financial management, change management, customer care, communication, etc. and require incremental inclusion in current and future plans of the entire organization. The management of risk by implication is a managerial function, even so individual sections, departments and directorates differ in their exposure and reaction to risks and thus departments, sections and individuals form a vital part of the overall risk management process within the Municipality.

AbaQulusi Municipality strives, so far, successfully to be amongst the leaders in local government. In our continuously changing governance environment, it is imperative that Council remains updated on key changes and challenges and how these affect the operation of business in today's environment. This will not be achieved without an effective, efficient, soundly funded and managed risk strategy that seeks to maximize its impact on the organization with minimum resources at its disposal. National Treasury Public Sector Risk Management Framework affirms that —no organization has a luxury of functioning in a risk-free environment and public institutions are especially vulnerable to risk associated with fulfilling their mandates.

In 2021/22 financial year towards the third (3<sup>rd</sup>) quarter period, the Municipality was able to revive the functionality of Risk Management Committee and risk management activities are a standing item to all the Audit Committee meetings. The table below indicates the top five risks within the Municipality:

Table 13 Municipal top five risks

| TOP FIVE MUNICIPAL RISKS |                                  |   |  |
|--------------------------|----------------------------------|---|--|
| RISK NO                  | RISK CATEGORY                    | RISK DESCRIPTION  | RISK BACKGROUND  |
| 01                       | Water and sanitation             | Inability to provide potable water and sanitation             | <ul style="list-style-type: none"> <li>*Ageing infrastructure</li> <li>*Illegal connections</li> <li>*unmated water supply</li> <li>*theft of water mater</li> <li>*lack of plant and equipment</li> <li>*lack of funding</li> <li>*lack of consumers education in water conservation</li> <li>*drought</li> <li>*lack of infrastructure upgrad</li> <li>*Lack of sector plan</li> <li>*changes in legislation</li> <li>*Non finalisation of WSP agreement</li> <li>*Trade effluent</li> <li>*Acid mine drainage</li> <li>*shortage of backup critical equipment</li> </ul>                                      |
| 02                       | Electricity provision            | Inability to provide safe, effective and reliable electricity | <ul style="list-style-type: none"> <li>* Ageing infrastructure</li> <li>*illegal connation</li> <li>*tampering</li> <li>*theft of equipment</li> <li>*Lack of plant and equipment</li> <li>*Lack of funding</li> <li>*Lack of consumer in education</li> <li>*Lack of staff training</li> <li>*shortage of staff</li> <li>*Non-payment of service provider</li> <li>*Lack of insurance cover of critical assets</li> <li>*Non availability of electricity assets and inventories</li> <li>*Lack of infrastructure upgrade</li> <li>*Lack of sector plans</li> <li>*Poor maintenance of infrastructure</li> </ul> |
| 03                       | Road and storm water maintenance | Inability to construct and maintain road and water drainage   | <ul style="list-style-type: none"> <li>*Unavailability of plant</li> <li>*Unavailability of materials</li> <li>*scarcity of water</li> <li>*Cutting of unbudgeted roads</li> <li>*cutting new unregistered roads resulting in erosion</li> <li>*Lack of community awareness on drainage system</li> </ul>  |

| TOP FIVE MUNICIPAL RISKS |                         |   |  |
|--------------------------|-------------------------|---|--|
| RISK NO                  | RISK CATEGORY           | RISK DESCRIPTION                            | RISK BACKGROUND  |
|                          |                         |   | *Drain not coupling with runoff<br>*Lack of skilled team leader  |
| 04                       | Billing and collation   | Weakened revenue                            | *Lack of data cleansing<br>*limited staff<br>*Poor collation of revenue<br>*vending machine failure<br>*high rate of indigent<br>*illegal and tampering electricity meters<br>*Lack of encroachment fees<br>*incorrect land use management leading to illegal connection services<br>*Lack of rental fees  |
| 05                       | Supply chain management | Ineffective supply chain management process | *lack of reconciling manual requisition and store module<br>*under/overstated of stores items<br>*Non capturing of received stores items<br>*incorrect specification from user dept<br>*Non approval of requisition<br>*Lack of decentralisation of SCM process<br>*Delay on implementation new SCM circulars<br>*Lack of training SCM officials and SCM committees<br>*month to month / expired contract<br>*misplace of contract file<br>*shortage of staff<br>*Lack of cooperation from departments<br>*Lack of ethical standards<br>*insufficient record keeping<br>*Lack of segregation of duties<br>*Lack of vetting service providers |

The Abaqulusi LM has currently developed and adopted the following Risk Management Plans and Policies related to Risk which are subject to annual reviews:

- Risk Management Policy,
- Anti-Fraud and Corruption Policy,
- Whistle-blower policy,
- Risk Management Strategy,
- Fraud Prevention Plan
- Employees and Councils Code of Conduct

## 2.8 ANTI – CORRUPTRION AND FRAUD

Council is committed to sound financial management and the maintenance of a healthy economic base. Although the statutory requirement for the contribution to statutory funds will disappear with the possible repealing of the KwaZulu-Natal and Local Authorities Ordinance No 25 of 1974, Council will put in place policies, which will maintain sufficient contributions to similar funds established in terms of GRAP. Financial management policies and procedures for the entire municipality will be implemented.

The municipality has developed and adopted risk management related policies, fraud and corruption policy which are due for review

The aforementioned documents is/must be read in collaboration with numerous other legislative provisions in the combat against corrupt and/or fraudulent conduct and/or related practices. The Anti-Fraud and Corruption Policy applies to all Councillors and municipal staff, which encompasses that the aforementioned must at all times act honestly, with integrity and safeguard the municipal resources for which they may be responsible and/or accountable.

Whilst this Policy contains a strategy aligned with that of the former Department: Provincial and Local Government Strategy on promoting good governance and accountability, the AbaQulusi Anti-Fraud and Anti-Corruption Policy on its own was presented to Council for adoption. It is of this reason to sensitize Councillors through the workshops and trainings in order to communicate its documented as a zero-tolerance approach to corrupt and or fraudulent conducted related practices by councillors, municipal staff and/or external parties.

From a preventative approach, it is envisaged that all departments will be subjected to comprehensive fraud risk reviews, resulting in individual fraud prevention plans per directorate and sub-directorate, which will be monitored and reviewed on an annual basis to assess compliance in order to harvest a culture of accountability. However, any initiative to promote accountability, good corporate governance and the eradication of corrupt and/or fraudulent practices in whatever form needs to be supported by all role players, with the tone given by the top, with a zero-tolerance approach.

There is high shortage of staff in Internal Audit unit and risk management section and in the interim, the unit is only operating with one personnel who does for both audit and risk and also assist on the functionality of MPAC. Serious consideration is, however, now being given to build and capacitate the unit by means of filling the vacant position for internal audit and make request for the provision of risk management officer on the 2023/2024 organogram to effectively drive the fraud detection, prevention and eradication measures within the Council.



## 2.9 AUDIT COMMITTEE

Section 166 of the MFMA, requires every Municipality to establish and maintain an Audit Committee, as an independent appraisal function.

*Section 166: (1) Each municipality and each municipal entity must have an audit committee, subject to subsection (6).*

*(2) An audit committee is an independent advisory body which must— (a) advise the municipal council, the political office-bearers, the accounting officer and the management staff of the municipality, or the board of directors, the accounting officer and the management staff of the municipal entity, on matters relating to:*

- (i) Internal financial control and internal audits*
- (ii) Risk management*
- (iii) Accounting policies*
- (iv) The adequacy, reliability and accuracy of financial reporting and information*
- (v) Performance management*
- (vi) Effective governance*
- (vii) Compliance with this Act, the annual Division of Revenue Act and any other applicable legislation*
- (viii) Performance evaluation*
- (ix) Any other issues referred to it by the municipality or municipal entity*

Experience has shown that a properly constituted Audit Committee can make an effective and valuable contribution to the process by which an organization is directed and controlled.

The overall objectives of the Audit and Performance Audit Committee (APAC) are to ensure that management has created and maintained an effective control environment in the organization and that management demonstrates and stimulates the necessary respect for the AbaQulusi Municipality's systems, policies and procedures and for the internal control structure.

The AbaQulusi Audit Committee is well established and functioning as required. An updated Committee Charter has also been developed and approved by Council. All the members of the Audit Committee are also members of the Performance Audit Committee. The APAC meets quarterly.

### 2.9.1 MEMBERSHIP

The following table indicates the members of the APAC:

|    | NAME OF REPRESENTATIVE | CAPACITY    |
|----|------------------------|-------------|
| 1. | Khumalo NE             | Chairperson |
| 2. | Botshiwe U             | Member      |
| 3. | Ndaba SP               | Member      |

### 2.9.2 AUDIT COMMITTEE MEETINGS HELD

The Audit Committee meeting held were as follows during the 2021/22 period

- 30 August 2021
- 22 October 2021
- 14 March 2022
- 23 June 2022

The APAC executed all of their delegated functions for the 2021/2022 financial and a report is attached on the Audit Committee Report:

## 2.10 INTERNAL AUDITING

In terms of Section 165 (1) of the MFMA, each municipality must have an Internal Audit Unit. Section 165 (2) of the Act, gives guidance on what is expected of the internal audit unit with regard to responsibility, functions and reporting requirements.

Section 165 (1) of the MFMA states that:

- (1) Each municipality and each municipal entity must have an internal audit unit*
- (2) The internal audit unit of a municipality or municipal entity must*
  - (a) Prepare a Risk-Based Audit Plan and an internal audit program for each financial year*
  - (b) Advise the accounting officer and report to the audit committee on the implication of the internal audit plan and matters relating to-*
    - (i) internal control*
    - (ii) internal audit*
    - (iii) accounting procedures and practices*
    - (iv) risk and risk management*
    - (v) performance management*
    - (vi) loss control*
    - (vii) compliance with this Act, the Division of Revenue Act and any other applicable legislation*
  - (c) perform such other duties as may be assigned to it by the accounting officer”*

The AbaQulusi Municipality’s Internal Audit Activity (IAA) is capacitated to provide independent, objective assurance and consulting services. Independence is maintained by being accountable to the Accounting Officer administratively and by functionally reporting to the Audit Committee, these reporting lines are clearly stated in the AbaQulusi Internal Audit Charter.

The IAA strives to provide value-added service to the Municipality providing workable and sustainable solutions. The AbaQulusi Municipality has an in-house IAA has Internal Audit Manager in -house who performs internal audit duties in terms of Section 165 (1) of the MFMA. Filling of positions for Internal Audit Officers will be prioritised during 2022/2023.

## 2.10.1 INTERNAL AUDIT FUNCTIONS

Below are the functions of the Internal Audit Unit that were performed during the financial year under review:

### 2.10.1 ANNUAL INTERNAL AUDIT FOR THE YEAR ENDING 30 JUNE 2022

| AUDIT AREA        | RISK   | SCOPE OF WORK   | BUDGETED HOURS   |
|-------------------|--|---|--|
| AFS Audit and APR | <ul style="list-style-type: none"> <li>Poor internal controls will lead to municipal resources not utilized for their intended purposes,</li> <li>Poor internal control may lead to financial irregularities due to lack of detection and resolving issues at an early stage</li> <li>Misappropriations of funds or municipal assets due to poor internal controls.</li> </ul> | <ul style="list-style-type: none"> <li>Review of the interim and annual financial Statements together with the financial policies of the municipality, and notes thereto with respective supporting schedule and the trial balance</li> <li>Conduct a ratio analysis with historical, forecasted, and industry results</li> <li>Investigate findings that appear to be inconsistent</li> <li>Inquire about the procedures for recording accounting transactions</li> <li>Investigate unusual or complex situations that may impact reported results</li> <li>Investigate significant transactions occurring near the end of the accounting period</li> <li>Follow up on questions that arose during previous reviews</li> <li>Inquire about material events that occurred after the date of the financial statements</li> <li>Investigate significant journal entries</li> <li>Review communications from regulatory agencies</li> <li>Read the financial statements to see if they appear to conform with the</li> </ul> | <p>Planning = 20hrs</p> <p>Execution = 80hrs</p> <p>Reporting = 10hrs</p> <p><b>Total = 110 hrs</b></p> <p>Hours includes both interim and annual financial statements</p> |

| AUDIT AREA  | RISK   | SCOPE OF WORK   | BUDGETED HOURS  |
|-------------|--|---|---|
|             |  | <p>applicable financial reporting framework</p> <ul style="list-style-type: none"> <li>Review the management reports of any accountants who reviewed or audited the entity's financial statements in prior periods</li> <li>Review the Annual Performance Report to ensure compliance with legislation</li> </ul>   |   |
| UIF/W Audit | <ul style="list-style-type: none"> <li>Unauthorised Expenditure</li> <li>Irregular Expenditures</li> <li>Fruitless and wasteful expenditure</li> </ul> | <ul style="list-style-type: none"> <li>properly investigate all instances of unauthorised, irregular and fruitless and wasteful expenditure to determine if any official is liable for the expenditure</li> <li>recover the resultant loss if the investigation determined that an official was liable, unless the expenditure is irrecoverable and disciplinary processes follow</li> <li>in cases of irregular expenditure, request condonation from the National Treasury of contraventions of the MFMA or its regulations – only if the non-compliance had no impact or negligence was not proven</li> <li>Recommend to the Accounting officer to report all cases of irregular expenditure that constitutes a criminal offence to the police</li> <li>in cases of unauthorised expenditure, authorise it through an adjustment budget</li> </ul> | <p>Planning = 20 hrs<br/>Execution = 200 hrs<br/>Reporting = 40 hrs</p> <p><b><u>Total = 260hrs</u></b></p> <p>The UIF/W audit will be conducted on a quarterly basis</p> |

| AUDIT AREA                                 | RISK   | SCOPE OF WORK   | BUDGETED HOURS  |
|--|--|---|---|
|  |  | <ul style="list-style-type: none"> <li>Council, MPAC, and audit committees to monitor and oversee the completion of the investigations to ensure that the process is comprehensive and fair, and leads to consequences where applicable.</li> </ul>   |   |
| Quarterly Audit Performance of information | <ul style="list-style-type: none"> <li>Failure to meet planned objectives and targets</li> </ul>   | <ul style="list-style-type: none"> <li>Inspect whether there is a proper alignment between the IDP, Budget and SDBIP document.</li> <li>Evaluate whether objectives, indicators and targets are SMART compliant.</li> <li>Evaluate whether management intervention is adequate to improve performance.</li> </ul>   | Planning = 30 hrs<br>Execution = 220 hrs<br>Reporting = 30 hrs<br><br><b><u>Total = 280 hrs</u></b><br><br>Hours allocated includes all four quarters |
| Supply Chain Management                    | <ul style="list-style-type: none"> <li>Ineffective SCM process</li> <li>Contracts may be awarded to unworthy suppliers</li> <li>Unauthorised payment thereon</li> <li>Unforeseen price escalations and terminations of contracts.</li> </ul> | <ul style="list-style-type: none"> <li>Budget</li> <li>Requisition and ordering process</li> <li>Receiving of goods and services</li> <li>Payment process</li> <li>Tendering process</li> <li>Supply database maintenance</li> <li>Confirm whether quotes, tenders were invited as per appropriate legislation or policy of the institution.</li> <li>Inspect documentation to confirm that the performance of the contractor was evaluated and the performance evaluation checklist was completed.</li> <li>Confirm that poor performing contractors were</li> </ul> | Planning = 40hrs<br>Execution = 140hrs<br>Reporting = 40hrs<br><b><u>Total = 220 hrs</u></b>  |

| AUDIT AREA  | RISK  | SCOPE OF WORK  | BUDGETED HOURS   |
|---|---|--|--|
|   |   | removed from the list of potential suppliers.  |  |
| Follow up on Internal Audit & Auditor General findings. | <ul style="list-style-type: none"> <li>Continuous non-compliance resulting in qualified audit reports.</li> </ul> | <ul style="list-style-type: none"> <li>Inquire and corroborate management response to the issues raised by Internal Audit and the Auditor General.</li> <li>Follow up on all the reported issues and document management action thereon.</li> <li>Discuss with senior management the outcome of implementing corrective actions as raised by Internal Audit and AG.</li> </ul> | Planning = 20hrs<br>Execution = 140hrs<br>Reporting = 40hrs<br><b><u>Total = 200 hrs</u></b> |
| AD-HOC  | <ul style="list-style-type: none"> <li></li> </ul>  | <ul style="list-style-type: none"> <li>On an as needed basis</li> </ul>  |  |
| <b><u>AUDIT HOURS</u></b>                               |   |  | <b><u>1070 hours</u></b>   |

## PERFORMANCE HIGHLIGHTS

| ISSUE                                | DESCRIPTION  |
|--------------------------------------|--|
| <b>Material Irregularities 01-04</b> | The municipality during the 2020/2021 audit outcome had received four Material Irregularities from the AGSA which were not part of the Internal Audit coverage year plan for 2021/2022 financial year but however due to the necessity and urgency of the matter, the Internal Audit was able to investigate all the reported irregularities in which Council was able to implement section 32 of the MFMA |

## CHALLENGES AND RECOMMENDATIONS

| CHALLENGE  | ACTION TO BE TAKEN TO ADDRESS CHALLENGES   |
|--|--|
| Shortage of staff  | Appoint additional staff   |
| Postponement of meetings between Management and Internal audit, resulting in projects not completed in time. | The Municipal Manager to urge and enforce departments to respond to Internal Audit queries |
| Late Submission of information.  | The Municipal Manager to urge and enforce departments to respond to Internal Audit queries |

| CHALLENGE   | ACTION TO BE TAKEN TO ADDRESS CHALLENGES   |
|---|--|
| Relevant information not submitted during the course of the audit only to be informed about the availability of such information in the meetings. | The Municipal Manager to urge and enforce departments to respond to Internal Audit queries   |
| Non-Implementation of internal audit recommendation.  | Internal Audit reports to become a standard item to all management meetings  |
| Non implementation of audit committee resolutions   | Audit Committee resolutions to be submitted to Council to track its implementation   |
| Non-reporting of risk mitigation plans on a quarterly basis by Department.  | Risk register to be incorporated into departmental SDBIP to enhance the effectiveness through quarterly reporting.<br><br>Risk Management to become a standing item to all management meetings |
| Shortage of staff in risk management  | Appoint risk and compliance officer  |

## 2.11 BY-LAWS AND POLICIES

Section 11 of the MSA gives a Council the executive and legislative authority to pass and implement by-laws and policies. Below is a list of all the by-laws developed and reviewed during the financial year:

| ADOPTED YES/NO |                         |     |
|----------------|-------------------------|-----|
| 1.             | Property Rates          | Yes |
| 2.             | Pollution Control       | Yes |
| 3.             | Pounds                  | Yes |
| 4.             | Public Roads            | Yes |
| 5.             | Public Amenities        | Yes |
| 6.             | Tariff Policy           | Yes |
| 7.             | Street Trading          | Yes |
| 8.             | Storm Water Management  | Yes |
| 9.             | Property Encroachment   | Yes |
| 10.            | Keeping of Animals      | Yes |
| 11.            | Water Bylaw             | Yes |
| 12.            | Environmental           | Yes |
| 13.            | Cemetery and Crematoria | Yes |
| 14.            | Financial               | Yes |
| 15.            | Fire Fighting           | Yes |
| 16.            | Traffic Bylaw           | Yes |
| 17.            | Building regulation     | Yes |
| 18.            | Outdoor Advertising     | Yes |

Below is a list of all the policies developed and reviewed during the financial year:



| POLICY DEVELOPED/ REVIEWED |   |          | DATE ADOPTED |
|----------------------------|---|----------|--------------|
| 1.                         | Credit Control and Debt Collection              | Reviewed | 31 May 2022  |
| 2.                         | Cash Management and Investment                  | Reviewed | 31 May 2022  |
| 3.                         | Borrowing Policy                                | Reviewed | 31 May 2022  |
| 4.                         | Supply Chain Management                         | Reviewed | 31 May 2022  |
| 5.                         | Disposal of assets.                             | Reviewed | 31 May 2022  |
| 6.                         | Indigent Policy                                 | Reviewed | 31 May 2022  |
| 7.                         | Performance Management Framework                | Reviewed | 31 May 2022  |
| 8.                         | Policies dealing with Infrastructure Investment | Reviewed | 31 May 2022  |
| 9.                         | HR Policies                                     | Reviewed | 31 May 2022  |
| 10.                        | Cost Containment                                | Reviewed | 31 May 2022  |
| 11.                        | Virement  | Reviewed | 31 May 2022  |
| 12.                        | Petty Cash Policy                               | Reviewed | 31 May 2022  |
| 13.                        | Travel & Subsistence Policy                     | Reviewed | 31 May 2022  |

## 2.12 COMMUNICATION

Local government has a legal obligation and a political responsibility to ensure regular and effective communication with the community. The Constitution of the Republic of South Africa, 1996 and other statutory enactments all impose an obligation on local government and require high levels of transparency, accountability, openness, participatory democracy and direct communication with the communities to improve the lives of all.

Good customer care is clearly of fundamental importance to any organisation. A successful communication links the people to the municipality's programme for the year.

#### Communication channels utilized

| CHANNEL     | YES/NO |
|-------------|--------|
| SMS system  | Yes    |
| Call system | Yes    |
| Facebook    | Yes    |
| Flyers      | Yes    |
| Call center | Yes    |

## 2.13 WEBSITE

Municipalities are required to develop and maintain a functional website that displays relevant information as per the requirements of Section 75 of the MFMA and S21A and B of the MSA as amended.

The website should serve as a mechanism to promote accountability and transparency to communities and therefore information posted should be accurate and timeously updated.

The municipal website is a key communication mechanism in terms of service offering, information sharing and public participation. It is a communication tool that should allow easy and convenient access to relevant information. The municipal website should serve as an integral part of the municipality's communication strategy.

The table below gives an indication about the information and documents that are published on our website.

| DISCRIPTION OF INFORMATION AND OR DOCUMENT  | YES/NO |
|---|--------|
| <b>Municipal Contact Details (Section 14 of The Promotion of Access to Information Act)</b> |        |
| Full Council details  | No     |
| Contact details of the Municipal Manager  | Yes    |
| Contact details of the CFO  | No     |
| Physical address of the Municipality  | Yes    |
| Postal address of the Municipality  | Yes    |
| <b>FINANCIAL INFORMATION (SECTIONS 53, 75, 79 AND 81(1) OF THE MFMA)</b>                    |        |
| Draft Budget  | Yes    |
| Final Budget  | Yes    |
| Adjusted Budget   | Yes    |
| Asset Management Policy   | Yes    |
| Customer Care, Credit Control & Debt Collection Policy                                      | Yes    |
| Indigent Policy   | Yes    |
| Investment & Cash Management Policy   | Yes    |
| Rates Policy  | Yes    |
| Supply Chain Management Policy  | Yes    |

| DISCRIPTION OF INFORMATION AND OR DOCUMENT  | YES/NO |
|---|--------|
| Tariff Policy   | Yes    |
| Virement Policy   | Yes    |
| Travel and Subsistence Policy   | Yes    |
| SDBIP   | Yes    |
| <b>INTEGRATED DEVELOPMENT PLAN AND PUBLIC PARTICIPATION (SECTION 25(4)(B) OF THE MSA AND SECTION 21(1)(B) OF THE MFMA THE MFMA)</b>                     |        |
| Reviewed IDP  | Yes    |
| IDP Process Plan  | Yes    |
| <b>SUPPLY CHAIN MANAGEMENT (SECTIONS 14(2), 33, 37 &amp;75(1)(E)&amp;(F) AND 120(6)(B)OF THE MFMA AND SECTION 18(A) OF THE NATIONAL SCM REGULATION)</b> |        |
| SCM contracts above R30 000   | Yes    |
| Section 37 of the MFMA (Unsolicited Bids/Contracts)   | Yes    |
| Public invitations for formal price quotations  | Yes    |
| <b>REPORTS (SECTIONS 52(D), 71, 72 &amp;75(1)(C) AND 129(3) OF THE MFMA)</b>  |        |
| Annual Report   | Yes    |
| Oversight Reports   | Yes    |
| Mid-year Budget and Performance Assessment  | Yes    |
| Quarterly Reports   | Yes    |
| <b>PERFORMANCE MANAGEMENT (SECTION 75(1)(D) OF THE MFMA)</b>  |        |
| Performance agreements for employees appointed as per Section 57 of the MSA   | Yes    |

# CHAPTER 3

## SERVICE DELIVERY PERFORMANCE

### PART I

Key service delivery at AbaQulusi during 2021/22 is indicated in the Annual Performance Report 2020/21 and briefly achievements can be summarised as follows with some of the projects completed and some still under construction

Table 17: Key Service delivery

|     | PROJECT NAME  | PROGRESS   |
|-----|---|--|
| 1.  | Tarring of Zama to kwaBalele - Bhukumtetho Road Ward 19 (Phase 2) | road tarring completed 31 March 2022   |
| 2.  | Tarring of Zama to kwaBalele - Bhukumtetho Road Ward 19 (Phase 3) | <b>55%</b> of road tarred by 30 June 2022  |
| 3.  | Road Paving New Lakeside - Ward 22 - Phase 3                      | <b>91%</b> of road paving completed by 30 June 2022  |
| 4.  | Upgrading of Shoba Roads - Phase 1 - Ward 5                       | <b>100%</b> of road upgraded by 27 April 2022 works completed 31 March 2022                    |
| 5.  | Upgrading of Extension 16 (SASCO) Roads - Ward 8 (Phase 1)        | <b>61%</b> of road upgraded by 30 June 2022  |
| 6.  | Upgrading of Mhlanga Gravel Road - Ward 15 (Phase 2)              | <b>100%</b> of road upgraded and completed for practical purpose on 12 May 2022                |
| 7.  | Bhekuzulu Road Paving - Ward 11 & 13 (Phase 2)                    | Project design completed by 06 June 2022   |
| 8.  | Basic Level of Sanitation   | <b>13 640 provided</b> with access to households basic level of sanitation by 30 June 2022     |
| 9.  | Access to Basic level of water                                    | <b>14 376</b> provided with access to basic level of water by 30 June 2022                     |
| 10. | Access to Basic level of electricity                              | <b>21032</b> provided with households had access to basic level of electricity by 30 June 2022 |
| 11. | Upgrade of eMondlo MV MV Line                                     | 100% of 4.4km eMondlo MV line constructed by 30 June 2022                                      |
| 12. | Construction of Ward 13 Community Hall                            | <b>75%</b> of community hall construction completed by 29 June 2022                            |
| 13. | Refuse Removal  | <b>14197</b> , households with access to basic level of refuse removal by 30 June 2022         |
| 14. | Housing Forum meetings  | <b>2(two)</b> Housing Forum meetings held by 30 June 2022                                      |

Access to basic services such as water, electricity and sanitation, is one of the key development indicators and a reliable measure for social and economic development.

### 3.1 WATER SUPPLY

#### Interesting fact of this service

Piped water inside dwelling

#### 89 ranking by piped water inside dwelling and 38.8% of households have access to this service

Water and sanitation services fall under the powers and functions of the Zululand District Municipality and is the core function of Zululand District Municipality. The Municipality is constantly engaged in discussions with Zululand District Municipality as a Water Service Authority to get information on progress regarding this function. The district's primary objective is to extend potable water and sanitation services throughout the district by eliminating the backlogs and also to maintain and ensure sustainability of the existing water and sanitation infrastructure.

Zululand District Water Services has developed a Water Services Development Framework since it is responsible for water and sanitation services delivery in the district. This was done in terms of the powers and functions stipulated in the Municipal Structures Act No.117 of 1998; Chapter 5. The main objective of the municipality is to ensure the quality of drinking water in the region is improved in as far as the blue and green drop is concerned.

Water supply infrastructure in AbaQulusi Municipality varies between areas reflecting the impact of separate development and urban bias of the past planning and development practices. However, the situation has improved tremendously since 2001 with the number of households with piped water inside dwelling has increased from 7166 (2001) to 13 385(2007) and 17237(2011), while households obtaining water from springs and streams have decreased. These households remain exposed to waterborne diseases such as cholera.

The table below indicate access to water in AbaQulusi

| Access to water                    | Census      | Community Survey |
|------------------------------------|-------------|------------------|
|                                    | 2011        | 2016             |
| Number of Households               | 43 299      | 51 910           |
| Inside the dwelling                | 17237 (40%) | 12 621 (24%)     |
| Inside the yard                    | 14020 (32%) | 22 362 (44%)     |
| From access point outside the yard | 5053 (12%)  | 2500 (4%)        |
| Access to piped Water              | 36310 (83%) | 37483 (72%)      |
| Other                              | 6989 (16%)  | 14427 (28%)      |

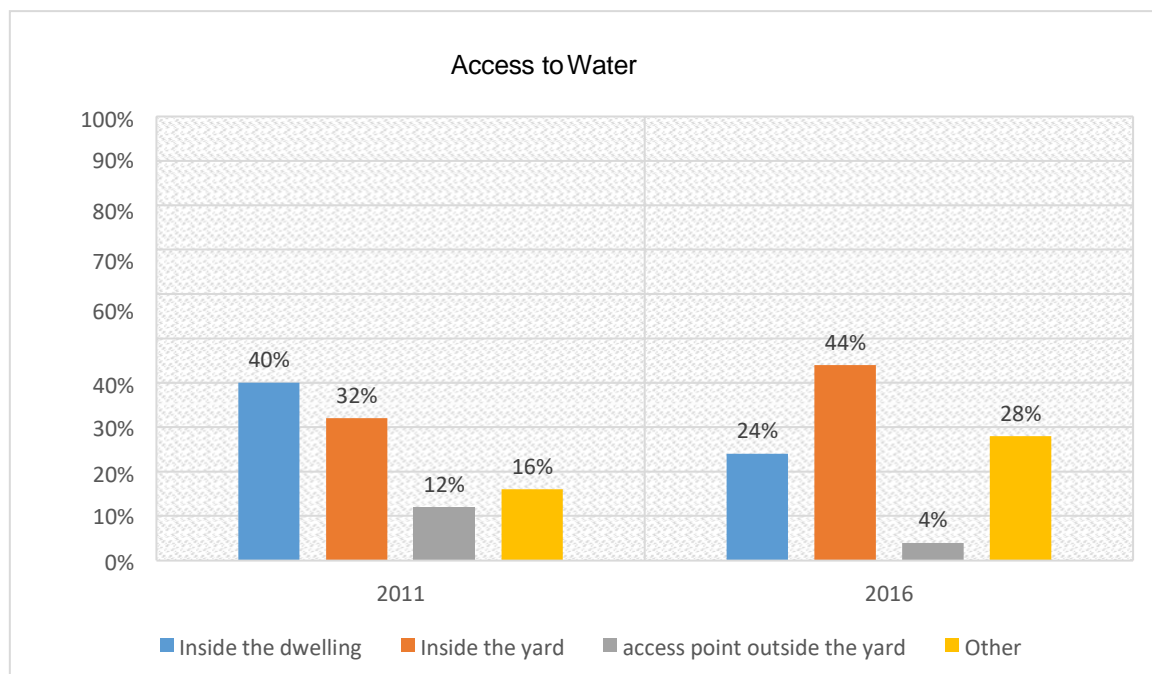
Source: Stats SA CS 2016

The responsibility for the delivery of water in AbaQulusi is shared between Zululand District and AbaQulusi Municipality. Zululand district provides water in the rural areas while AbaQulusi is in charge of water in the urban areas. AbaQulusi draws water from various sources including Bloemveld, Grootgewacht, Klipfontein, Louwsburg, Boulder, Hlobane and Mvunyane Dams. The municipality is responsible for six water treatment plants, which are all located within the urban areas. There is minimal capacity left in most of the bulk water supply systems with the situation fast reaching a critical level in eMondlo. The capacity for the above six municipal plants is as follows:

- Klipfontein (13) mega litres per day and 3 mega litres reserves
- Bloemveld (7.5) mega litres per day,
- eMondlo (7.5) mega litres per day
- Hlobane (7.5), mega litres per day
- Coronation (1.5) and
- Louwsburg (1.1) mega litres per day

The rural areas are primarily served by boreholes. However, the District is presently implementing three major rural water schemes in the AbaQulusi, namely:

- Emondlo-Hlahlindlela Water Scheme.
- Coronation Bulk Water Scheme
- Khambi Regional Water Supply Scheme.



## 3.2 WASTE WATER

### 104 ranking by flush toilet connected to sewerage and 40.9 households are connected to flush toilet

The table below shows that AbaQulusi Municipality is not well provided with sanitation facilities. According to Statistics South Africa, the situation in terms of access to flush toilets remains the same as in 2001. However, there is a marked increase (from 5% in 2001 to 22% in 2007) in the number of people with ventilated pit latrines. This indicates a clear focus on rural sanitation and progress made in addressing sanitation backlog in these areas.

#### Access to Sanitation

| Access to Sanitation                        | Census 2011 | Community Survey 2016 |
|---|-------------|-----------------------|
| Number of Households                        | 43 299      | 51 910                |
| Flush toilet (connected to sewerage system) | 18949 (44%) | 21520 (42%)           |
| Flush toilet (with septic tank)             |             |                       |
| Chemical toilet                             | 2241(5%)    | 5702 (11%)            |
| Pit latrine with ventilation (VIP)          | 14618 (34%) | 18010 (35%)           |
| Pit latrine without ventilation             |             |                       |
| None/Other                                  | 7491 (17%)  | 6678 (12%)            |

### 3.2.1 CHALLENGES

Challenges on waste water are indicated in the table below:

| DESCRIPTION                    | ACTION TO BE TAKEN   |
|--------------------------------|--|
| Ageing infrastructure          | Budgetary provision must be made and additional funding sourced to replace ageing infrastructure |
| Operational budget constraints | Budgetary provision and external funding   |
| Shortage of resources          |  |
| Inadequate professionals       | Employment of professionals  |

### 3.3 ELECTRICITY

Local Government holds executive authority over electricity reticulation in accordance with the Constitution. Furthermore, the Electricity Regulating Act makes provision for the establishment of the National Energy Regulator that sets specific standards and guidelines concerning the distribution of Electricity Distribution Licenses. This places a responsibility on municipalities to ensure the provision of electricity services to communities in a sustainable manner for economic and social support. The Municipality provided electricity to all its township such as Coronation, Hlobane, Vaalbank, Bhokuzulu, Vryheid and Lakeside and Bhokumthetho. The rest of all other areas in rural wards are services by Eskom.

The table below indicates that approximately 72% of the households in AbaQulusi have access to electricity. This marks an increase from 49% recorded in 2007 to 72% in 2011. The number of households using candles for lighting has also decreased from 49% in 2007 to 26% in 2011. The use of paraffin as a source of energy for lighting has also decreased, which is a major safety concern in most rural areas and informal settlements. The municipality is currently providing 50k/w free basic electricity to about 3101 households. Overall, the stats below is a clear indication that the Municipality is on the rise and is making steady progress in providing energy and electricity to its people.

#### Access to Electricity

| Access to Electricity | Census     | Community Survey |
|-----------------------|------------|------------------|
|                       | 2011       | 2016             |
| Number of Households  | 43 299     | 51 910           |
| Electricity           | 31223(72%) | 42 708(82%)      |
| Gas                   | 89(0%)     | 50(0.1%)         |
| Paraffin              | 246(1%)    | 253(0.5%)        |
| Candles               | 11426(26%) | 8 208(15.8%)     |
| Solar                 | 125(0%)    | 518(1.0%)        |
| Other/None            | 190(0.4%)  | 170(0.3%)        |

**131** ranking by electricity for lighting, 72.1% use electricity for lighting



### 3.3.2 CHALLENGES

| DESCRIPTION           | ACTION TO BE TAKEN   |
|-----------------------|--|
| Ageing infrastructure | Budgetary provision must be made and additional funding sourced to replace ageing infrastructure |
| Electricity losses    | Replace ageing infrastructure  |

### 3.4 WASTE MANAGEMENT

**119** ranking by weekly refuse removal, 41.5 households have access

#### 3.4.1 Solid waste management

As indicated in the table below a large portion of the municipal population does not receive or are not offered proper solid waste services (i.e. not collected by the municipality, burnt in pit, bury in vicinity, no removal). The number of households receiving refuse removal service once a week has decreased from 36% in 2001 to 32% in 2007 and has now increased to 42% in 2011, indicating a small improvement, however, this is still not acceptable and has had a very negative impact on development and the environment itself.

Table Access to Refuse Service

| ACCESS TO REFUSE SERVICE  | CENSUS       | CENSUS       | CENSUS      |
|---|--------------|--------------|-------------|
|   | 2001         | 2007         | 2011        |
| Removed by local authority/private company at least once a week | 13 264 (36%) | 12 921 (32%) | 17985 (42%) |
| Removed by local authority/private company less often           | 345 (1%)     | 2 657 (7%)   | 434(1%)     |
| Communal refuse dump  | 171 (0%)     | 799 (2%)     | 511(1%)     |
| Own refuse  | 18 218 (49%) | 14 821 (37%) | 20764 (48%) |
| No rubbish disposal   | 5062 (14%)   | 8 668 (22%)  | 2728(6%)    |
| Other   | 1 (0%)       | 0 (0%)       | 878(2%)     |
| Total   | 37 061       | 39 866       | 43290       |

The municipality collects refuse in urban areas only, e.g., Vryheid, eMondlo, Coronation, Hlobane, Vaalbank, Bhhekuzulu, Nkongolwane and Louwsburg. Only 42% of households had an average basic level of service, (removal by municipality once per week).

In terms of the National standard for the weekly Refuse Collection, AbaQulusi Municipality follows the National standards and National Environmental Management Act 107. AbaQulusi Municipality is responsible for waste separation at source, cleansing the streets, collection and disposal at the registered AbaQulusi Landfill site.

In rural areas individuals tend to dispose of waste in pits in their yard and in some areas communal dumping areas are utilized. This can however lead to associated health problems for individuals living in these areas. The Municipality needs to extend the refuse removal services to the rural areas as well. The Municipality should have transfer stations in areas where illegal dumpsites have been closed.

In terms of the National standard for the weekly Refuse Collection, AbaQulusi Municipality is in compliance with the National standards and National Environmental Management Act 107. AbaQulusi Municipality is responsible for waste separation at source, cleansing the streets, collection and disposal at the registered AbaQulusi Landfill site. The following actions have been initiated and implemented to meet the National standard for the weekly refuse collection:

- 1) Bulk containers - AbaQulusi Municipality is currently using bulk containers (Skips) distributed in various locations in Vryheid town, industrial areas, business areas, townships, schools and community centres.
- 2) Collection vehicles - The collection of waste is private.
- 3) Health and Safety – All waste is properly stored in the plastic which prevents the odour as waste is collected once a week in residential areas and daily in town.
- 4) Communication – Monthly meetings are conducted with the Service providers, National and provincial Department: Environmental Affairs, and internal stakeholders. Weekly meeting with the street sweepers.
- 5) To deal with illegal dumps communication between the Municipality and community was undertaken and there has been improvement.
- 6) Recycling station – (Drop-off, transfer station and collection of recyclable waste) is currently not in operation as the Landfill site is under construction/rehabilitation.

## **Street Cleaning**

Street cleaning is done in town, Vryheid and daily by training and well equipped personnel. Street cleaning has improved because a new reporting system whereby a template has been designed to identify challenges faced by the cleaners on their working environment. No municipal recycling is taking place at the moment.

## **Waste collection**

Waste is collected by the private companies on behalf of the municipality. They collect daily in towns and once a week in residential areas.

### **Recycling**

Recycling station – (Drop-off, transfer station and collection of recyclable waste) is currently not in operation as the Landfill site is under construction/rehabilitation.

### **Disposal**

Waste is disposed at a registered landfill site in Vryheid.

### **Landfill site**

The site is licenced and has an Environmental Authorisation to operate.

#### **3.4.2 PERFORMANCE HIGHLIGHTS**

| HIGHLIGHT                                  | DESCRIPTION |
|--|-------------|
| Refuse removal provided in all urban wards |             |

#### **3.4.3 CHALLENGES AND RECOMMENDATIONS**

| DESCRIPTION                                   | ACTION TO BE TAKEN   |
|---|--|
| Refuse removal is not extended to rural wards | The municipality needs to make considerations to extend possible service in future |

### **3.5 HOUSING**

The Housing Unit is responsible for some of the biggest and the most significant capital projects and yet it is the smallest unit within the Development Planning Department.

The Human Settlements Section is responsible for the development and implementation of the Housing Sector Plan. The work of the Human Settlements section is aligned to various national, provincial and municipal policies and plans which guide the planning and implementation of the various Human Settlements projects. These policies and plans include but are not limited to

(a) The Kwa-Zulu Natal Master Spatial Plan (MSP): it sets out the vision for human settlements investment within the province and provides a framework to guide where human settlements investment should be prioritised both at a provincial and municipal level. The MSP was

formulated to address the need for a master spatial plan to guide human settlements investment and it identified focus areas for Human Settlements within the province. It also indicated that at least 70% of all discretionary spending (projects) needs to be located within these focus areas. Vryheid which is one of the main towns within AbaQulusi, is located within the provincially identified focus areas and will contribute to the housing delivery targets identified in the MSP).

(b) The Zululand District Growth and Development Plan (ZDGDP) identifies a number of strategic goals and objectives for Sustainable Human Settlement. These include but are not limited to promotion of spatial concentrations so as to provide adequate levels of service and infrastructure to the population in a cost-effective manner.

### **3.6 FREE BASIC SERVICES AND INDIGENT SUPPORT**

The majority of the population in AbaQulusi Municipality is indigent; this has impact of reduced revenue. The Municipality receives the free basic grant from National Treasury, which is utilized to offer the following free basic services:

- Free 50kwh of electricity a month,
- Free rates up to the value of R88, 000,
- Free 6kl of water per month,
- Free refuse,
- These allocations are per the national government policy guidelines,
- The total cost for these Free Basic Services amounts to R 16 919 365

## **COMPONENT B: ROAD TRANSPORT**

### **3.7 ROADS**

The section is responsible for the construction and maintenance of roads infrastructure, laying and cleaning of storm-water drainage, construction and maintenance of walk ways, kerbing and drive-ways. AbaQulusi Municipality consists of rural areas which are far behind in terms of roads infrastructure and the main aim of the municipality is to provide roads to all households of AbaQulusi Municipality.

Integrated development plan document is the main source of development priority, roads are prioritised in terms of usage of the road and number of beneficiaries of the particular road infrastructure.

The municipality managed to provide access to number of households by construction of gravel roads thus providing access to public transport to those communities with the help of Municipal Infrastructure

Grant. During the construction of these roads there were job opportunities provided to the community members where projects took place thus alleviating poverty. Most of service providers completed their projects within the specified period resulted to spending 100% on the municipal infrastructure grant allocation.

The municipal roads infrastructure passed their life span due to heavy trucks driving through town and bursting of water pipes underneath roads are contributing to the deteriorating of roads infrastructure, despite.

### 3.7.1 HIGHLIGHTS

Status of the gravel road

| DISCRIPTION                              | PERIOD  |         |         |
|--|---------|---------|---------|
|  | 2019/20 | 2020/21 | 2021/22 |
| Total Gravel roads (km)                  | 700,32  | 705.42  |         |
| New Gravel Roads constructed (km)        | 6.7     | 5.1     |         |
| Gravel roads upgraded to Tar/paving (km) | 0.5km   | 0       |         |
| Gravel roads maintained- blading (km)    | 250.7   | 381.31  |         |

The status of the tarred roads within the Municipality as per June 2022 is presented in the following table.

Status of the tarred road

| DISCRIPTION  | 2019/20  | 2020/21 | 2021/22 |
|--|----------|---------|---------|
| Total Tar roads (km)                                   | 146.02   | 147.12  |         |
| New Tar Roads constructed (km)                         | 0.5km    | 1.1     |         |
| Existing tar roads re-tarred (km)                      | 0        | 0       |         |
| Existing tar roads re-sheeted (km)                     | 0        | 0       |         |
| Tar roads maintained-Pothole patched (m <sup>2</sup> ) | 14747.05 | 8446.98 |         |

### 3.7.2 CHALLENGES

| DESCRIPTION                      | ACTION IN PLACE  |
|----------------------------------|--|
| Ageing road infrastructure       | Source funding to rehabilitate roads   |
| Lack of maintenance funding      | Budgetary provision must be made for resealing and maintenance of roads and stormwater |
| Insufficient plant and equipment | Purchase or hire of plant and equipment  |

## **3.8 TRANSPORT**

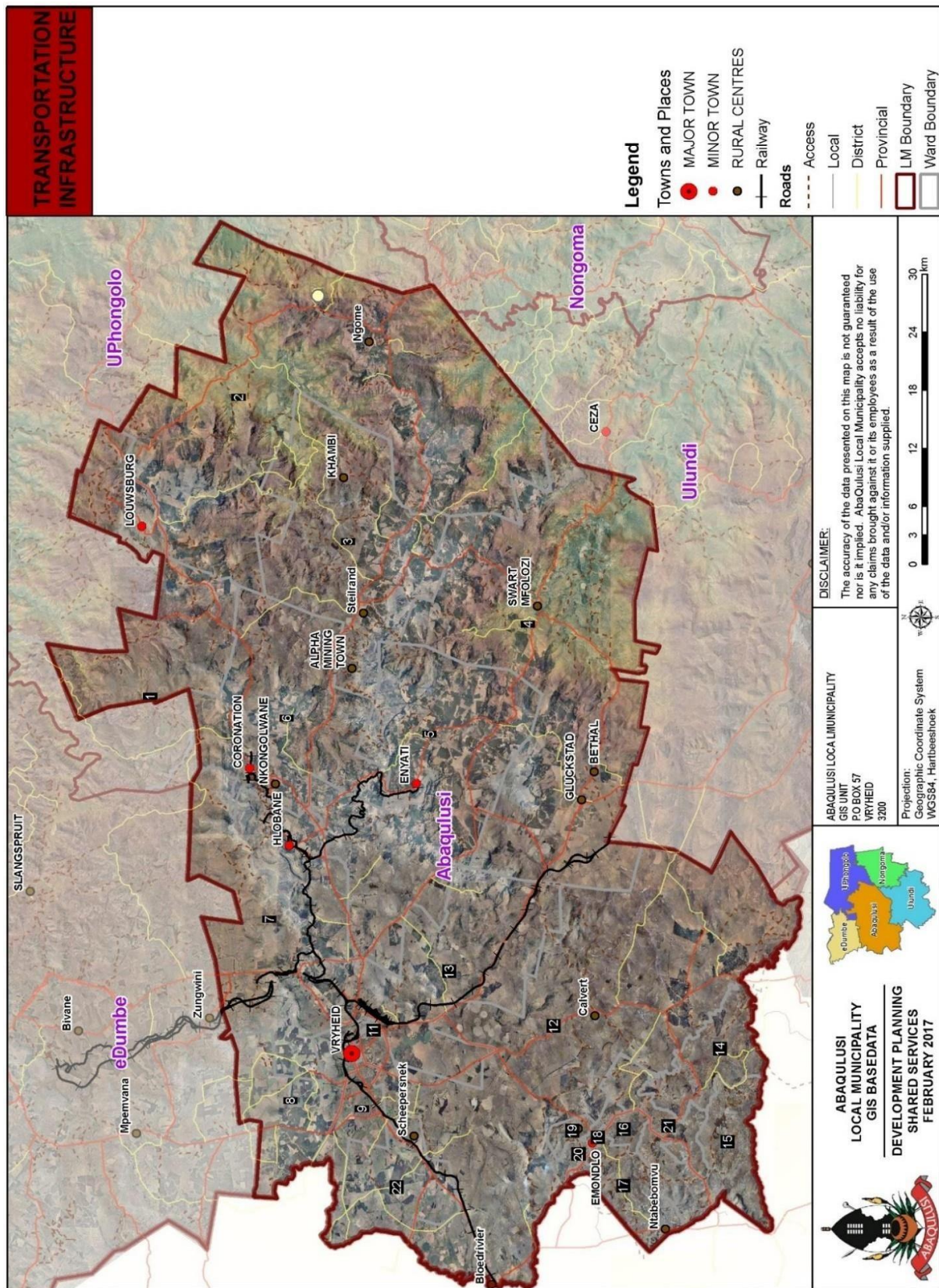
### **3.8.1 RAIL TRANSPORT**

AbaQulusi Municipality does not have an established public rail transport system however, there is a railway line that runs through the area connecting the coalfields with areas such as Mpumalanga and Richards Bay. It is used mainly to transport goods between these centers. It passes through AbaQulusi in a north-south direction and at Vryheid, it branches off to the west to Hlobane.

### **3.8.2 AIR TRANSPORT**

Although Vryheid is a district regional centre, it does not have a well-established air transport system. A small airport/landing strip is located in Vryheid. It is built to the standard set by the Civil Aviation Authority but is no longer licensed due to budgetary constraints. It is capable of carrying limited cargo. This facility should be seen as an opportunity for the development of the agricultural and tourism sectors. This is particularly important since the area has been identified at a Provincial level as having potential for agricultural development (PSED, 2007), and the potential link with Dube Trade Port. The Map below indicates the Transport Network that exist within the AbaQulusi Municipality.





### 3.9 WASTE WATER(STORM WATER DRAINAGE)

The storm-water drainage is constructed in conjunction with roads in the areas, the main challenge experienced in urban areas is dumping in the drainage system which cause blockages and flooding of houses. The municipality have program to educate communities about the danger and risk of dumping everywhere. Communities are encouraged to take out their refuse on days when the refuse truck is collecting refuse in their area, they are discouraged to dump into the drainage sytem.

There were people employed under expended public work program to assist in storm-water drainage cleaning in various areas of the municipality.

| STORM WATER INFRASTRUCTURE   | 2019/20 | 2020/21 | 2021/22 |
|------------------------------|---------|---------|---------|
| Total Storm-water measures   | 150150  | 150150  |         |
| New storm-water measures     | 0.5km   | 0       |         |
| Storm-water measure upgraded | 0       | 0       |         |
| Storm-water measures cleaned | 5654    | 7028.6  |         |

Table: Status of Storm water in AbaQulusi Municipality

The table below specify challenges during the reporting period

| CHALLENGE   | ACTION TO BE TAKEN          |
|---|-----------------------------|
| Inadequate staff                                    | Filling of vacant positions |
| Shortage of equipment to clean storm water drainage | Purchase or hire equipment  |
| lock down   |                             |



### 3.10 PLANNING

#### 3.10.1 INTRODUCTION TO TOWN PLANNING AND BUILDING CONTROL

##### TOWN PLANNING

The Town Planning Section falls within the Development Planning Department and comprises of the following sections:

- Land Use Management,
- Spatial Planning and
- GIS.

It manages sustainable urban growth and spatial transformation through the preparation of spatial plans such as the Spatial Development Framework which is the spatial representation of the Integrated Development Plan. It is also responsible for the processing the following functions

- development applications (rezoning, subdivision, consolidation, special consent, township establishment, etc.) and
- the monitoring of development in compliance with statutory procedures.
- monitoring and enforcing land use development to protect the interests of all Property Owners and Government Agencies against undesirable contraventions of existing legislation and acceptable norms in the interests of maintaining a safe and healthy environment of the residents of AbaQulusi.
- seeks to achieve coordinated and harmonious development by promoting health, safety, order, amenity, convenience and improved general welfare.

The Spatial Planning and Land Use Management Act, 2013 (Act No. 16 of 2013) with its Regulations, the AbaQulusi Spatial Planning and Land Use Management By-law, AbaQulusi Urban Land Use Scheme, the AbaQulusi Spatial Development Framework and all other planning policies and frameworks serve as the legislative framework for all land use planning and development.

GIS develops, maintains and interrogates spatial data in order to provide relevant information that will assist with decision making across the AbaQulusi Municipality. It also provides continual maintenance and capturing of zoning and land use data on the GIS for properties that fall within the area of the scheme and continuous exchange of GIS data with Zululand District Municipality to be able to provide information to the general public and other internal departments.

## **BUILDING INSPECTORATE**

The Building Inspectorate Office operates in line with the National Building Regulations (NRB) and Building Standards Act, 103 of 1977 and SAN10400 to ensure compliance with the submissions of building plans. This office is also responsible for the monitoring and enforcing that, structures/buildings are erected in line with the standards of NBR. Building Inspectorate issues occupation certificates once a building is complete and is compliance with the NBR. Building Inspectorate also investigates illegal buildings and issues out guilt fines. Further to the above the Building Inspectorate acts in the interest of the community of the AbaQulusi Municipality by ensure all building structures are safe and sustainable.

### **3.10.2 PERFORMANCE HIGHLIGHTS: TOWN PLANNING AND BUILDING CONTROL**

The table below indicates highlights for the year

| <b>HIGHLIGHTS</b>  | <b>DESCRIPTION</b>  |
|--|---|
| AbaQulusi wall-to-wall Land Use Scheme   | Final AbaQulusi Land Use Scheme approved by Council in June 2022  |
| Compliance with the Spatial Planning and Land Use Management Act 2013 (SPLUMA) | All Land Use and Development Applications are processed and assessed in compliance with SPLUMA  |
| Compliance of NBR timeframes   | The building plans must be approved within 30 days if its less than 500sqm if its more than 500sqm, its 60 days. The municipality has been able to approve building plans within the NBR timeframes |

### 3.10.3 CHALLENGES

The table below specifies challenges for the year

| CHALLENGES   | ACTION TO BE TAKEN  |
|--|---|
| Non- appointment of the Municipal Planning Registrar in terms of SPLUMA  | Position to be prioritized in the 2022/2023 budget  |
| No peace officers within the Planning Office to ensure enforcements of Planning By-laws  | Peace Officer Training to be conducted for the Planning staff.  |
| Illegal/Unlawful land occupation and development which leads to urban sprawl (unplanned settlements which are not compliant with municipal, provincial and national by-laws) | Appointment of a legal person that is well versed with the planning laws and to take legal action against contraveners in terms of obtaining demolition order, court interdicts, etc. |
| Appeals Authority requires further training  | Technical Advisers be appointed to assist the Appeal Authority is take decisions that are compliant with all the relevant laws  |

### 3.10.4 STATISTICS: TOWN PLANNING AND BUILDING CONTROL

The table below specifies the service delivery levels for the year

#### TOWN PLANNING

| DETAIL            | 2019/20             | 2020/21 | 2021/22 | 2019/20                 | 2020/21 | 2021/22 |
|-------------------|---------------------|---------|---------|-------------------------|---------|---------|
|                   | SPLUMA APPLICATIONS |         |         | BUILDING PLANS ASSESSED |         |         |
| Submitted         | 13                  | 32      | 29      | 53                      | 72      | 50      |
| Approved          | 6                   | 11      | 12      | 42                      | 69      | 48      |
| Not Approved      | /                   | /       | 4       | /                       | 3       | /       |
| Pending           | 6                   | 19      | 6       | 11                      | /       | 2       |
| Lapsed/ Withdrawn | /                   | 2       | 7       | /                       | /       | /       |
| <b>TOTAL</b>      |                     |         |         |                         |         |         |

#### BUILDING CONTROL

| TYPE OF SERVICE                      | 2019/20   | 2020/21   | 2021/22   |
|--------------------------------------|-----------|-----------|-----------|
| Building plans application processed | 53        | 68        | 65        |
| Total surface (m2)                   | 13004.33  | 16092.30  | 11377.07  |
| Approximate value (Rand)             | R39440.00 | R59625.99 | R59777.85 |

### 3.11 LOCAL ECONOMIC DEVELOPMENT

Local Economic Development is an approach towards economic development which allows and encourages local people to work together to achieve sustainable economic growth and development thereby bringing economic benefits and improved quality of life for all residents in a local municipal area.

As a programme, LED is intended to maximise the economic potential of all municipal localities throughout the country and, to enhance the resilience of the macro-economic growth through increased local economic growth, employment creation and development initiatives within the context of sustainable development. The “local” in economic development points to the fact that the political jurisdiction at a local level is often the most appropriate place for economic intervention as it carries alongside it the accountability and legitimacy of a democratically elected body.

### 3.11.1 INTRODUCTION TO LOCAL ECONOMIC DEVELOPMENT

The unit amongst others is responsible for the following:

#### **SMME Development**

- Capacity building
- Formation of cooperatives

#### **Agriculture**

- Poverty alleviation
- Promotion and development of cooperatives

#### **Tourism**

- Promotion of local tourism
- Development of local SMMEs
- Development of accommodation sector

| CHALLENGE                | ACTION TO BE TAKEN                   |
|--------------------------|--------------------------------------|
| LED does not have Budget | Prioritise budget allocation for LED |

## COMPONENT D: COMMUNITY AND SOCIAL SERVICES

### 3.12 LIBRARY AND MUSEUM

### 3.12 LIBRARY AND MUSEUM

AbaQulusi Municipality is proud to have four public libraries and that meet the needs of the different communities. The main library is Vryheid Public Library. All libraries are equipped with free computers and internet access except Bhekuzulu Library for the creation of documents and research purposes. Many community members make use of the library to access the internet and do work, to read newspapers and to page through the latest magazines.

Library Services are fully funded by Provincial Library Services (DCAS) and national government. Although library staff is on the municipal payroll, the Municipal Replacement Funding (MRF) and conditional grant cover salaries and benefits.

#### 3.12.1 PERFORMANCE HIGHLIGHTS: LIBRARY SERVICES

The table below specifies the highlights for the year:

| HIGHLIGHTS              | DESCRIPTION  |
|-------------------------|--|
| Basic Computer training | The municipality provides basic computer training to the community |

| CHALLENGE   | ACTION TO BE TAKEN  |
|---|---|
| Accessibility of library services in remote areas | Engage Department of Arts and Culture for consideration to extend service to remote areas |

The table below specifies the service statistics for the year:

| TYPE OF SERVICE                    | DESCRIPTION               | 2019/20      | 2020/21      | 2021/22      |
|------------------------------------|---------------------------|--------------|--------------|--------------|
| Library members<br>Vryheid Library | Vryheid Library           | <b>9453</b>  | 2985         | 3461         |
|                                    | Bhekuzulu Library         |              | 36           | 00           |
|                                    | Mondlo Library            |              | 1422         | 1945         |
|                                    | Bhekuzulu Modular Library |              | 496          | 874          |
|                                    | <b>Total</b>              |              | <b>4939</b>  | <b>6280</b>  |
| Books circulated                   |                           | <b>25619</b> |              |              |
|                                    | Vryheid Library           |              | 14526        | 19845        |
|                                    | Bhekuzulu Library         |              | 89           | 00           |
|                                    | Bhekuzulu Modular         |              | 897          | 2044         |
|                                    | eMondlo Library           |              | 1987         | 4030         |
|                                    | <b>Total</b>              |              | <b>17499</b> | <b>25919</b> |
| Exhibitions held                   |                           | <b>08</b>    | 08           | 12           |
| Internet users                     |                           | <b>567</b>   | 422          | 1085         |
| Children's programmes              |                           | <b>02</b>    | 4            | 08           |
| Visits by school groups            |                           | <b>17</b>    | 14           | 27           |

## MUSEUM

AbaQulusi municipality has one main museum which serves as the quarters of the history of Vryheid. The museum is named after Lucas Meijer in his honour as the first and the last president of the new republic which is the republic that was formed between 1884 -1888 within the jurisdiction of AbaQulusi. The role of the museum is the collection of the heritage and cultural items that are unique, significant and which reflect our cultural diversity.

The main role of the museum is to promote and advance awareness about the character and the importance of the museum in social development of the community of AbaQulusi. Lucas Meijer museum manages collections of artefacts or works of art. This includes dealing with the acquisition, care and display of items with the aim of informing and educating the public. It's essential for museums, galleries, and heritage and tourism attractions to develop collaborative relationships, share collections and disseminate information with the aim to construct innovative and creative exhibitions that appeal to a wide cross-section of the general public. Developmental programmes and projects implemented by the museum are as follows:

1. Exhibition – daily visit by tourist, researchers and scholars.
2. History lessons / sessions
3. Donation of historical precious items
4. Research- Local history
5. Lucas Meijer Museum Day Celebration

The table below indicates challenges for the reporting period

| CHALLANGE   | ACTION TO BE TAKEN   |
|---|--|
| Lucas Meijer museum still needs an ongoing transformation in order to incorporate the history of the Nguni linguistic groups and most recent history. | AbaQulusi Municipality and Provincial museums services are currently conducting research on tribes and indigenous people who settled in Vryheid.   |
| The museum does not have the advisory committee   | AbaQulusi Municipality will prioritise the establishment of the advisory committee and issue an open invitation to all residents that are keen and passionate to serve in the advisory committee since it will work on a voluntary basis |



### 3.13 CEMETERIES AND CREMATORIALS

A cemetery or graveyard is a place where the remains of deceased people are buried or otherwise interred. The cemetery yards are maintained daily by the staff and burial take place at any day as requested by the family. The burial is between 7:30am - 4:00pm daily.

The Abaqulusi Municipality must provide cremation. Currently the municipality has 6 cemeteries, located in Vryheid, Hlobane, Coronation, eMondlo, Louwsburg and Nkongolwane, however, according to municipal statistics, some of these cemeteries have now reached their life-span and have run out of space while the others are also in danger of reaching their life-span and is fast becoming a top priority for the municipality. The municipality is constantly working on establishing new sites for cemeteries and exploring the opportunities of expanding the current existing cemeteries. Poor maintenance and budget constraints have also hindered and compounded to the issues surrounding the cemeteries. According to the Zululand District Cemetery Plan, the status of cemeteries within Abaqulusi is as follows:

- **Vryheid Cemetery:** The potential extension of the existing cemetery to the south should be investigated, or a new site will be identified. An area of about 6 ha would be required up to 2021.
- **BhekuZulu Cemetery:** The existing cemetery is full and a new cemetery site has been identified to the Northeast of the existing cemetery, between the bypass road and the railway line. The new site has an approximate area of about 10 ha which should be sufficient for about 15 years. A further 5 ha would be required up to 2020 (refer graphs below). The municipality reported that trial pits in the new site indicated a perched water table and the extent of the water table must be investigated.
- **Emondlo Cemetery:** The original cemetery is full and has been extended into the open veld surrounding the cemetery. The municipality has acquired the new 27 hectares for extension and planning principles are essential for the cemetery to be registered. The obtainable land suggests that the lifespan of this cemetery will reach 2021 and beyond considering the current death rate
- **Louwsburg:** The existing cemetery has an estimated lifespan of more than 10 years. The potential extension of the cemetery to the east or west should be investigated. An area of 1 ha should be sufficient up to 2021.
- **Nkongolwane:** The existing cemetery has an estimated lifespan of approximately 5 years, with extension possibilities to the south and southwest.
- **Coronation:** The cemetery at the Coronation mine has space available for approximately 3 000 graves, and a life expectancy greater than 10 years. Potential for expansion exists to the east of the existing cemetery.
- **Gluckstadt:** The cemetery is situated behind the Lutheran Church in Gluckstadt and has space for

approximately 500 graves. The life expectancy of this cemetery is in excess of 5 years. The cemetery can be extended to the north, east and south.

- **Hlahlindlela:** A total area of about 7.5 ha will be required for the development of cemeteries up to 2021 in this tribal area. The cemeteries should be positioned, taking in consideration the development nodes as identified in the IDP in consultation with the traditional leaders.
- **Khambi:** The land area required for the development of cemeteries in Khambi and Khambi extension up to 2021 is 3, 5 ha and 2, 5 ha respectively. The cemeteries should be positioned, taking into consideration the development nodes as identified in the ZDM IDP in consultation with the traditional leaders.
- A need for a new sub-regional cemetery has been identified, and a search for appropriate land has been initiated. Other critical issues in respect of cemeteries include the following:
  - Need to investigate feasibility of cremation and recycling of graves considering religious and cultural differences.
  - All existing cemeteries need fencing.
  - Need to provide water and sanitation in all cemeteries.

### 3.13.1 PERFORMANCE HIGHLIGHTS

| HIGHLIGHTS                                      | DESCRIPTION  |
|---|--|
| Identified new land for extension of cemeteries | Processes to identify land for cemeteries is ongoing |
| Regular maintenance of cemeteries               | Cemeteries are maintained regularly                  |

### 3.13.2 CHALLENGES AND RECOMMENDATIONS

| DESCRIPTION   | ACTION TO ADDRESS CHALLENGES                        |
|---------------|---|
| Limited space | Identification of space for extension of cemeteries |

### 3.13.3 SERVICE STATISTICS FOR CEMETERIES

The table below specifies the service delivery levels for the year:

| TYPE OF SERVICE | 2019/20 | 2020/21 | 2021/22 |
|-----------------|---------|---------|---------|
| Pauper Burial   | 24      | 42      | 55      |

#### **3.13.4 CAPITAL: CEMETERIES**

There were no capital projects undertaken for the 2021/22 financial year and land acquisition processes is looked into and consideration will be made once finalized.

## COMPONENT E: ENVIRONMENTAL PROTECTION

Although environmental protection and management vests primarily with the Provincial Department of Environmental Affairs and Development Planning, certain environmental functions are the responsibility of the Municipality. These include air and noise pollution, biodiversity and landscape management, and coastal protection.

The AbaQulusi Municipality is among many municipalities that have had large areas of vegetation transformed as a result of one kind of land use or another. Wide spread land transformation occurs mainly in Wards 14 to 20 along the western part of the municipality and Wards 7 to 11 in the north western part. Other areas where significant transformation has occurred are in Wards 5 and 3 at the southern end of the municipality.

## COMPONENT F: HEALTH

The Abaqulusi Municipality has one public hospital and 12 clinics servicing the population of 211 060 people. An application of the planning standard (5000 households per clinic) for the provision of clinics reveals a backlog of about 24 clinics for Abaqulusi Municipality area of jurisdiction (Data Source: ZDM Health Sector Plan {2004}).

The HIV/AIDS pandemic is major concern in all municipalities around the country. In order to reduce the levels of HIV/AIDS in the Abaqulusi region, the Municipality has set-up a fully functional Local AIDS Council, which are well represented by various stakeholders. The OSS Task Team Members also play a very active role in ensuring that the fight is won at local levels under the collaborative strategies like establishing War-rooms at Ward levels.

### 3.14 SAFETY AND SECURITY

This component includes: traffic; law enforcement; fire and disaster management. Municipality is eager to ensure a safe environment for the public, personnel and councilors. The Municipality therefore makes use of private security firms to ensure the safety of the personnel and councilors, as well as members of the public that visit municipal offices.

Local Government: Municipal Systems Act 32 of 2000 has clearly provided a directive in terms of the role of Local Municipalities towards safer and secure communities. The indication from the Act is that municipalities as the closest sphere of government to the communities must “Promote safe and healthy environment” through which social cohesion. The understanding is that as the operational sphere of government, municipalities are severely affected by crime and safety issues on the ground which often impact negatively on the mandate given by communities to the government, namely; service delivery. We further understand and most importantly acknowledge the role played by various sectors through our Security agencies and Community Safety Forum in trying to ameliorate the living conditions of our people and economic development can be enriched and sustained.

When addressing the risk factors for crime by enhancing parenting practices, improving access and investment in education, reducing access to alcohol, illegal substances and weapons, and increasing employment opportunities it is important to simultaneously build the resilience of individuals, families and communities to crime and violence. Resilience is the ‘process of, capacity for, or outcome of, successful adaptation, despite challenging or threatening circumstances. It is important therefore, that safety strategies, particularly those aimed at addressing crime and violence, must include mechanisms which build the capacity of individuals and institutions to deal with the adversity that may makes them more vulnerable to crime.

In developing strategies to deal with crime and violence, risk and protective factors must be disaggregated by target groups. Risk factors for crime and violence include those set out in the table below.

|                         |  |
|-------------------------|--|
| <b>Individual</b>       | <b>Risk Factors</b>  |
|                         | Violence, abuse, maltreatment, neglect   |
|                         | Gender   |
|                         | Age  |
|                         | Poor nutritional, pre-natal and health care  |
|                         | Disability   |
|                         | Low social status related to class, race, ethnicity                                    |
| <b>Relationship</b>     | <b>Risk factors</b>  |
|                         | Family violence and conflict   |
|                         | Absent/low levels of parental involvement  |
|                         | Teenage parenthood   |
|                         | Violence, abuse, maltreatment, neglect in the home                                     |
|                         | Gender inequalities  |
| <b>Community</b>        | <b>Risk factors</b>  |
|                         | Easy availability of drugs, alcohol, firearms  |
|                         | Lack or poor access to quality education, training opportunities, employment           |
|                         | Family/community attitudes condoning violence  |
| <b>Macro/structural</b> | <b>Risk factors</b>  |
|                         | Structural inequalities (social, economic, political)                                  |
|                         | Social norms condoning inequality and violence   |
|                         | Unemployment   |
|                         | Lack of access to /poor delivery of basic services (e.g housing, water and sanitation) |

There are six police stations located within the AbaQulusi Municipal area of jurisdiction, namely:

- Vryheid
- eMondlo
- Gluckstadt
- Louwsburg
- Driefontein
- Ngome

### 3.14.1 CRIME PREVENTION

This is the attempt to reduce and deter crime and criminals. It is applied specifically to the efforts made by all spheres of government to reduce crime, enforce the law and maintain criminal justice. Traffic Officers are Peace Officers according to the Criminal Procedure Act 51 of 1977 to assist in crime prevention during their normal duties. Monthly meeting is held with the South African Police Services and Community Policing Forum.

### **3.14.2 SECURITY**

The co-function of security services is to provide proper security for all Municipal buildings, equipment, staff and consumers to reduce theft and risks. The Municipality has appointed Qomukufa Security. This service provider is expected to provide security solutions to the Municipality to minimise theft of Municipal assets.

### **3.15 INTRODUCTION TO TRAFFIC SERVICES**

The Municipality renders a comprehensive traffic service including traffic law enforcement, road markings, road traffic signs, law enforcement in general and a shared disaster management in conjunction with the Zululand District Municipality.

The endeavor to educate and create a culture of compliance and willingness to obey to traffic law, rules and regulations and operate on the legal mandate of NRTA 93/96 and NLTA 5/2009. Operational activities *inter alia* include roadblocks, high visibility, random vehicle checkpoints, execution of traffic related warrants and traffic laws and policing of municipal by-laws.

Traffic also partners with other law enforcement agencies, like the SAPS, RTI, Magistrate Court and Provincial Traffic Services to minimize road deaths and other crime related problems.

#### **3.15.1 Municipal Traffic Law Enforcement**

The general priority of the Traffic Law Enforcement aims at ensuring that the community is adhering to the

By-laws of AbaQulusi Municipality. This unit works hand in hand with the SAPS and the Planning Department in the demolishing of illegal structures.

- Special focus is on the following:
- Demolishing of illegal structures;
- Law Enforcement to decrease incidents affecting traffic safety;
- Monitoring and collecting outstanding fines;
- Removal of vagrants;
- Informal trading;
- Illegal dumping;
- Animal control; and
- Abandoned vehicles.

Foot patrol through the CBD is done on a daily basis to ensure visibility in order to create a safer environment.



Several awareness campaigns regarding road safety and fire protection are conducted throughout the year.

The table below specifies the highlights for the year:

| HIGHLIGHT                        | DESCRIPTION   |
|----------------------------------|---|
| Services is provided after hours | The municipality has extended its service beyond normal working hours |
|                                  | Construction of Public Safety building to commence 2022               |

| CHALLENGE  | ACTION TO BE TAKEN                     |
|--|--|
| Viable shift system for Traffic Officers and Fire Fighters | Council have approved new shift system |

The table below indicates specify service delivery for the year:

| DETAILS   | 2019/20  | 2020/21   | 2021/22 |
|---|----------|-----------|---------|
| Motor vehicle licenses processed                  | 3500     | 3957      | 25717   |
| Learner driver licenses processed                 | 1360     | 1570      | 2951    |
| Driver licenses processed                         | 1890     | 2450      | 3107    |
| Driver licenses issued                            | 3671     | 3890      | 7306    |
| Fines issued for traffic offenses                 | 305 000  | 8586      | 5490    |
| R-value of fines collected                        | 3 600 00 | 8 7126 00 | 104490  |
| Roadblocks held                                   | 12       | 18        | 38      |
| Complaints attended to by Traffic Officers        | 15       | 28        | 24      |
| Number of officers in the field on an average day | 14       | 16        | 15      |
| Number of officers on duty on an average day      | 14       | 16        | 15      |

### 3.15.2 DRIVING LICENCE TESTING CENTRE, VEHICLE AND MOTOR LICENCING

The co-function of the centre is to provide an effective system for the following functions. Application for learners and driving licensing test, PrDP, Instructor's certificate, Learners and driving licensing bookings, renewals of driving licensing cards, applications for vehicle road worthy test is currently suspended and converting of foreign driving licenses as per the National Road Traffic Act 93 of 1996 which is a computerised system.

The Municipality provides Driving Licensing Testing Centre services in its area of jurisdiction on an agency basis for the KwaZulu Natal Department of Transport. Services are rendered from Monday to Friday from 08h00 until 15h00. Transactions in respect of the abovementioned require proof of identification in the form of a SA Identity Document, Passport, Traffic Registration Certificate and proof

of residential address on all transactions as required in terms of FICA. The following are accepted as verification documents in respect of proof of address of not older than three months, namely: Utility account (Water, Electricity or Refuse removal), telephone account, retail store statement of account or a bank/financial statement. Proof may also be provided in the form of a lease agreement (signed by both parties).

### **3.15.3 MOTOR LICENSING BUREAU**

The co-function of the centre is to register motor vehicles and licence renewals, application for change of motor vehicles details, special and temporal permits and change of ownership. This is done with all approved fees determined by the Department of Transport, 8.5 % of the daily takings are given to the Municipality.

The Municipality provides Motor Licensing services in its area of jurisdiction on an agency basis for the KwaZulu Natal Department of Transport. Services are rendered from Monday to Friday from 08h00 until 15h00. Transactions in respect of the abovementioned require proof of identification in the form of a SA Identity Document, Passport, Traffic Registration Certificate and proof of residential address on all transactions as required in terms of FICA. The following are accepted as verification documents in respect of proof of address of not older than three months, namely: Utility account (Water, Electricity or Refuse removal), telephone account, retail store statement of account or a bank/financial statement. Proof may also be provided in the form of a lease agreement (signed by both parties).

## **3.16 DISASTER MANAGEMENT**

The Abaqulusi Local Municipality currently has a Disaster Management Centre where disaster management functions are fully rendered. However, it must be noted that the municipality still requires assistance from all relevant stakeholders in order to have a fully functional and effective unit within the municipality due to the lack of capacity and limited funding. The municipality is in possession of Disaster Management Sector Plan which is to be reviewed annually.

### **3.16.1 Municipal Institute Capacity**

The main objective of the Municipal Institute Capacity is to establish an integrated institutional capacity within the Abaqulusi Municipality to enable the effective implementation of disaster risk management policy and legislation. This institutional capacity establishes the requirements which will ensure the establishment of effective institutional arrangements for the integrated and coordinated implementation of disaster management policy and legislation; and which will give explicit priority to the application of principles of cooperative governance and place appropriate emphasis on the involvement of all stakeholders in disaster management in strengthening the capabilities of municipal organs of state for the purposes of disaster management. The following sub-objectives need to be implemented:

- Facilitate arrangements for the development of an integrated disaster risk management policy by the municipality.
- Facilitate the establishment instruments that will give direction for successful execution of disaster risk management policy.
- Achieve stakeholder participation and the engagement in all phases and activities of disaster management.
- Key deliverables of this KPA shall therefore include but not limited to:
  - An approved and adopted disaster management policy by the municipality.
  - Municipal Disaster Management Capacity Report.
  - Identified municipal instrument/s that will guide and provide support for the successful implementation of the disaster management plan.
- Implementation plan for stakeholder engagement and participation in disaster management.

### **3.16.2 Risk Assessment**

The main objective of Risk Assessment is to generate an Indicative Local Disaster Risk Profile by establishing and maintaining a uniform methodology to continuously assess and monitor risks. The need for disaster risk assessment and monitoring to set priorities, guide risk reduction action and monitor the effectiveness of efforts. Although the country faces many different types of risk, disaster risk specifically refers to the likelihood of harm or loss due to the action of hazards or other external threats on vulnerable structures, services, areas, communities and households. Therefore, this outlines the requirements for implementing disaster risk assessment and monitoring by organs of state. The following are sub-objective of Risk Assessment:

- Conducting disaster risk assessment to inform disaster risk management and risk reduction policies, planning and programming
- Generating an indicative entity disaster risk profile
- Monitoring, updating and disseminating risk information
- Conducting quality control

### **3.16.3 Risk Reduction and Prevention**

The main objective of Risk Reduction and Prevention is to facilitate co-operation and integration amongst stakeholders and that the municipality develops and implements Disaster Management Objectives as stipulated by the Disaster Management Act. The prevention and mitigation strategies and disaster response must be aligned with the requirements of the National Disaster Management Centre (NDMC), Provincial Disaster Management Centre (PDMC) Zululand District Municipality framework. Abaqulusi Municipality must mobilise fiscal resources to enable it to plan and implement risk reduction projects and programmes in its area of jurisdiction.

The successful implementation of the Disaster Management Act critically depends on the preparation and alignment of disaster management frameworks and plans for all spheres of government. The legal requirements for the preparation of disaster management frameworks and plans by provincial and municipal organs of state are specified in sections 38 and 52 of the Act. This key performance area addresses requirements for disaster management planning within provincial and municipal spheres of government. It gives particular attention to the planning for and integration of the core risk reduction principles of prevention and mitigation into ongoing programmes and initiatives. The following activities are paramount to be executed:

- Ensure all stakeholders compile integrated and relevant disaster risk management plans.
- Determine priority disaster risks and priority areas, communities and households.
- Scoping and development of risk reduction plans, projects and programmes.
- Inclusion of risk reduction efforts into strategic integrating structures and processes.
- Implement and monitor disaster risk reduction programmes and initiatives.

#### **3.16.3.1 Disaster Risk Reduction Strategies**

##### **a) Prevention**

- Mitigation
- Effective Land-use
- Basic Public Works
- Effective Municipal Service

##### **b) Mitigation**

- Structural Measures
- Non-Structural Measures

##### **c) Municipal Disaster Management Advisory Forum (Local)**

- Disaster Risk Reduction Plans, Projects and Programmes
- Implementation of above-mentioned plans, projects and programmes
- Align with Spatial Development Plan
- Align with ID

##### **d) Inputs for compiling disaster risk reduction measures line Departments such as Engineering, Planning etc.**

- Disaster risk assessment is executed for each hazard

- Roles and responsibilities
- Risk reduction on ward level

#### **3.16.4 Response and Recovery**

The objectives that are summarized below should be executed in collaboration with the Zululand District Municipality Disaster Management Centre. It is expected that the Disaster Management Centre shall have the necessary response and recovery equipment and immediate relief provision and needs. AbaQulusi Municipality is advised to acquire some response and recovery equipment and immediate relief provisions.

Objective: To ensure effective disaster response and recovery by:

- Implementing early warning systems.
- Implementing immediate and appropriate response.
- Implementing recovery and rehabilitation strategies.

Immediate Relief Measures: The Disaster Management Centre needs to ensure that they have measures in place to readily provide emergency relief. These interim relief measures should be disseminated efficiently to the affected household and communities in the event of a major incident.

Whenever there is threatening or imminent hazard, an early warning is disseminated to communities or relevant stakeholders. Preparedness levels are kept high through public engagement via awareness campaigns, media releases and training sessions. Ward Councillors, Ward Committee Members, Traditional Leaders and Volunteers are utilized to carry out response and recovery plans.

#### **3.16.5 Training and Awareness**

The AbaQulusi Municipality is committed to Disaster Management Training and Public Awareness campaigns around its area of jurisdiction, particularly in the most vulnerable wards. Volunteers within the municipality are also utilized in order to assist with disasters. Ward Councillors are also workshopped on a time-to-time basis in order to sensitise their communities about potential disaster risks.

The AbaQulusi Municipality Disaster Management Centre core priority is to ensure the vulnerable communities can be able to mitigate effects of disasters by addressing following:

- Determine the risk and identify possible hazards and emergencies
- Learn about the hazards that may strike their community
- The risks they face from these hazards
- Familiarize communities with plans for warning and evacuation which can be obtained this information from your local Disaster Management Centre of local municipality.

### 3.16.6 Funding arrangements

The municipality's disaster budget operates on very limited funding; however, funds are made available via the municipal budget and other supporting structures. There is however a dependency from the district municipality and KZN Provincial Disaster Management Centre during an event of a disaster.

There are three funds currently administered by the Department of Social Development that provide financial support after a disaster:

- The Disaster Relief Fund provides ex gratia support to people involved in both natural disasters and human-made disasters. To access this fund, the relevant municipality must request the Premier of the Province to approach the National Department of Social Development to take the necessary steps to have the event declared a disaster. Once the Department of Social Development receives such a request, it advises the President who can declare the event a disaster.

The Social Relief Fund provides support to organizations that provide relief services to communities that are affected by violence.

- These funds were originally designed to provide immediate relief to persons affected by disasters. However, they have been slow to provide assistance to victims of disasters and organizations involved in relief efforts

#### 3.16.6.2 PERFORMANCE HIGHLIGHTS

Highlights on disaster management are indicated on the table below

| HIGHLIGHTS                                | DESCRIPTION   |
|---|---|
| Response to incidents timeously           | The municipality is able to provide quick response in time                                    |
|   | Conduct risk assessment in time   |
| Awareness campaign on disaster management | The municipality educates the community on disaster and this has positive impact on disasters |
| Conduct fire inspections                  | Businesses are required to comply with municipal bylaws`                                      |

| CHALLENGE         | ACTION TO BE TAKEN                      |
|-------------------|---|
| Shortage of staff | Prioritisation to fill vacant positions |

### **3. 16 .6.3 Fire Fighting**

The Municipality has a fire station located in Vryheid CBD in order to respond to emergencies within predetermined times. This service is provided on a 24/7 emergency control centre. Furthermore, the Municipality conducts Fire inspections and fire drills if and when requested. The Municipality proactively conducts regular risk compliance within the Municipal jurisdiction in order to mitigate potential fire risks.

## **COMPONENT G: SECURITY AND SAFETY**

### **3.17 LICENCING**

The co-function of the centre is to provide an effective system for the following functions. Application for learners and driving licensing test, Pradip, Instructor's certificate, Learners and driving licensing bookings, renewals of driving licensing cards, applications for vehicle road worthy test is currently suspended and converting of foreign driving licenses as per the National Road Traffic Act 93 of 1996 which is a computerised system.

#### **3.17.1 MOTOR LICENSING BEREAU**

The co-function of the centre is to register motor vehicles and licence renewals, application for change of motor vehicles details, special and temporal permits and change of ownership. This is done with all approved fees determined by the Department of Transport, 8.5 % of the daily takings are given to the Municipality.

### 3.17.2 POLICE

There are six police stations located within AbaQulusi Municipality area of jurisdiction, namely:

- Vryheid
- eMondlo
- Gluckstadt
- Louwsburg
- Driefontein
- Ngome

The AbaQulusi Public Safety Section which forms part of the Community Services Directorate also responsible for the traffic law enforcement, including road blocks, speed control, attending to road accidents, enforcing Bylaws, conducting road safety, motor vehicle testing and licensing. Its additional functions include crime prevention, and participation in Community Policing Forums (CPF) and supporting the Neighbourhood Watches that exist around the various areas. It also renders services in disaster risk management, however, the operations of this unit are limited by the shortage of both financial and human resources

### 3.17.3 CRIME PREVENTION

This is the attempt to reduce and deter crime and criminals. It is applied specifically to the efforts made by all spheres of government to reduce crime, enforce the law and maintain criminal justice. Traffic Officers are Peace Officers according to the Criminal Procedure Act 51 of 1977 to assist in crime prevention during their normal duties. Monthly meeting is held with the South African Police Services and Community Policing Forum.

### 3.17.4 SECURITY

The co-function of security services is to provide proper security for all Municipal buildings, equipment, staff and consumers to reduce theft and risks. The Municipality has appointed Qomukufa Security. This service provider is expected to provide security solutions to the Municipality to minimise theft of Municipal assets.

## PERFORMANCE HIGHLIGHTS

Performance Highlights are indicated on the table below

| HIGHLIGHTS                      | DESCRIPTION  |
|---------------------------------|--|
| Response to incidents timeously | The municipality is able to provide quick response in time |
|                                 | Conduct risk assessment in time                            |



|   |   |
|---|---|
| Awareness campaign on disaster management | The municipality educates the community on disaster and this has positive impact on disasters |
| Conduct fire inspections`                 | Businesses are required to comply with municipal bylaws                                       |

## CHALLENGES AND RECOMMENDATIONS

| CHALLENGE         | ACTION TO BE TAKEN                      |
|-------------------|---|
| Shortage of staff | Prioritisation to fill vacant positions |

## COMPONENT H: SPORT AND RECREATION

### 3.18 SPORT AND RECREATION

In terms of our mandate, we make facilities, such as sport fields, available to the broader community. The Municipality is responsible for development of the facilities and the upgrade. The sport clubs are leased out with agreement for maintenance.

The Municipality develops and maintains recreational parks and halls. This places an enormous financial burden on the Municipality, with its limited staff capacity and finances.

The key responsibility of the section is to initiate and implement social upliftment programmes and developmental projects in the following units:

1. Sports and Recreation
2. Arts and culture
3. Historical, Heritage & Museum Services
4. Educational Programmes and Library Services

AbaQulusi municipality sport and recreation serves as the co-ordinating body for the community to seize sport and recreational developmental opportunities through programmes such as

1. Zululand Ultra Marathon
2. AbaQulusi municipality mayoral cup tournament
3. Zululand district Municipality Mayoral Cup Tournament
4. Golden games (local, district, provincial and national competitions)
5. Indigenous games (local, district, provincial and national competitions)
6. SALGA KZN Games

All programmes and projects for sports and recreation are implemented in joint venture with KZN department of sports and recreation (KZN DSR), Zululand District Municipality and AbaQulusi Municipality Sport Council. The provision of recreational facilities is sheltered by the availability of sport fields, sport stadiums and community halls. Parks and halls are managed by the Municipality and they are available for hire to the community.

Sport activities were affected by the current COVID 19 pandemic since 2019 and had not been fully operational since then it is hoped that most of the challenges will be addressed. The Municipality is also responsible for maintaining community parks throughout the area

## PERFORMANCE HIGHLIGHTS

No measure highlights for the current year as compared with previous year (2020/21) this is because of the challenge posed by COVID 19 pandemic however, a rejuvenation plan has been developed in order to ensure that sport structure and sport programs are active in all 23 wards.

| ISSUE  | DESCRIPTION  |
|--|--|
| Vandalism of halls by irresponsible citizens     | Strengthen security and full provision of caretaker        |
| Enhancement of the operations of the federations | Prioritization of trainings and workshops for federations. |

## CHALLENGES

| CHALLENGE  | ACTION TO BE TAKEN  |
|--|---|
| Vandalism of halls by irresponsible citizens         | Strengthen security and full provision of caretaker   |
| Insufficient funds for sport development programmes. | Engage all stakeholders from all sectors to assist the municipality through the Sport Confed. |

## SERVICE DELIVERY LEVEL STATISTICS

The table below specifies the service delivery levels for the year:

| TYPE OF SERVICE                          | 2019/20 | 2020/21 | 2021/22 |
|--|---------|---------|---------|
| <b>Community parks</b>                   |         |         |         |
| Number of parks with play park equipment | 1       | 1       | 1       |
| Number of wards with community parks     | 5       | 5       | 5       |
| <b>Sport field</b>                       |         |         |         |
| Number of wards with sport fields        | 22      | 22      | 23      |



## SERVICE DELIVERY PERFORMANCE REPORT PART II

# **PART 2**

## **SERVICE DELIVERY PERFORMANCE 2021/22 ANNUAL PERFORMANCE REPORT**

## 1. INTRODUCTION AND LEGISLATIVE REQUIREMENTS

This Annual Performance Report has been compiled in compliance with the requirements of section 46 (1) of the Local Government: Municipal Systems Act, 2000; which stipulates as follows:

- (1) A municipality must prepare for each financial year a performance report reflecting —*
- (a) the performance of the Municipality and each external service provider during that financial year;*
  - (b) a comparison of the performance referred to in paragraph (a) with targets set for performance in the previous financial year; and*
  - (c) measures taken to improve performance.*

In addition, Regulation 7 (1) of the Local Government: Municipal Planning and

Performance Management Regulations, 2001 states 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.” Performance management is not only relevant to the organisation as a whole, but also to the individuals employed in the organisation as well as the external service providers and the Municipal Entities. This framework, *inter alia*, reflects the linkage between the IDP, Budget, SDBIP and individual and service provider performance.

The format of the report will reflect the Municipality’s Key Performance Indicators (KPI) per Municipal Key Performance Area. Each Key Municipal Key Performance Area (KPA) have number of Municipal Key Focus Areas (KFA’s) which was specifically designed by the AbaQulusi Municipality to focus its development initiatives in a more coherent and organised manner.

This report will also endeavour to report to Council the Municipality’s performance in terms of the five (5) National Government’s Strategic Key Performance Areas for local government, which are,

- (1) Basic Service Delivery

- (2) Municipal Institutional Transformation and Development;
- (3) Social and Local Economic Development;
- (4) Municipal Financial Viability and Management and
- (5) Good Governance and P
- (6) public Participation and
- (7) Cross –cutting interventions

## 2. PERFORMANCE MANAGEMENT OVERVIEW AND PROCESS

The Municipal Planning and Performance Management Regulations stipulate that a municipality's Performance Management System (PMS) must entail 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.

AbaQulusi developed its PMS Policy framework to ensure a functional and improved performance. The following processes were undertaken during 2021/22.

- Departments were assisted to review their SDBIP in line with key strategic documents
- PMS unit provided support on SDBIP adjustment
- Support provided on performance reporting to Technical and Community Services departments
- Quarterly Departmental PMS reports submitted to Internal Audit,
- Audit Committee, Executive Committee and Council;
- In-year Section 72 report process
- Auditing of performance information
- Annual report process

Legislative reporting requirements indicated in the table below were complied with.



| <b>FREQUENCY AND NATURE OF REPORT</b>  | <b>MANDATE</b>   | <b>RECIPIENTS</b>   |
|--|--|---|
| <b>Monthly reporting on actual revenue targets and spending against budget no later than 10 working days after the end of each month</b> | Section 71 of the MFMA   | National Treasury   |
| <b>Quarterly progress reports</b>  | Section 52(d) of the MFMA  | Municipal Manager<br>Executive Mayor<br>Audit Committee<br>CoGTA<br>National Treasury   |
| <b>Mid – year performance assessment (assessment and report due by 25 January of each year)</b>  | Section 72 of the MFMA<br>Section 13(2) (a) of the Municipal Planning and Performance Regulation of 2001 | Municipal Manager<br>Executive Mayor<br>Audit Committee<br>National Treasury<br>Council<br>Audit Committee<br>National Treasury |

Table 01: Legislative reporting requirements



### 3. PERFORMANCE MANAGEMENT OVERVIEW AND PROCESS

The performance management process was undertaken guided by all applicable legislative provisions and by the Municipal Planning and Performance Management Regulations as indicated above

AbaQulusi developed its PMS Policy framework to ensure a functional and improved performance and is reviewed on annual basis. The following processes were also undertaken during 2021/22.

- Departments were assisted to review their SDBIP in line with key strategic documents
- PMS unit provided support on SDBIP adjustment
- Support provided on performance reporting to Technical and Community Services departments
- Quarterly Departmental PMS reports submitted to Internal Audit,
- Audit Committee, Executive Committee and Council.
- In-year Section 72 report process
- Auditing of performance information
- Annual report process

Over and above Legislative reporting requirements indicated in the table below were complied with.

| <b>FREQUENCY AND NATURE OF REPORT</b>  | <b>MANDATE</b>   | <b>RECIPIENTS</b>   |
|--|--|---|
| <b>Monthly reporting on actual revenue targets and spending against budget no later than 10 working days after the end of each month</b> | Section 71 of the MFMA   | National Treasury   |
| <b>Quarterly progress reports</b>  | Section 52(d) of the MFMA  | Municipal Manager<br>Executive Mayor<br>Audit Committee<br>CoGTA<br>National Treasury   |
| <b>Mid – year performance assessment (assessment and report due by 25 January of each year)</b>  | Section 72 of the MFMA<br>Section 13(2) (a) of the Municipal Planning and Performance Regulation of 2001 | Municipal Manager<br>Executive Mayor<br>Audit Committee<br>National Treasury<br>Council<br>Audit Committee<br>National Treasury |

Table 01: Legislative reporting requirements

## 4. ORGANISATIONAL PERFORMANCE

### 4.1 Organisational Scorecard

The organisational performance seeks to oversee the implementation of the IDP, which is strategic plan of the municipality. The Integrated Development Planning and Performance Management were introduced to realise the developmental role of local government. Whilst the Integrated Development Plan (IDP) provides a framework for strategic decision-making, performance management must ensure that the desired results are achieved during implementation to ensure the correctness of the strategic direction of the objectives, strategies and projects put forward by the IDP. Performance management is a strategic approach to management, which equips leaders, managers, workers and stakeholders at different levels with a set of tools and techniques to:

- regularly plan;
- continuously monitor;
- periodically measure; and
- review performance of the organisation in terms of indicators and targets for efficiency, effectiveness, and impact.

The organisational performance is evaluated by means of Organisational scorecard (Top Layer SDBIP) at the organisational level and through the Service Delivery Budget Implementation Plan (SDBIP) at departmental levels. The SDBIP is a plan that converts the IDP and budget into measurable criteria on how, where and when the strategies, objectives and normal business process of the municipality are implemented. It also allocates responsibility to directorates to deliver the services in terms of the IDP and Budget.

The MFMA Circular No.13 prescribes that:

- The IDP and budget must be aligned;
- The budget must address the strategic priorities;
- The SDBIP should indicate what the municipality is going to do during next 12 months; and
- The SDBIP should form the basis for measuring the performance against goals set during the budget /IDP processes.

The SDBIP was prepared as described in the paragraphs below and approved by the mayor. The details of how the municipality performed in each key performance indicator and annual targets for 2021/22 is

articulated on the **Organisational Scorecard**, page 132 to page 152. The overall assessment of actual performance against targets set for the Key Performance Indicator is provided, reasons for variance is provided where targets are not met or exceeded and corrective measures thereof.

A summary of performance under each National Key Performance Area is depicted under Table 02: Key performance area performance, page 14 of this report.

## 4.1.1 ORGANISATIONAL SCORECARD (TOP LAYER SDBIP)

### *Background to the Organisational Scorecard*



The Municipal Scorecard approach reflects the 5-national government KPA's and KPA applicable to the KZN Province being Cross Cutting Intervention. All KPAs are indicated as follows and provide a wider assessment of how the municipality is performed

- (a) Basic Service Delivery and Infrastructure Development
- (b) Municipal Transformation and Institutional Development
- (c) Financial Viability and Management
- (d) Local Economic Development and Social Development
- (e) Good Governance and Community Participation
- (f) Cross Cutting Interventions

The KPAs also incorporates 30(thirty) focus areas selected from the IDP and implemented through the SDBIP which was approved by the mayor on the 23<sup>rd</sup> of June 2021 and adjusted through council approval on the 28<sup>th</sup> of February 2022. Periodic monitoring was undertaken on quarterly basis through submission of quarterly performance reports to the Executive Committee and the Council with all other structures indicated under performance management overview process on page 8 to page 9 of this report. The criteria used reflect factors such as previous performance levels and comparative performance is also indicated on page 14 and page 15 of this report.

In terms of section 54 of the MFMA no. 56 of 2003, the municipality can undertake adjustment on the SDBIP where budget projections were not realised and had impact service delivery targets and therefore necessitate adjustment and it was therefore adjusted and approved by Council on the 28<sup>th</sup> of February 2022 in line with the 2021/22 Budget Adjustment. The Performance is therefore reported in line with 2021/22 SDBIP Adjustment.

*The actual Performance against targets set in line with the key performance indicators is illustrated in terms of the following assessment methodology and colour coded as follows:*

- **Green**  : Performance meets target with supporting evidence and is indicated as **target met**
- **Red**  : performance does not meet target and indicated as **target not met**

A KPI is also scored as a **target not met** and not supported if there is non-submission of:

- a reason for variance for a target not met, or
- if there is non-submission of an actual or
- non-submission of evidence or
- non-submission of a reason for variance or non-submission of a recommended corrective action

*The Overall final performance position is further summarised as follows:*

*In relation to the 2020/21 year-end performance results, the final position shows that:*

- Out of **89(eight -nine)** targets set, **56(fifty-six)** were met, giving **63% (sixty -three)** percent performance and **33(thirty- three)** were not met

*In the current year/reporting year (2021/22) end results are as follows:*

- Out of **78(seventy – eight)** targets set **49(fifty)** were met, giving **62% (sixty-two)** percent performance and **27(twenty-seven)** were not met

***Final position therefore regressed by 1% as compared to the previous year (2020/21)***

*Summary performance results for all priority measures included in the organisational scorecard has been summarised in the table 01 below, a comparison with the previous financial year (2020/21) is also made below on table 02 – key performance area performance*



## CURRENT YEAR (2021/22) KEY PERFORMANCE AREA PERFORMANCE

| National Key Performance Area                         | Total Targets | Targets removed during Adjustment period | SDBIP targets added after adjustment | Total targets after adjustment | Targets met | Targets not met | % Percentage |
|---|---------------|--|--------------------------------------|--------------------------------|-------------|-----------------|--------------|
| Basic Service Delivery and Infrastructure Development | 20            | 3  | 1                                    | 18                             | 8           | 10              | 44%          |
| Municipal Transformation & Institutional Development  | 16            | 0  | 0                                    | 16                             | 15          | 1               | 94%          |
| Financial Viability and Management                    | 15            | 0  | 0                                    | 15                             | 13          | 2               | 87%          |
| Good Governance and Public Participation              | 16            | 0  | 0                                    | 16                             | 7           | 9               | 44%          |
| Social and Local Economic Development                 | 8             | 0  | 1                                    | 9                              | 4           | 5               | 44%          |
| Cross-Cutting Interventions                           | 5             | 1  | 0                                    | 4                              | 2           | 2               | 50%          |
| <b>TOTAL</b>  | <b>80</b>     | <b>4</b>                                 | <b>2</b>                             | <b>78</b>                      | <b>49</b>   | <b>29</b>       | <b>62%</b>   |

Table 02: 2021/22) Key Performance Area Performance

ADJUSTMENT

### KEY PERFORMANCE AREA PERFORMANCE FOR 2021/22 IN COMPARISON WITH PREVIOUS YEAR 2020/21

| National Key Performance Area                         | PREVIOUS YEAR 2020/21<br>JULY 2020 – 30 JUNE 2021 |             |                 |                             | CURRENT YEAR 2021/22<br>01 JULY 2021 – 30 JUNE 2022 |  |                                      |                                |             |                 |                             |
|---|---|-------------|-----------------|-----------------------------|---|--|--------------------------------------|--------------------------------|-------------|-----------------|-----------------------------|
|   | Total Targets                                     | Targets met | Targets not met | % Percentage of targets met | Total Targets                                       | Targets removed during SDBIP Adjustment period | Total targets added after adjustment | Total targets after adjustment | Targets met | Targets not met | % Percentage of targets met |
| Basic Service Delivery and Infrastructure Development | 33  | 20          | 13              | 61%                         | 20  | 3  | 1                                    | 18                             | 8           | 10              | 44%                         |
| Municipal Transformation & Institutional Development  | 12  | 11          | 1               | 92%                         | 16  | 0  | 0                                    | 16                             | 15          | 1               | 94%                         |
| Financial Viability and Management                    | 15  | 12          | 3               | 80%                         | 15  | 0  | 0                                    | 15                             | 13          | 2               | 87%                         |
| Good Governance and Public Participation              | 17  | 10          | 7               | 59%                         | 16  | 0  | 0                                    | 16                             | 7           | 9               | 44%                         |
| Social and Local Economic Development                 | 6   | 3           | 3               | 50%                         | 8   | 0  | 1                                    | 9                              | 4           | 5               | 44%                         |
| Cross Cutting Interventions                           | 6   | 2           | 4               | 33%                         | 5   | 1  | 0                                    | 4                              | 2           | 2               | 50%                         |
| <b>TOTAL</b>  | <b>89</b>   | <b>56</b>   | <b>33</b>       | <b>63%</b>                  | <b>80</b>   | <b>4</b>                                       | <b>2</b>                             | <b>78</b>                      | <b>49</b>   | <b>29</b>       | <b>62%</b>                  |

Table 03: Key performance area performance

#### LEGEND

TOTAL TARGETS

TARGET MET

TARGET NOT MET

CURRENT YEAR (2021/22)

PREVIOUS YEAR (2020/21)

ADJUSTMENT

## 5. PERFORMANCE HIGHLIGHTS ON EACH KEY PERFORMANCE AREA AND RELATED CHALLENGES

This section indicates, in more detail, the performance of the municipality for the financial year under each performance area and makes reference to the supporting documentation, including the Municipal Scorecard. Each performance area is narrated.

### 5.1 Basic Service Delivery & Infrastructure Development

*The overall score for this KPA is 55.5% for 2021/22 and therefore regressed by 5% from 2020/21*

| KEY PERFORMANCE AREA: BASIC SERVICE DELIVERY & INFRASTRUCTURE DEVELOPMENT |               |             |                 |              |
|---|---------------|-------------|-----------------|--------------|
| PERIOD  | TOTAL TARGETS | TARGETS MET | TARGETS NOT MET | % PERCENTAGE |
| 2020/21   | 33            | 20          | 16              | 61%          |
| 2021/22   | 18            | 8           | 10              | 44%          |
| Targets removed during adjustment   |               | 3           |                 |              |

Table 04: Basic Service Delivery & Infrastructure Development performance

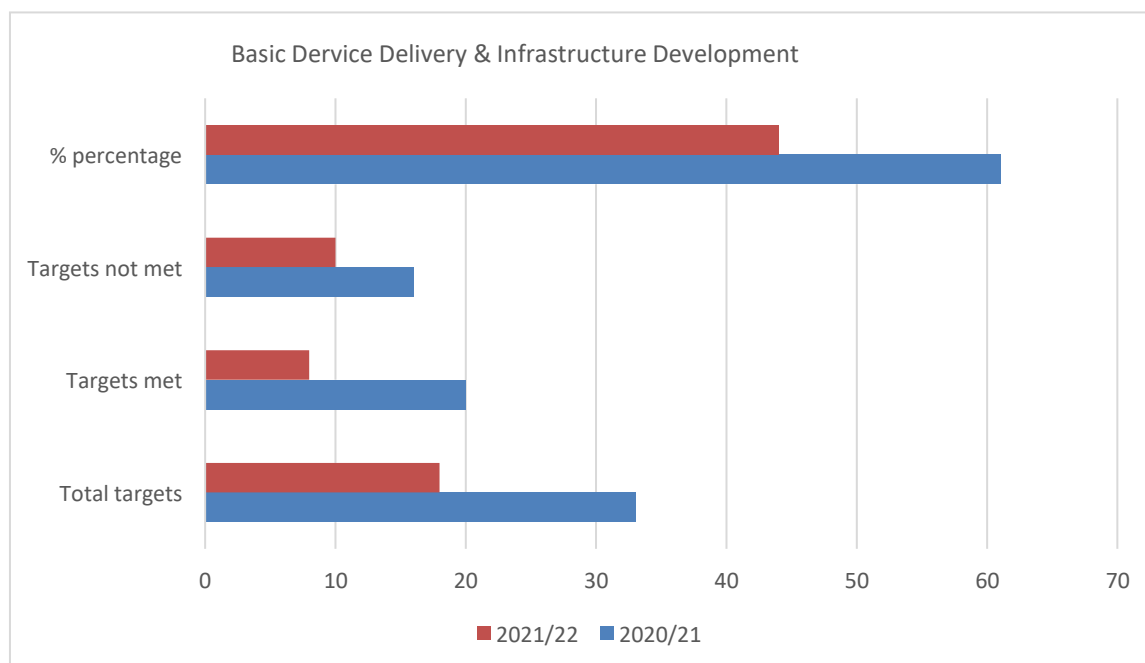


Figure 01: Basic Service Delivery & Infrastructure Development

## 5.2 Municipal Transformation & Institutional Development

The actual performance under this KPA is 94% for the current period and therefore improved by 2% as compared to previous year (2020/21).

### 5.2.1 Performance highlights

*SDBIP Ref. 28 - Number of Council Meetings provided with administrative support by 30 June 2022*

The number of council meetings far exceeded the target, out of the 4(four) meetings planned additional Council meetings are held on special basis where needs arise to strengthen the functioning of the municipality.

| KEY PERFORMANCE AREA: MUNICIPAL TRANSFORMATION & INSTITUTIONAL DEVELOPMENT |               |             |                 |              |
|--|---------------|-------------|-----------------|--------------|
| PERIOD   | TOTAL TARGETS | TARGETS MET | TARGETS NOT MET | % PERCENTAGE |
| 2020/21  | 12            | 11          | 1               | 92%          |
| 2021/22  | 16            | 15          | 1               | 94%          |

Table 05: Municipal Transformation & Institutional Development

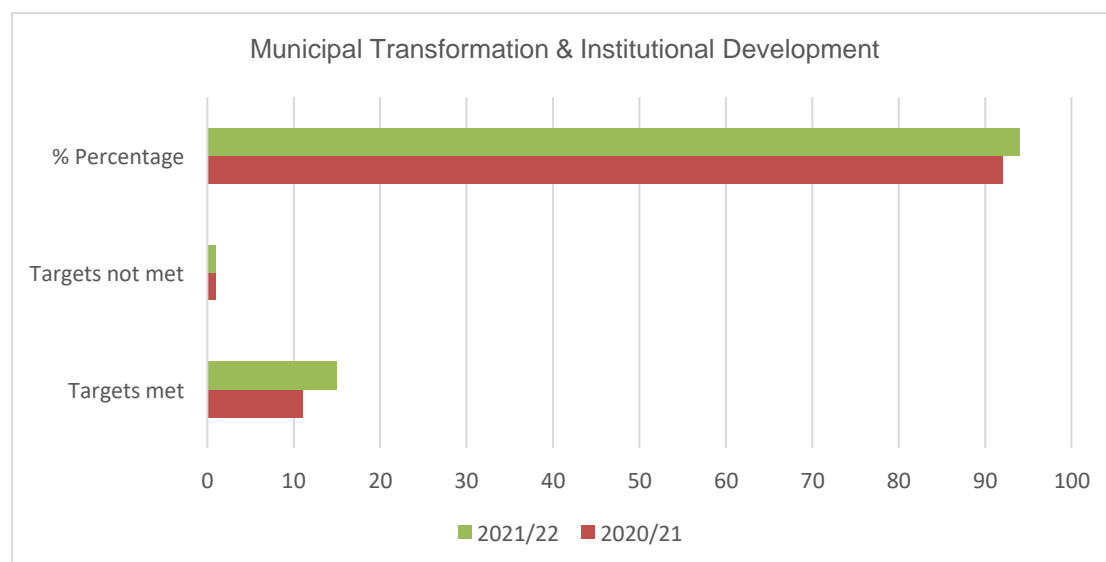


Figure 02: Municipal Transformation & Institutional Development

## 5.3 Financial Viability & Management

This performance improved by 7% as compared to previous period (2020/21). There were lesser challenges in the current year, though the pandemic COVID 19 was still prevalent, however the municipality had slightly adapted under the circumstances. The position of the Chief Financial Officer was also filled in the beginning of the financial year.

| KEY PERFORMANCE AREA: FINANCIAL VIABILITY & MANAGEMENT |               |             |                 |              |
|--|---------------|-------------|-----------------|--------------|
| PERIOD   | TOTAL TARGETS | TARGETS MET | TARGETS NOT MET | % PERCENTAGE |
| 2020/21  | 15            | 12          | 3               | 80%          |
| 2021/22  | 15            | 13          | 2               | 87%          |

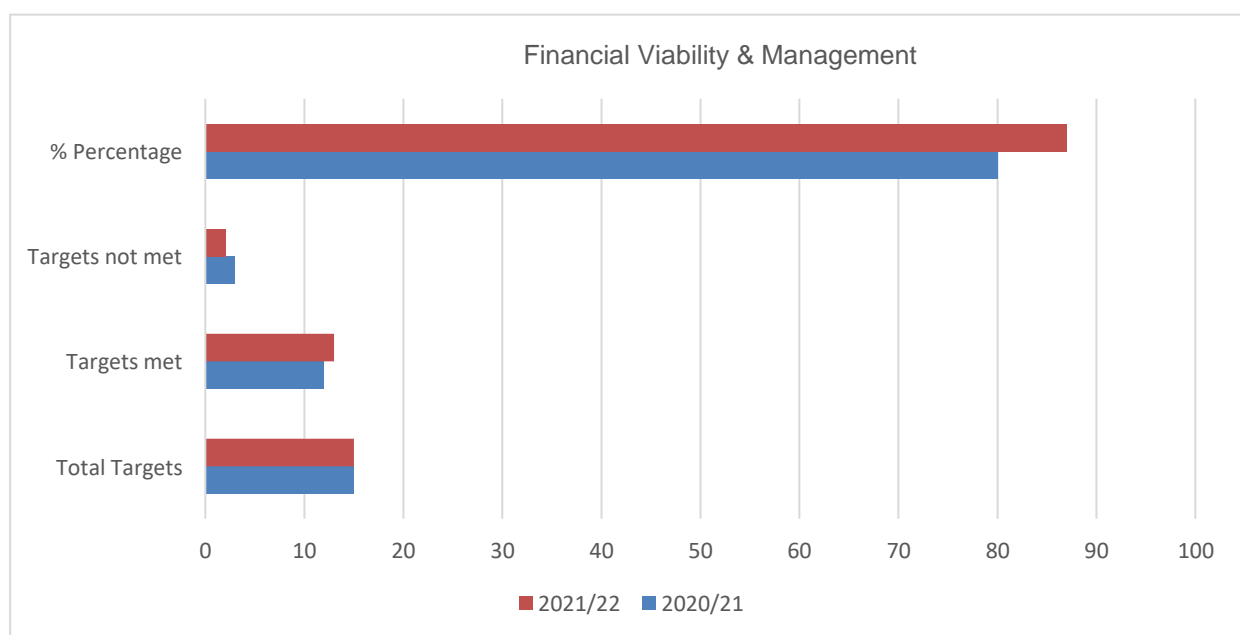


Figure 03: Financial Viability & Management

## 5.4 Good Governance and Community Participation

The performance of this KPA is 44% in the 2021/22 year, therefore it regressed by 15% from previous year 2020/21. The governance structures were going through transitional processes, some of the planned programmes were slightly affected impacting on some of the statutory requirements. Performance more especially during the 2<sup>nd</sup> quarter until beginning of the new term of council. The external audit process also took longer than the previous years due issues at hand and to a certain extent some of the operations and due processes delayed i.e. development of the action plan and its implementation thereof

| KEY PERFORMANCE AREA: GOOD GOVERNANCE & COMMUNITY PARTICIPATION |               |             |                 |              |
|---|---------------|-------------|-----------------|--------------|
| PERIOD  | TOTAL TARGETS | TARGETS MET | TARGETS NOT MET | % PERCENTAGE |
| 2020/21   | 17            | 10          | 7               | 59%          |
| 2021/22   | 16            | 7           | 9               | 44%          |

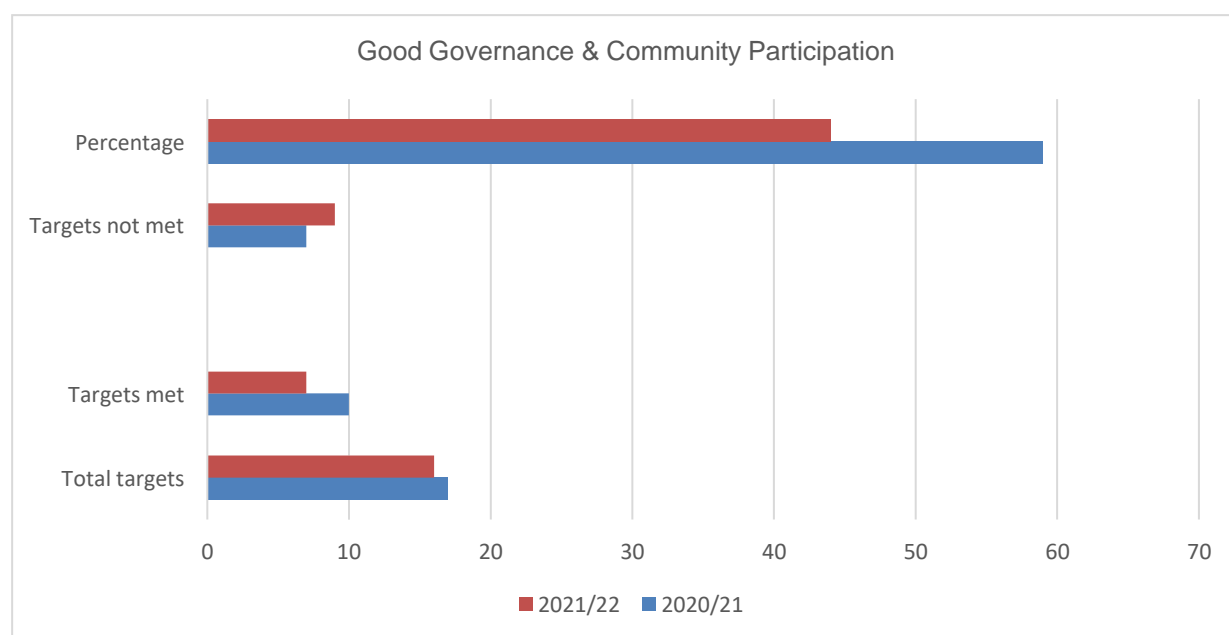


Figure 04: Good Governance & Community Participation

## 5.5 Social and Local Economic Development

The performance of this KPA is 44% in 2021/22 and regressed by 6% from the previous year 2020/21.

| KEY PERFORMANCE AREA: SOCIAL & LOCAL ECONOMIC DEVELOPMENT |               |             |                 |              |
|---|---------------|-------------|-----------------|--------------|
| PERIOD  | TOTAL TARGETS | TARGETS MET | TARGETS NOT MET | % PERCENTAGE |
| 2020/21   | 6             | 3           | 3               | 50%          |
| 2021/22   | 9             | 4           | 5               | 44%          |

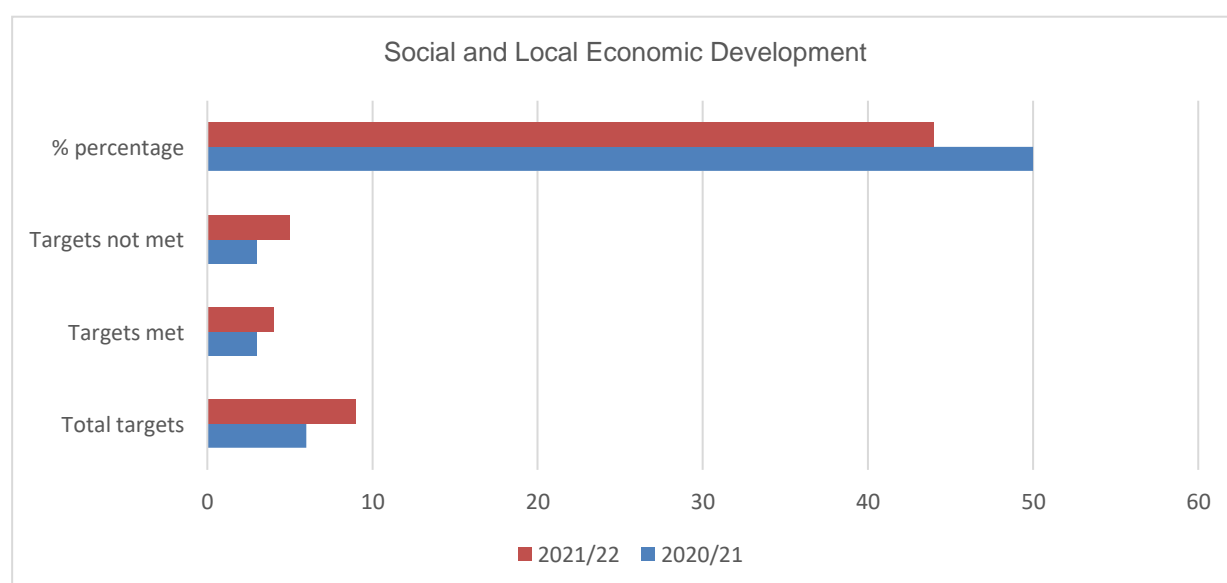


Figure 05: Social & Local Economic Development

## 5.6 Cross Cutting Interventions

The performance of this KPA in the year under reporting is 40% and improved by 7% from previous year (2020/21) and therefore indicated in the table below.

| KEY PERFORMANCE AREA: CROSS-CUTTING INTERVENTIONS |               |             |                 |              |
|---|---------------|-------------|-----------------|--------------|
| PERIOD  | TOTAL TARGETS | TARGETS MET | TARGETS NOT MET | % PERCENTAGE |
| 2020/21   | 6             | 2           | 4               | 33%          |
| 2021/22   | 5             | 2           | 2               | 50%          |
| <b>Targets removed during adjustment</b>          | 1             |             |                 |              |

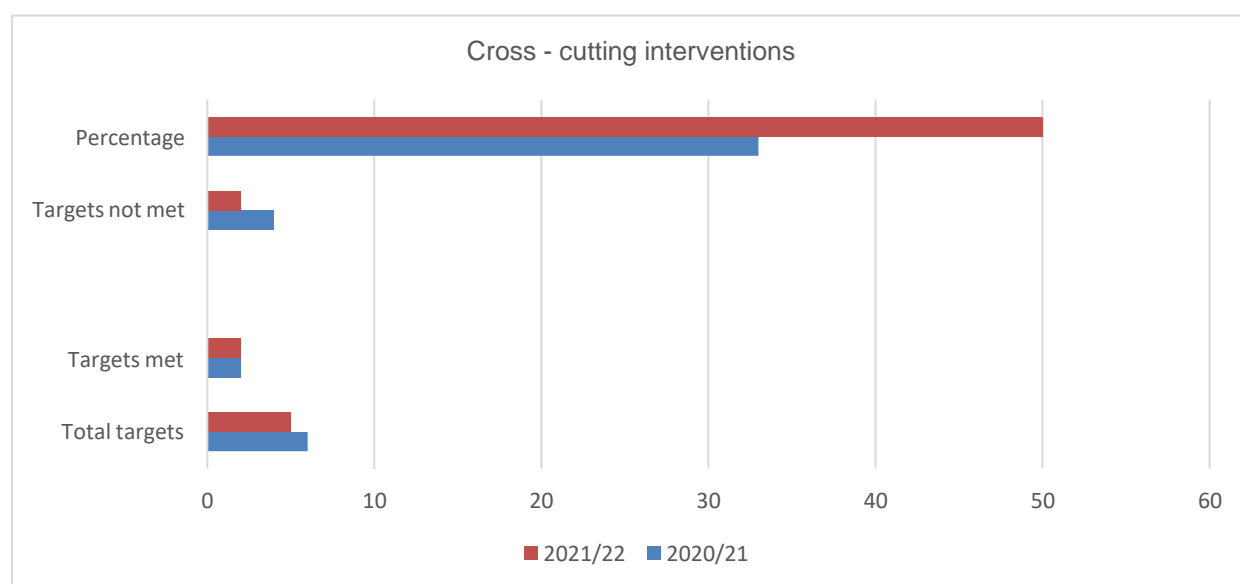


Figure 06: Cross Cutting Interventions



## 6. 2021/22 ORGANISATIONAL SCORECARD ADJUSTMENT

The Organisational Scorecard below indicate all Key Performance Indicators and annual targets performance during 2021/22. The annual target indicated initially planned annual targets which were planned in the beginning before the adjustment in February 2022. The annual target adjustment indicates the targets that were adjusted during the adjustment period in terms of section 54 of the MFMA 56 of 2003. In the event where the annual target was not adjusted it is indicated as *N/A or actual adjustment is recorded under the said* column (annual target adjustment).

In the event that the annual actual targets are not met reasons for variance and corrective measures are provided and further supported by portfolio of evidence with the responsible department.

Organisational Scorecard is provided below from page 133 to page 152 below.

|   | PREVIOUS YEAR 2019/20 |             |                 |                             | CURRENT YEAR 2020/21 |             |                 |                             |
|---|-----------------------|-------------|-----------------|-----------------------------|----------------------|-------------|-----------------|-----------------------------|
| National Key Performance Area                         | Total Targets         | Targets met | Targets not met | % Percentage of targets met | Total Targets        | Targets met | Targets not met | % Percentage of targets met |
| Basic Service Delivery and Infrastructure Development | 38                    | 19          | 18              | 50%                         | 33                   | 20          | 13              | 61%                         |
| Municipal Transformation & Institutional Development  | 25                    | 18          | 7               | 72%                         | 12                   | 11          | 1               | 92%                         |
| Financial Viability and Management                    | 19                    | 10          | 9               | 53%                         | 15                   | 10          | 5               | 67%                         |
| Good Governance and Public Participation              | 22                    | 3           | 19              | 14%                         | 17                   | 10          | 7               | 59%                         |
| Social and Local Economic Development                 | 19                    | 10          | 9               | 53%                         | 6                    | 3           | 3               | 50%                         |
| Cross Cutting Interventions                           | 10                    | 4           | 6               | 40%                         | 6                    | 2           | 4               | 33%                         |
| <b>TOTAL</b>  | <b>133</b>            | <b>64</b>   | <b>68</b>       | <b>48%</b>                  | <b>89</b>            | <b>56</b>   | <b>33</b>       | <b>63%</b>                  |

Table 02: Key performance area performance

**LEGEND**

PREVIOUS YEAR (2019/20)

CURRENT YEAR (2020/21)

TOTAL TARGETS

TARGET NOT MET

TARGET MET



## ABAQULUSI MUNICIPALITY 2021/22 ORGANISATIONAL SCORECARD ADJUSTMENT

PERIOD: 01 JUL 2021 - 30 JUNE 2022

**LEGEND**

**ADJUSTMENT**

**PREVIOUS YEAR 2020/21**

**CURRENT YEAR 2021/22**

**TARGET MET**

**TARGET NOT MET**

| SDBIP Ref No.  | Focus Area | Development Objective                                   | IDP Ref. No | Project   | Ward   | Budget     | Budget Adjustment | Funding Source | Key Perf. Indicator                          | Unit of Measure | Baseline    | Annual Target  | Annual Actual                                      | Annual Target                                 | Annual Target Adjustment | Annual Actual   | Reason for variance   | Corrective measure  | Res. Dept          | Portfolio of Evidence (PoE)                           |
|--|------------|---|-------------|---|--------|------------|-------------------|----------------|--|-----------------|-------------|--|--|---|--------------------------|---|---|---|--------------------|---|
| Key Performance Area: Basic Service Delivery & Infrastructure Development  |            |   |             |   |        |            |                   |                |  |                 |             |  |  |   |                          |   |   |   |                    |   |
| Back to Basics Pillar: Delivering basic services   |            |   |             |   |        |            |                   |                |  |                 |             |  |  |   |                          |   |   |   |                    |   |
| Municipal Goal: To reduce levels of infrastructure backlogs by providing Basic Services, Facilities and maintaining existing infrastructure. |            |   |             |   |        |            |                   |                |  |                 |             |  |  |   |                          |   |   |   |                    |   |
| 1  | Roads      | Expand accessibility in various wards by 2022.          | 1           | Tarring of Zama to kwaBalele - Bhekumtetho Road Ward 19 (Phase 2) | 19     | R1 955 350 | R2 890 000        | MIG            | %(percentage) of road tarred by 30 June 2022 | percentage (%)  | New project | 50% of roads tarred by 30 June 2021 (total km is 0.9km)) | Target met, 60% of roads completed by 30 June 2021 | 100% of road tarred by 30 June 2022           | N/A                      | Target met, 100% of road tarred by 30 Nov 2021.                                 | N/A   | N/A   | Technical services | Quarterly progress reports and completion certificate |
| 2  |            |   |             | Tarring of Zama to kwaBalele - Bhekumtetho Road Ward 19 (Phase 3) | 19     | R 5000 000 | R 7 900 000       | MIG            | %(percentage) of road tarred by 30 June 2022 | percentage (%)  | New project | N/A  | N/A  | 100% of road tarred by 30 June 2022           | N/A                      | Target not met, 55% of road tarred by 30 June 2022                              | Poor performance of the constructor, excessive rain and ground water              | The main contractor ceded the work to another contractor with adequate capacity |                    | Quarterly progress reports and completion certificate |
| 3  |            |   |             | Road Paving New Lakeside - Ward 22 - Phase 3                      | 22     | R3 896 666 | R4 180 000        | MIG            | % of road paving completed by 30 June 2022   | percentage (%)  | New project | N/A  | N/A  | 100% of road paving completed by 30 June 2022 | N/A                      | Target not met, 91% of road paving completed by 30 June 2022                    | The contractor had issues with acquiring of material and slow progress            | The project to be completed by mid-July   |                    | Quarterly progress reports and completion certificate |
| 4  |            |   |             | BhekuZulu Road Paving - Ward 11 & 13 (Phase 2)                    | 11& 13 | R250 000   | R0.00             | MIG            | % of road paving completed by 30 June 2022   | Percentage %)   | New project | N/A  | N/A  | 100% of road paving completed by 30 June 2022 | Project removed          |   | Council approved removal of this project as repeated under SDBIP Ref. 11          |   |                    | Quarterly progress reports and completion certificate |
| 5  |            | Maintain existing Roads in rural & urban areas by 2022. | 2           | Upgrading of Shoba Roads - Phase 1 - Ward 5                       | 5      | R9 599 462 | R2 670 000        | MIG            | % of road upgraded by 30 June 2022           | Percentage %)   | New project | N/A  | N/A  | 100% of road upgraded by 30 June 2022         | N/A                      | Target met 100% of road upgraded by 27 April 2022 works completed 31 March 2022 | The project was implemented efficiently, and the contractor finished work earlier | N/A   |                    | Quarterly progress reports and completion certificate |

| SDBIP Ref No. | Focus Area | Development Objective | IDP Ref. No | Project  | Ward | Budget     | Budget Adjustment | Funding Source | Key Perf. Indicator                | Unit Measure   | Baseline    | Annual Target | Annual Actual | Annual Target                            | Annual Target Adjustment            | Annual Actual   | Reason for variance   | Corrective measure   | Res. Dept          | Portfolio of Evidence (PoE)                           |
|---------------|------------|-----------------------|-------------|--|------|------------|-------------------|----------------|------------------------------------|----------------|-------------|---------------|---------------|--|-------------------------------------|---|---|--|--------------------|---|
| 6             |            |                       |             | Upgrading of Extension 16 (SASCO) Roads - Ward 8 (Phase 1) | 8    | R9 599 462 | N/A               | MIG            | % of road upgraded by 30 June 2022 | percentage %)  | New project | N/A           | N/A           | 100% of road upgraded by 30 June 2022    | N/A                                 | Target not met, 61% of road upgraded by 30 June 2022  | There was a problem with ground water during construction   | Scope variation to include rock fill   |                    | Quarterly progress reports and completion certificate |
| 7             |            |                       |             | Upgrading of Nkotheni Road Ward 18 (Phase 1)               | 18   | R200 000   | N/A               | MIG            | % of road upgraded by 30 June 2022 | percentage (%) | New project | N/A           | N/A           |  | 0% of road upgraded by 30 June 2022 | Target not met, 0% of road upgraded by 30 June 2022   | Project was taken over by Dept. of Transport and therefore was not going to be implemented by the municipality and Council approved its removal during the adjustment period. | The project was no longer going to be implemented and was deregistered on the Municipal Infrastructure Grant (MIG) and furthermore, no additional funding was incurred except planning expenditure<br><br>The municipality will escalate issues of corporative governance for the municipality to be remain the convergence point of all developments for its community. | Technical services | Quarterly progress reports and completion certificate |
| 8             |            |                       |             | Upgrading of Mhlanga Gravel Road - Ward 15 (Phase 2)       | 15   | R3 000 000 | N/A               | MIG            | % of road upgraded by 30 June 2022 | Percentage (%) | New project | N/A           | N/A           | 100% of road upgraded by 30 June 2022    | N/A                                 | Target not met, 95% of road upgraded by 30 June 2022. | The contractor did not address the snag list  | Contact to undertake phase 3 and will be tasked to attend snag list<br><br>The municipality will not pay the retention amount to the contractor  |                    | Quarterly progress reports and completion certificate |
| 9             |            |                       |             | Upgrading of Extension 16 (SASCO) Roads - Ward 8 (Phase 2) | 8    | R800 000   | N/A               | MIG            | Date project designs completed     | Date           | New project | N/A           | N/A           | Project design completed by 30 June 2022 | N/A                                 | Target met, project design completed by 31 Dec 2021   | N/A   | N/A  |                    | Quarterly progress reports and completion certificate |

| SDBIP Ref No. | Focus Area  | Development Objective                                     | IDP Ref. No | Project  | Ward    | Budget   | Budget Adjustment | Funding Source | Key Indicator  | Perf. Unit Measure of | Baseline    | Annual Target  | Annual Actual  | Annual Target  | Annual Target Adjustment                           | Annual Actual  | Reason for variance   | Corrective measure  | Res. Dept | Portfolio of Evidence (PoE)   |
|---------------|-------------|---|-------------|--|---------|----------|-------------------|----------------|--|-----------------------|-------------|--|--|--|--|--|---|---|-----------|---|
| 10            |             |   |             | Upgrading of Mezzelfontein Road - Ward 12 (Phase 2)                  | 12      | R250 000 | R0.00             | MIG            | Date project designs completed   | Date                  | New project | N/A  | N/A  | Project design completed by 30 June 2022                                   | Project removed for implementation in the new year | N/A  | removed for implementation in the new year (2022/23)  | N/A   |           | Copy of project design  |
| 11            |             |   |             | Bhekuzulu Road Paving - Ward 11 & 13 (Phase 2)                       | 11& 13  | R250 000 | R0.00             | MIG            | Date project designs completed   | Date                  | New project | N/A  | N/A  | Project design completed by 30 June 2022                                   | N/A  | Target met, Project design completed by 06 June 2022                                       | N/A   | N/A   |           | Copy of project design  |
| 12            |             |   |             | Mpongoza Access Road and Bridge structure Phase 2 - Ward 4 (Phase 3) | 4       | R400 000 | R165 000          | MIG            | Date project designs completed   | Date                  | New project | N/A  | N/A  | Project design completed by 30 June 2022                                   | N/A  | Target met, Project design completed by 30 June 2022                                       | N/A   | N/A   |           | Copy of project design  |
| 13            | Sanitation  | Expand Sanitation accessibility in various wards by 2022. | 4           | Basic Level of Sanitation  |         |          |                   |                | Number of households with access to basic level of sanitation by 30 June 2022  | Number                | 18900       | 18900 households with access to basic level of sanitation by 30 June 2021  | Target not met, 16859 households had access to basic level of sanitation by 30 June 2021 | 18900 households with access to basic level of sanitation by 30 June 2022  | N/A  | Target not met, 13 632 households with access to basic level of sanitation by 30 June 2022 | The annual target setting of 18900 was incorrectly set as a result of step tariff.          | Data has been reconciled and the adjustment will be taken to Council for approval during the 2022/23 SDBIP Adjustment in terms of section 54 of the MFMA 56 of 2003 |           | Water and sanitation report<br><br>(Valuation roll, Service level map, billing report)        |
| 14            | Water       | Expand water accessibility in various wards by 2022.      | 6           | Access to Basic level of water                                       | 1 to 22 |          |                   |                | Number of households with access to basic level of water by 30 June 2022       | Number                | 18900       | 16500 households with access to basic level of water by 30 June 2021       | Target met, 18321 households had access to basic level of water by 30 June 2021          | 18900 households with access to basic level of water by 30 June 2022       | N/A  | Target not met, 14 366 had access to basic level of water by 30 June 2022                  | The annual target setting of 18900 was incorrectly set as a result of step tariff           | Data has been reconciled and the adjustment will be taken to Council for approval during the 2022/23 SDBIP Adjustment in terms of section 54 of the MFMA 56 of 2003 |           | Water and sanitation report<br><br>(Source Valuation roll, Service level map, billing report) |
| 15            | Electricity | Expand electrical accessibility in various wards by 2022  | 8           | Access to Basic level of electricity                                 |         |          |                   |                | Number of households with access to basic level of electricity by 30 June 2022 | Number                | 25665       | 20900 households with access to basic level of electricity by 30 June 2021 | Target met, 25665 households had access to basic level of electricity by 30 June 2021    | 18900, households had access to basic level of electricity by 30 June 2022 | N/A  | Target met, 18 923 households had access to basic level of electricity by 30 June 2022     | The municipality attracted more residents and were provided with basic level of electricity | N/A   |           | Electricity access report<br><br>(source Contour and Munsoft systems)                         |

| SDBIP Ref No. | Focus Area      | Development Objective  | IDP Ref. No | Project                                | Ward | Budget     | Budget Adjustment | Funding Source | Key Perf. Indicator   | Unit of Measure | Baseline    | Annual Target   | Annual Actual  | Annual Target  | Annual Target Adjustment                                  | Annual Actual   | Reason for variance   | Corrective measure  | Res. Dept                                 | Portfolio of Evidence (PoE)   |
|---------------|-----------------|--|-------------|--|------|------------|-------------------|----------------|---|-----------------|-------------|---|--|--|---|---|---|---|---|---|
| 16            |                 |  |             | Shoba phase 4 electrical connections   | 7    | R1 619 213 |                   | INEP           | Number of new households with access to electricity in Shoba by 30 June 2022      | Number          | 452         | N/A   | N/A  | 72(seventy - two) households with access to electricity in Shoba by 30 June 2022 | N/A   | Target not met, no households had access to electricity in Shoba by 30 June 2022              | There were delays in getting outages from Eskom   | A meeting was arranged with Eskom, outage to be achieved by 31 August 2022  |   | Copy of quarterly progress reports, copy of completion certificate and Close out Report |
| 17            |                 | Expand and Maintain existing network electricity in urban and rural areas by 2022. | 9           | Upgrade of eMondlo MV MV Line          | 12   | R 1776 787 |                   |                | 100% of 4.4.km eMondlo MV line constructed by 30 June 2022                        | Date            | New project | N/A   | N/A  | Project designs completed by 30 June 2022  | 100% of 4.4km eMondlo MV line constructed by 30 June 2022 | Target met, 100% of 4.4km eMondlo MV line constructed by 30 June 2022                         | N/A   | N/A   |   | Copy of project design  |
| 18            | Community Halls | Expand accessibility and maintenance of Community Halls in various wards by 2022.  | 11          | Construction of Ward 13 Community Hall | 13   | R5 022 038 |                   |                | %(percentage) construction of ward 13 Community Hall completed by 31 March 2022   | percentage (%)  | New project | N/A   | N/A  | 100% of ward 13 Community Hall completed by 31 March 2022                        | 60% of ward 13 Community Hall completed by 30 June 2022   | Target met, 75% of community hall construction completed by 29 June 2022                      | Delays encountered due to rainfall between Jan 2022 – April 2022  | Request for extension made based on the unforeseen rainfall delays encountered between Jan 2022 and April 2022 and project completion be revised to 16 Sep 2022   | Project completion revised to 16 Sep 2022 | Quarterly progress reports and completion certificate                                   |
| 19            | Refuse Removal  | Expand accessibility of Refuse Services in various wards by 2022.                  | 15          | Refuse Removal                         |      |            |                   |                | Number of households with access to basic level of refuse removal by 30 June 2022 | Number          | 15000       | 15000 households with access to basic level of refuse removal by 30 June 2021 | Target Met 15 428 households had basic level of refuse removal by 30 June 2021 | 15000 households with access to basic level of refuse removal by 30 June 2022    | N/A   | Target not met, 14197 households with access to basic level of refuse removal by 30 June 2022 | There were duplicates that were realised and the target setting of 15000 therefore, was unrealistic leading target not achievable | The municipality reconciled its data. Target setting will be adjusted accordingly and will be taken to council for approval in terms of section 54 of the MFMA 56 of 2003. Any future changes in number of households will be guided by annual IDP reviews. | Community Services                        | Billing report  |

| SDBIP Ref No.   | Focus Area                | Development Objective  | IDP Ref. No | Project                    | Ward | Budget | Budget Adjustment | Funding Source | Key Indicator   | Perf. Unit of Measure | Baseline       | Annual Target   | Annual Actual   | Annual Target   | Annual Target Adjustment | Annual Actual  | Reason for variance  | Corrective measure  | Res. Dept            | Portfolio of Evidence (PoE)                                |
|---|---------------------------|--|-------------|----------------------------|------|--------|-------------------|----------------|---|-----------------------|----------------|---|---|---|--------------------------|--|--|---|----------------------|--|
| 20  | Human Settlements         | To provide sustainable human settlements to the people of AbaQulusi by 2022        | 16          | Housing Sector Plan review |      |        |                   |                | Date Housing Sector Plan adopted                      | Date                  | Draft in place | Housing Sector Plan adopted by 30 June 2021   | Target met, Housing Sector Plan adopted 27 May 2021   | Housing Sector Plan adopted by 31 Dec 2021  | N/A                      | Target not met, Housing Sector Plan in place only reviewed internallyand pending further inputs by all relevant stakeholders       | Due to financial constraints the HSP could not be renewed but rather internally reviewed.  | A budget has been made available for the development t and adoption of a new HSP in the 22/23 financial year. | Development Planning | Copy of Council Resolution                                 |
| 21  |                           |  |             | Housing Forum meetings     |      |        |                   |                | Number of Housing Forum meetings held by 30 June 2022 | Number                | 4              | N/A   | N/A   | 4(four) Housing Forum meetings held by 30 June 2022   | N/A                      | Target not met; 2(two) Housing Forum meetings held by 30 June 2022   | Due to Covid-19 Regulations, no Housing Forums were held in 1 <sup>st</sup> and 2 <sup>nd</sup> Quarter as advised by Dept. of Human Settlements | Housing Forums are scheduled to resume quarterly as the Covid-19 Regulations have been relaxed.               |                      | Attendance Registers/ Minutes                              |
| Key Performance Area: Municipal Transformation and Institutional Development  |                           |  |             |                            |      |        |                   |                |   |                       |                |   |   |   |                          |  |  |   |                      |  |
| Back to Basics Pillar: Building Capable Local Government Institutions   |                           |  |             |                            |      |        |                   |                |   |                       |                |   |   |   |                          |  |  |   |                      |  |
| Municipal Goal: Empower and capacitate institutional structures and promotion of transparent cooperative governance |                           |  |             |                            |      |        |                   |                |   |                       |                |   |   |   |                          |  |  |   |                      |  |
| 22  | Human Resource Management | To ensure that the municipality practice sound Human Resources management by 2022. | 17          | N/A                        | N/A  | N/A    |                   | N/A            |   |                       | %(percentagee) | 30% of people from employment equity target groups employed in the three highest levels of management by 30 June 2021 | Target met, 40% of people from employment equity target groups employed in the three highest levels of management by 30 June 2021 | 30% of people from employment equity target groups employed in the three highest levels of management by 30 June 2022 | N/A                      | Target met, 39% of people from employment equity target groups employed in the three highest levels of management by 31 March 2022 | N/A  | N/A   | Corporate Services   | Appointment letters  |
| 23  |                           |  |             |                            | N/A  | N/A    |                   | N/A            |   |                       | 01 Dec 2020    | EEP reviewed, adopted and submitted to DoL by 15 Jan 2020   | Target met, EEP reviewed, adopted and submitted to DoL on 01 December 2020  | EE Report reviewed and adopted and submitted to DoL by 15 January 2022  | N/A                      | Target met, EE Report reviewed, adopted and submitted to DoL on 12 Oct 2021  | N/A  | N/A   |                      | EER (Employment Equity Report) and acknowledge ment letter |
| 24  |                           |  |             | N/A                        | N/A  | N/A    |                   | N/A            |   |                       |                | Human Resources Manual reviewed and submitted to Council for approval 31 May 2021                                     | Target met, Human Resources Manual reviewed and approved by Council on 27 May 2021  | Human Resources Manual reviewed and submitted to Council for approval 31 May 2022                                     | N/A                      | Target met, Human Resources Manual reviewed and approved by Council on 31 May 2022   | N/A  | N/A   |                      | HR Reviewed Policy Manual                                  |

| SDBIP Ref No. | Focus Area      | Development Objective  | IDP Ref. No | Project                           | Ward | Budget | Budget Adjustment | Funding Source | Key Indicator   | Perf. Unit of Measure | Baseline | Annual Target   | Annual Actual  | Annual Target   | Annual Target Adjustment | Annual Actual   | Reason for variance   | Corrective measure | Res. Dept          | Portfolio of Evidence (PoE)                      |
|---------------|-----------------|--|-------------|-----------------------------------|------|--------|-------------------|----------------|---|-----------------------|----------|---|--|---|--------------------------|---|---|--------------------|--------------------|--|
| 25            |                 |  | 18          | Human Resources Strategy          | N/A  | N/A    | N/A               | N/A            | N/A   | N/A                   |          | Human Resources Strategy reviewed and submitted to Council for approval 31 May 2021           | <b>Target met, Resources Strategy reviewed and submitted to Council and was approved 27 May 2021</b>   | Human Resources Strategy reviewed and submitted to Council for approval 31 May 2022 | N/A                      | <b>Target met, Resources Strategy reviewed and submitted to Council and was approved 31 May 2022</b>  | N/A   | N/A                |                    | HR Reviewed Policy Manual and Council Resolution |
| 26            |                 |  |             | Review and adoption of Organogram | N/A  | N/A    |                   | N/A            | Date Organogram reviewed and submitted to Council for adoption                  | Date                  |          | Organogram reviewed and submitted to Council for adoption 31 May 2021                         | <b>Target met, organogram adopted by Council On 24 March 2021</b>  | Organogram reviewed and submitted to Council for adoption 31 May 2022               | N/A                      | <b>Target met, Organogram reviewed, submitted, to council and was approved on 31 May 2022</b>   | N/A   | N/A                |                    | Reviewed organogram, and Council Resolution      |
| 27            | Council Support | To ensure that Council and its committee fulfil their executive and legislative functions and play an effective oversight role over administration by 2022 | 19          | Councils Annual Programme         | N/A  | N/A    |                   | N/A            | Adoption (by Date) of Councils Annual Programme by 30 June 2022                 | Date                  |          | 2021/22 Council Annual Programme developed and submitted to Council for approval by June 2021 | <b>Target met, 2021/22 Council Annual Programme developed and was approved on 17 June 2021</b>   | Councils Annual Programme adopted by 30 June 2022                                   | N/A                      | <b>Target met, Councils Annual Programme adopted by Council on 31 May 2022</b>  | N/A   | N/A                | Corporate Services | Councils Annual Programme and Council Res.       |
| 28            |                 |  |             | Council Meetings                  | N/A  | -      |                   | -              | Number of Council Meetings provided with administrative support by 30 June 2022 | Number                | 11       | 4(four) Council Meetings provided with administrative support by 30 June 2021                 | <b>Target met, 11(eleven) Council meetings held as follows:</b><br><br>Council meetings held as follows:<br><br><b>Quarter 1</b><br>16 Jul 2020<br>13 Aug 2020<br>28 Aug 2020<br>03 Sep 2020<br><br><b>Quarter 2</b><br>29 Oct 2020<br>20 Nov 2020<br><br><b>Quarter3</b><br>04 Feb 2021<br>25 Feb 2021<br>24 Mar 2021<br><b>Quarter 4</b><br>17 June 2021<br>30 June 2021 | 4(four) Council Meetings provided with administrative support by 30 June 2022       | N/A                      | <b>Target met 16(sixteen) Council Meetings provided with administrative support by 30 June 2022 as follows:</b><br><br><b>Quarter 1</b><br>02 July 2021<br>26 Aug 2021<br>06 Sep 2021<br>28 Sep 2021<br><br><b>Quarter 2</b><br><br>20 Oct 2021<br>18 Nov 2021<br>30 Nov 2021<br><br><b>Quarter 3</b><br>31 Jan 2022<br>18 Feb 2022<br>25 Feb 2022<br>28 Feb 2022<br>07 Marc 2022<br>31 Marc 2022<br><br><b>Quarter 4</b> | Additional Council meetings are held on Special basis where needs arise | N/A                |                    | Attendance Registers/ Minutes                    |



| SDBIP Ref No. | Focus Area | Development Objective | IDP Ref. No | Project       | Ward | Budget | Budget Adjustment | Funding Source | Key Indicator  | Perf. Unit of Measure | Baseline | Annual Target  | Annual Actual   | Annual Target  | Annual Target Adjustment | Annual Actual  | Reason for variance   | Corrective measure | Res. Dept | Portfolio of Evidence (PoE)   |
|---------------|------------|-----------------------|-------------|---------------|------|--------|-------------------|----------------|--|-----------------------|----------|--|---|--|--------------------------|--|---|--------------------|-----------|-------------------------------|
|               |            |                       |             |               |      |        |                   |                |  |                       |          |  |   |  |                          | 21 April 2022<br>11 May 2022<br>31 May 2022  |   |                    |           |                               |
| 29            |            |                       |             | EXCO Meetings | N/A  | -      |                   | -              | Number of EXCO Meetings provided with administrative support by 30 June 2022                                       | Number                |          | 10(ten) EXCO Meetings provided with administrative support by 30 June 2021 | <b>Target met, 10(ten) EXCO Meetings</b> provided with administrative support by 30 June 2021 as follows:<br><br>meetings held as follows:<br><br><b>Quarter 1</b><br>11 Aug 2020<br>22 Sep 2020<br><br>20 Oct 2020<br>03 Dec 2020<br><br><b>Quarter 3</b><br>03 Feb 2021<br>23 Feb 2021<br>17 March 2021<br><br><b>Quarter 4</b><br>20 April 2021<br>27 May 2021<br>22 June 2021 | 10(ten) EXCO Meetings provided with administrative support by 30 June 2022 | N/A                      | <b>Target met, 11(eleven) EXCO meetings</b> held as follows:<br><br><b>Quarter 1</b><br>29 July 2021<br>23 Aug 2021<br>20 Sep 2021<br><br><b>Quarter 2</b><br>13 Oct 2021<br><br><b>Quarter 3</b><br>24 Jan 2021<br>21 Feb 2021<br>28 Feb 2022<br><br><b>Quarter 4</b><br>05 May 2022<br>24 May 2022<br>09 June 2022<br>28 June 2022 | Over and above ordinary EXCO meetings special meetings are convened where needs arise | N/A                |           | Attendance Registers/ Minutes |
| 30            |            |                       |             | MPAC Meetings | N/A  | -      |                   | -              | Number of Municipal Public Accounts Committee (MPAC) Meetings provided with administrative support by 30 June 2022 | Number                | 3        | 4(four) MPAC Meetings provided with administrative support by 30 June 2021 | <b>Target met, 5(five) MPAC Meetings</b> provided with administrative support by 30 June 2021 as follows:<br><br>held as follows by 30 June 2021<br><br><b>05 Oct 2020</b><br><b>15 Oct 2020</b><br><b>31 March 2021</b><br><b>20 May 2021</b><br><b>30 June 2021</b>   | 4(four) MPAC Meetings provided with administrative support by 30 June 2022 | N/A                      | <b>Target met, 5(five) MPAC meetings</b> provided with administrative support by 30 June 2022 as follows:<br><br>25/07/21<br>23/11 /21<br>01/02 /22<br>30 /03/22<br>25/05/22   | N/A   | N/A                |           | Attendance Registers/ Minutes |

| SDBIP<br>Ref<br>No. | Focus Area | Development<br>Objective | IDP<br>Ref.<br>No | Project              | Ward | Budget | Budget<br>Adjustment | Funding<br>Source | Key Perf.<br>Indicator  | Unit<br>Measure | Baseline | Annual<br>Target | Annual<br>Actual | Annual<br>Target  | Annual Target<br>Adjustment   | Annual Actual  | Reason for<br>variance   | Corrective<br>measure  | Res. Dept | Portfolio of<br>Evidence<br>(PoE) |
|---------------------|------------|--------------------------|-------------------|----------------------|------|--------|----------------------|-------------------|---|-----------------|----------|------------------|------------------|---|---|--|--|--|-----------|-----------------------------------|
| 31                  |            |                          |                   | Portfolio Committees | N/A  | -      |                      | -                 | Number of Portfolio Committee Meetings provided with administrative support by 30 June 2022 | Number          |          | N/A              | N/A              | 50(fifty) Portfolio Committee Meetings provided with administrative support by 30 June 2022 | Portfolio Committee Meetings provided with administrative support by 30 June 2022 as follows: | <b>Target not 45(fouty-five)</b><br><br>Portfolio Committee Meetings provided with administrative support by 30 June 2022 as follows:<br><br><u>PLANNING DEV. (9)</u><br><br>27/07/21<br>12/08/21<br>12/10 /21<br>12/11 /21<br><br>25/02/22<br>22/03/22<br>13/04/22<br>26/05/22<br>30/06/22<br><br><u>CORPORATE (10)</u><br><br>28/07/21<br>11/08/21<br>30/09/21<br>06/10/21<br>09/11/21<br>23/02/22<br>23/03/22<br>29/04/22<br>26/05/22<br>29/06/22<br><br><u>TECHNICAL SERVICES(8)</u><br><br>23/09/21<br>13/10/21<br>04/10/21<br>24/02/22<br>24/03/22<br><br>13/04/22<br>31/05/22<br>29/06/22<br><br><u>COMMUNITY (8)</u><br><br>30/07/21<br>16/08/21<br>23/09/21<br>28/09/21 | Portfolio committees seating was affected by the election campaign period where councillors were allowed to undertake the process during Oct 2021 until council inauguration and re-establishment of new committee in terms of the new term of Council | The seating of portfolio committees has been resuscitated in the new term of Council |           | Attendance Registers/ Minutes     |

| SDBIP Ref No. | Focus Area             | Development Objective  | IDP Ref. No | Project                                  | Ward | Budget | Budget Adjustment | Funding Source | Key Indicator   | Perf. Unit Measure | Baseline      | Annual Target  | Annual Actual  | Annual Target  | Annual Target Adjustment | Annual Actual  | Reason for variance   | Corrective measure   | Res. Dept | Portfolio of Evidence (PoE)                          |
|---------------|------------------------|--|-------------|--|------|--------|-------------------|----------------|---|--------------------|---------------|--|--|--|--------------------------|--|---|--|-----------|--|
|               |                        |  |             |  |      |        |                   |                |   |                    |               |  |  |  |                          | 24/02/22<br>29/02/22<br>09/05/22<br>30/05/22<br><br><u>FINANCE (10)</u><br><br>27/07/21<br>23/08/21<br>14 /09 /21<br>12/10/21<br>16/11/21<br>21/02/22<br>29/03/22<br>05/05/2022<br>24/05/2022<br>28/06/2022        |   |  |           |  |
| 32            |                        |  |             | Review of delegation of powers           | N/A  | N/A    |                   | N/A            | Date delegation register reviewed and submitted to Council for approval | Date               |               | N/A  | N/A  | Delegation register reviewed and submitted to Council for approval 31 March 2022 | N/A                      | <b>Target met, Delegation of powers reviewed on the 30 Nov 2021</b>  | N/A   | N/A  |           | Council Resolution and Reviewed delegation of powers |
| 33            | Records Management     | To ensure effective management of all internal and external records  | 20          | Records Management Policy review         | N/A  | N/A    |                   | N/A            | Date Records Management Policy review submitted to Council for approval | Date               | 24 March 2021 | Records Management policy reviewed and submitted to Council by 31 May 2021 | <b>Target met, Records Management policy reviewed and approved by Council on 27 May 2022</b> | Records Management policy reviewed and submitted to Council by 31 May 2022       | N/A                      | <b>Target met, Records Management policy reviewed and approved by Council on 31 May 2022</b>   | N/A   | N/A  |           | Council Resolution and Reviewed Records Management   |
| 34            | Fleet Management       | To ensure effective management of fleet by 2022  | 21          | Review and Adopt Fleet Management Policy | N/A  | N/A    |                   | N/A            | Date Fleet Management Policy adopted                                    | Date               | 24 March 2021 | Fleet Management Policy Adopted by 30 June 2021                            | <b>Target met, Fleet Management Policy adopted on 24 March 2021</b>                          | Fleet Management Policy Adopted by 30 June 2022                                  | N/A                      | <b>Target met, Fleet Management Policy Adopted on 31 May 2022</b>  | N/A   | N/A  |           | Council Resolution                                   |
| 35            | Information Technology | To provide a secure ICT infrastructure which delivers appropriate levels of Confidentiality , integrity, availability, stability and growth by 2022. | 22          | ICT Infrastructure and Network           | N/A  | -      |                   | -              | Number of Monitoring Reports produced by 30 June 2022                   | Number             | 4             | N/A  | N/A  | 4 (four) Monitoring Reports produced by 30 June 2022                             | N/A                      | <b>Target met, 4 (four) Monitoring Reports produced by 30 June 2022</b>  | N/A   | N/A  |           | Copy of Reports                                      |
| 36            |                        |  |             | ICT Workshops                            | N/A  | -      |                   | -              | Number of workshops held with staff and Cllrs by 30 June 2022           | Number             | 4             | N/A  | N/A  | 4(four) workshops held with staff by 30 June 2022                                | N/A                      | <b>Target met 4(four) workshops held as follows:</b><br><br><u>Staff workshop</u><br><br>One -on -one workshops from<br><br><b>02 July 2021 – 28 Sep 2021</b><br><br><b>23 Nov 2021 31 March 2022 22 June 2022</b> | There was also urgent requirement to capacitate new councillors and the 1(one) workshop conducted | Future ICT workshop for councillors will be conducted to allow a balanced capacity |           | Attendance Registers/ Minutes                        |

| SDBIP Ref No.   | Focus Area  | Development Objective                              | IDP Ref. No | Project                                    | Ward | Budget | Budget Adjustment | Funding Source | Key Perf. Indicator  | Unit of Measure | Baseline      | Annual Target   | Annual Actual   | Annual Target  | Annual Target Adjustment  | Annual Actual  | Reason for variance                                  | Corrective measure   | Res. Dept          | Portfolio of Evidence (PoE)                       |
|---|-------------|--|-------------|--|------|--------|-------------------|----------------|--|-----------------|---------------|---|---|--|---|--|--|--|--------------------|---|
| 37  |             |  |             | IT Governance Framework                    | N/A  |        |                   |                | Date IT Governance Framework reviewed and submitted to Council for approval                      | Date            | 24 March 2021 | IT Governance Framework reviewed and submitted to Council for approval by 31 May 2021   | Target met, IT Governance Framework reviewed and submitted to Council on 24 March 2021              | IT Governance Framework reviewed and submitted to Council for approval by 31 May 2022      | N/A   | Target met, IT Governance Framework reviewed and submitted to Council and was approved on 31 May 2022 with Human Resource Strategy | N/A  | N/A  | Corporate Services | Reviewed IT Governance Framework and Council Res. |
| Key Performance Area: Financial Viability and Management<br>Back to Basics Pillar: Sound Financial Management |             |  |             |  |      |        |                   |                |  |                 |               |   |   |  |   |  |  |  |                    |   |
| Municipal Goal: Ensure sound financial management and accountability  |             |  |             |  |      |        |                   |                |  |                 |               |   |   |  |   |  |  |  |                    |   |
| 38  | Revenue     | Ensure the Municipal Revenue Streams are optimised | 24          | Revenue collection                         | N/A  | N/A    |                   | N/A            | % of collection Rate on billing by 30 June 2022  | percentage (%)  |               | 92% of collection Rate on billing on by 30 June 2021                                    | Target not met, collection Rate on billing on by 30 June 2021 was 87%                               | 92% of collection Rate on billing on by 30 June 2022                                       | 85% of collection Rate on billing on by 30 June 2022                      | Target met, 85.7% of collection Rate on billing on by 30 June 2022   | N/A  | N/A  | Financial Services | Billing report                                    |
| 39  |             |  |             | Revenue collection                         | N/A  | N/A    |                   | N/A            | % of collection rate on outstanding debt by 30 June 2022   | percentage (%)  |               | 92% of collection Rate on by 30 June 2021   | Target not met, collection rate on by 30 June 2021 was 87%  | 92% of collection rate on outstanding debt by 30 June 2022                                 | 50% of collection rate on outstanding debt by 30 June 2022                | Target met, 50% of collection rate on outstanding debt by 30 June 2022   | N/A  | N/A  |                    | Debtors age analysis                              |
| 40  | Expenditure | To ensure effective expenditure control            | 25          | Expenditure control<br>Expenditure control | N/A  | N/A    |                   | N/A            | % of Service Providers paid within 30 days   | percentage (%)  |               | 30% of Service Providers paid within 30 days by 30 June 2021                            | Target not met, 91% of service providers were paid within 30 days by 30 June 2021                   | 100% of Service Providers paid within 30 days by 30 June 2022                              | N/A   | Target not met, 40,70% of service providers paid within 30 days  | Lack of funds due to insufficient debts collections. | Debts collection will be improved and customers on arrears are disconnected to encourage payment |                    | Copy of Expenditure Reports & Age analysis        |
| 41  |             |  |             |  | N/A  | N/A    |                   | N/A            | Percentage of capital budget actually spent on capital projects by 30 June 2022                  | percentage (%)  | 100%          | 100% of capital budget actually spent on capital projects by 30 June 2021               | Target met, 100% of capital budget spent on capital projects by 30 June 2021                        | 100% of capital budget actually spent on capital projects by 30 June 2022                  | 100% of capital budget actually spent on capital projects by 30 June 2022 | Target met 100% (R39 107 000.00) capital budget actually spent on capital projects by 30 June 2022                                 | N/A  | N/A  |                    | Copy of Expenditure Report                        |
| 42  |             |  |             |  | N/A  | N/A    |                   | N/A            | Percentage of households on Indigent Register with access to free basic services by 30 June 2022 | percentage (%)  | 100%          | 100% households on Indigent Register with access to free basic services by 30 June 2021 | Target met, 100% households on Indigent Register with access to free basic services by 30 June 2021 | 100% of households on Indigent Register with access to free basic services by 30 June 2022 | N/A   | Target met 100% of indigent households had access to free basic services by 30 June  | N/A  | N/A  |                    | Free Basic Services Report                        |

| SDBIP Ref No. | Focus Area          | Development Objective  | IDP Ref. No | Project  | Ward | Budget | Budget Adjustment | Funding Source | Key Perf. Indicator  | Unit of Measure | Baseline      | Annual Target  | Annual Actual   | Annual Target  | Annual Target Adjustment | Annual Actual   | Reason for variance | Corrective measure | Res. Dept | Portfolio of Evidence (PoE)                          |
|---------------|---------------------|--|-------------|--|------|--------|-------------------|----------------|--|-----------------|---------------|--|---|--|--------------------------|---|---------------------|--------------------|-----------|--|
| 43            | SCM                 | To strengthen the Supply Chain Unit and Processes                                    | 26          | Procurement plan adoption                          | N/A  | N/A    |                   | N/A            | Adoption (by Date) of Procurement Plan by 30 June 2022                         | Date            | 27 May 2021   | Procurement Plan adopted by 30 June 2021   | Target met, Procurement Plan adopted on the 27 <sup>th</sup> of May 2021  | Procurement Plan adopted by 30 June 2022   | N/A                      | Target met Procurement Plan was adopted by 31 March 2022  | N/A                 | N/A                |           | Copy of Council Resolution & Procurement Plan        |
| 44            |                     |  |             | Submission of expenditure on (UIFW) report to MPAC | N/A  | N/A    |                   | N/A            | Number of reports submitted to MPAC by 30 June 2022                            | Number          |               | 4(four) reports submitted MPAC by 30 June 2021   | Target met, 4(four) reports submitted MPAC by 30 June 2021 as follows:<br><br>05 Oct 2020<br>15 Oct 2020<br>31 March 2021<br>30 June 2021 | 4(four) reports submitted MPAC by 30 June 2022   | N/A                      | Target met, (four) reports submitted MPAC by 30 June 2022 as follows:<br><br>24 Aug 2021<br>20 Jan 2022<br>30 March 2022<br>31 May 2022 | N/A                 | N/A                |           | (MPAC Agenda) Proof of submission Expenditure report |
| 45            |                     |  |             | SCM Policy review                                  | N/A  | N/A    |                   | N/A            | Date SCM Policy reviewed and adopted by Council                                | Date            | 27 May 2021   | SCM Policy reviewed and adopted by 31 May 2021   | Target met, SCM Policy reviewed and adopted on 27 May 2021  | SCM Policy reviewed and adopted by Council on 31 May 2022                                | N/A                      | Target met, SCM Policy reviewed and adopted by Council on 31 May 2022   | N/A                 | N/A                |           | SCM Policy & Council Resolution                      |
| 46            | Assets              | To Maintain Fixed Assets of the Municipality   | 27          | Asset Management                                   | N/A  | N/A    |                   | N/A            | Number of verifications undertaken by 30 June 2022                             | Number          |               | 4(four) quarterly verification of inventory undertaken by 30 June 2021                   | Target not met, one verification of inventory undertaken  | 4(four) quarterly verification of inventory undertaken by 30 June 2022                   |                          | Target met 1(one) verification of inventory undertaken by 30 June 2022  | N/A                 | N/A                |           | Copy of the Updated Asset Register                   |
| 47            | Financial Reporting | Ensure that financial reporting conforms to all legal and institutional requirements | 28          | Budget Process Plan                                | N/A  | N/A    |                   | N/A            | Date Final Budget Process Plan developed and submitted to Council for approval | Date            | 04 April 2021 | Final Budget Process Plan developed and submitted to Council for approval by 31 Aug 2020 | Target not met, Final Budget Process Plan developed and submitted to Council for approval   | Final Budget Process Plan developed and submitted to Council for approval by 31 Aug 2021 |                          | Target met Final Budget Process plan developed and submitted to council for approval by 26 August 2021,                                 | N/A                 | N/A                |           | Final Budget Process Plan and Council Agenda Extract |
| 48            |                     |  |             | Draft Budget                                       | N/A  | N/A    |                   | N/A            | Date Draft 2022/23 Budget developed and submitted to Council for noting        | Date            | 25 April 2021 | Draft 2021/22 Budget developed and submitted to Council for noting by 31 March 2021      | Target met, 2021/22 Budget developed and submitted to Council for noting on the 24 <sup>th</sup> of March 2021                            | Draft 2022/23 Budget developed and submitted to Council for noting by 31 March 2022      | N/A                      | Target met , Draft 2022/23 Budget developed and submitted to Council for noting by 31 March 2022  | N/A                 | N/A                |           | Copy of Council Resolution                           |
| 49            |                     |  |             | Final Budget                                       | N/A  | N/A    |                   | N/A            | Date Final 2022/23 Budget adopted by Council                                   | Date            | 27 May 2021   | Final 2021/22 Budget Adopted by 31 May 2021  | Target met, Final 2021/22 Budget Adopted on 27 May 2021   | Final 2022/23 Budget adopted by 31 May 2022  | N/A                      | Target met Final 2022/23 Budget adopted on 31 May 2022  | N/A                 | N/A                |           | Copy of Council Resolution                           |
| 50            |                     |  |             | Sec.71 Reports                                     | N/A  | N/A    |                   | N/A            | Number of Sec.71 Reports submitted to the mayor by 30 June 2022                | Number          | 12            | 12(twelve) Sec.71 Reports submitted to the mayor by 30 June 2021                         | Target met, 12(twelve) Sec.71 Reports submitted to the mayor by 30 June 2021  | 12(twelve) sec.71 Reports submitted to the mayor by 30 June 2022                         | N/A                      | Target met, 12(twelve) sec.71 Reports submitted to the mayor by 30 June 2022 as follows:<br><br>24 Jan 2022                             | N/A                 | N/A                |           | Copy of Council Resolution                           |

| SDBIP Ref No.   | Focus Area                               | Development Objective                           | IDP Ref. No | Project                | Ward | Budget | Budget Adjustment | Funding Source | Key Indicator   | Perf. Unit Measure of | Baseline    | Annual Target  | Annual Actual  | Annual Target  | Annual Target Adjustment | Annual Actual   | Reason for variance   | Corrective measure  | Res. Dept         | Portfolio of Evidence (PoE)                           |
|---|--|---|-------------|------------------------|------|--------|-------------------|----------------|---|-----------------------|-------------|--|--|--|--------------------------|---|---|---|-------------------|---|
|   |  |   |             |                        |      |        |                   |                |   |                       |             |  |  |  |                          | For the following months<br><br>Aug 2021<br>Sep 2021<br>Oct 2021<br>Nov 2021<br>Dec 2021<br>30 March 2022<br>24 May 2022  |   |   |                   |   |
| 51  |  |   |             | Sec. 72 Reports        | N/A  | N/A    |                   | N/A            | Date Sec.72 Reports submitted to the Mayor, National Treasury and Provincial Treasury | Number                | 04 Feb 2021 | 1 (one) S72 Reports submitted to the Mayor, National Treasury and Provincial Treasury by 25 Jan 2021 | Target met, 1 (one) S72 Reports submitted to the Mayor, National Treasury and Provincial Treasury on 25 Jan 2021   | Sec. 72 Reports submitted to the Mayor, National Treasury and Provincial Treasury by 25 Jan 2022 | N/A                      | Target met, Sec. 72 Reports submitted to the mayor on the 24 <sup>th</sup> of Jan 2022, National Treasury and Provincial Treasury on the 17 <sup>th</sup> of Jan 2022   | N/A   | N/A   |                   | Sec 72 Report, proof of submissions                   |
| 52  |  |   |             | Sec. 52(d) Reports     | N/A  | N/A    |                   | N/A            | Number of Sec. 52(d) Reports submitted to Council by 30 June 2022                     | Number                | 4           | 4(four) Sec.52 Reports submitted to Council by 30 June 2021  | Target not met, 2(two) Sec.52 Reports submitted to Council by 30 June 2021 as follows:<br><br>2 <sup>nd</sup> Quarter: 2020/21 Sec.52 Report 04 Feb 2021<br><br>3 <sup>rd</sup> Quarter: - 2020/21 Sec.52 Report 27 May 2021 | 4(four) sec 52(d) reports submitted to Council by 30 June 2022                                   | N/A                      | Target not met 3(three) sec 52(d) reports submitted to Council by 30 June 2022 as follows:<br><br>1 <sup>st</sup> quarter S52(d) Report submitted 31 Jan 2022<br><br>2 <sup>nd</sup> quarter S52(d) Report submitted 31 Jan 2022<br><br>3 <sup>rd</sup> quarter S52(d) Report submitted 31 March 2022 | 4 <sup>th</sup> quarter 2020/21 1 <sup>st</sup> quarter S52(d) Report submitted to council support for inclusion into the Council agenda in July 2021 and did form part of the Council agenda | Future council meetings and programmes will detail all statutory/mandatory issues for inclusion into the Council agenda |                   | Copy of Council Resolution & Sec 52(d) report         |
| KPA: Good Governance & Community Participation<br>Back to Basics Pillar: Good Governance            |  |   |             |                        |      |        |                   |                |   |                       |             |  |  |  |                          |   |   |   |                   |   |
| Municipal Goal: Ensure transparency, accountability and community involvement in municipal affairs. |  |   |             |                        |      |        |                   |                |   |                       |             |  |  |  |                          |   |   |   |                   |   |
| 53  | Communications and Customer Satisfaction | To revive and strengthen Communications by 2022 | 29          | Communication Strategy | N/A  | N/A    |                   | N/A            | Date Communication Strategy developed   | Date                  | N/A         | Final Communication Strategy developed by 30 June 2021   | Target not met, Final Communication Strategy developed and currently pending tabling to Exco in August and Council by 26 August 2021   | Communication Strategy developed by 31 March 2022  | N/A                      | Target not met, Communication Strategy developed and approved by Council on 31 May 2022   | The item was submitted to Council support for inclusion in the March 2022 Council agenda  | Target setting for 2022/23 will be in line with all other policies approval date as 31 May 2022                         | Executive Support | Copy of Council Resolution and Communication Strategy |

| SDBIP Ref No. | Focus Area      | Development Objective  | IDP Ref. No | Project              | Ward | Budget | Budget Adjustment | Funding Source | Key Perf. Indicator  | Unit of Measure | Baseline      | Annual Target   | Annual Actual  | Annual Target  | Annual Target Adjustment | Annual Actual   | Reason for variance  | Corrective measure  | Res. Dept | Portfolio of Evidence (PoE)   |
|---------------|-----------------|--|-------------|----------------------|------|--------|-------------------|----------------|--|-----------------|---------------|---|--|--|--------------------------|---|--|---|-----------|---|
| 54            | Internal Audit  | To provide an assurance on the effectiveness of governance, risk management and internal control by 2022 | 31          | AG Action Plan       | N/A  | N/A    |                   | N/A            | Date 2020/21 AG Action Plan developed                                  | Date            | 31 March 2021 | 2019/20 AG Audit Action Plan developed by 31 Jan 2021             | Target not met<br>Audit Action plan was finalised on the 19 March 2021 due to the fact that the audit outcome was received on the 28 February 2021 | 2020/21 AG Audit Action Plan developed by 31 Jan 2022                | N/A                      | Target not met, Audit Action Plan not developed by 31 Jan 2022 and was concluded after the Audit Report issue which was end of Feb 2022 | The Audit for 2021/21 completion delayed and the audit report was issued end of February impacting on delay in development of Audit action plan which was consequently in place in March 2022  | The 2021/22 AG action plan completion will be revised in line with unforeseen audit delays on the 2022/23 SDBIP Adjustment  |           | AG Action Plan  |
| 55            |                 |  |             | AG Audit Action plan |      |        |                   | N/A            | Percentage of 2020/21 AG Audit Action plan implemented by 30 June 2022 | Percentage (%)  |               | 100% of 2019/20 AG audit action plan implemented by 30 June 2021  | Target not met: 87% of issues raised by AGSA were resolved while 13% are in progress   | 100% of 2020/21 AG Audit Action plan implemented by 31 March 2022    | N/A                      | Target not met: 38% of findings were resolved by 30 June 2022   | Delay on audit completion in February 2022 and action plan in place during in March 2022 as a result the municipality had only three months to address issues on the audit action plan<br><br>There were also delays on determining the possible and acceptable methodology on Asset management related findings | Methodology for treatment of prepaid meters was agreed in the month of July and audit steering committee meetings are held on weekly basis to expedite the implementation of corrective measures. |           | 2020/21 AG Action Plan Progress Report                                  |
| 56            | Audit Committee |  | 32          | Audit Committee      | N/A  | N/A    |                   | N/A            | Number of Audit Committee Reports Submitted Council by 30 June 2022    | Number          |               | 4(four) Audit Committee Reports Submitted Council by 30 June 2021 | Target met, 4(four) Audit Committee Meetings held as follows: 08 Oct 2020, 28 Oct 2020, 03 Dec 2020, and 02 June 2021                              | 4(Four) Audit Committee Reports Submitted to Council by 30 June 2022 | N/A                      | Target not met,1(one) Audit Committee Reports Submitted to Council by 30 June 2022 as follows:<br><br>31 March 2022                     | The Audit Committee Reports are prepared on quarterly basis for submission to Council and when the special council meetings only not more than four items are dealt with.<br><br>The council annual programme was also affected by   | The municipality will adhere to the annual council programme and probably revise<br><br>Audit committee 4 <sup>th</sup> quarter report is included on the Council item for meeting to             |           | Audit Committee Reports<br>Committee Reports<br>&Council Agenda Extract |
|               |                 |  |             |                      |      |        |                   |                |  |                 |               |   |  |  |                          |   |  |   |           |   |

| SDBIP Ref No. | Focus Area                      | Development Objective   | IDP Ref. No | Project                       | Ward | Budget | Budget Adjustment | Funding Source | Key Indicator  | Perf. Unit Measure | Baseline      | Annual Target  | Annual Actual   | Annual Target  | Annual Target Adjustment   | Annual Actual   | Reason for variance   | Corrective measure   | Res. Dept         | Portfolio of Evidence (PoE)                       |
|---------------|---------------------------------|---|-------------|-------------------------------|------|--------|-------------------|----------------|--|--------------------|---------------|--|---|--|--|---|---|--|-------------------|---|
|               |                                 |   |             |                               |      |        |                   |                |  |                    |               |  |   |  |  |   | local Government election and legislated inaugural items were prioritised instead | take place on the 28 July 2022   |                   |   |
| 57            | Risk management                 | To improve the effectiveness of risk management within the organisation by 2022 | 33          | Risk management               | N/A  | N/A    |                   | N/A            | Number of Risk Management Reports submitted to Council by 30 June 2022       | Number             | 0             | 4(Four) Risk Management Reports submitted to Council by of 30 June 2021                | <b>Target not met, no Risk Management Reports submitted to Council by of 30 June 2021</b>                 | 4(four) Risk Management Reports submitted to Council by 30 June 2022                   | 2(two)Risk Management Reports submitted to Council by 30 June 2022 | <b>Target not met, 1(one) Risk Management Reports for the 3<sup>rd</sup> quarter submitted to Council and considered on 31 May 2022</b> | Shortage of staff within the Internal Audit unit                                  | Risk management t meeting will be held in the month of July 2022 and the position for the Internal Auditor has been advertised to enhance the function |                   | Risk Management Reports & Council Agenda Extract  |
| 58            | Integrated Development Planning | To ensure effective decision-making, budgeting and management of resources      | 34          | IDP/Budget Process Plan       | N/A  | N/A    |                   | N/A            | Date IDP/Budget Process Plan developed and submitted to Council for approval | Date               | 03 Sep 2020   | IDP/Budget Process Plan developed and submitted to Council for approval by 30 Sep 2020 | <b>Target met, IDP/Budget Process Plan developed and submitted to Council for approval by 30 Sep 2020</b> | IDP/Budget Process Plan developed and submitted to Council for approval by 30 Sep 2021 | N/A  | <b>Target met, IDP/Budget Process Plan developed, submitted to Council and was approved on the 26 Aug 2021</b>                          | N/A   | N/A  | Executive Support | IDP/Budget Process Plan & Council Resolution      |
| 59            |                                 |   |             | Draft IDP                     | N/A  | N/A    |                   | N/A            | Date Draft IDP 2022/23 developed and submitted to Council for noting         | Date               | 24 March 2021 | Draft IDP 2021/22 reviewed and submitted to Council for noting by 31 March 2021        | <b>Target met, Draft IDP 2021/22 reviewed and submitted to Council for noting on 24 March 2021</b>        | Draft IDP 2022/23 developed and submitted to Council for noting by 31 March 2022       | N/A  | <b>Target met , Draft 2022/23 Budget developed and submitted to Council for noting by 31 March 2022</b>                                 | N/A   | N/A  |                   | Extract of Council agenda & Council Resolution    |
| 60            |                                 |   |             | Final IDP                     | N/A  | N/A    |                   | N/A            | Date Final IDP 2022/23 developed and submitted to Council for approval       | Date               | 27 May 2021   | Final IDP 2021/22 reviewed and submitted to Council for approval by 31 May 2021        | <b>Target met, Final IDP 2021/22 reviewed and submitted to Council on 27 May 2021</b>                     | Final IDP 2022/23 developed and submitted to Council for approval by 31 May 2022       | N/A  | <b>Target met, Final IDP 2022/23 developed and submitted to Council for approved on 31 May 2022</b>                                     | N/A   | N/A  | Executive Dept.   | Council Resolution & Council Agenda extract       |
| 61            | Performance Management          | To promote a system of transparency and accountability within the municipality  | 35          | Annual Performance Agreements | N/A  | N/A    |                   | N/A            | Date Annual Performance Agreements for filled senior Managers signed         | Date               | 23 July 2020  | N/A  | N.A   | Performance Agreements for filled Senior Managers signed by 31 July 2021               | N/A  | <b>Target met, Performance Agreements for filled Senior Managers position were signed by the 10<sup>th</sup> of July 2021</b>           | N/A   | N/A  |                   | Signed Performance Agreements for Senior Managers |
| 62            |                                 |   |             | SDBIP development             | N/A  | N/A    |                   | N/A            | Date 2022/23 SDBIP developed and approved by the mayor                       | Date               | 23 July 2020  | N/A  | N/A   | 2022/23 SDBIP developed and approved by the mayor on the 28 <sup>th</sup> of June 2022 | N/A  | <b>Target met, 2022/23 SDBIP developed and approved by the mayor on the 28<sup>th</sup> of June 2022</b>                                | N/A   | N/A  |                   | 2022/23 SDBIP Approved SDBIP                      |



| SDBIP Ref No. | Focus Area | Development Objective | IDP Ref. No | Project                           | Ward | Budget | Budget Adjustment | Funding Source | Key Perf. Indicator  | Unit Measure | Baseline | Annual Target  | Annual Actual   | Annual Target   | Annual Target Adjustment | Annual Actual  | Reason for variance   | Corrective measure  | Res. Dept              | Portfolio of Evidence (PoE)                 |
|---------------|------------|-----------------------|-------------|-----------------------------------|------|--------|-------------------|----------------|--|--------------|----------|--|---|---|--------------------------|--|---|---|------------------------|---|
| 63            |            |                       |             | SDBIP Reports                     | N/A  | N/A    |                   | N/A            | Number of SDBIP Quarterly Reports submitted to Council by 30 June 2022 | Number       | 3        | 2(two) Quarterly Performance Reports submitted to Council by 31 Jan 2021   | Target met, 2(two) Quarterly Performance Reports submitted to Council by 31 Jan 2021      | 2(two) Quarterly SDBIP Reports submitted to Council by 30 June 2022 | N/A                      | Target not met<br>2 <sup>nd</sup> Quarterly SDBIP Report was submitted and approved by Council on the 31 <sup>st</sup> of January 2022. The 3 <sup>rd</sup> Quarterly SDBIP Report was finalised by 30 June 2022 | 3 <sup>rd</sup> Quarter SDBIP Report was submitted to Council support for inclusion in the Council agenda for 30 June 2022 and could not be included as Special Council was convened instead  | The 3 <sup>rd</sup> Quarter Report SDBIP Report will be included into the agenda ordinary Council meeting to be held by 31 July 2022  |                        | Council Resolution & Council Agenda extract |
| 64            |            |                       |             | Mid – year performance assessment | N/A  | N/A    |                   | N/A            | Date Mid-year and budget performance assessment conducted              | Date         | N/A      | N/A  | N/A   | N/A   | N/A                      | Target not met, Mid-year and budget performance assessment was not conducted   | The term Performance Evaluation panel (PEC) lapsed; hence the establishment of the PEC was approved by Council on 31 May 2022 and members were appointed in June 2022   | Mid-year performance assessments will be undertaken by the established panel by the 25 <sup>th</sup> of Jan 2023  |                        | Attendance Register and/or Minutes          |
| 65            |            |                       |             | Quarterly Performance Reviews     | N/A  | N/A    |                   | N/A            | Number of Quarterly Performance reviews conducted by 30 June 2022      | Number       | 1        | 2(two) Quarterly Performance reviews conducted by 30 June 2021<br>Target met, Quarterly Performance reviews conducted as follows: 09 Oct 2020 27 April 202 | Target met, Quarterly Performance reviews conducted as follows: 09 Oct 2020 27 April 2021 | 3(three) Quarterly reviews conducted by 30 June 2022                | N/A                      | Target not met; 1(one) Quarterly reviews conducted on 22 Oct 2021  | The 3 <sup>rd</sup> quarter review informally undertaken based on the submissions made by department it became necessary that institutionalisation of performance management be prioritised and the workshop on management was therefore held in the 4 <sup>th</sup> quarter on the 08 <sup>th</sup> of June 2022 to enhance management role and capacity and also to prepare for | The 4 <sup>th</sup> quarter review will be undertaken, and focus will be on the whole financial year. This will be followed by Annual Performance Assessment session between the Sep and Oct 2022 | . Executive Dept.<br>. | Attendance Register                         |

| SDBIP Ref No.  | Focus Area  | Development Objective                                  | IDP Ref. No | Project                   | Ward | Budget | Budget Adjustment | Funding Source | Key Perf. Indicator  | Unit of Measure | Baseline      | Annual Target   | Annual Actual   | Annual Target   | Annual Target Adjustment | Annual Actual  | Reason for variance  | Corrective measure  | Res. Dept            | Portfolio of Evidence (PoE)                 |
|--|-------------|--|-------------|---------------------------|------|--------|-------------------|----------------|--|-----------------|---------------|---|---|---|--------------------------|--|--|---|----------------------|---|
|  |             |  |             |                           |      |        |                   |                |  |                 |               |   |   |   |                          |  | the upcoming audit   |   |                      |   |
| 66   |             |  |             | Annual Report             | N/A  | N/A    |                   | N/A            | Date 2020/21 Annual Report completed and submitted to Council            | Date            | 24 March 2021 | Annual Performance Report submitted to Council by 30 Sep 2020<br>Target not met, Annual Performance Report was on the Council agenda since 26 Oct 2020                                | Target not met, Annual Performance Report submitted to Council by 30 Sep 2020<br>Target not met, Annual Performance Report was on the Council agenda since 26 Oct 2020                            | 2020/21 Annual Report completed and submitted to Council by 31 Jan 2021             | N/A                      | Target met, 2020/21 Annual Report completed and submitted and approved by Council on 31 Jan 2021 | N/A  | N/A   |                      | Council Resolution& Council Agenda extract  |
| 67   |             |  |             | PMS Policy Framework      | N/A  | N/A    |                   | N/A            | Date PMS Policy Framework reviewed and submitted to Council for approval | Date            | 27 May 2021   | PMS Policy Framework reviewed and submitted to Council for approval by 30 June 2021<br>Target met, PMS Policy Framework reviewed and submitted to Council and approved on 27 May 2021 | Target met, PMS Policy Framework reviewed and submitted to Council for approval by 30 June 2021<br>Target met, PMS Policy Framework reviewed and submitted to Council and approved on 27 May 2021 | PMS Policy Framework reviewed and submitted to Council for approval by 30 June 2022 | N/A                      | Target met, Framework reviewed, submitted to Council and was approved on 31 May 2022             | N/A  | N/A   |                      | Council Resolution & Council Agenda extract |
| 68   |             |  |             | Annual Performance Report |      |        |                   | N/A            | Date Annual Performance Report submitted to Council                      | Date            | 23 Feb 2021   | Annual Performance Report submitted to Council by 30 Sep 2020   | Target not met, Annual Performance Report was on the Council agenda since 26 Oct 2020   | Annual Performance Report submitted to Council by 30 Sep 2021                       | N/A                      | Target not met   | Annual Performance Report was prepared and completed in time, however due to Local Government election in October and in-augural meetings ordinary council proceedings were affected | The current 2021/22 APR will be taken to Council as scheduled for consideration |                      | Council Resolution & Council Agenda extract |
| Key Performance Area: Social & Local Economic Development            |             |  |             |                           |      |        |                   |                |  |                 |               |   |   |   |                          |  |  |   |                      |   |
| Back to Basics Pillar: Putting people first and engaging communities |             |  |             |                           |      |        |                   |                |  |                 |               |   |   |   |                          |  |  |   |                      |   |
| Municipal Goal: promote socio-economic growth and job opportunities. |             |  |             |                           |      |        |                   |                |  |                 |               |   |   |   |                          |  |  |   |                      |   |
| 69   | Agriculture | Unleashing agricultural potential in AbaQulusi by 2022 | 38          | Agricultural Forums       | N/A  | N/A    | N/A               | N/A            | Number of Agri-forums held by 30 June 2022                               | Number          | 4             | N/A   | N/A   | 2(two)Agri-forums held by 30 June 2022  |                          | Target not met; 1(one) Agri-forums held by 30 June 2022  | Covid-19 and financial constraints hindered the planning of workshops  | Department to look for external funding to assist with Agri-forums              | Development Planning | Attendance Register/ Minutes                |

| SDBIP Ref No. | Focus Area              | Development Objective   | IDP Ref. No | Project                                 | Ward | Budget     | Budget Adjustment | Funding Source | Key Perf. Indicator  | Unit of Measure  | Baseline       | Annual Target  | Annual Actual  | Annual Target  | Annual Target Adjustment               | Annual Actual   | Reason for variance  | Corrective measure  | Res. Dept | Portfolio of Evidence (PoE)   |
|---------------|-------------------------|---|-------------|---|------|------------|-------------------|----------------|--|------------------|----------------|--|--|--|--|---|--|---|-----------|-------------------------------|
| 70            |                         |   |             | Agricultural Cooperatives               | N/A  | N/A        | N/A               | N/A            | Number of Agricultural cooperatives supported by 30 June 2022    | Number           | 1              | 2 Agricultural cooperatives supported by 30 June 2021  | Target not met; Agricultural cooperatives supported by 30 June 2021  | 2(two) Agricultural cooperatives supported by 30 June 2022 | N/A                                    | Target not met, No Agricultural cooperatives supported by 30 June 2022  | Agricultural cooperatives and Agri-forum are basically the same target group.                      | Target will be adjusted during 2022/23 adjustment address the gap   |           | Copy of Proof of Registration |
| 71            | SMME's and Job Creation | Continuous assistance of entrepreneurs hip and job creation by 2022 | 39          | SMME Training                           | N/A  | N/A        | N/A               | N/A            | Number of SMME trainings and workshops conducted by 30 June 2022 | Number           | 3              | N/A  | N/A  | 2 SMME trainings and workshops conducted by 30 June 2022   | N/A                                    | Target met, SMME trainings and workshops conducted by 30 June 2022 as follows:<br><br>15 Sep 2021 and 25 March 2022 | N/A  | N/A   |           | Attendance Register/ Minutes  |
|               |                         |   |             | Expanded Public Works Programme (EPWP)  | N/A  | R2 515 000 |                   | N/A            | Number of jobs created by 31 March 2022                          | Number           | 183            | 190(one hundred and ninety) jobs created by 30 Sep 2020 Target not met; 183 jobs were created by 30 Sep 2020 | Target met, 190(one hundred and ninety) jobs created by 30 Sep 2020 Target not met; 183 jobs were created by 30 Sep 2020 | N/A  | 193 EPWP jobs created by 31 March 2022 | Target not met, 183 EPWP jobs were created by 2022  | Grant funding limitations, only 183 jobs could be catered for in the budget                        | Target setting will be made to considering the unforeseen constraints as this a national programme and not funded by the municipality but determined allocation from the National Dept. |           | EPWP appointments             |
| 72            | Tourism                 |   |             | Review and adoption of Tourism Strategy | N/A  | R 50 000   |                   | N/A            | Adoption (by Date) of Tourism Strategy by 31 May 2022            | Date of adoption | Draft in Place | N/A  | N/A  | Tourism Strategy adopted by 31 May 2022                    | N/A                                    | Target not met, Tourism Strategy not adopted by 31 May 2022   | Due to financial constraints, the department did not perform a minor review as planned             | A budget has been made available for the development and adoption of a new Tourism Strategy in the 22/23 financial year.  |           | Copy of Council Resolution    |
| 73            | Economic growth         | Promote economic development by 2022                                | 41          | Review and adoption of LED Strategy     | N/A  | R 200 000  |                   | N/A            | Adoption (by Date) of LED Strategy by 30 June 2022               | Date of adoption | Draft in Place | N/A  | N/A  | LED Strategy adopted by 30 June 2022                       | N/A                                    | Target not met,   | Due to financial constraints the LED Strategy could not be renewed but rather internally reviewed. | A budget has been made available for the development and adoption of a new LED Strategy in the 22/23 financial year.  |           | Copy of Council Resolution    |

| SDBIP Ref No. | Focus Area | Development Objective                 | IDP Ref. No | Project                     | Ward | Budget | Budget Adjustment | Funding Source | Key Perf. Indicator   | Unit of Measure | Baseline | Annual Target | Annual Actual | Annual Target   | Annual Target Adjustment | Annual Actual   | Reason for variance | Corrective measure | Res. Dept          | Portfolio of Evidence (PoE) |
|---------------|------------|---------------------------------------|-------------|-----------------------------|------|--------|-------------------|----------------|---|-----------------|----------|---------------|---------------|---|--------------------------|---|---------------------|--------------------|--------------------|-----------------------------|
| 74            |            | Promote Library Services Programmes   |             | Conduct outreach programme  | N/A  | N/A    |                   | N/A            | Number of Library outreach programmes conducted by 30 June 2022 | Number          | 2        | N/A           | N/A           | 4(four) Library outreach programmes conducted by 30 June 2022 | N/A                      | Target met, (four) Library outreach programmes conducted by 30 June 2022 as follows:<br>21 <sup>st</sup> Sep 2021<br><br>10 <sup>th</sup> of Dec 2021<br><br>2 <sup>nd</sup> of February 2022.<br><br>27 <sup>th</sup> of May 2022                      | N/A                 | N/A                | Community Services | Report                      |
| 75            |            | Promote Museum services programmes    |             | Conduct outreach programmes | N/A  | N/A    |                   | N/A            | Number of museum outreach programmes conducted by 30 June 2022  | Number          | N/A      | N/A           | N/A           | 4(four) museum outreach programmes conducted by 30 June 2022  |                          | Target met 4(four) museum outreach programmes conducted by 30 June 2022 as follows:<br><u>Quarter 1</u><br><br>21/09/2021<br><br><u>Quarter 2</u><br>2 Dec 2021<br><br><u>Quarter 3</u><br><br>11 Feb 2022<br><u>Quarter 4</u><br><br>23 – 25 June 2022 | N/A                 | N/A                |                    | Report                      |
| 76            |            | Enhancing safety and security by 2022 |             | Conduct Road Blocks         | N/A  | N/A    |                   | N/A            | Number of road blocks held by 30 June 2022                      | Number          | N/A      | N/A           | N/A           | 12(twelve) road blocks held by 30 June 2022                   |                          | Target met, 12(twelve) road blocks held as follows by 30 June 2022:<br><u>Quarter 1</u><br><br>07/07/2021<br>20/08/2021<br>23/09/2021<br><br><u>Quarter 2</u><br>20/10/2021<br>27/10/2021<br>16/11/2021<br><br><u>Quarter 3</u>                         | N/A                 | N/A                |                    | Report                      |

| SDBIP Ref No.   | Focus Area    | Development Objective   | IDP Ref. No | Project                             | Ward | Budget      | Budget Adjustment | Funding Source     | Key Indicator   | Perf. Unit Measure of | Baseline                 | Annual Target  | Annual Actual   | Annual Target  | Annual Target Adjustment | Annual Actual  | Reason for variance   | Corrective measure  | Res. Dept            | Portfolio of Evidence (PoE) |
|---|---------------|---|-------------|-------------------------------------|------|-------------|-------------------|--------------------|---|-----------------------|--------------------------|--|---|--|--------------------------|--|---|---|----------------------|-----------------------------|
|   |               |   |             |                                     |      |             |                   |                    |   |                       |                          |  |   |  |                          | 26/01/2022<br>23/02/2022<br>23/03/2022<br><br><u>Quarter 4</u><br><br>15 April 2022<br>12 May 2022<br>28 June 2022 |   |   |                      |                             |
| Key Performance Area: Cross cutting interventions   |               |   |             |                                     |      |             |                   |                    |   |                       |                          |  |   |  |                          |  |   |   |                      |                             |
| Municipal Goal: To redress the spatial imbalances and promote sustainable environmental planning. |               |   |             |                                     |      |             |                   |                    |   |                       |                          |  |   |  |                          |  |   |   |                      |                             |
| 77  | Town Planning | To ensure effective management of current and desirable land uses by 2022 | 51          | Spatial Development Framework (SDF) | All  | N/A         |                   | -                  | Adoption (by Date) of Spatial Development Framework                   | Date                  | N/A                      | SDF adopted by 31 May 2021   | Target met, SDF adopted on 27 May 2021  | SDF adopted by 31 May 2022   | N/A                      | Target met, SDF was adopted Council on 31 May 2022   | N/A   | N/A   | Development Planning | Copy of Council Resolution  |
| 78  |               |   |             | Wall-to-wall Scheme                 | All  | R 1 500 000 |                   | Internal and COGTA | Completion (by Phase) of Wall-to-wall scheme by 30 June 2022          | Phase                 | Urban Component Complete | Phase 5 of Rural Component: Preparing Land Use and Development Parameters by June 2021 | Target not met, phase 8 of Urban component was completed and presented to Council on the 24th of March 2021 | Adoption of the AbaQulusi Wall-to-wall scheme by June 2022         |                          | Target met, Wall-to-wall Scheme adopted on 30 June 2022  | N/A   | N/A   |                      | Copy of Progress Report     |
| 79  |               |   |             | SHOBA Township Establishment        | 7    | R 1 500 000 |                   | Internal           | Completion (by Phase) of Shoba Township Establishment by 30 June 2022 | Phase                 | N/A                      | Phase 5 of SHOBA Township Establishment completed by 30 June 2021                      | Target met, not the contract service provider expired   | Phase 5 of SHOBA Township Establishment completed by 30 June 2022( | N/A                      | Target not met.  | Due to financial constraints, the project could not commence as a new tender has to be awarded due to it expiring in 2020,                          | A budget has been made available for this project to commence in the 22/23 financial year.  |                      | Copy of Progress Report     |
| 80  |               |   |             | Nkongolwane Township Establishment  | 6    | R 300 000   |                   | Internal           | Opening (by Date) of Township Register by 30 Sep 2021                 | Date                  | N/A                      | Township Register opened by 30 June 2021   | Target met, not the contract service provider expired   | Township Register opened by 30 Sep 2021                            | N/A                      | Target not met   | The quotation to source the service provider was above R30 000 and service provider was also found non-compliant as result SCM had to re-advertised | it was advertised and it at a valuation stage and appointment will be made by end of September 2022. Project will be undertaken in the 2022/23 financial year |                      | Copy of Township Register   |

| SDBIP Ref No. | Focus Area               | Development Objective  | IDP Ref. No | Project               | Ward | Budget | Budget Adjustment | Funding Source | Key Indicator   | Perf. Unit of Measure | Baseline | Annual Target | Annual Actual | Annual Target   | Annual Target Adjustment | Annual Actual   | Reason for variance  | Corrective measure  | Res. Dept          | Portfolio of Evidence (PoE) |
|---------------|--------------------------|--|-------------|-----------------------|------|--------|-------------------|----------------|---|-----------------------|----------|---------------|---------------|---|--------------------------|---|--|---|--------------------|-----------------------------|
| 81            | Environmental Management | Establish and promote a healthy environment in AbaQulusi by 2022 | 55          | Waste Management Plan | N/A  | N/A    |                   | N/A            | Date Waste Management Plan developed and adopted by Council | Date                  |          | N/A           | N/A           | Waste Management Plan developed and adopted by Council by 31 Dec 2021 | Target removed           | Target not met, the Waste Management Plan development is a Draft stage pending comments by Sector Departments | Waste Management Plan completion is pending comments by Sector Departments | The Annual Target was revised and approved by Council to be completed by the end 1 <sup>st</sup> Quarter in 2022/23 | Community Services | Report                      |

\*\* Three projects were removed in the scorecard in terms of sec 54 of the MFMA and are explained below with and progress in this report

|    | PROJECT NAME  | ACTION TAKEN   | 2021/22 PROGRESS   |
|----|---|--|--|
| 1. | BhekuZulu road paving                               | Project repeated on the scorecard under SDBIP Ref. 4 and 11 and had therefore been repeated under SDBIP Ref 11 | Project design completed by 06 June 2022   |
| 2. | Nkotheni roads                                      | Road taken over by the Department of Transport   |  |
| 3. | Upgrading of Mezzelfontein Road - Ward 12 (Phase 2) | Project removed during the Adjustment through council approval and will be undertaken in the 2022/23 period    | No actual work undertaken  |
| 4. | Waste Management Plan                               | Project removed during adjustment through council approval   | Project at a draft stage pending comments from Department of Environment, Tourism and Agriculture (ETEA) |

## 6. ASSESSMENT OF EXTERNAL SERVICE PROVIDERS

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.

| Assessment Key          |   |
|-------------------------|---|
| <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>   |

| Bid Number | Date Contract Awarded | Service provided in terms of the SLA   | Value of project | Comparison with previous year 2019/20 |     | Current Financial Year 2020/21 |     | Assessment of Service Providers Performance | of |   |
|------------|-----------------------|--|------------------|---------------------------------------|-----|--------------------------------|-----|---|----|---|
|            |                       |  |                  |                                       |     |                                |     |   | S  | P |
| 8/2/1/377  | 2018/07/03            | Supply of prepayment vending machines for a period of 36 months                        | R1142640.00      | 100                                   | 100 | 100                            | 100 | G   |    |   |
| 8/2/1/371  | 2018/08/07            | Connection and disconnection of water and electricity meters for a period of 36 months | On rates         | 100                                   | 100 | 100                            | 100 | G   |    |   |
| 8/2/1/184  | 07/08/2018            | Supply and delivery of water chemicals for a period of 36 months                       | On unit prices   | 100                                   | 75  | 100                            | 90  | G   |    |   |
| 8/2/1/288  | 2018/11/16            | Provision of cash in transit for a period of 36 months                                 | R1500808.68      | 100                                   | 100 | 100                            | 100 | G   |    |   |

| Bid Number | Date Contract Awarded | Service provided in terms of the SLA  | Value of project                   | Comparison with previous year 2019/20 |     | Current Financial Year 2020/21 |     | Assessment of Service Providers Performance | S | P |
|------------|-----------------------|---|------------------------------------|---------------------------------------|-----|--------------------------------|-----|---|---|---|
|            |                       |   |                                    |                                       |     |                                |     |   |   |   |
| 8/2/1/1    | 2020/11/30            | Leasing of new copier and fax machines for the period of 36 months  | R1 514 755.80                      | -                                     | -   | 100                            | 100 | G   |   |   |
| 8/2/1/331  | 2018/12/19            | Provision of hygiene services for the period of 36 months   | As it when required                | 100                                   | 100 | 100                            | 90  | G   |   |   |
| 8/2/1/374  | 2017/06/30            | Valuation Roll  | R2,495,614.04<br>R2869956.15 + VAT | 100                                   | 100 | 100                            | 100 | G   |   |   |
| 8/2/1/312  | 2019/01/09            | Provision of cartage courier service for the period of 36 months  | As it when required                | 100                                   | 100 | 100                            | 100 | G   |   |   |
| 8/2/1/372  | 2019/01/09            | Full telecommunications maintenance and fault repair, call out service contract for existing PABX telephone system, line and handsets for the period of 36 months | R529,920.00                        | 100                                   | 100 | 100                            | 100 | G   |   |   |
| 8/2/1/68   | 2019/05/11            | Provision of banking services   | Per rate                           | 100                                   | 100 | 100                            | 100 | G   |   |   |
| 8/2/1/324  |                       | Traffic contravention management system   | As per rates                       | 100                                   | 95  | 100                            | 95  | G   |   |   |
| 8/2/1/236  | 2021/04/20            | Advertising agent   | As per rate per advert             |                                       |     | 100                            | 100 | G   |   |   |
| N/A        | 2019/02/06            | Licences, support and maintenance of Munsoft IT system  | As per rates                       | 100                                   | 100 | 100                            | 100 | G   |   |   |
| N/A        | Annually 2019/01/07   | Provision of pay roll system  |                                    | 100                                   | 100 | 100                            | 100 | G   |   |   |
| 8/2/1/82   | 2021/01/27            | Management of short-term insurance for the period of 36 months  | R1 596 503.00                      |                                       |     | 100                            | 100 | G   |   |   |
| 8/2/1/391  | 2019/05/17            | Panel of servicing and maintenance of municipal vehicles  | As and when required               | 100                                   | 95  | 100                            | 95  | G   |   |   |
| 8/2/1/391  | 2019/05/17            | Panel of servicing and maintenance of municipal vehicles  | As and when required               | 100                                   | 50  | 100                            | 60  |   | S |   |



| Bid Number | Date Contract Awarded | Service provided in terms of the SLA  | Value of project      | Comparison with previous year 2019/20 |    | Current Financial Year 2020/21 |     | Assessment of Service Providers Performance |   |   |
|------------|-----------------------|---|-----------------------|---------------------------------------|----|--------------------------------|-----|---|---|---|
|            |                       |   |                       |                                       |    |                                |     |   | S | P |
| 8/2/1/391  | 2019/05/17            | Panel of servicing and maintenance of municipal vehicles  | As and when required  | 100                                   | 99 | 100                            | 100 | G   |   |   |
| 8/2/1/391  | 2019/05/17            | Panel of servicing and maintenance of municipal vehicles  | As and when required  | 100                                   | 10 | 100                            | 30  |   |   | P |
| 8/2/1/309  | 2019/05/17            | Panel of fixing tyres on Municipal vehicles   | As and when required- | 100                                   | 95 | 100                            | 98  | G   |   |   |
| 8/2/1/309  | 2019/05/17            | Panel of fixing tyres on Municipal vehicles   | As and when required  | 100                                   | 98 | 100                            | 98  | G   |   |   |
| 8/2/1/382  | 02/10/2019            | Tarring of Bhukumthetho Road  | R4 156 796.07         | -                                     | -  | 100                            | -   | G   |   |   |
| 8/2/1/398  | 02/10/2019            | Provision of the system to access the deeds office over 36 months   | R165 947.29           | -                                     | -  | 100                            | 100 | G   |   |   |
| 8/2/1/406  | 07/01/2020            | Construction of Bhkekuzulu Library / Multi -Purpose Centre in ward 11   | R6 408 172.99         | -                                     | -  | 100                            | 93% |   |   | P |
| 8/2/1/407  | 07/01/2020            | Tarring of road to Kwabalele to next to the Police Station  | R7 934 775.75         | -                                     | -  | 100                            |     |   |   | P |
| 8/2/1/418  | 2020/11/06            | Panel of experienced service providers for civil, electrical mechanical and scientific services for water and sanitation department for the period of 36 months |                       |                                       |    | 100                            | 100 | G   |   |   |
| 8/2/1/205  | 2020/12/18            | Provision of refuse removal services in Vryheid central and surrounding for the period of 36 months   | R21011648.56          |                                       |    | 100                            | 100 | G   |   |   |

Table 03: Assessment of service providers

## **7. CONCLUSION**

Year 2021/22 had taken a different direction due to existing COVID 19 pandemic outbreaks. Service delivery was affected as most operations were suspended with essential service only in full operation. The municipality embrace new technology and will continue with some operations to enhance working remotely where circumstances prevail.

The focus is now on achieving goals as set out in the IDP and explore available opportunities and AbaQulusi will continue embracing change to achieve its objectives. The participation of the members of the local community in the planning processes and governance structures of the municipality is imperative for the success of this Municipality and should serve as motivation to make a difference to the community of AbaQulusi. The municipality commits to addressing challenges and a better performance in 2021/22.

# CHAPTER 4

## ORGANISATIONAL DEVELOPMENT PERFORMANCE

The Organizational Development Section is a key transformation agent dealing with the structure of the Municipality to ensure that it remains aligned to its strategy, job evaluation process, and change management philosophy. Organisational Development is placed under Human Resource Management section. The Human Resource is divided into two main sections, namely, Human Resource Management and Human Resource Development

### COMPONENT A: INTRODUCTION TO MUNICIPAL PERSONNEL

#### 4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Like every other municipality, the AbaQulusi municipality does acknowledge that there are critical positions that need to be filled in order to ensure smooth operations of the Municipality. The Municipality currently has a total number of 424 employees who are permanent.

| DESCRIPTION                                | APPROVED POSTS | 2021/22   |               |             |
|--|----------------|-----------|---------------|-------------|
|  |                | EMPLOYEES | VACANCIES NO. | VACANCIES % |
| Water and Sanitation                       | 168            | 101       | 67            | 0.66        |
| Electricity                                | 68             | 52        | 16            | 0.30        |
| Development Planning & Housing             | 24             | 21        | 3             | 0.14        |
| Technical administration                   | 5              | 5         | 0             |             |
| Museum                                     | 3              | 2         | 1             | 0.5         |
| Library                                    | 19             | 12        | 7             | 0.58        |
| Public Safety                              | 62             | 37        | 25            | 0.67        |
| Community Development (Admin & Facilities) | 32             | 23        | 9             | 0.39        |
| Corporate Services                         | 52             | 38        | 14            | 0.36        |
| Financial Services                         | 59             | 45        | 14            | 0.31        |
| Office of the Municipal Manager            | 23             | 15        | 8             | 0.53        |
| Solid Waste                                | 51             | 23        | 28            | 1.21        |
| Roads & Stormwater                         | 73             | 44        | 29            | 0.65        |

|                      |            |            |   |      |
|----------------------|------------|------------|---|------|
| Vehicle Registration | 5          | 5          | 0 | 0    |
| Data Processing      | 3          | 2          | 1 | 0.5  |
| Cemeteries           | 7          | 4          | 3 | 0.75 |
| <b>TOTAL</b>         | <b>655</b> | <b>429</b> |   |      |

#### 4.1.1 VACANCIES

| VACANCY RATE                    |                      |               |             |
|---------------------------------|----------------------|---------------|-------------|
| DESIGNATION                     | TOTAL APPROVED POSTS | VACANCIES NO. | VACANCIES % |
| Municipal Manager               | 1                    | 0             | 0%          |
| CFO                             | 1                    | 0             | 0%          |
| Other S54/56 Managers           | 4                    | 0             | 0%          |
| Technical Services              | 291                  | 126           | 43%         |
| Development Planning            | 24                   | 3             | 12.5        |
| Community Services              | 199                  | 61            | 30          |
| Corporate Services              | 52                   | 14            | 26.9        |
| Office of the Municipal Manager | 23                   | 8             | 34.7        |
| Financial Services              | 59                   | 14            | 23.7        |

#### 4.1.2 TURN OVER

| DETAILS | TOTAL APPOINTMENTS AS OF BEGINNING OF FINANCIAL YEAR | TERMINATIONS DURING FINANCIAL YEAR | TURN – OVER RATE |
|---------|--|------------------------------------|------------------|
| 2019/20 | 06   | 22                                 | 5.19%            |
| 2020/21 | 44   | 21                                 | 209.5 %          |
| 2021/22 | 10   | 19                                 | 190%             |

The table below indicates the current status of Management positions in the municipality:

Table 2 Status of Municipal Senior management

| POSITION                              | STATUS | POSITION                 | STATUS |
|---------------------------------------|--------|--------------------------|--------|
| S54-Municipal Manager                 | Filled | Manager: Revenue         | Filled |
| S56-Director: Technical Services      | Filled | Manager: SCM             | Filled |
| S56-Director: Chief Financial Officer | Filled | Manager: Expenditure     | Filled |
| S56-Director: Community Services      | Filled | Manager: Social Services | Filled |
| S56-Director: Corporate Services      | Filled | Manager: Public Safety   | Filled |

| POSITION                           | STATUS | POSITION                                 | STATUS |
|------------------------------------|--------|--|--------|
| S56-Director: Development Planning | Filled | Manager: Environmental Services          | Filled |
| Manager: Office of the MM          | Vacant | Manager: Council Support & General Admin | Filled |
| Manager: IDP                       | Filled | Manager: General Admin                   | Filled |
| Manager: Internal Audit            | Filled | Manager: HR Development                  | Filled |
| Manager: PMU                       | Filled | Manager: HRD Management                  | Filled |
| Manager: Roads and Storm water     | Filled | Manager: Town Planning                   | Filled |
| Manager: Water                     | Filled | Manager: LED                             | Filled |
| Manager: Electrical                | Vacant | Manager: ICT                             | Vacant |
| Manager: Budget & Treasury         | Filled | Manager: Legal Services                  | Filled |
| Manager; Fleet                     | Filled | Manager Human Settlement                 | Filled |
| Manager PMS                        | Filled |  |        |

### 4.1.3 CRITICAL POSITIONS

The administrative structure consists of five departments that report directly to the Municipal Manager, namely, Development Planning &, Corporate Services, Technical Services, Community Service, and Finance. The municipality had vacancies on the Technical Director position and Director Community Services position since 2018 and were filled in October 2020. There are various critical positions in each department most were filled during 2020/21

### 4.2 POLICIES AND PLANS

Policies and plans provide guidance for fair and consistent staff treatment and a consistent approach to the managing of staff and facilitate decision making process. AbaQulusi Municipality adopted/reviewed organisational development policies in this regard as indicated in the table below. Dates of policy development and the last annual review are also provided.

|    | NAME OF POLICY                    | REVIEWED   | DATE ADOPTED BY COUNCIL |
|----|-----------------------------------|------------|-------------------------|
| 1. | Human Resources Policy Manual     | 31/03/2022 | 31/05/2022              |
| 2. | HR Strategy Plan                  | 31/03/2022 | 31/05/2022              |
| 3. | Annual and other Leave Policy     | 31/03/2022 | 31/05/2022              |
| 4. | Code of Conduct and Ethics Police | 31/03/2022 | 31/05/2022              |
| 5. | Dress Code Police                 | 31/03/2022 | 31/05/2022              |
| 6. | Recognition awards Policy         | 31/03/2022 | 31/05/2022              |

|     | NAME OF POLICY                            | REVIEWED   | DATE ADOPTED BY COUNCIL |
|-----|---|------------|-------------------------|
| 7.  | Acting Allowance Police                   | 31/03/2022 | 31/05/2022              |
| 8.  | Internship and in Service Training Policy | 31/03/2022 | 31/05/2022              |
| 9.  | Private work for Remuneration Policy      | 31/03/2022 | 31/05/2022              |
| 10. | Personal gain Policy                      | 31/03/2022 | 31/05/2022              |
| 11. | Suggestion box Policy                     | 31/03/2022 | 31/05/2022              |
| 12. | Overtime Policy                           | 31/03/2022 | 31/05/2022              |
| 13. | Induction Policy                          | 31/03/2022 | 31/05/2022              |
| 14. | Probation Policy                          | 31/03/2022 | 31/05/2022              |
| 15. | Termination of Services                   | 31/03/2022 | 31/05/2022              |
| 16. | Study Aid Policy                          | 31/03/2022 | 31/05/2022              |
| 17. | Employment Equity Policy                  | 31/03/2022 | 31/05/2022              |
| 18. | Recruitment Policy                        | 31/03/2022 | 31/05/2022              |
| 19. | Long Service Recognition Police           | 31/03/2022 | 31/05/2022              |
| 20. | Staff/Night Work Allowance Policy         | 31/03/2022 | 31/05/2022              |
| 21. | Standby Allowance Policy                  | 31/03/2022 | 31/05/2022              |
| 22. | Telephone Usage Policy                    | 31/03/2022 | 31/05/2022              |
| 23. | Working Hours Policy                      | 31/03/2022 | 31/05/2022              |
| 24. | Sexual Harassment Policy                  | 31/03/2022 | 31/05/2022              |
| 25. | Affirmative Action Policy                 | 31/03/2022 | 31/05/2022              |
| 26. | Subsistence Abuse                         | 31/03/2022 | 31/05/2022              |
| 27. | Retention Strategy                        | 31/03/2022 | 31/05/2022              |
| 28. | Acknowledgement by Employee               | 31/03/2022 | 31/05/2022              |

### 4.3 INJURIES, SICKNESS AND SUSPENSIONS

An occupational injury is a personal injury, disease, or death resulting from an occupational accident. Compensation claims for such occupational injuries are calculated according to the seriousness of the injury/disease and can be costly to a municipality. The occupational injury will influence the loss of man-hours and therefore financial and productivity performance and no injury can be reported for the reporting period as indicated in the table below.

| NUMBER AND COST OF INJURIES ON DUTY   |                         |                                  |   |                                   |                      |
|---------------------------------------|-------------------------|----------------------------------|---|-----------------------------------|----------------------|
| TYPE OF INJURY                        | INJURY LEAVE TAKEN DAYS | EMPLOYEES USING INJURY LEAVE NO. | PROPORTION EMPLOYEES USING SICK LEAVE % | AVERAGE INJURY LEAVE PER EMPLOYEE | TOTAL ESTIMATED COST |
| Manhole gas inhalation, upon entering | 0                       | 0                                | 0                                       | 0                                 | 0                    |
| Manhole gas inhalation, upon entering | 0                       | 0                                | 0                                       | 0                                 | 0                    |
| Manhole gas inhalation, upon entering | 0                       | 0                                | 0                                       | 0                                 | 0                    |

| TOTAL SICK LEAVE | PROPORTION OF SICK LEAVE WITHOUT MEDICAL CERTIFICATE | EMPLOYEES USING SICK LEAVE NO. | TOTAL EMPLOYEES IN POST | AVERAGE SICK LEAVE PER EMPLOYEE |
|------------------|--|--------------------------------|-------------------------|---------------------------------|
| 1205             | 76   | 141                            | 429                     | 33%                             |

### 4.4 SUSPENSIONS

Employees are suspended when it is necessary to do so depending on the nature and the seriousness of the misconduct. The disciplinary procedure collective agreement provides that an employee may be suspended or used in another capacity when undergoing a disciplinary process.

Discipline is a corrective measure and not a punitive measure. During the 2021/22 financial year, an employee was dismissed having not been suspended because the Municipality decided to use the employee in another capacity because there was no reason to believe that he would jeopardize the investigation process.

If there is reason to believe that the investigation process may be interfered with by an employee, an employee is usually suspended pending the outcome of the disciplinary hearing.



## **COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE**

### **4.5 SKILLS DEVELOPMENT AND TRAINING**

#### **4.5.1 INTRODUCTION**

Human Resources Development is a division of the municipality, which is charged with the responsibility of ensuring that both employees and prospective employees are properly capacitated to meet the mandate of the Local Municipality.

Again, HRD is a melting pot of ideas and sharpening of strategies of all employees by increasing their capacity to meet challenges and to develop macro perspectives while thinking strategically beyond the confines of their immediate line functions. It is through training and capacity development where employees are able to match their skill levels in synchrony with the Integrated Development Plan which has been, and will continue being, a primary guiding document of this municipality.

#### **4.6 PERFORMANCE REWARDS**

The 2020/21 Annual Performance assessments for Senior Managers have not been undertaken yet. In October 2020 the 2018/19 annual performance assessments were undertaken and performance rewards awarded in March 2021. Staff below Senior Management is not yet evaluated on performance therefore no performance rewards is paid in this regard.

## COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE

### 4.7 EMPLOYEE EXPENDITURE

Section 66 of the MSA states that the accounting officer of a municipality must report to the Council on all expenditure incurred by the municipality on staff salaries, wages, allowances and benefits. This is in line with the requirements of the Public Service Regulations, (2002), as well as National Treasury Budget and Reporting Regulations SA22 and SA23.

Below is employee expenditure for the reporting period

| EMPLOYEE EXPENDITURE 2018/19 – 2020/21 |             |             |              |
|--|-------------|-------------|--------------|
| PERIOD                                 | BUDGET      | ACTUAL      | % PERCENTAGE |
| 2020/21                                | 159 298 000 | 197 646 125 | 31.3 %       |
| 2021/22                                | 182 062 580 | 177 131 563 | 21.9 %       |

## **COMPONENT I: CORPORATE POLICY OFFICES AND OTHER SERVICES**

### **INFORMATION TECHNOLOGY (IT)**

Additional controls were implemented as per the IT Policy as well as mitigating procedures and security procedures were implemented in order to prevent security breaches. A number of weaknesses were identified and attended to and management is encouraged to ensure that these processes/procedures are enforced for the safety of the municipal IT infrastructure. It is further recommended that the municipality should consider setting up a robust IT Steering Committee. IT controls, policies and procedures should be supported and enforced by management to ensure security of the IT infrastructure and the information stored.

It is furthermore recommended that management ensures not only staff but management attends cyber security and IT policy workshops to get a clear understanding of the severe risks they put themselves and the municipality in when making decisions that override cyber security procedures and protocols as this can in turn be a severe risk by the municipality management and could cause loss of information or data.

It is also further advised that all systems using Wi-Fi are secured and not publicly available as this presents a severe risk to the infrastructure and its internal functions and that IT staff should be supported and engaged to generate solutions to problems and that IT staff should engage management of risks beyond their control and therefore make decisions that would lower the risks and not increase the risks. As it is important for management to understand the risks, because solutions are based on the risks. It is noted that IT is also in need of staff to bolster and cope with the work, and therefore recommended that IT staff are employed as per the organogram.

### **GENERAL ADMINISTRATION**

General Administration Section, it is responsible for the entire general administration of the whole Municipality including providing secretarial services to Council

and all Committees, the cleaning function, building maintenance and also renders a comprehensive registry function on behalf of the whole Municipality.

In all functional areas as mentioned there is Council Support division which is the most challenging division and a heartbeat of every municipality prospect;

## **COUNCIL SUPPORT**

Council Support, it is actually responsible for the following functions:

- secretarial services to Council and all Committees,
- cleaning function, Office building maintenance and also

Council Support division is the most challenging division and a heartbeat of every municipality prospect;

## HIGHLIGHTS

Highlights are indicated below

| HIGHLIGHTS          | DESCRIPTION  |
|---------------------|--|
| functional registry | functional registry has been installed in the Human Resources Department as required by the KZN Archives and Records Services Act and its regulations. |

## CHALLENGES

Challenges are indicated in the table below

| CHALLENGE   | ACTION TO BE TAKEN   |
|---|--|
| inadequate office accommodation   | Source funding to build new offices                                  |
| The budget for facilities management is insufficient to address the needs identified as far as maintenance of buildings is concerned. | Prioritisation to be considered to maintain buildings and facilities |

## MUNICIPAL COUNCIL

The Municipal Council operates as a Collective System with a Mayor and Executive Committee appointed by Council. The members of the Executive Committee are constitutionally delegated as full time Councillors. There are other Municipal Committees which are legitimately established in terms of Section 79 of the Municipal Structures Act 117 of 1998, Council is assisted by portfolio committees to perform or exercise any duties or tasks as delegated by Council.

- Corporate Services
- Community Services
- Technical Services
- Finance
- Development Planning

Apart from Portfolio Committees Council after elections, further established in terms of legislative prescripts the following committees:

- Local Labour Forum
- Municipal Public Accounts Committee (MPAC)
- Training Committee

Portfolio Committees Members are indicated under chapter 2 and they meet every month as per schedule approved by Council. If a special need arises, the chairperson calls for a special meeting to be convened.

# CHAPTER 5

## FINANCIAL PERFORMANCE

### COMPONENT A: STATEMENT OF FINANCIAL PERFORMANCE

This chapter provides details regarding the financial performance of the Municipality for the 2021/22 financial year. The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically, and equitably to all communities.

The Municipality's service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate funds were transferred from low- to high priority programs so as to maintain sound financial stewardship.

The budget for the 2021/22 MTREF period was based on the realisation that no, or limited, the scope for additional externally- or internally-funded revenue growth existed and was further reiterated in National Treasury guidelines (circular 51) - *"...over the next few years, government must deliver more services – and deliver them more efficiently – within a tight resource envelope. Achieving this objective requires a new way of working: the budget has been reprioritized so that money is moved from low-priority programmed to high-priority programmes. Municipalities are encouraged to adopt similar stances on these issues. This is particularly important in the run-up to the local government elections. Mayors and Councils need to remain focused on the effective delivery of core municipal services...."*

The budget was compiled by ensuring that the financial management processes are transparent, aligned to the accountability cycle and facilitate good governance that is accountable to the local community. The budget supports the provision of basic services to the communities, facilitating social and economic development, promoting a safe and healthy environment in a sustainable manner. The main challenges experienced during the compilation of the 2021/22 MTREF can be summarized as follows:

- The ongoing difficulties in the local economy
- Ageing water, roads and electricity infrastructure
- The need to priorities projects and expenditure within the existing resources available.
- The increased cost of bulk electricity due to tariff increases from ESKOM. This is placing pressure on the budget as the tariff the municipality has been allowed to charge is less than the bulk cost meaning there are fewer funds available for maintenance.

## 5.1 INTRODUCTION TO FINANCIAL STATEMENTS

The Financial Services Department experienced a very difficult period during the year under review. There is still a lack of Human Resources. The employment of staff has continued to be problematic during this period, with the Finance Department really under pressure due to a critical shortage of staff.

## 5.2 GRANTS PERFORMANCE

There was an amount of R41,3 million spent on fixed assets incurred to date which was mainly funded from Municipal Infrastructure Grant (MIG) and Department of Energy (DOE) grant funding. This represents under spending when compared to budget.

## 5.3 ASSET MANAGEMENT

An amount of R48,3 million which equates to 6 % of the expenditure budget was spent on repairs and maintenance of municipal assets

## 5.4 FINANCIAL RATIOS

### RATIO ANALYSIS

The following ratios were considered:

#### Asset test ratio

| PERIOD  | CURRENT ASSETS | CURRENT LIABILITIES | ACID TEST RATIO |
|---------|----------------|---------------------|-----------------|
| 2018/19 | 172,695,971    | 154,579,669         | 1.12            |
| 2019/20 | 208,373,807    | 157,126,075         | 1.33            |
| 2020/21 | 124,025,544    | 115,421,838         | 1.07            |
| 2021/22 | 144,345,877    | 165,540,430         | 8.07            |



The Assets ratio is calculated as a municipality's current assets minus inventory divided by current liabilities. The accepted Acid test ratio is considered to be 1:1

#### **CURRENT ASSETS RATIO**

| <b>Financial year</b> | <b>Current assets</b> | <b>Current liabilities</b> | <b>Current assets ratio</b> |
|-----------------------|-----------------------|----------------------------|-----------------------------|
| <b>2019/20</b>        | 208,373,807           | 157,126,075                | <b>1.33</b>                 |
| <b>2020/21</b>        | 124,025,544           | 115,421,838                | <b>1.07</b>                 |
| <b>2021/22</b>        | 144,345,877           | 165,540,430                | <b>8.07</b>                 |

### **COMPONENT B: SPENDING AGAINST CAPITAL BUDGET**

#### **5.5 SOURCES OF FINANCE**

##### **ANTICIPATED REVENUE**

The municipality received the following grants in the year 2019/20 financial year to year 2021/22

| <b>Grant</b>                   | <b>Amount</b>    | <b>Amount</b>    | <b>Amount</b>    |
|--------------------------------|------------------|------------------|------------------|
|                                | <b>2019/20</b>   | <b>2020/21</b>   | <b>2021/22</b>   |
| Equitable Share                | R 148 281 000.00 | R 191 340 000.00 | R 167 845 000.00 |
| Municipal Infrastructure Grant | R 42 259 850.00  | R 37 713 429.00  | R 39 107 000.00  |
| Financial Management Grant     | R 2 235 000.00   | R 2 600 000.00   | R 2 650 000.00   |
| Electrification Grant          | R 18 749 000.00  | R 10 000 000.00  | R 3 396 000.00   |

#### **5.6 CASHFLOW**

The cashflow of the municipality increased from R23,7 million at the beginning of the financial year to R29 million by 30 June 2022

#### **5.7 MUNICIPAL INVESTMENT**

The municipality holds a portfolio of investments to the value of R23,3 million, as well as a positive bank balance of R5,6 million. Consumer deposits of R16,9 million which should be funded from investments and the current bank account.

## **5.8 GRAP COMPLIANCE**

The Annual Financial Statements for 2021/22 were prepared in the GRAP format and submitted to the Auditor-General on the 31<sup>st</sup> of August 2022. The municipality is currently in the process of being audited for 2021/22.

# ANNUAL FINANCIAL STATEMENTS

AFS 2021/22



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

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## General Information

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### Legal form of entity

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

### Nature of business and principal activities

The primary function of Abaqulusi Local Municipality is to provide basic services i.e. water, electricity, sanitation and refuse to the Abaqulusi communities in a sustainable manner, to promote social and economic development and to promote a safe and healthy environment.

### Mayoral committee

Mayor

MC Maphisa

Deputy Mayor

MA Mazibuko

Speaker

MB Khumalo

Executive Committee Members

L Dube

LWC Mtshali

NN Mdlalose

HB Khumalo

BP Nhlengethwa

ML Mtshali

FK Nene

Councillors

SB Mkhwanazi

KZ Mbatha

BE Ndlela

TE Vilakazi

BW Mdlalose

MD Khumalo

BP Buthelezi

SS Mthembu

AP Mbatha

JX Sangweni

ZM Ngcobo

KM Ntuli

MM Lambiso

XJ Zungu

LM Xulu

AT Mdletshe

MD Buthelezi

E Cronje

LN Ntuli

PP Selepe

SN Buthelezi

MB Mabaso

SN Ndlela

ST Mbokazi

BI Ngema

VV Dlamini

NM Sibiya

HV Khumalo

CB Hlatshwayo

S Shelembe

M Viktor

# **AbaQulusi Local Municipality**

Annual Financial Statements for the year ended 30 June 2022

## **General Information**

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|                                    |  |
|------------------------------------|--|
|                                    | PF Buthelezi<br>RZ Nzuza<br>NP Ndlela<br>MP Williams   |
| <b>Grading of local authority</b>  | Grade 04<br>Medium Capacity  |
| <b>Chief Finance Officer (CFO)</b> | Mr. M Mthembu  |
| <b>Accounting Officer</b>          | Mr ZG Dhlamini   |
| <b>Business address</b>            | Cnr of Mark and High Street<br>Vryheid<br>Kwa-Zulu Natal<br>3100   |
| <b>Postal address</b>              | P. O. Box 57<br>Vryheid<br>Kwa-Zulu Natal<br>3100  |
| <b>Bankers</b>                     | ABSA Bank of South Africa Limited<br><br>Nedbank of South Africa Limited<br><br>Standard Bank                  |
| <b>Auditors</b>                    | Auditor General of South Africa  |
| <b>Attorneys</b>                   | Cox and Partners<br>Garlicke & Bousfield<br>Nxumalo & Partners<br>Mathapo Attorneys<br>S Pearl Ndaba Attorneys |

# **AbaQulusi Local Municipality**

Annual Financial Statements for the year ended 30 June 2022

## **Index**

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

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### **Abbreviations used:**

|        |   |
|--------|---|
| COID   | Compensation for Occupational Injuries and Diseases             |
| DBSA   | Development Bank of South Africa                                |
| GRAP   | Generally Recognised Accounting Practice                        |
| IAS    | International Accounting Standards                              |
| IPSAS  | International Public Sector Accounting Standards                |
| MFMA   | Municipal Finance Management Act                                |
| mSCOA  | Municipal Standard Chart of Accounts                            |
| MIG    | Municipal Infrastructure Grant                                  |
| LGSETA | Local Government Services Sector Education & Training Authority |
| MEC    | Member of the Executive Council                                 |
| SALGA  | South African Local Government Association                      |

# **AbaQulusi 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 was given unrestricted access to all financial records and related data.

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 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. My assumption is made based on the municipality receiving continuous grant funding from both National and Provincial Government. The municipality is dependent on revenue received from billing of property rates and services to the community and state for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that Abaqulusi Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality. (Refer to note for going concern for the detailed analysis).

I certify that the salaries, allowances and benefits of Councillors as disclosed in the note entitled Remuneration of Councillors of these Annual Financial Statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on page 5, 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:

**Mr ZG Dhlamini**  
**Municipal Manager**



# AbaQulusi 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<br>Restated*    |
|--|---------|----------------------|----------------------|
| <b>Assets</b>                              |         |                      |                      |
| <b>Current Assets</b>                      |         |                      |                      |
| Inventories                                | 2       | 19,159,620           | 12,956,018           |
| Receivables from exchange transactions     | 3       | 67,575,579           | 55,794,231           |
| Receivables from non-exchange transactions | 4       | 42,318,730           | 28,937,592           |
| VAT receivable                             | 5       | 2,601,982            | 3,405,257            |
| Cash and cash equivalents                  | 6       | 29,031,313           | 23,724,637           |
|  |         | <b>160,687,224</b>   | <b>124,817,735</b>   |
| <b>Non-Current Assets</b>                  |         |                      |                      |
| Investment property                        | 7       | 99,932,970           | 91,161,500           |
| Property, plant and equipment              | 8       | 1,267,487,243        | 1,371,781,487        |
| Intangible assets                          | 9       | 321,578              | 467,391              |
| Heritage assets                            | 10      | 3,854,571            | 3,854,571            |
|  |         | <b>1,371,596,362</b> | <b>1,467,264,949</b> |
| <b>Total Assets</b>                        |         | <b>1,532,283,586</b> | <b>1,592,082,684</b> |
| <b>Liabilities</b>                         |         |                      |                      |
| <b>Current Liabilities</b>                 |         |                      |                      |
| Payables from exchange transactions        | 11      | 139,466,885          | 89,883,659           |
| Consumer deposits                          | 12      | 16,927,817           | 16,091,593           |
| Employee benefit obligation                | 14      | 3,729,000            | 3,384,000            |
| Unspent conditional grants and receipts    | 13      | 7,523,997            | 6,170,687            |
| Provisions                                 | 15      | 1,021,505            | 1,343,518            |
|  |         | <b>168,669,204</b>   | <b>116,873,457</b>   |
| <b>Non-Current Liabilities</b>             |         |                      |                      |
| Employee benefit obligation                | 14      | 52,767,001           | 50,099,001           |
| Provisions                                 | 15      | 40,185,333           | 38,273,064           |
|  |         | <b>92,952,334</b>    | <b>88,372,065</b>    |
| <b>Total Liabilities</b>                   |         | <b>261,621,538</b>   | <b>205,245,522</b>   |
| <b>Net Assets</b>                          |         | <b>1,270,662,048</b> | <b>1,386,837,162</b> |
| Accumulated surplus                        |         | 1,270,662,048        | 1,386,837,162        |
| <b>Total Net Assets</b>                    |         | <b>1,270,662,048</b> | <b>1,386,837,162</b> |

\* See Note 42

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Performance

| Figures in Rand                                     | Note(s) | 2022                 | 2021<br>Restated*   |
|---|---------|----------------------|---------------------|
| <b>Revenue</b>                                      |         |                      |                     |
| <b>Revenue from exchange transactions</b>           |         |                      |                     |
| Service charges                                     | 17      | 309,397,431          | 285,157,700         |
| Sales of Goods and Rendering of services            | 26      | 592,327              | 798,066             |
| Rental of facilities and equipment                  | 18      | 936,598              | 1,069,914           |
| Licences and permits                                | 19      | 15,405               | 46,346              |
| Agency services                                     | 20      | 5,804,579            | 2,791,006           |
| Operational Income                                  | 21      | 123,159              | 3,927,852           |
| Interest on Investments                             | 22      | 1,264,564            | 897,107             |
| Interest on receivables from exchange transactions  | 23      | 10,970,652           | 7,979,328           |
| Actuarial gains                                     |         | 6,131,000            | 14,184,833          |
| <b>Total revenue from exchange transactions</b>     |         | <b>335,235,715</b>   | <b>316,852,152</b>  |
| <b>Revenue from non-exchange transactions</b>       |         |                      |                     |
| Property rates                                      | 24      | 102,067,106          | 98,951,181          |
| Property rates - penalties imposed                  | 24      | 10,814,766           | 4,995,664           |
| Government grants & subsidies                       | 27      | 219,571,155          | 246,328,232         |
| Fines, Penalties and Forfeits                       | 25      | 7,368,691            | 8,606,391           |
| <b>Total revenue from non-exchange transactions</b> |         | <b>339,821,718</b>   | <b>358,881,468</b>  |
| <b>Total revenue</b>                                |         | <b>675,057,433</b>   | <b>675,733,620</b>  |
| <b>Expenditure</b>                                  |         |                      |                     |
| Employee related costs                              | 28      | 177,131,563          | 167,755,459         |
| Remuneration of councillors                         | 29      | 17,864,855           | 17,514,647          |
| Inventories losses/write-downs                      |         | 1,629,670            | -                   |
| Water Losses  |         | 10,947,520           | 10,910,237          |
| Depreciation and amortisation                       | 30      | 108,970,555          | 80,134,631          |
| Finance costs                                       | 31      | 255,372              | 7,985,905           |
| Lease rentals on operating lease                    | 32      | 4,720,447            | 6,589,325           |
| Debt Impairment                                     | 33      | 12,264,751           | 66,118,298          |
| Consumer interest write off                         | 34      | 17,718,588           | -                   |
| Impairment Losses                                   |         | 9,707,204            | 3,824,598           |
| Bulk purchases                                      | 35      | 215,063,544          | 187,270,673         |
| Contracted services                                 | 36      | 113,919,465          | 88,735,294          |
| Loss on disposal of assets                          |         | 26,197,665           | -                   |
| Inventory Consumed                                  |         | 48,391,498           | 19,878,623          |
| Operational Expenditure                             | 38      | 40,886,109           | 34,136,709          |
| <b>Total expenditure</b>                            |         | <b>805,668,806</b>   | <b>690,854,399</b>  |
|   |         | <b>(130,611,373)</b> | <b>(15,120,779)</b> |
| Water Inventory Gains                               |         | 4,317,749            | 4,974,180           |
| Fair value adjustment                               |         | 8,771,470            | 36,810,000          |
| <b>(Deficit) surplus for the year</b>               |         | <b>(117,522,154)</b> | <b>26,663,401</b>   |

\* See Note 42

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Changes in Net Assets

| Figures in Rand                             | Accumulated surplus / deficit | Total net assets     |
|---|-------------------------------|----------------------|
| Opening balance as previously reported      | 1,253,041,187                 | 1,253,041,187        |
| Adjustments                                 |                               |                      |
| Correction of errors                        | (22,611,659)                  | (22,611,659)         |
| Surplus for the year                        | 2,364,841                     | 2,364,841            |
| <b>Balance at 01 July 2020 as restated*</b> | <b>1,232,794,369</b>          | <b>1,232,794,369</b> |
| Changes in net assets                       |                               |                      |
| Surplus for the year                        | 154,042,793                   | 154,042,793          |
| Total changes                               | 154,042,793                   | 154,042,793          |
| <b>Restated* Balance at 01 July 2021</b>    | <b>1,388,184,946</b>          | <b>1,388,184,946</b> |
| Changes in net assets                       |                               |                      |
| Surplus for the year                        | (117,522,898)                 | (117,522,898)        |
| Total changes                               | (117,522,898)                 | (117,522,898)        |
| <b>Balance at 30 June 2022</b>              | <b>1,270,662,048</b>          | <b>1,270,662,048</b> |
| Note(s)                                     |                               |                      |

\* See Note 42

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Cash Flow Statement

| Figures in Rand   | Note(s) | 2022                       | 2021<br>Restated*          |
|---|---------|----------------------------|----------------------------|
| <b>Cash flows from operating activities</b>                 |         |                            |                            |
| <b>Receipts</b>   |         |                            |                            |
| Taxation  |         | 102,067,106                | 84,440,179                 |
| Sale of goods and services                                  |         | 318,538,819                | 297,453,159                |
| Grants  |         | 219,221,713                | 247,350,985                |
| Interest income   |         | 13,937,984                 | 897,107                    |
|   |         | <u>653,765,622</u>         | <u>630,141,430</u>         |
| <b>Payments</b>   |         |                            |                            |
| Employee costs  |         | (194,631,629)              | (187,247,676)              |
| Suppliers   |         | (412,199,374)              | (379,638,319)              |
| Finance costs   |         | (255,372)                  | (7,985,905)                |
|   |         | <u>(607,086,375)</u>       | <u>(574,871,900)</u>       |
| <b>Net cash flows from operating activities</b>             | 39      | <b><u>46,679,247</u></b>   | <b><u>55,269,530</u></b>   |
| <b>Cash flows from investing activities</b>                 |         |                            |                            |
| Purchase of property, plant and equipment                   | 8       | (41,372,571)               | (43,824,926)               |
| Proceeds from sale of property, plant and equipment         | 8       | -                          | (3,824,499)                |
| <b>Net cash flows from investing activities</b>             |         | <b><u>(41,372,571)</u></b> | <b><u>(47,649,425)</u></b> |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |         | <b>5,306,676</b>           | <b>7,620,105</b>           |
| Cash and cash equivalents at the beginning of the year      |         | 23,724,637                 | 16,104,532                 |
| <b>Cash and cash equivalents at the end of the year</b>     | 6       | <b><u>29,031,313</u></b>   | <b><u>23,724,637</u></b>   |

The accounting policies on pages 13 to 43 and the notes on pages 44 to 94 form an integral part of the annual financial statements.

\* See Note 42

# AbaQulusi 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 |
|--|-----------------|-------------|--------------|------------------------------------|--|
|--|-----------------|-------------|--------------|------------------------------------|--|

Figures in Rand

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

|                                    |             |            |                    |             |                     |
|------------------------------------|-------------|------------|--------------------|-------------|---------------------|
| Service charges                    | 312,485,698 | 7,770,672  | <b>320,256,370</b> | 309,397,431 | <b>(10,858,939)</b> |
| Rendering of services              | 929,301     | (296,034)  | <b>633,267</b>     | 592,327     | <b>(40,940)</b>     |
| Rental of facilities and equipment | 1,050,000   | (496,400)  | <b>553,600</b>     | 936,598     | <b>382,998</b>      |
| Interest received (trading)        | -           | 52,335,739 | <b>52,335,739</b>  | 10,970,652  | <b>(41,365,087)</b> |
| Agency services                    | -           | -          | -                  | 5,804,579   | <b>5,804,579</b>    |
| Licences and permits               | 5,148,000   | 2,146,000  | <b>7,294,000</b>   | 15,405      | <b>(7,278,595)</b>  |
| Operational Income                 | 4,647,000   | (142,838)  | <b>4,504,162</b>   | 123,159     | <b>(4,381,003)</b>  |
| Interest received - investment     | 1,680,000   | -          | <b>1,680,000</b>   | 1,264,564   | <b>(415,436)</b>    |

**Total revenue from exchange transactions**      **325,939,999**      **61,317,139**      **387,257,138**      **329,104,715**      **(58,152,423)**

##### Revenue from non-exchange transactions

##### Taxation revenue

|                                    |            |             |                    |             |                  |
|------------------------------------|------------|-------------|--------------------|-------------|------------------|
| Property rates                     | 83,492,760 | 18,283,130  | <b>101,775,890</b> | 102,067,106 | <b>291,216</b>   |
| Property rates - penalties imposed | 12,600,000 | (7,021,789) | <b>5,578,211</b>   | 10,814,766  | <b>5,236,555</b> |

##### Transfer revenue

|                               |             |             |                    |             |                    |
|-------------------------------|-------------|-------------|--------------------|-------------|--------------------|
| Government grants & subsidies | 220,276,000 | 4,000,000   | <b>224,276,000</b> | 219,571,155 | <b>(4,704,845)</b> |
| Fines, Penalties and Forfeits | 24,773,000  | (7,503,000) | <b>17,270,000</b>  | 7,368,691   | <b>(9,901,309)</b> |

**Total revenue from non-exchange transactions**      **341,141,760**      **7,758,341**      **348,900,101**      **339,821,718**      **(9,078,383)**

**Total revenue**      **667,081,759**      **69,075,480**      **736,157,239**      **668,926,433**      **(67,230,806)**

#### Expenditure

|                                  |               |              |                      |               |                     |
|----------------------------------|---------------|--------------|----------------------|---------------|---------------------|
| Personnel                        | (168,227,580) | (13,835,000) | <b>(182,062,580)</b> | (177,131,563) | <b>4,931,017</b>    |
| Remuneration of councillors      | (19,123,140)  | 260,000      | <b>(18,863,140)</b>  | (17,864,855)  | <b>998,285</b>      |
| Administration                   | -             | -            | -                    | (1,629,670)   | <b>(1,629,670)</b>  |
| Transfer payments - Other        | -             | -            | -                    | (10,947,520)  | <b>(10,947,520)</b> |
| Depreciation and amortisation    | (42,666,464)  | -            | <b>(42,666,464)</b>  | (108,970,555) | <b>(66,304,091)</b> |
| Finance costs                    | -             | -            | -                    | (255,372)     | <b>(255,372)</b>    |
| Lease rentals on operating lease | -             | -            | -                    | (4,720,447)   | <b>(4,720,447)</b>  |
| Debt Impairment                  | -             | -            | -                    | (12,264,751)  | <b>(12,264,751)</b> |
| Bad debts written off            | (6,729,736)   | -            | <b>(6,729,736)</b>   | (17,718,588)  | <b>(10,988,852)</b> |
| Collection costs                 | -             | -            | -                    | (9,707,204)   | <b>(9,707,204)</b>  |
| Bulk purchases                   | (240,000,000) | -            | <b>(240,000,000)</b> | (215,063,544) | <b>24,936,456</b>   |
| Contracted Services              | (85,660,340)  | (45,289,000) | <b>(130,949,340)</b> | (113,919,465) | <b>17,029,875</b>   |
| Transfers and Subsidies          | -             | (8,000,000)  | <b>(8,000,000)</b>   | -             | <b>8,000,000</b>    |
| Sale of goods/Inventory          | (25,828,000)  | 1,813,000    | <b>(24,015,000)</b>  | (48,391,498)  | <b>(24,376,498)</b> |
| Operational Expenditure          | (25,318,000)  | (4,645,000)  | <b>(29,963,000)</b>  | (40,886,109)  | <b>(10,923,109)</b> |

**Total expenditure**      **(613,553,260)**      **(69,696,000)**      **(683,249,260)**      **(779,471,141)**      **(96,221,881)**

**Operating deficit**      **53,528,499**      **(620,520)**      **52,907,979**      **(110,544,708)**      **(163,452,687)**

Loss on disposal of assets and liabilities      -      -      -      (26,197,665)      **(26,197,665)**

# AbaQulusi 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<br>budget | Adjustments      | Final Budget      | Actual amounts<br>on comparable<br>basis | Difference<br>between final<br>budget and<br>actual |
|--|--------------------|------------------|-------------------|--|---|
| Figures in Rand  |                    |                  |                   |  |   |
| Actuarial gains/losses   | -                  | -                | -                 | 6,131,000                                | <b>6,131,000</b>                                    |
|  | -                  | -                | -                 | <b>(20,066,665)</b>                      | <b>(20,066,665)</b>                                 |
| <b>Deficit before taxation</b>   | <b>53,528,499</b>  | <b>(620,520)</b> | <b>52,907,979</b> | <b>(130,611,373)</b>                     | <b>(183,519,352)</b>                                |
| <b>Deficit for the year from continuing operations</b>   | <b>53,528,499</b>  | <b>(620,520)</b> | <b>52,907,979</b> | <b>(130,611,373)</b>                     | <b>(183,519,352)</b>                                |
| Water Gains  | -                  | -                | -                 | 4,317,749                                | <b>4,317,749</b>                                    |
| <b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b> | <b>53,528,499</b>  | <b>(620,520)</b> | <b>52,907,979</b> | <b>(126,293,624)</b>                     | <b>(179,201,603)</b>                                |
| <b>Reconciliation</b>  |                    |                  |                   |  |   |

# AbaQulusi 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<br>budget | Adjustments | Final Budget | Actual amounts<br>on comparable<br>basis | Difference<br>between final<br>budget and<br>actual |
|--|--------------------|-------------|--------------|--|---|
|--|--------------------|-------------|--------------|--|---|

Figures in Rand

### Statement of Financial Position

#### Assets

##### Current Assets

|  |                    |                    |                    |                    |                      |
|--|--------------------|--------------------|--------------------|--------------------|----------------------|
| Inventories                                | 5,785,572          | 1,813,000          | 7,598,572          | 19,159,620         | 11,561,048           |
| Receivables from exchange transactions     | -                  | -                  | -                  | 52,287,555         | 52,287,555           |
| Receivables from non-exchange transactions | -                  | -                  | -                  | 42,318,731         | 42,318,731           |
| VAT receivable                             | -                  | -                  | -                  | 2,601,982          | 2,601,982            |
| Consumer debtors                           | 189,898,000        | (5,504,000)        | 184,394,000        | -                  | (184,394,000)        |
| Other Debtors                              | 4,944,000          | -                  | 4,944,000          | -                  | (4,944,000)          |
| Cash and cash equivalents                  | 62,872,000         | 2,348,000          | 65,220,000         | 29,031,313         | (36,188,687)         |
|  | <b>263,499,572</b> | <b>(1,343,000)</b> | <b>262,156,572</b> | <b>145,399,201</b> | <b>(116,757,371)</b> |

##### Non-Current Assets

|                               |                   |                  |                   |                      |                      |
|-------------------------------|-------------------|------------------|-------------------|----------------------|----------------------|
| Investment property           | 54,677,000        | -                | 54,677,000        | 99,932,970           | 45,255,970           |
| Property, plant and equipment | 1,407,993         | 2,422,000        | 3,829,993         | 1,267,487,240        | 1,263,657,247        |
| Intangible assets             | 240,000           | -                | 240,000           | 321,578              | 81,578               |
| Heritage assets               | 3,854,570         | -                | 3,854,570         | 3,854,571            | 1                    |
|                               | <b>60,179,563</b> | <b>2,422,000</b> | <b>62,601,563</b> | <b>1,371,596,359</b> | <b>1,308,994,796</b> |

#### Total Assets

|  |                    |                  |                    |                      |                      |
|--|--------------------|------------------|--------------------|----------------------|----------------------|
|  | <b>323,679,135</b> | <b>1,079,000</b> | <b>324,758,135</b> | <b>1,516,995,560</b> | <b>1,192,237,425</b> |
|--|--------------------|------------------|--------------------|----------------------|----------------------|

#### Liabilities

##### Current Liabilities

|   |                        |                    |                        |                    |                      |
|---|------------------------|--------------------|------------------------|--------------------|----------------------|
| Payables from exchange transactions     | 137,158,000            | (5,323,000)        | 131,835,000            | 136,338,112        | 4,503,112            |
| Consumer deposits                       | 15,642,710             | -                  | 15,642,710             | 16,927,817         | 1,285,107            |
| Employee benefit obligation             | -                      | -                  | -                      | 3,729,000          | 3,729,000            |
| Unspent conditional grants and receipts | -                      | -                  | -                      | 7,523,997          | 7,523,997            |
| Provisions                              | (1,296,169,513)        | -                  | (1,296,169,513)        | 1,021,505          | 1,297,191,018        |
|   | <b>(1,143,368,803)</b> | <b>(5,323,000)</b> | <b>(1,148,691,803)</b> | <b>165,540,431</b> | <b>1,314,232,234</b> |

##### Non-Current Liabilities

|                             |                  |          |                  |                   |                   |
|-----------------------------|------------------|----------|------------------|-------------------|-------------------|
| Employee benefit obligation | 1,147,000        | -        | 1,147,000        | 52,767,004        | 51,620,004        |
| Provisions                  | -                | -        | -                | 40,185,333        | 40,185,333        |
|                             | <b>1,147,000</b> | <b>-</b> | <b>1,147,000</b> | <b>92,952,337</b> | <b>91,805,337</b> |

#### Total Liabilities

|  |                        |                    |                        |                    |                      |
|--|------------------------|--------------------|------------------------|--------------------|----------------------|
|  | <b>(1,142,221,803)</b> | <b>(5,323,000)</b> | <b>(1,147,544,803)</b> | <b>258,492,768</b> | <b>1,406,037,571</b> |
|--|------------------------|--------------------|------------------------|--------------------|----------------------|

#### Net Assets

|  |                      |                  |                      |                      |                      |
|--|----------------------|------------------|----------------------|----------------------|----------------------|
|  | <b>1,465,900,938</b> | <b>6,402,000</b> | <b>1,472,302,938</b> | <b>1,258,502,792</b> | <b>(213,800,146)</b> |
|--|----------------------|------------------|----------------------|----------------------|----------------------|

#### Net Assets

#### Net Assets Attributable to Owners of Controlling Entity

##### Reserves

|                     |               |           |               |               |               |
|---------------------|---------------|-----------|---------------|---------------|---------------|
| Accumulated surplus | 1,465,900,938 | 6,402,000 | 1,472,302,938 | 1,258,502,792 | (213,800,146) |
|---------------------|---------------|-----------|---------------|---------------|---------------|

# AbaQulusi 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<br>budget | Adjustments | Final Budget | Actual amounts<br>on comparable<br>basis | Difference<br>between final<br>budget and<br>actual |
|--|--------------------|-------------|--------------|--|---|
|--|--------------------|-------------|--------------|--|---|

Figures in Rand

### Cash Flow Statement

#### Cash flows from operating activities

|  |            |           |                   |            |                     |
|--|------------|-----------|-------------------|------------|---------------------|
| Net cash flows from operating activities | 54,278,000 | 6,070,000 | <b>60,348,000</b> | 46,679,247 | <b>(13,668,753)</b> |
|--|------------|-----------|-------------------|------------|---------------------|

#### Cash flows from investing activities

|  |              |             |                     |              |                    |
|--|--------------|-------------|---------------------|--------------|--------------------|
| Net cash flows from investing activities | (36,928,000) | (2,422,000) | <b>(39,350,000)</b> | (41,372,571) | <b>(2,022,571)</b> |
|--|--------------|-------------|---------------------|--------------|--------------------|

|  |            |           |                   |           |                     |
|--|------------|-----------|-------------------|-----------|---------------------|
| Net increase/(decrease) in cash and cash equivalents | 17,350,000 | 3,648,000 | <b>20,998,000</b> | 5,306,676 | <b>(15,691,324)</b> |
|--|------------|-----------|-------------------|-----------|---------------------|

|  |            |   |                   |            |                     |
|--|------------|---|-------------------|------------|---------------------|
| Cash and cash equivalents at the beginning of the year | 44,222,000 | - | <b>44,222,000</b> | 23,724,637 | <b>(20,497,363)</b> |
|--|------------|---|-------------------|------------|---------------------|

|   |                   |                  |                   |                   |                     |
|---|-------------------|------------------|-------------------|-------------------|---------------------|
| <b>Cash and cash equivalents at the end of the year</b> | <b>61,572,000</b> | <b>3,648,000</b> | <b>65,220,000</b> | <b>29,031,313</b> | <b>(36,188,687)</b> |
|---|-------------------|------------------|-------------------|-------------------|---------------------|

Refer to note 51 for discussions about variances between budgeted and actual.



# AbaQulusi 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.

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

#### Standards approved and effective for the year ending 30 June 2022

|          |   |
|----------|---|
| GRAP 1   | Presentation of Financial Statements                            |
| GRAP 2   | Cash Flow Statements  |
| GRAP 3   | Accounting Policies, Changes in Accounting Estimates and Errors |
| GRAP 4   | The Effects of Changes in Foreign Exchange Rates                |
| GRAP 5   | Borrowing Costs   |
| GRAP 9   | Revenue from Exchange Transactions                              |
| GRAP 10  | Financial Reporting in Hyperinflationary Economies              |
| GRAP 11  | Construction Contracts  |
| GRAP 12  | Inventories   |
| GRAP 13  | Leases  |
| GRAP 14  | Events After the Reporting Date                                 |
| GRAP 16  | Investment Property   |
| GRAP 17  | Property Plant and Equipment                                    |
| GRAP 18  | Segment Reporting   |
| GRAP 19  | Provisions, Contingent Liabilities and Contingent Assets        |
| GRAP 20  | Related Party Disclosures                                       |
| GRAP 21  | Impairment of Non -Cash Generating Assets                       |
| GRAP 23  | Revenue from Non- Exchange Transactions (Taxes and Transfers)   |
| GRAP 24  | Presentation of Budget Information in Financial Statements      |
| GRAP 25  | Employee Benefits   |
| GRAP 26  | Impairment of Cash-Generating Assets                            |
| GRAP 27  | Agriculture   |
| GRAP 31  | Intangible Assets   |
| GRAP 32  | Service Concession Arrangements: Grantor                        |
| GRAP 34  | Separate Financial Statements                                   |
| GRAP 35  | Consolidated Financial Statements                               |
| GRAP 36  | Investments in Associates and Joint Ventures                    |
| GRAP 37  | Joint Arrangements  |
| GRAP 38  | Disclosure of Interests of Other Entities                       |
| GRAP 100 | Discounted Operations   |
| GRAP 103 | Heritage Assets   |
| GRAP 104 | Financial Instruments   |
| GRAP 105 | Transfer of Functions Between Entities Under Common Control     |
| GRAP 106 | Transfer of Functions Between Entities Not Under Common Control |
| GRAP 107 | Mergers   |
| GRAP 108 | Statutory Receivables   |
| GRAP 109 | Accounting by Principals and Agents                             |
| GRAP 110 | Living and Non-Living resources                                 |

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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These accounting policies are consistent with the previous period.

### Standards approved and not yet effective for the year ending 30 June 2022

|          |                       |
|----------|-----------------------|
| GRAP 25  | Employee Benefits     |
| GRAP 103 | Heritage Assets       |
| GRAP 104 | Financial Instruments |

### Interpretations of Standards of GRAP approved and effective for the year ending 30 June 2022

|          |  |
|----------|--|
| IGRAP 1  | Applying the Probability Test on Initial Recognition of Revenue  |
| IGRAP 2  | Changes in Existing Decommissioning, Restoration and Similar Liabilities   |
| IGRAP 3  | Determining whether an arrangement contains a lease  |
| IGRAP 4  | Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds               |
| IGRAP 5  | Applying the restatement approach under the Standard of GRAP on financial reporting in hyperinflationary economies |
| IGRAP 6  | Loyalty Programmes   |
| IGRAP 7  | The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction                           |
| IGRAP 8  | Agreements for the Construction of Assets from Exchange Transactions   |
| IGRAP 9  | Distributions of Non-cash Assets to Owners   |
| IGRAP 10 | Assets Received from Customers   |
| IGRAP 13 | Operating Leases – Incentives  |
| IGRAP 14 | Evaluating the Substance of Transactions Involving the Legal Form of a Lease                                       |
| IGRAP 15 | Revenue – Barter Transactions Involving Advertising Services   |
| IGRAP 16 | Intangible Assets – Website Costs  |
| IGRAP 17 | Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset               |
| IGRAP 18 | Recognition and Derecognition of Land  |
| IGRAP 19 | Liabilities to Pay Levies  |
| IGRAP 20 | Accounting for Adjustments to Revenue  |

#### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

#### 1.2 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.

#### 1.3 Materiality

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

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

#### 1.4 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:

# **AbaQulusi Local Municipality**

Annual Financial Statements for the year ended 30 June 2022

## **Accounting Policies**

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### **1.4 Significant judgements and sources of estimation uncertainty (continued)**

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

#### **Revenue Recognition**

Accounting policy 1.15 & 1.16 on Revenue from Exchange Transactions and Revenue from Non-Exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality. In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

#### **Impairment testing**

Accounting policy 1.7 Financial Instruments describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments. The management of the municipality is satisfied that the impairment of financial assets recorded during the year, is appropriate.

#### **Useful lives of Property Plant & Equipment**

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on industry norm. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

#### **Impairment**

Write down of property plant and equipment, intangible assets and inventories. 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. The recoverable (service) 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 assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

#### **Post-retirement benefits**

As described in accounting policy 1.14 Employee Benefits, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-Retirement Health Benefit Obligations and Long Service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25 Employee Benefits.

#### **Recognition and Derecognition of Land**

In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land.

In some instances the municipality is the legal owner, or the custodian of land appointed in terms of legislation, but concludes that it does not control such land.

#### **Accounting by principals and agent**

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships. Significant judgements applied are based on the nature of the agreement and the roles and responsibilities as defined in the agreements.

#### **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.

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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

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.

### Accounting for adjustments to revenue

Determining whether an adjustment to revenue charged in terms of legislation or similar means is a correction of an error or a change in an accounting estimate requires the application of judgement by management. When adjustments to revenue already recognised arise from new information that becomes known to the municipality, the following considerations are applied to determine whether the adjustment to revenue already recognised is a correction of an error or a change in an accounting estimate:

- (a) If information becomes known to the municipality, and the municipality could reasonably have been expected to know of the information and/or the information used was incorrect, the adjustment to revenue is likely to be a correction of an error.
- (b) If information becomes known to the municipality, but the municipality could not reasonably have been expected to know of this information when the revenue was charged, the adjustment to revenue is likely to be a change in an accounting estimate.

### Accounting for adjustments to revenue that correct an error or prior period error

Following the outcome of the determination processes noted above, and assessing whether this is new information that becomes known to the municipality, the municipality accounts for an adjustment to revenue already recognised, including interest and penalties, as the correction of an error or prior period error where the entity:

- (a) has not followed a proper due process to promulgate the tariff, basis, percentage or formula to charge the revenue; and/or
- (b) incorrectly applied the tariff, basis, percentage or formula in charging revenue.

Errors discovered within the reporting period which relates to that period are corrected before the annual financial statements are authorised for issue. The principles in GRAP 3 are applied to account for the adjustment to revenue already recognised as a result of the correction of a prior period error.

### Accounting for adjustments to revenue as a change in an accounting estimate

Following the outcome of the determination processes noted above, and assessing whether this is new information that becomes known to the municipality, the municipality accounts for any adjustment to revenue already recognised, including interest and penalties, as a change in an accounting estimate if changes occur in the circumstances that led to the recognition of the revenue.

The principles in GRAP 3 are applied to account for a change in an accounting estimate.

### Offsetting

Assets, liabilities, revenue and expenses have not been offset, except when offsetting is required or permitted by a standard of GRAP

### Provisions

Provisions have been raised by the municipality for rehabilitation of the landfill site in accordance with IGRAP2. Additional disclosure of these estimates of provisions are included in note to the Financial Statements.

### 1.5 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.

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.5 Investment property (continued)

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

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

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

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

#### Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal

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### 1.6 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.

## **Accounting Policies**

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### **1.6 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 is carried at cost less accumulated depreciation and any impairment losses.

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

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

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

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

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

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

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

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

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

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

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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

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

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

| Item                                | Depreciation method | Average useful life |
|-------------------------------------|---------------------|---------------------|
| Infrastructure                      |                     |                     |
| • Roads and Stormwater              | Straight-line       | 05-80 years         |
| • Electricity                       | Straight-line       | 03-50 years         |
| • Sanitation                        | Straight line       | 15-100 years        |
| • Water                             | Straight line       | 05-80 years         |
| • Landfill Sites                    | Straight-line       | 15-50 years         |
| Community                           |                     |                     |
| Ÿ Sport and recreational facilities | Straight-line       | 05-50 years         |
| Ÿ Cemeteries                        | Straight-line       | 05-50 years         |
| Ÿ Halls                             | Straight-line       | 05-50 years         |
| Ÿ Libraries                         | Straight-line       | 05-50 years         |
| Ÿ Parks                             | Straight-line       | 05-50 years         |
| Ÿ Fire Station                      | Straight-line       | 05-50 years         |
| Ÿ Clinics                           | Straight-line       | 05-50 years         |
| Ÿ Sports Fields                     | Straight-line       | 15-30 years         |
| Ÿ Stadium                           | Straight-line       | 05-30 years         |
| Plant and Machinery                 | Straight-line       | 02-15 years         |
| Ÿ Motor Vehicles                    | Straight-line       | 05-15 years         |
| Ÿ Office Equipment                  | Straight-line       | 03-10 years         |
| Ÿ IT Equipment                      | Straight-line       | 03-07 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 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.

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.6 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 ).

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

### 1.7 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

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

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.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.



# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.7 Intangible assets (continued)

Internally generated goodwill is not recognised as an intangible asset.

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 |
|--------------------------|---------------------|---------------------|
| Computer software, other | Straight-line       | 05-10 years         |

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

### 1.8 Heritage assets

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

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

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

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

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

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

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

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

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

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

### Recognition

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

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.8 Heritage assets (continued)

#### 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.

### 1.9 Financial instruments

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

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

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

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- 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.

## Accounting Policies

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### 1.9 Financial instruments (continued)

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

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

A financial asset is:

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

A financial 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.

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

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

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

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

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

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

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

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unissued capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.9 Financial instruments (continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

#### Classification

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

| Class                                      | Category                                   |
|--|--|
| Receivables from exchange transactions     | Financial asset measured at amortised cost |
| Receivables from Non-exchange transactions | Financial asset measured at amortised cost |
| Cash & cash equivalents                    | Financial asset measured at amortised cost |

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

| Class                               | Category                                       |
|-------------------------------------|--|
| Payables from exchange transactions | Financial liability measured at amortised cost |

### 1.10 Statutory receivables

#### Identification

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

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

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

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

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.10 Statutory receivables (continued)

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.

### 1.11 Leases

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

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

#### Finance leases - lessee

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

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

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

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

#### Operating leases - lessor

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

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

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

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

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

#### Operating leases - lessee

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

### 1.12 Inventories

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

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.12 Inventories (continued)

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

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

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

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

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

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

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

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

The municipality's inventory consists of water, consumables, stores, materials and finished goods.

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

### 1.13 Impairment of assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

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

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

# **AbaQulusi Local Municipality**

Annual Financial Statements for the year ended 30 June 2022

## **Accounting Policies**

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### **1.13 Impairment of assets (continued)**

#### **Designation**

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

#### **Identification**

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### **Value in use**

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

#### **Recognition and measurement (individual asset)**

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

# **AbaQulusi Local Municipality**

Annual Financial Statements for the year ended 30 June 2022

## **Accounting Policies**

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### **1.13 Impairment of assets (continued)**

#### **Reversal of impairment loss**

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

### **1.14 Compound instruments**

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Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

### **1.15 Employee benefits**

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

GRAP 25 on employee benefits is to provide accounting principles for amounts or benefits due to employees, their spouses or third parties when employees have rendered services to the municipality, and the rendering of those services entitles employees to certain benefits.



## Accounting Policies

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### 1.15 Employee benefits (continued)

#### 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.

#### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

# **AbaQulusi Local Municipality**

Annual Financial Statements for the year ended 30 June 2022

## **Accounting Policies**

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### **1.15 Employee benefits (continued)**

#### **Post-employment benefits: Defined contribution plans**

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an 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 contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects 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 obligation.

## Accounting Policies

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### 1.15 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.

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.15 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-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

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.

# **AbaQulusi Local Municipality**

Annual Financial Statements for the year ended 30 June 2022

## **Accounting Policies**

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### **1.15 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.

#### **Other post retirement obligations**

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits 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.

The entity shall recognise the net total of the following amounts as expense or revenue, 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 right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.15 Employee benefits (continued)

#### Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects 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 benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

### 1.16 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.

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.16 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 41.

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

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

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

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

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

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

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

## Accounting Policies

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### 1.16 Provisions and contingencies (continued)

#### Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.13 and .

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly 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; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- 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;
- 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 reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

### 1.17 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.

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.

### 1.18 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.



# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.18 Revenue from exchange transactions (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.

#### Measurement

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

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

#### Sale of goods

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

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

#### Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.18 Revenue from exchange transactions (continued)

#### Interest, service fees

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.

### 1.19 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 arises when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

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

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

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

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

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

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

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

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

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.

# **AbaQulusi Local Municipality**

Annual Financial Statements for the year ended 30 June 2022

## **Accounting Policies**

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### **1.19 Revenue from non-exchange transactions (continued)**

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.

#### **Transfers**

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

#### **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.

### **1.20 Accounting by principals and agents**

#### **Identification**

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

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

# **AbaQulusi Local Municipality**

Annual Financial Statements for the year ended 30 June 2022

## **Accounting Policies**

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### **1.20 Accounting by principals and agents (continued)**

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

#### **Identifying whether an entity is a principal or an agent**

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

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

#### **Binding arrangement**

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

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

#### **Assessing which entity benefits from the transactions with third parties**

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

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

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

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

#### **Recognition**

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

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

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

### **1.21 Comparative figures**

#### **Prior year comparatives**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.22 Unauthorised expenditure

Unauthorised expenditure is defined in section 1 of the MFMA as follows:

“unauthorised expenditure”, in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3), and includes—

- (a) overspending of the total amount appropriated in the municipality’s approved budget;
- (b) overspending of the total amount appropriated for a vote in the approved budget;
- (c) expenditure from a vote unrelated to the department or functional area covered by the vote;
- (d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- (e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of “allocation” otherwise than in accordance with any conditions of the allocation; or
- (f) a grant by the municipality otherwise than in accordance with this Act.

### 1.23 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

### 1.24 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy.

Irregular expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

### 1.25 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

#### Measurement

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

If management uses only one measure of a segment’s surplus or deficit, the segment’s assets or the segment’s liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment’s surplus or deficit, the segment’s assets or the segment’s liabilities, 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.

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.26 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 01/04/2010 to 31/03/2011.

The budget for the economic entity includes all the entities approved budgets under its control.

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.

### 1.27 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.

### 1.28 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.

# **AbaQulusi Local Municipality**

Annual Financial Statements for the year ended 30 June 2022

## **Accounting Policies**

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### **1.28 Events after reporting date (continued)**

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.

### **1.29 Cash & Cash Equivalents**

Cash includes cash-on-hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

### **1.30 Changes in accounting policies, estimates, errors**

Changes in accounting policies due to adoption of newly effective Standards of GRAP have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy or where allowed transitional provisions had been adopted. In such cases the municipality would restate the opening balance. The provisions of IGRAP 1 have been applied retrospectively in line with IGRAP1.

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

| Figures in Rand   | 2022               | 2021               |
|---|--------------------|--------------------|
| <b>2. Inventories</b>   |                    |                    |
| Water for distribution  | 49,628             | 29,775             |
| Stores, materials and fuels   | 18,172,992         | 11,738,243         |
| Land inventory  | 937,000            | 1,188,000          |
|   | <b>19,159,620</b>  | <b>12,956,018</b>  |
| <b>3. Receivables from exchange transactions</b>  |                    |                    |
| Consumer debtors - Electricity  | 18,898,239         | 20,492,378         |
| Consumer debtors - Water  | 19,623,993         | 17,069,419         |
| Consumer debtors - Waste water  | 10,032,371         | 8,839,572          |
| Consumer debtors - Waste Management   | 7,512,642          | 6,013,306          |
| Consumer debtors - Other  | 11,508,334         | 3,379,555          |
|   | <b>67,575,579</b>  | <b>55,794,230</b>  |
| <b>Reconciliation of provision for impairment of Receivables from exchange transactions</b> |                    |                    |
| Opening balance   | 156,176,603        | 107,582,943        |
| Provision for impairment  | 3,900,940          | 48,593,660         |
|   | <b>160,077,543</b> | <b>156,176,603</b> |



# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

| Figures in Rand   | 2022                 | 2021                 |
|---|----------------------|----------------------|
| <b>3. Receivables from exchange transactions (continued)</b>  |                      |                      |
| <b>Gross receivables from exchange transactions</b>           |                      |                      |
| Consumer Debtors - Electricity                                | 32,162,262           | 49,378,468           |
| Consumer Debtors - Water                                      | 61,221,851           | 51,484,414           |
| Consumer Debtors - Waste Water                                | 57,938,947           | 47,845,548           |
| Consumer Debtors - Waste Management                           | 45,218,557           | 35,117,763           |
| Consumer Debtors - Other                                      | 31,111,514           | 28,144,650           |
|   | <b>227,653,131</b>   | <b>211,970,843</b>   |
| <b>Gross consumer debtors - other includes the following:</b> |                      |                      |
| Abeyance  | 406,638              | 427,923              |
| Market agency   | 108,683              | 110,271              |
| Property rental debtors                                       | 8,928,906            | 7,540,726            |
| Merchandising and jobbing                                     | 15,594,002           | 13,945,108           |
| Service charges   | 570,966              | 618,303              |
| Land sale debtors   | 5,502,319            | 5,502,319            |
|   | <b>31,111,514</b>    | <b>28,144,650</b>    |
| <b>Net receivables from exchange transactions</b>             |                      |                      |
| Consumer Debtors - Electricity                                | 18,898,239           | 20,492,378           |
| Consumer Debtors - Water                                      | 19,623,993           | 17,069,419           |
| Consumer Debtors - Waste Water                                | 10,032,371           | 8,839,572            |
| Consumer Debtors - Waste Management                           | 7,512,642            | 6,013,306            |
| Consumer Debtors - Other                                      | 11,508,334           | 3,379,555            |
|   | <b>67,575,579</b>    | <b>55,794,230</b>    |
| <b>Net Consumer Debtors - Other includes the following:</b>   |                      |                      |
| Abeyance  | 62,005               | 70,488               |
| Market agency   | 796                  | 312                  |
| Property rental debtors                                       | 4,985,488            | 1,847,577            |
| Merchandising and jobbing                                     | 6,309,369            | 1,458,628            |
| Service charges   | 150,676              | 2,550                |
| Land sale debtors   | -                    | -                    |
|   | <b>11,508,334</b>    | <b>3,379,555</b>     |
| <b>Provision for doubtful debts</b>                           |                      |                      |
| Consumer Debtors - Electricity                                | (13,264,023)         | (13,243,326)         |
| Consumer Debtors - Water                                      | (41,597,858)         | (34,414,995)         |
| Consumer Debtors - Waste Water                                | (47,906,576)         | (39,005,976)         |
| Consumer Debtors - Waste Management                           | (37,705,916)         | (29,104,457)         |
| Consumer Debtors - Other                                      | (14,100,861)         | (19,262,776)         |
| Consumer Debtors - Interest                                   | -                    | (15,642,764)         |
| Consumer Debtors - Land sale                                  | (5,502,319)          | (5,502,319)          |
|   | <b>(160,077,553)</b> | <b>(156,176,613)</b> |

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

| Figures in Rand  | 2022                | 2021                |
|--|---------------------|---------------------|
| <b>3. Receivables from exchange transactions (continued)</b>           |                     |                     |
| <b>Consumer Debtors - Other includes the following:</b>                |                     |                     |
| Abeyance   | (344,633)           | (357,435)           |
| Market agency  | (107,886)           | (109,959)           |
| Property rental debtors  | (3,943,418)         | (5,693,149)         |
| Merchandising and jobbing  | (9,284,634)         | (12,486,480)        |
| Service charges  | (420,290)           | (615,753)           |
| Land sale debtors  | (5,502,319)         | -                   |
|  | <b>(19,603,180)</b> | <b>(19,262,776)</b> |
| <b>Aging of Trade and other receivables from exchange transactions</b> |                     |                     |
| <b>Electricity</b>   |                     |                     |
| Current (0-30 days)  | 10,347,651          | 11,674,490          |
| 31-60 days   | 2,467,342           | 1,809,044           |
| 61-90 days   | 1,400,475           | 1,085,419           |
| 91-120 days  | 1,069,479           | 887,187             |
| 121-365 days   | 4,775,868           | 3,792,537           |
| > 365 days   | 12,101,447          | 30,129,791          |
|  | <b>32,162,262</b>   | <b>49,378,468</b>   |
| <b>Water</b>   |                     |                     |
| Current (0-30 days)  | 5,697,231           | 4,891,567           |
| 31-60 days   | 4,250,310           | 3,216,639           |
| 61-90 days   | 4,148,610           | 2,641,041           |
| 91-120 days  | 1,666,270           | 3,501,774           |
| 121-365 days   | 8,101,519           | 7,032,406           |
| > 365 days   | 37,357,911          | 30,200,987          |
|  | <b>61,221,851</b>   | <b>51,484,414</b>   |
| <b>Waste Water</b>   |                     |                     |
| Current (0-30 days)  | 2,976,804           | 2,644,267           |
| 31-60 days   | 2,017,315           | 1,546,642           |
| 61-90 days   | 1,723,720           | 1,356,622           |
| 91-120 days  | 1,604,389           | 1,311,115           |
| 121-365 days   | 8,590,001           | 7,451,710           |
| > 365 days   | 41,026,745          | 33,535,192          |
|  | <b>57,938,974</b>   | <b>47,845,548</b>   |
| <b>Waste Management</b>  |                     |                     |
| Current (0-30 days)  | 2,459,630           | 1,744,630           |
| 31-60 days   | 1,629,028           | 1,035,783           |
| 61-90 days   | 1,473,101           | 936,310             |
| 91-120 days  | 1,411,676           | 878,502             |
| 121-365 days   | 7,780,825           | 5,371,257           |
| > 365 days   | 30,464,297          | 25,152,281          |
|  | <b>45,218,557</b>   | <b>35,118,763</b>   |
| <b>Consumer Debtors - Other</b>  |                     |                     |
| Current (0-30 days)  | 1,050,448           | 953,264             |
| 31-60 days   | 630,999             | 572,621             |
| 61-90 days   | 841,867             | 763,980             |
| 91-120 days  | 353,086             | 320,420             |
| 121-365 days   | 2,854,026           | 2,589,982           |
| > 365 days   | 25,381,088          | 22,944,383          |

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

| Figures in Rand  | 2022              | 2021              |
|--|-------------------|-------------------|
| <b>3. Receivables from exchange transactions (continued)</b> | <b>31,111,514</b> | <b>28,144,650</b> |
| <b>Aging of debtors past due but not impaired</b>            |                   |                   |
| Consumer Debtors - Electricity (31 - 121 days)               | -                 | 8,817,889         |
| Consumer Debtors - Water (31 - 121 days)                     | 13,926,762        | 12,177,852        |
| Consumer Debtors - Waste Water (31 - 121 days)               | 7,059,020         | 6,195,305         |
| Consumer Debtors - Waste Management (31 - 121 days)          | 5,054,429         | 4,268,676         |
| Consumer Debtors - Other (31 - 365 days)                     | 5,345,012         | 3,960,815         |
|  | <b>31,385,223</b> | <b>35,420,537</b> |

### Factors considered in assessing impairment losses

The municipality assesses at the end of each reporting date whether there is objective evidence that a receivable account or group of receivable accounts is impaired. The last day of each financial year is the reporting date for the municipality, being 30 June.

### **Impairment exclusions**

The following accounts are specifically excluded from the assessment for impairment:

- Receivable accounts with a total credit balance at reporting date;
- Receivable account balances that have not been outstanding for more than 30 days at reporting date as these account balances are considered not to be past due.

### **Calculation and recognition of impairment loss**

#### **Receivables from Exchange Transactions:**

The municipality assesses all receivables from exchange transactions, with the exception of traffic fine receivables, for both individual receivable impairment as well as collective group impairment.

#### **Individual receivable impairment**

Individual receivable impairment identifies individual receivable accounts that meet any one of the following criteria:

- Debtors where a formal arrangement has been made, however the last payment date by the customer was before 31 March of the current financial year;
- Accounts handed over to debt collectors and/or power of attorney;
- Debtors where the last payment date by the customer was before 01 July 2020;
- All accounts indicated as in-active accounts on the system;
- When accounts have been formally presented to the CFO for consideration for write off; and
- Indigent debtors where accounts are outstanding for more than 90 days

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

| Figures in Rand | 2022 | 2021 |
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### 3. Receivables from exchange transactions (continued)

The individual debtors that meet the above mentioned criteria, will be considered for an impairment value of 100% of the outstanding debt due as at the reporting date.

#### Group receivable impairment

A group assessment of receivables is further conducted on the remaining receivables balance. This impairment is calculated based on the average collection rate for the previous three financial years for each group category and sub-category of receivables.

### 4. Receivables from non-exchange transactions

|                |                   |                   |
|----------------|-------------------|-------------------|
| Fines          | 7,334,226         | 5,171,201         |
| Other Debtors  | 217,409           | 217,409           |
| Sundry Debtors | 274,414           | 243,505           |
| Property Rates | 34,492,682        | 23,305,477        |
|                | <b>42,318,731</b> | <b>28,937,592</b> |

#### Statutory receivables included in receivables from non-exchange transactions above are as follows:

|                         |                   |                   |
|-------------------------|-------------------|-------------------|
| Property Rates Taxes    | 34,492,681        | 23,305,477        |
| Municipal Traffic Fines | 7,334,226         | 5,171,201         |
|                         | <b>41,826,907</b> | <b>28,476,678</b> |

#### Other non-financial asset receivables included in receivables from non-exchange transactions above are as follows:

|                         |                |                |
|-------------------------|----------------|----------------|
| Insurance Debtor        | 217,409        | 217,409        |
| Overpayment to Creditor | 203,995        | 203,995        |
| Cashier Shortages       | 70,419         | 39,510         |
|                         | <b>491,823</b> | <b>460,914</b> |

|   |                   |                   |
|---|-------------------|-------------------|
| <b>Total receivables from non-exchange transactions</b> | <b>42,318,730</b> | <b>28,937,592</b> |
|---|-------------------|-------------------|

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

| Figures in Rand | 2022 | 2021 |
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### 4. Receivables from non-exchange transactions (continued)

#### Statutory receivables general information

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

Property Rates Taxes are imposed in accordance with the Municipal Property Rates Act 6 of 2004. The Act gives the Municipality to levied Property Rates taxes on all properties within the Municipal jurisdiction.

Traffic fines are issued to offenders in terms of the Criminal Procedures Act, hence this is therefore recognised as a statutory receivable. The receivable is calculated by determining the value of the fine to be paid on initial recognition, and accounting for subsequent measurement by taking into account reductions and discounts made to the value of the fine payable in terms of the court of law. No interest is charged on outstanding fines, and any additional penalties applied by the court is paid by the offender to the court directly, and is therefore not considered to be revenue for the municipality.

##### Determination of transaction amount

Municipal Property Rates taxes is determined by using the municipal property valuation roll and is imposed on a Property that is within the Municipal Jurisdiction on usage.

Municipal Traffic fines are determined based on the tariffs for offences in accordance with the National Road Traffic Act.

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

Assessing impairment is an event that takes place subsequent to the initial recognition of revenue charged. The Municipality assesses the probability of collecting revenue for traffic fines that are in arrears. Traffic fines will be impaired when the possibility of collecting the fines cannot be ascertained and where the prospects of a successful prosecution of an offender are not certain. The municipality also considers that offenders may make legal representation to have the fines reduced or voided. Therefore, the collection rate average over a 3-year period is used to determine future cashflows against outstanding fines, and the difference between future cash flows and outstanding fines will be considered as impaired.

##### Reconciliation of provision for impairment for statutory receivables

|                          |                    |                    |
|--------------------------|--------------------|--------------------|
| Opening balance          | 129,814,445        | 120,558,247        |
| Provision for impairment | 8,872,621          | 9,256,198          |
|                          | <b>138,687,066</b> | <b>129,814,445</b> |

##### Ageing of Trade and Other Receivables from Non-Exchange Transactions

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

| Figures in Rand | 2022 | 2021 |
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### 4. Receivables from non-exchange transactions (continued)

#### Traffic Fines

|                       |                   |                   |
|-----------------------|-------------------|-------------------|
| Current (0 - 30 days) | 29,100            | 686,330           |
| 61 - 90 days          | 63,100            | 551,050           |
| 91 - 120 days         | 439,552           | 54,300            |
| 121 - 365 days        | 844,200           | 227,700           |
| > 365 days            | 5,440,953         | 6,715,816         |
|                       | 62,593,348        | 53,100,208        |
|                       | <b>69,410,253</b> | <b>61,335,404</b> |

#### Breakdown of net traffic fines 2022:

|                            |                  |
|----------------------------|------------------|
| Gross Debtor               | 69,410,253       |
| Less: Impairment provision | (62,076,027)     |
|                            | <b>7,334,226</b> |

|   |                   |                   |
|---|-------------------|-------------------|
| Statutory receivables past due and impaired | 62,076,027        | 57,411,948        |
| Statutory receivables past due not impaired | 7,334,226         | 3,237,126         |
|   | <b>69,410,253</b> | <b>60,649,074</b> |

#### Rates

|                       |                    |                   |
|-----------------------|--------------------|-------------------|
| Current (0 - 30 days) | 6,288,220          | 6,464,142         |
| 31 - 60 days          | 3,509,553          | 2,987,565         |
| 61 - 90 days          | 3,128,735          | 2,630,185         |
| 91 - 120 days         | 2,423,500          | 2,454,124         |
| 121 - 365 days        | 13,938,022         | 12,826,315        |
| > 365 days            | 81,815,691         | 68,345,644        |
|                       | <b>111,103,721</b> | <b>95,707,975</b> |

|   |                    |                   |
|---|--------------------|-------------------|
| Statutory receivables past due and impaired | 76,611,038         | 72,402,497        |
| Statutory receivables past due not impaired | 34,492,683         | 23,305,478        |
|   | <b>111,103,721</b> | <b>95,707,975</b> |

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

| Figures in Rand | 2022 | 2021 |
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### 4. Receivables from non-exchange transactions (continued)

#### Factors considered in assessing impairment losses

The municipality assesses at the end of each reporting date whether there is objective evidence that a receivable account or group of receivable accounts is impaired. The last day of each financial year is the reporting date for the municipality, being 30 June.

#### Impairment exclusions

The following accounts are specifically excluded from the assessment for impairment:

- Receivable accounts with a total credit balance at reporting date;
- Receivable account balances that have not been outstanding for more than 30 days at reporting date as these account balances are considered not to be past due.

#### Calculation and recognition of impairment loss

#### Receivables from Non-Exchange Transactions, excluding traffic fine receivables:

The municipality assesses all receivables from non-exchange transactions, with the exception of traffic fine receivables, for both individual receivable impairment as well as collective group impairment.

#### Individual receivable impairment

Individual receivable impairment identifies individual receivable accounts that meet any one of the following criteria:

- Debtors where a formal arrangement has been made, however the last payment date by the customer was before 31 March of the current financial year;
- Accounts handed over to debt collectors and/or power of attorney;
- Debtors where the last payment date by the customer was before 01 July 2020;
- All accounts indicated as in-active accounts on the system;
- When accounts have been formally presented to the CFO for consideration for write off; and
- Indigent debtors where accounts are outstanding for more than 90 days

The individual debtors that meet the above mentioned criteria, will be considered for an impairment value of 100% of the outstanding debt due as at the reporting date.

#### Group receivable impairment

A group assessment of receivables is further conducted on the remaining receivables balance. This impairment is calculated based on the average collection rate for the previous three financial years for each group category and sub-category of receivables.

### 5. VAT receivable

|     |           |           |
|-----|-----------|-----------|
| VAT | 2,601,982 | 3,405,257 |
|-----|-----------|-----------|

The Municipality submits VAT 201 returns on a cash basis, whilst the amount disclosed in the Annual Financial Statements reflects VAT not yet paid or received from SARS.

|                          |         |           |
|--------------------------|---------|-----------|
| Vat statutory receivable | 570,273 | 2,345,098 |
|--------------------------|---------|-----------|

### 6. Cash and cash equivalents

Cash and cash equivalents consist of:

# AbaQulusi 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. Cash and cash equivalents (continued)</b> |                   |                   |
| Cash on hand                                    | 4,844             | 5,320             |
| Bank balances                                   | 5,651,394         | 5,557,399         |
| Short-term deposits                             | 23,375,075        | 18,161,918        |
|   | <b>29,031,313</b> | <b>23,724,637</b> |

### The municipality had the following bank accounts

| Account number / description                                  | Bank statement balances |                   |                   | Cash book balances |                   |                   |
|---|-------------------------|-------------------|-------------------|--------------------|-------------------|-------------------|
|   | 30 June 2022            | 30 June 2021      | 30 June 2020      | 30 June 2022       | 30 June 2021      | 30 June 2020      |
| ABSA Bank - Cheque Account - 1005001109                       | 3,198,843               | 3,275,016         | 1,961,650         | 3,198,843          | 3,432,449         | 1,294,177         |
| Nedbank Bank - Current Account - 106 737 9770                 | 2,452,551               | 2,131,838         | 3,900,049         | 2,452,551          | 2,124,951         | 597,802           |
| Standard Bank 32 Day Account - Account Number 06846 176 3-003 | 4,584                   | 4,501             | 4,433             | 4,584              | 4,501             | 4,433             |
| Standard Bank Money Market Account Number 068461763-011       | 70,473                  | 68,270            | 66,381            | 70,473             | 68,270            | 66,381            |
| ABSA Call Deposit Account Number - 9195460586                 | 243                     | 243               | 240               | 243                | 243               | 240               |
| ABSA Call Deposit Account Number - 9122861337                 | 2,269                   | 2,251             | 2,219             | 2,269              | 2,251             | 2,219             |
| ABSA Liquidity Account Number - 9363389794                    | 11,187,249              | 6,235,914         | -                 | 11,187,249         | 6,235,915         | -                 |
| Nedbank Call Deposit Account Number - 03/7165020780/000030    | 3,962,657               | 4,011,632         | 388,975           | 3,962,657          | 4,011,632         | 3,880,975         |
| Nedbank Call Deposit Account Number - 03/7165020780/000039    | 3,837                   | 3,711             | 2,626,865         | 3,837              | 3,711             | 2,626,865         |
| Nedbank Call Deposit Account Number - 03/7165020780/000040    | 4,172                   | 4,036             | 498,395           | 4,172              | 4,036             | 498,395           |
| Nedbank Call Deposit Account Number - 03/7165020780/000042/44 | 748,628                 | 724,294           | 700,704           | 748,628            | 724,294           | 700,704           |
| Nedbank Call Deposit Account Number - 03/7165020780/000043    | 7,345,849               | 7,107,067         | 6,875,592         | 7,345,849          | 7,107,067         | 6,875,592         |
| Interest accrued  | 45,114                  | -                 | -                 | 45,114             | -                 | -                 |
| <b>Total</b>  | <b>29,026,469</b>       | <b>23,568,773</b> | <b>17,025,503</b> | <b>29,026,469</b>  | <b>23,719,320</b> | <b>16,547,783</b> |

The following bank accounts are pledged by the Municipality

| Name of bank    | Bank account number     | Amount (R) |
|-----------------|-------------------------|------------|
| Nedbank Limited | 03/7165020780/000042/44 | 748 628    |
|                 | 03/7165020780/000043    | 7 345 849  |



## AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

Figures in Rand

#### 7. Investment property

|                     | 2022                |                           |                | 2021                |                           |                |
|---------------------|---------------------|---------------------------|----------------|---------------------|---------------------------|----------------|
|                     | Cost /<br>Valuation | Fair Value<br>Adjustments | Carrying value | Cost /<br>Valuation | Fair value<br>adjustments | Carrying value |
| Investment property | 29,653,470          | 70,279,500                | 99,932,970     | 15,602,000          | 75,559,500                | 91,161,500     |

#### Reconciliation of investment property - 2022

|                     | Opening<br>balance | Fair value<br>adjustments | Total      |
|---------------------|--------------------|---------------------------|------------|
| Investment property | 91,161,500         | 8,771,470                 | 99,932,970 |

#### Reconciliation of investment property - 2021

|                     | Opening<br>balance | Fair value<br>adjustments | Total      |
|---------------------|--------------------|---------------------------|------------|
| Investment property | 70,279,500         | 20,882,000                | 91,161,500 |

#### Pledged as security

No investment property was pledged as security against any liability:

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.

The effective date of valuation was 30 June 2022. Revaluations were performed by an Independent Valuer Umhlaba Geomatics Incorporated, who has experience in location and category of the Investment property being valued. The Valuation was based on open market value for existing use of Investment Property which are used for Rentals and Capital Appreciation. The Municipality has Investment Properties in the Towns of Vryheid, Bhhekuzulu, Mondlo A, Mondlo B and Louwsburg.

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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

### 7. Investment property (continued)

#### Amounts recognised in surplus or deficit

|   |         |           |
|---|---------|-----------|
| Rental revenue from Investment property | 936,598 | 1,069,914 |
|---|---------|-----------|

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

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

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

In the exceptional cases when the municipality has to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
  - the fact that the entity has disposed of investment property not carried at fair value,
  - the carrying amount of that investment property at the time of sale, and
  - the amount of gain or loss recognised.

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 8. Property, plant and equipment

|                            | 2022                 |   |                      | 2021                 |   |                      |
|----------------------------|----------------------|---|----------------------|----------------------|---|----------------------|
|                            | Cost /<br>Valuation  | Accumulated<br>depreciation<br>and<br>accumulated<br>impairment | Carrying value       | Cost /<br>Valuation  | Accumulated<br>depreciation<br>and<br>accumulated<br>impairment | Carrying value       |
| Land                       | 328,349,260          | -   | 328,349,260          | 328,694,260          | -   | 328,694,260          |
| Plant and machinery        | 2,844,878            | (2,403,574)   | 441,304              | 6,160,180            | (5,204,898)   | 955,282              |
| Furniture and fixtures     | 2,589,492            | (2,371,031)   | 218,461              | 3,165,122            | (2,819,334)   | 345,788              |
| Motor vehicles             | 14,246,176           | (6,566,851)   | 7,679,325            | 14,632,366           | (6,260,808)   | 8,371,558            |
| IT equipment               | 3,528,276            | (2,785,041)   | 743,235              | 4,815,947            | (4,321,524)   | 494,423              |
| Infrastructure             | 2,463,022,146        | 1,747,655,536   | 715,366,610          | 2,450,062,816        | 1,648,310,657   | 801,752,159          |
| Community                  | 264,806,535          | (148,277,541)   | 116,528,994          | 269,672,503          | (138,558,511)   | 131,113,992          |
| Buildings                  | 148,212,078          | (75,790,045)  | 72,422,033           | 146,114,928          | (70,959,419)  | 75,155,509           |
| Solid Waste Infrastructure | 70,180,196           | (44,442,175)  | 25,738,021           | 68,267,927           | (43,369,411)  | 24,898,516           |
| <b>Total</b>               | <b>3,297,779,037</b> | <b>(2,030,291,794)</b>  | <b>1,267,487,243</b> | <b>3,291,586,049</b> | <b>(1,919,804,562)</b>  | <b>1,371,781,487</b> |

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

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

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

|                        | Opening<br>balance   | Additions         | Disposals           | Transfers<br>received | Transfers           | Depreciation         | Impairment<br>loss | Total                |
|------------------------|----------------------|-------------------|---------------------|-----------------------|---------------------|----------------------|--------------------|----------------------|
| Land                   | 328,694,260          | 1,100,000         | (1,445,000)         | -                     | -                   | -                    | -                  | 328,349,260          |
| Plant and machinery    | 955,282              | -                 | (205,340)           | -                     | -                   | (229,061)            | (79,577)           | 441,304              |
| Furniture and fixtures | 345,788              | -                 | (26,852)            | -                     | -                   | (96,300)             | (4,175)            | 218,461              |
| Motor vehicles         | 8,371,254            | 1,466,494         | (52,283)            | -                     | -                   | (1,713,530)          | (392,611)          | 7,679,324            |
| IT equipment           | 494,420              | 433,892           | (7,631)             | -                     | -                   | (175,385)            | (2,064)            | 743,232              |
| Infrastructure         | 801,752,161          | 26,287,673        | (13,328,343)        | 10,691,252            | (10,691,252)        | (95,883,921)         | (3,460,960)        | 715,366,610          |
| Community              | 131,113,990          | 9,175,093         | (13,194,737)        | 11,687,415            | (11,687,415)        | (6,446,104)          | (4,119,250)        | 116,528,992          |
| Buildings              | 75,155,506           | 2,097,149         | -                   | -                     | -                   | (3,182,058)          | (1,648,567)        | 72,422,030           |
| Landfill Sites         | 24,898,516           | 1,912,269         | -                   | -                     | -                   | (1,072,764)          | -                  | 25,738,021           |
|                        | <b>1,371,781,177</b> | <b>42,472,570</b> | <b>(28,260,186)</b> | <b>22,378,667</b>     | <b>(22,378,667)</b> | <b>(108,799,123)</b> | <b>(9,707,204)</b> | <b>1,267,487,234</b> |

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

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

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

|                        | Opening              | Additions         | Disposals           | Transfers in      | Transfers           | Depreciation        | Impairment         | Total                |
|------------------------|----------------------|-------------------|---------------------|-------------------|---------------------|---------------------|--------------------|----------------------|
|                        | balance              |                   |                     |                   |                     |                     | loss               |                      |
| Land                   | 329,882,260          | -                 | (1,188,000)         | -                 | -                   | -                   | -                  | 328,694,260          |
| Plant and machinery    | 1,069,420            | 133,914           | -                   | -                 | -                   | (223,903)           | (24,149)           | 955,282              |
| Furniture and fixtures | 420,136              | -                 | -                   | -                 | -                   | (74,348)            | -                  | 345,788              |
| Motor vehicles         | 7,946,016            | 1,610,561         | -                   | -                 | -                   | (1,185,224)         | (99)               | 8,371,254            |
| IT equipment           | 654,207              | 31,418            | -                   | -                 | -                   | (191,205)           | -                  | 494,420              |
| Infrastructure         | 887,473,320          | 61,829,481        | (63,123,115)        | 33,780,900        | (33,882,520)        | (83,080,376)        | (1,245,529)        | 801,752,161          |
| Community              | 127,351,409          | 21,872,991        | (10,564,170)        | 11,842,723        | (11,842,723)        | (5,638,952)         | (1,907,288)        | 131,113,990          |
| Buildings              | 78,879,487           | -                 | -                   | -                 | -                   | (3,076,446)         | (647,532)          | 75,155,509           |
| Landfill Sites         | 7,800,065            | 6,302,766         | -                   | 101,619           | -                   | 10,694,066          | -                  | 24,898,516           |
|                        | <b>1,441,476,320</b> | <b>91,781,131</b> | <b>(74,875,285)</b> | <b>45,725,242</b> | <b>(45,725,243)</b> | <b>(82,776,388)</b> | <b>(3,824,597)</b> | <b>1,371,781,180</b> |

#### Reconciliation of work in progress - 2022

|                                | Included within<br>Infrastructure | Included within<br>Community | Included within<br>Other<br>Electricity | Total             |
|--------------------------------|-----------------------------------|------------------------------|---|-------------------|
| Opening balance                | 15,522,065                        | 17,377,134                   | 7,095,925                               | 39,995,124        |
| Additions/capital expenditure  | 24,537,117                        | 9,175,093                    | 1,750,557                               | 35,462,767        |
| Disposals                      | (6,232,617)                       | (13,181,977)                 | (7,095,726)                             | (26,510,320)      |
| Transferred to completed items | (10,691,252)                      | (11,687,415)                 | -                                       | (22,378,667)      |
|                                | <b>23,135,313</b>                 | <b>1,682,835</b>             | <b>1,750,756</b>                        | <b>26,568,904</b> |

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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

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

#### Reconciliation of work in progress - 2021

|                                | Included within<br>Infrastructure | Included within<br>Community | Included within<br>Electricity | Total             |
|--------------------------------|-----------------------------------|------------------------------|--------------------------------|-------------------|
| Opening balance                | 43,941,058                        | 24,110,450                   | 6,929,254                      | 74,980,762        |
| Additions/capital expenditure  | 22,984,446                        | 15,673,577                   | 7,324,792                      | 45,982,815        |
| Disposals                      | (22,074,817)                      | (10,564,170)                 | (2,604,223)                    | (35,243,210)      |
| Transferred to completed items | (29,328,622)                      | (11,842,723)                 | (4,553,898)                    | (45,725,243)      |
|                                | <b>15,522,065</b>                 | <b>17,377,134</b>            | <b>7,095,925</b>               | <b>39,995,124</b> |

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

|                                  |                   |                  |
|----------------------------------|-------------------|------------------|
| Paid to contracted services      | 4,200,760         | 2,241,069        |
| Paid from materials and supplies | 6,297,489         | 2,953,312        |
|                                  | <b>10,498,249</b> | <b>5,194,381</b> |

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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### 9. Intangible assets

|                          | 2022                |   |                | 2021                |   |                |
|--------------------------|---------------------|---|----------------|---------------------|---|----------------|
|                          | Cost /<br>Valuation | Accumulated<br>amortisation<br>and<br>accumulated<br>impairment | Carrying value | Cost /<br>Valuation | Accumulated<br>amortisation<br>and<br>accumulated<br>impairment | Carrying value |
| Computer software, other | 2,484,741           | (2,163,163)   | 321,578        | 2,484,741           | (2,017,350)   | 467,391        |

#### Reconciliation of intangible assets - 2022

|                          | Opening<br>balance | Amortisation | Total   |
|--------------------------|--------------------|--------------|---------|
| Computer software, other | 467,391            | (145,813)    | 321,578 |

#### Reconciliation of intangible assets - Segment information - 2021

|                          | Opening<br>balance | Amortisation | Total   |
|--------------------------|--------------------|--------------|---------|
| Computer software, other | 364,264            | 103,127      | 467,391 |

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 10. Heritage assets

|                      | 2022                |                                     |                | 2021                |                                     |                |
|----------------------|---------------------|-------------------------------------|----------------|---------------------|-------------------------------------|----------------|
|                      | Cost /<br>Valuation | Accumulated<br>impairment<br>losses | Carrying value | Cost /<br>Valuation | Accumulated<br>impairment<br>losses | Carrying value |
| Historical buildings | 3,854,571           | -                                   | 3,854,571      | 3,854,571           | -                                   | 3,854,571      |

### Reconciliation of heritage assets 2022

|                      | Opening<br>balance | Total     |
|----------------------|--------------------|-----------|
| Historical buildings | 3,854,571          | 3,854,571 |

### Reconciliation of heritage assets Segment information - 2021

|                      | Opening<br>balance | Total     |
|----------------------|--------------------|-----------|
| Historical buildings | 3,854,571          | 3,854,571 |

### 11. Payables from exchange transactions

|                      |                    |                   |
|----------------------|--------------------|-------------------|
| Trade payables       | 98,110,559         | 43,488,183        |
| Retentions           | 10,204,511         | 9,600,140         |
| Accrued leave pay    | 13,331,913         | 13,780,518        |
| Unallocated deposits | 7,341,080          | 13,882,529        |
| Advanced payments    | 4,680,091          | 4,690,182         |
| Salary control       | 5,798,731          | 4,442,107         |
|                      | <b>139,466,885</b> | <b>89,883,659</b> |



# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

| Figures in Rand  | 2022              | 2021              |
|--|-------------------|-------------------|
| <b>12. Consumer deposits</b>                                 |                   |                   |
| Electricity  | 14,881,800        | 14,276,738        |
| Water  | 1,525,683         | 1,421,008         |
| Housing rental   | 520,334           | 393,847           |
|  | <b>16,927,817</b> | <b>16,091,593</b> |
| <b>13. Unspent conditional grants and receipts</b>           |                   |                   |
| <b>Unspent conditional grants and receipts comprises of:</b> |                   |                   |
| <b>Unspent conditional grants and receipts</b>               |                   |                   |
| Gijima Grant   | -                 | 38,830            |
| Land Use Management  | -                 | 229,850           |
| Municipal Systems Improvement Grant                          | -                 | 3,166             |
| Provincial Housing Grant                                     | 167,393           | 167,393           |
| Water Massification  | -                 | 2,569             |
| Provincial Library Grant                                     | 1,578,306         | 2,159,047         |
| Sports and recreation  | 2,064,741         | -                 |
| Provincial Housing Deeds Restoration Programme               | 3,713,557         | 3,569,832         |
|  | <b>7,523,997</b>  | <b>6,170,687</b>  |
| <b>Movement during the year</b>                              |                   |                   |
| Balance at the beginning of the year                         | 6,170,687         | 8,275,166         |
| Additions during the year                                    | 63,191,916        | 61,741,927        |
| Income recognition during the year                           | (61,838,606)      | (63,846,406)      |
|  | <b>7,523,997</b>  | <b>6,170,687</b>  |

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised. See note for reconciliation of grants from National/Provincial Government. These amounts are invested in a ring-fenced investment until utilised.

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

| Figures in Rand   | 2022             | 2021             |
|---|------------------|------------------|
| <b>13. Unspent conditional grants and receipts (continued)</b>                |                  |                  |
| <b>Equitable Share</b>  |                  |                  |
| Current year receipts   | 167,581,000      | 191,340,000      |
| Conditions met transferred to revenue   | (167,581,000)    | (191,340,000)    |
|   | -                | -                |
| <b>Gijima Grant</b>   |                  |                  |
| Balance unspent at beginning of year  | -                | 38,830           |
| Fully spent in the current year.  |                  |                  |
| <b>Land Use Management Grant</b>  |                  |                  |
| Balance unspent at beginning of year  | -                | 229,850          |
| Fully spent in the current year.  |                  |                  |
| <b>National Integrated Electrification Grant</b>                              |                  |                  |
| Balance unspent at beginning of year  | -                | -                |
| Current year receipts   | 3,396,000        | 10,000,000       |
| Conditions met - transferred to revenue                                       | -                | (7,303,692)      |
| Transfer to equitable share - roll over not approved                          | -                | -                |
| Expenditure recorded directly against liability (Principle & Agent Agreement) | (3,396,000)      | (2,696,308)      |
|   | -                | -                |
| <b>MSIG - Upgrading Emondlo Billing</b>                                       |                  |                  |
| Balance unspent at beginning of year  | -                | 3,166            |
| <b>Provision Housing Grant</b>  |                  |                  |
| Balance unspent at beginning of year  | 167,393          | 285,383          |
| Conditions met - transferred to revenue                                       | -                | (117,990)        |
| Terms and conditions  |                  |                  |
|   | <b>167,393</b>   | <b>167,393</b>   |
| <b>COGTA - Emergency Water Massification Grant</b>                            |                  |                  |
| Balance unspent at beginning of year  | -                | 2,569            |
| <b>Provincial Library Grant</b>   |                  |                  |
| Balance unspent at beginning of year  | 2,159,047        | 2,871,206        |
| Current year receipts   | 4,538,000        | 4,660,000        |
| Conditions met - transferred to revenue                                       | (5,118,741)      | (5,372,159)      |
|   | <b>1,578,306</b> | <b>2,159,047</b> |
| Conditions still to be met - remain liabilities                               |                  |                  |
| <b>Municipal Infrastructure Grant</b>   |                  |                  |
| Balance unspent at beginning of year  | -                | 1,262,429        |
| Current year receipts   | 39,107,000       | 36,451,000       |
| Conditions met - transferred to revenue                                       | (39,107,000)     | (37,713,429)     |
|   | -                | -                |
| Conditions still to be met - remain liabilities                               |                  |                  |

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

| Figures in Rand  | 2022             | 2021             |
|--|------------------|------------------|
| <b>13. Unspent conditional grants and receipts (continued)</b> |                  |                  |
| <b>Provincial Housing Deeds Restoration Grant</b>              |                  |                  |
| Balance unspent at beginning of year                           | 3,569,832        | 3,531,771        |
| Current year receipts  | 143,724          | 3,165,292        |
| Conditions met - transferred to revenue                        | -                | (3,034,635)      |
|  | <b>3,713,556</b> | <b>3,662,428</b> |
| Conditions still to be met - remain liabilities                |                  |                  |
| <b>COGTA Thusong Centre Grant</b>                              |                  |                  |
| Balance unspent at beginning of year                           | -                | 49,962           |
| Conditions met - transferred to revenue                        | -                | (49,962)         |
|  | -                | -                |
| Conditions still to be met - remain liabilities                |                  |                  |
| <b>Financial Management Grant</b>                              |                  |                  |
| Current year receipts  | 2,650,000        | 2,600,000        |
| Conditions met - transferred to revenue                        | (2,650,000)      | (2,600,000)      |
|  | -                | -                |
| <b>Museum Grant</b>  |                  |                  |
| Current year receipts  | 225,000          | -                |
| Conditions met - transferred to revenue                        | (225,000)        | -                |
|  | -                | -                |
| <b>EPWP</b>  |                  |                  |
| Current year receipts  | 2,515,000        | 2,400,000        |
| Conditions met - transferred to revenue                        | (2,515,000)      | (2,400,000)      |
|  | -                | -                |
| <b>Sports and recreation</b>                                   |                  |                  |
| Current year receipts  | 3,999,999        | -                |
| Conditions met - transferred to revenue                        | (1,935,259)      | -                |
|  | <b>2,064,740</b> | -                |
| <b>Human Settlements</b>                                       |                  |                  |
| Current year receipts  | 3,726,281        | -                |
| Conditions met - transferred to revenue                        | (3,726,281)      | -                |
|  | -                | -                |

## 14. Employee benefit obligations

### Defined benefit plan

### Post retirement benefit plan

The municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds with which the municipality is associated a member (who is on the current condition of service) on retirement is entitled to remain a continued member of such medical aid fund in which case the municipality is liable for a certain portion of the medical aid membership fee.

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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

### 14. Employee benefit obligations (continued)

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

#### Carrying value

|   |                     |                     |
|---|---------------------|---------------------|
| Present value of the defined benefit obligation-wholly unfunded - Post retirement medical aid liability | (45,458,001)        | (43,185,001)        |
| Present value of the defined benefit obligation-partly or wholly funded - Long service award liability  | (11,038,000)        | (10,298,000)        |
|   | <b>(56,496,001)</b> | <b>(53,483,001)</b> |
| Non-current assets  | 3,725,000           | -                   |
| Non-current liabilities   | (56,492,001)        | (50,099,001)        |
| Current liabilities   | (3,729,000)         | (3,384,000)         |
|   | <b>(56,496,001)</b> | <b>(53,483,001)</b> |

The Provision for Post Employment Medical Aid Subsidy was determined in accordance with GRAP 25 Accounting Standard which requires the liability to be measured using the Projected Unit Credit Method at valuation date as at 30 June 2022.

:

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

|  |                   |                   |
|--|-------------------|-------------------|
| Opening balance  | 53,483,000        | 60,520,325        |
| Net expense recognised in the statement of financial performance | 3,013,000         | (7,037,325)       |
|  | <b>56,496,000</b> | <b>53,483,000</b> |

#### Net expense recognised in the statement of financial performance

|                          |                  |                    |
|--------------------------|------------------|--------------------|
| Current service cost     | 2,619,000        | 2,826,085          |
| Interest cost            | 5,034,000        | 7,347,960          |
| Actuarial (gains) losses | (6,131,000)      | (14,184,833)       |
| Policy amendment         | 1,491,000        | -                  |
| Payment during the year  | -                | (3,026,537)        |
|                          | <b>3,013,000</b> | <b>(7,037,325)</b> |

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

| Figures in Rand | 2022 | 2021 |
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### 14. Employee benefit obligations (continued)

#### Key assumptions used

The following assumptions were used at the reporting date for Post Employment Medical Aid Subsidy:

|   |         |     |
|---|---------|-----|
| Discount rate                                   | 11.79 % | - % |
| Health care cost inflation rate                 | 8.41 %  | - % |
| Net-of-health-care-cost-inflation discount rate | 3.12 %  | - % |
| Maximum subsidy inflation rate                  | 5.93 %  | - % |
| Net of maximum subsidy inflation discount rate  | 5.53 %  | - % |

Key Assumption used in the valuation of Post Employee Medical Aid Benefits for the period end 30 June 2022, was on the Yield and Norminal Curves, and therefore comparison between the assumption used at the current and previous valuation dates is detailed below. The table is intended to provided the user with a comparable basis since rates was not clearly defined in the 30 June 2022 valuations.

|   |       |      |
|---|-------|------|
| Discount rate                                   | 11.79 | 9.88 |
| Health care cost inflation rate                 | 8.41  | 6.72 |
| Net-of-health-care-cost-inflation discount rate | 3.12  | 2.96 |
| Maximum subsidy inflation rate                  | 5.93  | 4.67 |
| Net-of-maximum-subsidy-inflation rate           | 5.53  | 4.98 |

The table below summaries the eligible employees:

|  | Female | Male | Total |
|--|--------|------|-------|
| Number of in service members                 | 105    | 139  | 244   |
| Number of in service non members             | 42     | 130  | 172   |
| Total employees                              | 147    | 269  | 416   |
| Average age                                  | 43.4   | 47.1 | 91    |
| Average past service                         | 11     | 14   | 25    |
| Proportion with a spouse dependent (members) | 27%    | 47%  | 74%   |

| Key Demographic Assumption   | Value    |
|--|----------|
| Average retirement age   | 63       |
| Continuation of membership at retirement   | 75%      |
| Proportion with a spouse dependant at retirement   | 60%      |
| Proprtion of in service non members joining a scheme by retirement and continuing with the subsidy at retirement | 15%      |
| Mortality during employment  | SA 85-90 |

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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### 14. Employee benefit obligations (continued)

|  |   |
|--|---|
| Mortality post-employment                    | PA (90) - 1 with a 1% mortality improvement p.a from 2010 |
| Withdrawal from service (sample annual rate) | Age 20 to 55+ (Range 13% to 0%)                           |

#### Withdrawal Rates

| Age | Females | Males |
|-----|---------|-------|
| 20  | 9%      | 9%    |
| 25  | 8%      | 8%    |
| 30  | 6%      | 6%    |
| 35  | 5%      | 5%    |
| 40  | 5%      | 5%    |
| 45  | 4%      | 4%    |
| 50  | 3%      | 3%    |
| 55+ | 0%      | 0%    |

#### Long Service Award Liability

It is the policy of the municipality to provide Long Service Awards to eligible employees. The municipality makes a provision for Long Service Awards in accordance with GRAP 25. The municipality offers employees Long Service Awards for every five years of service completed, from five years of service to 45 years of service, inclusive.

The Long Service Award is an unfunded arrangement and the municipality has not set aside separate assets to meet this liability. The table below describes the benefits awards:

| Completed Service (In Years) | Long Service Award (1% of Annual Earnings) | Description                |
|------------------------------|--|----------------------------|
| 5                            | 4.0%                                       | 10 / 250 x annual earnings |
| 10                           | 8.0%                                       | 20 / 250 x annual earnings |
| 15, 20, 25, 30, 35, 40, 45   | 12.0%                                      | 30 / 250 x annual earnings |

In addition, employees receive a cash award of R 10,000 at their 25 year service anniversaries. This value is fixed and no planned future increases are taken into during the valuation of the Liability. Below are the key assumptions that was used to calculate the Financial Liability.

| Key Financial Assumption                    | Value p.a |
|---|-----------|
| Discount rate                               | 10.87%    |
| General earnings inflation rate (long-term) | 7.33%     |
| Net effective discount rate                 | 3.30%     |

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

#### Eligible Employees

|                              | Female   | Male     | Total    |
|------------------------------|----------|----------|----------|
| Number of eligible employees | 147      | 269      | 416      |
| Average annual earnings      | R232,213 | R229,450 | R461,660 |

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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

### 14. Employee benefit obligations (continued)

|  |      |      |    |
|--|------|------|----|
| Earnings-weighted average age          | 43.4 | 47.1 | 91 |
| Earnings-weighted average past service | 11.0 | 14   | 25 |

### 15. Provisions

#### Reconciliation of provisions - 2022

|                              | Opening Balance   | Contribution to provisions | Reversed during the year | Total             |
|------------------------------|-------------------|----------------------------|--------------------------|-------------------|
| Environmental rehabilitation | 38,273,064        | 1,912,269                  | -                        | 40,185,333        |
| Bonus                        | 1,343,518         | -                          | (322,013)                | 1,021,505         |
|                              | <b>39,616,582</b> | <b>1,912,269</b>           | <b>(322,013)</b>         | <b>41,206,838</b> |

#### Reconciliation of provisions - Segment information - 2021

|                              | Opening Balance   | Contribution to provision | Total             |
|------------------------------|-------------------|---------------------------|-------------------|
| Environmental rehabilitation | 31,970,299        | 6,302,765                 | 38,273,064        |
| Bonus                        | 839,537           | 503,981                   | 1,343,518         |
|                              | <b>32,809,836</b> | <b>6,806,746</b>          | <b>39,616,582</b> |
| Current liabilities          |                   | 1,021,505                 | 1,343,518         |
| Non-current liabilities      |                   | 40,185,333                | 38,273,064        |
|                              |                   | <b>41,206,838</b>         | <b>39,616,582</b> |

The determination of the cost required for the rehabilitation of the Vryheid and Coronation was done as at 30 June 2022. The cost estimate is based on 25% Preliminary and general (P&G) and a 10% contingency of the construction amount for unforeseen items.

### 16. Revenue

|  |                    |                    |
|--|--------------------|--------------------|
| Rendering of services                              | 592,327            | 798,066            |
| Service charges                                    | 309,397,431        | 285,157,700        |
| Rental of facilities and equipment                 | 936,598            | 1,069,914          |
| Interest on receivables from exchange transactions | 10,970,652         | 7,979,328          |
| Agency services                                    | 5,804,579          | 2,791,006          |
| Licences and permits                               | 15,405             | 46,346             |
| Operational Income                                 | 123,159            | 3,927,852          |
| Interest received - investment                     | 1,264,564          | 897,107            |
| Property rates                                     | 102,067,106        | 98,951,181         |
| Property rates - penalties imposed                 | 10,814,766         | 4,995,664          |
| Government grants & subsidies                      | 219,571,155        | 246,328,232        |
| Actuarial gains                                    | 6,131,000          | 14,184,833         |
| Municipal traffic fines                            | 7,139,155          | 8,502,396          |
| Fines, Penalties and Forfeits                      | 229,536            | 103,995            |
|  | <b>675,057,433</b> | <b>675,733,620</b> |

# AbaQulusi 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. Revenue (continued)</b>  |                    |                    |
| <b>The amount included in revenue arising from exchanges of goods or services are as follows:</b> |                    |                    |
| Service charges   | 309,397,431        | 285,157,700        |
| Rendering of services   | 592,327            | 798,066            |
| Rental of facilities and equipment  | 936,598            | 1,069,914          |
| Interest on receivables from exchange transactions  | 10,970,652         | 7,979,328          |
| Agency services   | 5,804,579          | 2,791,006          |
| Licences and permits  | 15,405             | 46,346             |
| Other income  | 123,159            | 3,927,852          |
| Interest received - investment  | 1,264,564          | 897,107            |
|   | <b>329,104,715</b> | <b>302,667,319</b> |
| <b>The amount included in revenue arising from non-exchange transactions is as follows:</b>       |                    |                    |
| Property rates  | 102,067,106        | 98,951,181         |
| Property rates - penalties imposed  | 10,814,766         | 4,995,664          |
| Government grants & subsidies   | 219,571,155        | 246,328,232        |
| Fines, Penalties and Forfeits   | 7,368,691          | 8,606,391          |
|   | <b>339,821,718</b> | <b>358,881,468</b> |
| <b>17. Service charges</b>  |                    |                    |
| Sale of electricity   | 207,507,215        | 190,233,118        |
| Sale of water   | 46,121,871         | 44,497,384         |
| Solid waste   | 22,963,822         | 18,419,515         |
| Sewerage and sanitation charges   | 32,804,523         | 32,007,683         |
|   | <b>309,397,431</b> | <b>285,157,700</b> |
| <b>18. Rental of facilities and equipment</b>   |                    |                    |
| <b>Facilities and equipment</b>   |                    |                    |
| Rental of facilities  | 936,598            | 1,069,914          |
| <b>19. Licences and permits</b>   |                    |                    |
| Trading   | 15,405             | 46,346             |
| <b>20. Agency services</b>  |                    |                    |
| Drivers Licence   | 2,539,175          | 72,493             |
| Motor Vehicle Licence   | 3,265,404          | 2,718,513          |
|   | <b>5,804,579</b>   | <b>2,791,006</b>   |
| <b>21. Operational income</b>   |                    |                    |
| Incidental cash surpluses   | 10,044             | 9,139              |
| Staff Recoveries  | 38,798             | 3,918,713          |
| Other Income  | -                  | -                  |
| Merchandising and jobbing   | 74,317             | -                  |
|   | <b>123,159</b>     | <b>3,927,852</b>   |



# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

| Figures in Rand   | 2022               | 2021               |
|---|--------------------|--------------------|
| <b>22. Interest on Investments</b>                            |                    |                    |
| <b>Interest revenue</b>                                       |                    |                    |
| Interest on investments                                       | 1,264,564          | 897,107            |
| <b>23. Interest on receivables from exchange transactions</b> |                    |                    |
| Property rental debtors                                       | 212,720            | 33,042             |
| Service charges   | 10,757,932         | 7,946,286          |
|   | <b>10,970,652</b>  | <b>7,979,328</b>   |
| <b>24. Property rates</b>                                     |                    |                    |
| <b>Rates received</b>   |                    |                    |
| Property rates  | 102,067,106        | 98,951,181         |
|   | 102,067,106        | 98,951,181         |
| Property rates - penalties imposed                            | 10,814,766         | 4,995,664          |
|   | <b>112,881,872</b> | <b>103,946,845</b> |
| <b>25. Fines, Penalties and Forfeits</b>                      |                    |                    |
| Illegal Connections Fines                                     | 226,087            | 102,348            |
| Overdue Books Fines   | 3,449              | 1,647              |
| Municipal Traffic Fines                                       | 7,139,155          | 8,502,396          |
|   | <b>7,368,691</b>   | <b>8,606,391</b>   |
| <b>26. Sale of Goods and Rendering of Services</b>            |                    |                    |
| Consumables   | 11,082             | 12,494             |
| Library Fees  | 8,126              | 8,153              |
| Publications  | 590                | 4,190              |
| Advertisements  | 11,602             | 42,694             |
| Application fees for land usage                               | 2,191              | 808                |
| Building plan approval  | 66,845             | 61,138             |
| Cemetery and burial   | 308,679            | 418,136            |
| Clearance certificates  | 58,119             | 63,024             |
| Encroachment Fees   | 108,022            | 146,879            |
| Photocopies faxes and telephone charges                       | 12,661             | 10,023             |
| Removal of Restrictions                                       | 189                | -                  |
| Valuation Services  | 4,222              | 5,026              |
| Health Services   | -                  | 25,500             |
|   | <b>592,328</b>     | <b>798,065</b>     |

# AbaQulusi 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. Government grants &amp; subsidies</b>                       |                    |                    |
| <b>Operating grants</b>  |                    |                    |
| Equitable share  | 167,581,000        | 191,340,000        |
| Expanded Public Works Programme                                    | 2,515,000          | 1,831,000          |
| Financial Management Grant   | 2,650,000          | 2,600,000          |
| Provincial Housing Deed Restoration                                | -                  | 117,990            |
| Provincial Library Grant   | 5,118,741          | 5,372,159          |
| Cyber Cadet  | 499,415            | -                  |
| COGTA Thusong Centre   | -                  | 49,962             |
|  | <b>178,364,156</b> | <b>201,311,111</b> |
| <b>Capital grants</b>  |                    |                    |
| Integrated National Electrification Programme                      | 2,100,000          | 7,303,692          |
| Municipal Infrastructure Grant                                     | 39,106,999         | 37,713,429         |
|  | <b>41,206,999</b>  | <b>45,017,121</b>  |
|  | <b>219,571,155</b> | <b>246,328,232</b> |
| <b>Conditional and Unconditional</b>                               |                    |                    |
| Included in above are the following grants and subsidies received: |                    |                    |
| Conditional grants received  | 51,990,156         | 54,988,232         |
| Unconditional grants received                                      | 167,580,999        | 191,340,000        |
|  | <b>219,571,155</b> | <b>246,328,232</b> |
| <b>28. Employee related costs</b>                                  |                    |                    |
| Allowances   | 29,624,336         | 26,866,921         |
| Bargaining Council   | 52,241             | 49,692             |
| Basic salary and wages   | 95,720,487         | 94,649,133         |
| Bonuses  | 7,309,871          | 5,914,164          |
| Medical  | 14,930,622         | 13,746,595         |
| Other benefits   | 1,545,632          | 2,103,789          |
| Pension  | 19,881,931         | 17,488,577         |
| Salaries and allowances  | 7,151,687          | 6,297,210          |
| Social Contributions   | 1,595              | -                  |
| Unemployment insurance   | 913,161            | 639,378            |
|  | <b>177,131,563</b> | <b>167,755,459</b> |
| <b>29. Remuneration of councillors</b>                             |                    |                    |
| Deputy Executive Mayor   | 15,889,971         | 15,543,525         |
| Mayoral Committee Members  | 1,974,884          | 1,971,122          |
|  | <b>17,864,855</b>  | <b>17,514,647</b>  |
| <b>30. Depreciation and amortisation</b>                           |                    |                    |
| Property, plant and equipment                                      | 108,824,743        | 80,031,505         |
| Intangible assets  | 145,812            | 103,126            |
|  | <b>108,970,555</b> | <b>80,134,631</b>  |

# AbaQulusi 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. Finance costs</b>  |                   |                   |
| Interest paid on overdue accounts   | 255,372           | 7,985,905         |
| <b>32. Lease rentals on operating lease</b>   |                   |                   |
| <b>Motor vehicles</b>   |                   |                   |
| Contractual amounts   | 3,944,794         | 5,669,136         |
| <b>Equipment</b>  |                   |                   |
| Contractual amounts   | 49,672            | 231,156           |
| <b>Plant and equipment</b>  |                   |                   |
| Contractual amounts   | 725,981           | 689,033           |
|   | <b>4,720,447</b>  | <b>6,589,325</b>  |
| <b>33. Debt impairment</b>  |                   |                   |
| Revenue from exchange transactions  | 3,392,130         | 56,862,100        |
| Revenue from non-exchange transactions  | 8,872,621         | 9,256,198         |
|   | <b>12,264,751</b> | <b>66,118,298</b> |
| <b>34. Consumer Interest write off</b>  |                   |                   |
| Consumer interest not charged   | 17,718,588        | -                 |
| This amount relates interest charged on consumer accounts over the past two years. A decision was taken by council to write off this amount as it was not viable to pass on to consumers. |                   |                   |
| <b>35. Bulk purchases</b>   |                   |                   |
| Electricity - Eskom   | 215,063,544       | 187,270,673       |
| <b>36. Contracted services</b>  |                   |                   |
| <b>Outsourced Services</b>  |                   |                   |
| Burial Services   | -                 | 1,560             |
| Business and Advisory   | -                 | 886,999           |
| Catering Services   | 18,566            | -                 |
| Call Centre   | 31,928            | -                 |
| Internal Auditors   | 56,213            | -                 |
| Meter Management  | 5,039,125         | 3,059,207         |
| Refuse Removal  | 12,654,956        | 12,757,071        |
| Security Services   | 19,041,022        | 13,700,421        |
| Water Tankers   | 8,485,260         | 14,518,773        |
| <b>Consultants and Professional Services</b>  |                   |                   |
| Business and Advisory   | 10,594,270        | 4,234,290         |
| Infrastructure and Planning   | 26,640,105        | 13,997,734        |
| Laboratory Services   | 1,163,592         | 692,265           |
| Legal Cost  | 3,802,730         | 6,828,359         |

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

| Figures in Rand                                 | 2022               | 2021              |
|---|--------------------|-------------------|
| <b>36. Contracted services (continued)</b>      |                    |                   |
| <b>Contractors</b>                              |                    |                   |
| Catering Services                               | 20,000             | 242,429           |
| Electrical                                      | 644,230            | 724,712           |
| Gardening Services                              | 11,007,150         | 9,291,015         |
| Maintenance of Buildings and Facilities         | 1,048,706          | 2,953,312         |
| Maintenance of Equipment                        | -                  | 2,241,069         |
| Maintenance of Unspecified Assets               | 9,505,342          | 2,592,838         |
| Tracing Agents and Debt Collectors              | 2,824,929          | -                 |
| Traffic and Street Lights                       | 373,841            | 13,240            |
| Sewerage Services                               | 967,500            | -                 |
|   | <b>113,919,465</b> | <b>88,735,294</b> |
| <b>37. Auditors' remuneration</b>               |                    |                   |
| Fees  | 4,042,064          | 3,057,119         |
| <b>38. Operational Expenditure</b>              |                    |                   |
| Advertising; Publicity and Marketing            | 803,428            | 475,249           |
| External audit fees                             | 4,042,064          | 3,057,119         |
| Bank charges, facilities and card fees          | 1,677,266          | 2,906,521         |
| Commission paid                                 | 2,331,686          | 29,165            |
| Insurance underwriting                          | 2,158,254          | 2,932,754         |
| External computer service                       | 6,743,621          | 6,244,510         |
| Skills Development Fund Levy                    | 1,578,288          | 1,885,714         |
| Wet Fuel  | 3,658,874          | 2,986,502         |
| Uniform and Protective Clothing                 | 70,676             | 322,298           |
| Professional bodies membership and subscription | 2,253,487          | 1,847,199         |
| Communication                                   | 693,868            | 1,222,353         |
| Skills Development and Training                 | 32,782             | 2,184,425         |
| Travel and subsistence                          | 1,405,815          | 1,469,893         |
| Registration fees                               | 505,000            | 123,356           |
| Repayment of forfeited deposits                 | 62,539             | -                 |
| Signage   | 72,043             | 15,485            |
| Ward Committees                                 | 4,492,938          | 4,273,548         |
| Workmens compensation fund                      | 706,188            | 644,269           |
| Municipal services                              | 4,117,301          | -                 |
| Learnerships and internships                    | 3,479,991          | 1,516,350         |
|   | <b>40,886,109</b>  | <b>34,136,710</b> |

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

| Figures in Rand  | 2022              | 2021              |
|--|-------------------|-------------------|
| <b>39. Cash generated from operations</b>              |                   |                   |
| Deficit  | (126,293,624)     | (10,146,599)      |
| <b>Adjustments for:</b>                                |                   |                   |
| Depreciation and amortisation                          | 108,970,555       | 80,134,631        |
| Losses on sale of assets and liabilities               | 26,197,665        | -                 |
| Fair value adjustments                                 | 46,381,282        | -                 |
| Impairment deficit                                     | 19,132,572        | 66,118,298        |
| Impairment loss  | 9,707,205         | 3,824,597         |
| Bad debts written off                                  | 17,718,588        | -                 |
| Movements in retirement benefit assets and liabilities | 3,013,000         | 10,174,045        |
| Movements in provisions                                | (322,013)         | 4,134,210         |
| Inventory losses or write-downs                        | 1,629,670         | -                 |
| Actuarial Gains/Losses                                 | (6,131,000)       | (14,184,833)      |
| Water Losses   | 6,629,771         | 5,936,057         |
| <b>Changes in working capital:</b>                     |                   |                   |
| Inventories  | (6,203,602)       | 1,009,021         |
| Receivables from exchange transactions                 | (11,781,348)      | 9,907,855         |
| Other receivables from non-exchange transactions       | (13,381,138)      | (60,496,823)      |
| Payables from exchange transactions                    | (28,546,521)      | (68,953,324)      |
| VAT  | 803,275           | 32,387,667        |
| Unspent conditional grants and receipts                | (1,681,314)       | (2,185,640)       |
| Consumer deposits                                      | 836,224           | 636,578           |
| Other liability  | -                 | (3,026,210)       |
|  | <b>46,679,247</b> | <b>55,269,530</b> |

## 40. Commitments

### Authorised capital expenditure

#### Already contracted for but not provided for

|                                 |            |           |
|---------------------------------|------------|-----------|
| • Property, plant and equipment | 38,786,560 | 8,653,050 |
|---------------------------------|------------|-----------|

#### Total capital commitments

|   |            |           |
|---|------------|-----------|
| Already contracted for but not provided for | 38,786,560 | 8,653,050 |
|---|------------|-----------|

This committed expenditure relates to plant and equipment and will be financed by government grants and subsidies and contracted services will be financed from equitable share, property rates and service charges. All commitments are disclosed inclusive of vat.

### Operating leases - as lessee (expense)

#### Minimum lease payments due

|                                     |                |                |
|-------------------------------------|----------------|----------------|
| - within one year                   | 520,952        | 439,060        |
| - in second to fifth year inclusive | 217,063        | 454,631        |
|                                     | <b>738,015</b> | <b>893,691</b> |

Operating lease payments represent rentals payable by the municipality for certain of its office equipment. Leases are negotiated for a term of three years and rentals are fixed for three years.

# AbaQulusi 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. Contingent liabilities</b>   |                   |                   |
| <b>Contingent Listings</b>  |                   |                   |
| Kuntwele Enzazi Ventures (Pty) Ltd - Claim for unpaid services rendered to the municipality   | 839,411           | 539,411           |
| ZP & Mthembu - Claim for damages on behalf of a child who was allegedly electrocuted and sustained injuries   | 3,100,000         | 3,000,000         |
| D Bakker - Claim for pothole damages to motor vehicle   | 97,990            | 17,990            |
| IE Brand - Claim for personal injury sustained due to damaged sidewalk which should be maintained by the municipality   | 865,090           | 615,090           |
| Quantum Leap (Pty) Ltd - Claim for unpaid services relating to refuse removal services  | 14,543,700        | 13,043,700        |
| Autumn Storm Investment (Pty) Ltd - Claim for compensation for alleged land expropriation by a community in the jurisdiction of the municipality  | 18,500,000        | 17,000,000        |
| E Maphari - Suing for damages relating to unlawful arrest by Municipal law enforcement  | -                 | 270,000           |
| NEXOR 312 (Pty) Ltd - Urgent application against municipality for publish of tender   | -                 | 148,542           |
| CE Sbasido - damages in respect seizure of goods by municipal law enforcement   | 30,000            | 30,000            |
| Izingodla Engineering (Pty) Ltd - Unpaid invoices for Vrede Cliffdale Project   | -                 | 5,636,573         |
| Abaqulusi Local Municipality - The municipality wants to attach and recover money from Mrs GSD Khumalo who defrauded the municipality. A large portion of the stolen amount was attached from the employees account | 350,000           | -                 |
| B Yende - The plaintiff is claiming R200 000 as compensation for alleged unlawful arrest instigated by the municipality's traffic officers  | 300,000           | -                 |
| AbaQulusi Municipality - This matter concerns a dispute with KZN-COGTA on various issues emanating from the section 139 intervention  | 1,500,000         | -                 |
| AbaQulusi Municipality - The Municipality made a review application to challenge two (2) conflicting section 106 investigation reports  | 2,000,000         | -                 |
| Afriforum - This is a challenge to the municipality's decision to appoint Mr Mbatha to manage and operate its farm  | 150,000           | -                 |
|   | <b>42,276,191</b> | <b>40,301,306</b> |

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

| Figures in Rand                            | 2022   |   | 2021  |   |           |
|--|--|---|---|---|-----------|
| <b>42. Prior period errors</b>             |  |   |   |   |           |
|  | Amount as reported on Audited AFS - 30 June 2021 | Prior period adjustment restating the opening balance as at 1 July 2020 | Prior period adjustments restating the 2020/21 movement | Amount as reported on restated AFS - 30 June 2021 | Note Ref: |
| Current Assets                             |  |   |   |   |           |
| Receivables from Non-exchange transactions | 27,689,841                                       | 1,247,751   | -   | 28,937,592  | A         |
| Receivables from Exchange transactions     | 63,782,661                                       | 6,741,014   | 1,247,416   | 55,794,231  | B         |
| Inventories                                | 11,837,241                                       | -   | 1,118,777   | 12,956,018  | C         |
| Vat receivable                             | 3,804,980  | -   | 3,906   | 3,801,074   | D         |
| Non-Current Assets                         |  |   |   |   |           |
| Property plant and Equipment               | 1,259,667,604                                    | -   | 112,113,883   | 1,371,781,487                                     | E         |
| Intangible Assets                          | 271,324  | 196,065   | -   | 467,389   | E         |
| Investment Property                        | 70,605,500                                       | -   | 20,882,000  | 91,487,500  | S         |
| Current Liabilities                        |  |   |   |   |           |
| Payables from exchange transactions        | 94,277,056                                       | -   | 5,845,017   | 88,432,039  | F         |
| Consumer deposits                          | 16,192,409                                       | -   | 100,816   | 16,091,593  | G         |
| Unspent conditonal grants and subsidies    | 6,263,283  | -   | 2,942,039   | 6,170,688   | H         |
| Provisions                                 | -  | -   | 1,343,518   | 1,343,518   | I         |
| Non-Current Liabilities                    |  |   |   |   |           |
| Employee benefit obligation                | 50,099,001                                       | -   | -   | 50,099,001  |           |
| Provisions LT                              | 39,616,582                                       | -   | 1,343,518   | 38,273,064  |           |
| Accumulated surplus                        | 1,255,406,028                                    | 22,611,659  | 155,390,577   | 1,388,184,946                                     | J         |
| Revenue and expenditure                    |  |   |   |   |           |
| Sales of Goods and Rendering of Services   | 33,042   | -   | 765,024   | 798,066   | K         |
| Interest on outstanding debtors            | 7,946,286  | -   | 33,042  | 7,979,328   | K         |
| Other Income                               | 4,725,918  | -   | 798,066   | 3,927,852   | K         |
| Employee related costs                     | 179,306,440                                      | -   | 11,550,981  | 167,755,459                                       | L         |
| Remuneration of councillors                | 18,339,684                                       | -   | 825,037   | 17,514,647  | M         |
| Depreciation and amortisation              | 84,770,735                                       | -   | 4,636,104   | 80,134,631  | N         |
| Bullk purchases                            | 191,593,530                                      | -   | 4,322,857   | 187,270,673                                       | O         |
| Contracted services                        | 97,257,822                                       | -   | 5,883,715   | 91,374,107  | P         |
| Water losses                               | 57,704   | -   | 5,878,353   | 5,936,057   | Q         |
| Operating expenses                         | 36,487,364                                       | -   | 2,350,653   | 34,136,711  | R         |
| Debt impairment                            | 64,771,275                                       | -   | 1,347,023   | 66,118,298  | V         |
| Inventory consumed                         | -  | -   | 19,878,622  | 19,878,622  |           |
| Government grants and subsidies            | 249,362,867                                      | -   | 3,034,635   | 246,328,232                                       | T         |
| Service charges                            | 283,810,668                                      | -   | 1,347,032   | 285,157,700                                       | U         |

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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

### 42. Prior period errors (continued)

- A The increase in the traffic fines debtors is due to new and updated traffic fines report being received by the municipality from the service provider which indicated that the municipality had previous traffic fines not captured.
- B The decrease in receivables from exchange transactions was because the municipality was incorrectly billing for payment arrangements. This error was retrospectively restated.
- C Restatement due to stock issues not captured as well as restatements due to recalculation of water inventory in terms of GRAP 12 as updated information was received.
- D The vat restatement relates to the vat impact of stock adjustment per not C
- E The restatement to property plant and equipment relates mainly to assets not previously disposed of/derecognised by the municipality. The restatement to intangible assets relates to the reversal of amortisation.
- F The restatement to trade and other payables relates to the reversal of supplier invoices which were incorrectly captured, as well as third parties paid but not captured against the payroll control account.
- G The restatement relates to hall refunds paid out but not appropriately captured under consumer deposits
- H The restatement relates to payments for conditions met, however these were not offset against the relevant grant.
- I Reclassification of bonus provision from Non current provision to current provision as the senior management bonus is current in nature.
- J The restatement to accumulated surplus is as a result of the above restatements. A reconciliation is as follows:

|                       |                   |
|-----------------------|-------------------|
| Traffic fines         | (1 247 751)       |
| Payment arrangements  | 8 393 564         |
| Inventory adjustments | 69 222            |
| VAT                   | 3 906             |
| PPE                   | 41 053 005        |
| Payables              | (5 845 017)       |
| Deposits              | (100 816)         |
| Grants                | (92 595)          |
|                       | <b>42 233 518</b> |

- K The reclassification was affected due to prior year incorrect mapping in the annual financial statements

- L The restatement and reclassification due to employee related costs can be reconciled as follows:

#### **Employee Related costs**

|  |                   |
|--|-------------------|
| Restatement of salaries to water inventory cost                  | 7 529 118         |
| Pension and medical aid incorrectly captured                     | 1 791 788         |
| Reclassification of SDL & Ward Comm from EE costs to expenditure | <b>13 002 583</b> |

- M Reclassification of SDL and other non payroll related claims to operational costs
- N Refer to the restatement of PPE. The derecognition of assets resulted in a decrease in depreciation
- O Restatement of electricity at the water plants to inventory costs in terms of GRAP 12
- Q Restatements relate to water losses being recognised in the current year in line with GRAP 12
- P Restatement due to costs reallocated to inventory costs (costs of water production - R170,287) as well as reclassification of computer costs to operational costs



# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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

### 42. Prior period errors (continued)

|   |  |
|---|--|
| R | Restatements relates to reclassifications from above notes, as well as authorised water consumption being appropriately recognised as inventory issued in terms of Grap 12 |
| S | Fair value adjustment taken into account   |
| T | Does not qualify as a grant due to a principle agent relationship  |
| U | Properties previously not billed for water, solid waste and sewerage   |
| V | Increase to provision due to properties not billed that are irrecoverable  |

### 43. Risk management

#### 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 credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. The liquidity ratio is outlined below.

The municipality has no significant interest bearing assets, and the income and operating cash flows are substantially independent of changes in market interest rates. As at 30 June 2022 financial instruments exposed to interest rate risk were call and notice deposits.

#### Financial Instruments

|                        |             |               |
|------------------------|-------------|---------------|
| Current Assets         | 175,835,593 | 130,839,360   |
| Current Liabilities    | 175,830,357 | (123,466,457) |
| <b>Liquidity Ratio</b> | <b>1.00</b> | <b>1.05</b>   |

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis in terms of council policy. Sales to consumers are settled in cash. The municipality's exposure to credit risk is indicated below.

Financial assets exposed to credit risk at year end were as follows:

| Financial instrument                       | 2022       | 2021       |
|--|------------|------------|
| Cash & cash equivalents                    | 29,031,312 | 23,724,637 |
| Receivables from non-exchange transactions | 42,318,731 | 28,937,592 |
| Receivables from exchange transactions     | 52,287,555 | 55,794,222 |

### 44. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus (deficit) of R 1,270,662,048 and that the municipality's total liabilities exceed its assets by R 1,270,662,048.

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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### 44. Going concern (continued)

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

The municipality used the following ratio to determine the going concern assessment. The ratios can be interpreted as follows:

The acid test ratio is used to determine the to which the municipality is able to settle current obligations. A ratio of 1:1 is used as norm, therefore any ratio above 1, is favourable.

A current asset ratio is used to determine the extent current and short term assets can be disposed to liquidate current or short-term liabilities. A ratio of 1:1 is used as norm, therefore any ratio above 1, is favourable.

The debt ratio is used to determine how much the municipality relies on debt to finance assets.

| Acid Test Ratio | Current Assets     | Current Liabilities | Ratio |
|-----------------|--------------------|---------------------|-------|
| 2018/2019       | 151,979,735        | 169,827,569         | 0.89  |
| 2019/2020       | 216,536,478        | 176,019,602         | 1.23  |
| 2020/2021       | 124,025,544        | 115,421,838         | 1.09  |
| 2021/2022       | 144,345,877        | 124,025,544         | 1.00  |
|                 | <b>636,887,634</b> | <b>585,294,553</b>  |       |

| Current Asset Ratio | Current Asset      | Current Liabilities | Ratio |
|---------------------|--------------------|---------------------|-------|
| 2018/2019           | 167,530,618        | 169,827,569         | 0.98  |
| 2019/2020           | 216,536,478        | 176,019,602         | 1.23  |
| 2020/2021           | 124,025,544        | 115,421,838         | 1.09  |
| 2021/2022           | 144,345,877        | 124,025,544         | 1.00  |
|                     | <b>652,438,517</b> | <b>585,294,553</b>  |       |

| Debt Ratio | Total Liabilities  | Total Assets         | Ratio       |
|------------|--------------------|----------------------|-------------|
| 2018/2019  | 251,448,129        | 1,653,850,119        | 15 %        |
| 2019/2020  | 266,204,438        | 1,575,503,823        | 17 %        |
| 2020/2021  | 203,793,903        | 1,411,157,154        | 14 %        |
| 2021/2022  | 258,492,764        | 1,356,611,481        | 18 %        |
|            | <b>979,939,234</b> | <b>5,997,122,577</b> | <b>64 %</b> |

### 45. Events after the reporting date

There were no adjusting or non-adjusting events after the reporting period.

### 46. Unauthorised expenditure

|   |                    |                    |
|---|--------------------|--------------------|
| Opening balance as previously reported  | 334,464,795        | 267,800,878        |
| Add: Unauthorised expenditure - current | 152,117,514        | 129,439,476        |
| Less: Amount written off                | -                  | (62,775,559)       |
| <b>Closing balance</b>                  | <b>486,582,309</b> | <b>334,464,795</b> |

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### 46. Unauthorised expenditure (continued)

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

|          |                    |                    |
|----------|--------------------|--------------------|
| Non-cash | 78,568,842         | 98,111,713         |
| Cash     | 73,548,672         | 31,327,763         |
|          | <b>152,117,514</b> | <b>129,439,476</b> |

#### Analysed as follows: non-cash

|   |                   |                   |
|---|-------------------|-------------------|
| Employee related cost - leave pay provision | -                 | 3,250,612         |
| Depreciation and amortisation               | 66,304,091        | 39,016,735        |
| Finance charges                             | -                 | 10,241,789        |
| Provision of impairment                     | -                 | 41,720,275        |
| Inventory write down                        | -                 | 57,704            |
| Impairment loss - Assets                    | -                 | 3,824,598         |
| Debt impairment                             | 12,264,751        | -                 |
|   | <b>78,568,842</b> | <b>98,111,713</b> |

#### Analysed as follows: cash

|                              |                   |                   |
|------------------------------|-------------------|-------------------|
| Other expenditure            | 73,293,300        | 16,825,822        |
| Employee related costs       | -                 | 6,516,036         |
| Finance cost - interest paid | 255,372           | 7,985,905         |
|                              | <b>73,548,672</b> | <b>31,327,763</b> |

Unauthorised expenditure amounts have been disclosed exclusive of vat.

### 47. Fruitless and wasteful expenditure

|  |                   |                  |
|--|-------------------|------------------|
| Opening balance as previously reported                       | 7,395,408         | 1,240,197        |
| Add: Fruitless and wasteful expenditure identified - current | 23,631,477        | 8,061,007        |
| Less: Amount written off - current                           | -                 | (665,599)        |
| Less: Amount written off - prior period                      | (6,365,983)       | (1,240,197)      |
| <b>Closing balance</b>                                       | <b>24,660,902</b> | <b>7,395,408</b> |

A comprehensive register is maintained by the municipality in accordance with the municipal finance management act

All fruitless and wasteful expenditure is always calculated inclusive of VAT while the figures disclosed above have been presented in this set of financials exclusive of VAT.

# AbaQulusi Local Municipality

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| <b>47. Fruitless and wasteful expenditure (continued)</b>                     |                   |                  |
| <b>Expenditure identified in the current year include those listed below:</b> |                   |                  |
| Eskom (interest on late payment)  | 199,921           | 650,308          |
| Office of Auditor General (Interest late payment)                             | -                 | 9,404            |
| Telkom (interest late payment)  | 46                | 9,555            |
| SARS (PAYE Assessment Penalty)  | 11,884            | 23,286           |
| Izingodla Engineera (Pty) Ltd (Interest on legal settlement)                  | -                 | 2,465,983        |
| Magagula (Interest paid on legal settlement)                                  | -                 | 1,002,471        |
| WIP Halted projects write off   | 23,419,626        | -                |
| Msuftu Transport (Interest on legal settlement)                               | -                 | 3,900,000        |
|   | <b>23,631,477</b> | <b>8,061,007</b> |

The municipality maintains a comprehensive register of fruitless and wasteful expenditure as required by the Municipal Finance Management Act.

## 48. Irregular expenditure

|   |                    |                    |
|---|--------------------|--------------------|
| Opening balance as previously reported    | 251,208,247        | 192,373,991        |
| <b>Opening balance as restated</b>        | <b>251,208,247</b> | <b>192,373,991</b> |
| Add: Irregular Expenditure - current      | 58,244,350         | 78,194,923         |
| Add: Irregular Expenditure - prior period | -                  | 2,474,976          |
| Less: Amount written off - current        | -                  | (16,550,037)       |
| Less: Amount written off - prior period   | -                  | (5,285,606)        |
| <b>Closing balance</b>                    | <b>309,452,597</b> | <b>251,208,247</b> |

Irregular expenditure is presented inclusive of VAT

# AbaQulusi Local Municipality

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### 48. Irregular expenditure (continued)

Incidents/cases identified/reported in the current year include those listed below:

|   | Disciplinary steps taken/criminal proceedings |                   |   |
|---|---|-------------------|---|
| Additional VIP Security (1 incident)  | Pending investigations by management          | 869,728           |   |
| Extension of scope not valid (1 incident)                                       | Pending investigations by management          | 995,084           |   |
| Invalid deviation (12 incidents)  | Pending investigations by management          | 7,711,169         |   |
| Invalid disqualification of bid   | Pending investigations by management          | 1,518,242         |   |
| Mandatory sub-contracting not applied to awards above R30 million (2 incidents) | Pending investigations by management          | 6,986,527         |   |
| MDB 4 forms not submitted by suppliers (9 incidents)                            | Pending investigations by management          | 328,876           |   |
| Month to month contracts (22 incidents)   | Pending investigations by management          | 8,065,814         |   |
| No rotation of suppliers from a panel (12 incidents)                            | Pending investigations by management          | 28,244,284        |   |
| No supporting information for competitive bidding (1 incident)                  | Pending investigations by management          | 525,303           |   |
| No three quotations obtained (2 incidents)                                      | Pending investigations by management          | 1,295,157         |   |
| One of the Directors in service of the state (1 incident)                       | Pending investigations by management          | 6,720             | - |
| Suppliers whose tax status was not in order or cleared by SARS (2 incidents)    | Pending investigations by management          | 1,697,447         | - |
|   |   | <b>58,244,351</b> |   |

Incidents/cases identified/reported in the prior year include those listed below:

|   | Disciplinary steps taken/criminal proceedings |                   |
|---|---|-------------------|
| Competitive bidding not invited (20 incidents)                                | Investigations conducted by management        | 43,014,598        |
| Three written quotations not invited (3 incidents)                            | Investigations conducted by management        | 455,588           |
| Declaration of interest not submitted (1 incident)                            | Investigations conducted by management        | 11,850            |
| Tax clearances not obtained (5 incidents)                                     | Investigations conducted by management        | 17,435,184        |
| Specifications didn't meet minimum threshold for local content (13 incidents) | Investigations conducted by management        | 17,277,703        |
|   |   | <b>78,194,923</b> |

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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### 49. Additional disclosure in terms of Municipal Finance Management Act

#### Audit fees

|                            |             |             |
|----------------------------|-------------|-------------|
| Current year fee           | 4,042,064   | 3,057,119   |
| Amount paid - current year | (4,042,064) | (3,057,119) |
|                            | -           | -           |

#### SDL

|                            |             |             |
|----------------------------|-------------|-------------|
| Current year fee           | 1,582,601   | 1,256,971   |
| Amount paid - current year | (1,582,601) | (1,256,971) |
|                            | -           | -           |

#### Pension and Medical Aid Deductions

|                            |              |              |
|----------------------------|--------------|--------------|
| Current year fee           | 26,807,752   | 24,714,025   |
| Amount paid - current year | (26,807,752) | (24,714,025) |
|                            | -            | -            |

#### VAT

|                |           |           |
|----------------|-----------|-----------|
| VAT receivable | 2,601,982 | 3,405,257 |
|----------------|-----------|-----------|

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

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2022:

| 30 June 2022             | Outstanding<br>less than 90<br>days<br>R | Outstanding<br>more than 90<br>days<br>R | Total<br>R     |
|--------------------------|--|--|----------------|
| Councillor Mkhwanazi SB  | 13,943                                   | 22,143                                   | 36,086         |
| Councillor Cronje E      | 22,555                                   | -  | 22,555         |
| Councillor Mbokazi ST    | 1,695                                    | 33,610                                   | 35,305         |
| Councillor Ndlela NP     | 7,126                                    | 6,533                                    | 13,659         |
|                          | <b>45,319</b>                            | <b>62,286</b>                            | <b>107,605</b> |
| 30 June 2021             | Outstanding<br>less than 90<br>days<br>R | Outstanding<br>more than 90<br>days<br>R | Total<br>R     |
| Councillor TZ Mavundla   | 5,533                                    | 9,808                                    | 15,341         |
| Councillor MA Hlatshwayo | 7,273                                    | 71,270                                   | 78,543         |
| Councillor NS Mgidi      | 402                                      | 4,369                                    | 4,771          |
|                          | <b>13,208</b>                            | <b>85,447</b>                            | <b>98,655</b>  |

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

#### Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Accounting Officer. The expenses incurred as listed hereunder have been condoned. 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 report them to the next meeting of the MPAC and includes a note to the annual financial statements.

The current deviations related to various expenditure due to emergencies COVID 19 and other service delivery emergencies, making it impossible to follow the procurement process. A detailed register of all deviations is maintained by the Municipality.

#### Supply chain management deviations more than R200 000

|                      |   |         |
|----------------------|---|---------|
| Covid 19 Emergencies | - | 803,250 |
|                      |   | -       |

#### Distribution Losses

|                    |                   |                   |
|--------------------|-------------------|-------------------|
| Electricity losses |                   |                   |
| Units purchased    | 135,630,800       | 143,282,267       |
| Units sold         | (102,817,514)     | (120,943,130)     |
| <b>Total Loss</b>  | <b>32,813,286</b> | <b>22,339,137</b> |

#### Percentage Loss:

|  |             |             |
|--|-------------|-------------|
| Distribution Losses                            | 24%         | 16%         |
| Total units lost in distribution               | 32,813,286  | 22,339,137  |
| Cost of providing the service                  | 215,063,544 | 222,928,007 |
| Cost per unit                                  | 1.59        | 1.56        |
| Total cost lost through distribution and theft | 52,030,524  | 34,756,704  |

The technical losses tolerable range prescribed by NERSA is between 5 - 12%. The Distribution losses were as a result of aging infrastructure, illegal connections and meter tampering.

#### Water Losses

|                   |                  |                  |
|-------------------|------------------|------------------|
| Units purified    | 10,265,338       | 8,526,385        |
| Units sold        | (4,751,632)      | (3,301,560)      |
| <b>Total loss</b> | <b>5,513,706</b> | <b>5,224,825</b> |

#### Percentage Loss:

|  |            |            |
|--|------------|------------|
| Distribution losses                            | 54%        | 61%        |
| Total units lost in distribution               | 5,513,706  | 5,224,825  |
| Cost of providing the service                  | 17,617,222 | 14,305,440 |
| Cost per unit                                  | 1,72       | 1,68       |
| Total cost lost through distribution and theft | 9,483,574  | 8,777,706  |

The technical losses tolerable range is between 5 - 15%. The distribution losses were as a result of aging infrastructure, illegal connections, and unmetered water supply.

# AbaQulusi Local Municipality

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### 50. Segment information

#### Segment surplus or deficit, assets and liabilities

#### 2022

|                                  | Community and Social Services | Energy Sources     | Road Transport   | Sport and Recreation | Waste Management  | Waste Water Management | Water Management  | Other (aggregated) |
|----------------------------------|-------------------------------|--------------------|------------------|----------------------|-------------------|------------------------|-------------------|--------------------|
| <b>Revenue</b>                   |                               |                    |                  |                      |                   |                        |                   |                    |
| Exchange Revenue                 | 899,301                       | 205,186,611        | 5,808,179        | -                    | 22,219,377        | 32,322,739             | 45,857,336        | 14,691,490         |
| Non-exchange Revenue             | 5,347,190                     | 1,976,644          | -                | -                    | -                 | -                      | 2,569             | 332,113,090        |
| Interest income (included above) | -                             | -                  | -                | -                    | -                 | -                      | -                 | 13,937,984         |
| <b>Total segment revenue</b>     | <b>6,246,491</b>              | <b>207,163,255</b> | <b>5,808,179</b> | <b>-</b>             | <b>22,219,377</b> | <b>32,322,739</b>      | <b>45,859,905</b> | <b>360,742,564</b> |
| <b>Entity's revenue</b>          |                               |                    |                  |                      |                   |                        |                   |                    |

|                                    | Community and Social Services | Energy Sources | Road Transport | Sport and Recreation | Waste Management | Waste Water Management | Water Management | Other (aggregated) |
|------------------------------------|-------------------------------|----------------|----------------|----------------------|------------------|------------------------|------------------|--------------------|
| <b>Expenditure</b>                 |                               |                |                |                      |                  |                        |                  |                    |
| Bulk Purchases                     | -                             | 215,063,544    | -              | -                    | -                | -                      | -                | -                  |
| Contracted Services                | 7,862,430                     | 9,536,980      | 8,848,152      | 53,976               | 21,371,921       | 967,500                | 26,843,837       | 43,121,135         |
| Depreciation and Amortisation      | -                             | 27,828,461     | 19,343,150     | 3,733,171            | 2,314,238        | 5,861,887              | 2,304,332        | 2,342,164          |
| Employee Related Cost              | 12,772,276                    | 23,281,821     | 13,528,637     | 3,435,955            | 4,814,942        | 16,861,999             | 6,136,104        | 94,622,651         |
| Interest Dividend and rent on land | -                             | -              | -              | -                    | -                | -                      | -                | 255,372            |
| Inventory Consumed                 | 82,071                        | 9,258,608      | 8,504,271      | -                    | 50,500           | 2,925,258              | 22,624,397       | 2,882,290          |
| Operating Leases                   | -                             | 49,672         | -              | -                    | -                | -                      | -                | 4,136,537          |
| Operational Cost                   | 67,830                        | 4,146,163      | 526            | -                    | -                | -                      | 544              | 34,306,580         |
| Remuneration of Councillors        | -                             | -              | -              | -                    | -                | -                      | -                | 17,864,855         |
| Gains and Losses                   | 4,113,010                     | 726,394        | 1,468,379      | -                    | -                | 1,193,097              | 10,983,098       | 13,733,637         |



# AbaQulusi Local Municipality

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### 50. Segment information (continued)

|  |                    |                    |                    |                   |                   |                    |                    |                    |
|--|--------------------|--------------------|--------------------|-------------------|-------------------|--------------------|--------------------|--------------------|
| Disposal of Fixed and Intangible Assets                    | -                  | -                  | -                  | -                 | -                 | -                  | -                  | 24,888,540         |
| Fair Value Adjustment                                      | -                  | -                  | -                  | -                 | -                 | -                  | -                  | 36,329,470         |
| Impairment Loss  | 4,113,010          | 726,394            | 1,468,379          | -                 | -                 | 1,193,097          | 35,578             | 2,786,646          |
| Inventory  | -                  | -                  | -                  | -                 | -                 | -                  | -                  | 2,688,079          |
| Water Losses   | -                  | -                  | -                  | -                 | -                 | -                  | 10,947,520         | -                  |
| <b>Total segment expenditure</b>                           | <b>29,010,627</b>  | <b>290,618,037</b> | <b>53,161,494</b>  | <b>7,223,102</b>  | <b>28,551,601</b> | <b>29,002,838</b>  | <b>79,875,410</b>  | <b>279,957,956</b> |
| <b>Total segmental surplus/(deficit)</b>                   |                    |                    |                    |                   |                   |                    |                    |                    |
| <b>Assets</b>  |                    |                    |                    |                   |                   |                    |                    |                    |
| Current Assets   | 32,225,446         | 143,718,048        | 56,177,176         | 982,355           | 44,560,238        | 121,639,784        | 154,230,064        | 37,820,775         |
| Non-current Assets   | 105,496,279        | 325,350,189        | 240,540,580        | 57,186,703        | 32,223,524        | 93,614,788         | 130,034,041        | 301,208,415        |
| <b>Total segment assets</b>                                | <b>137,721,725</b> | <b>469,068,237</b> | <b>296,717,756</b> | <b>58,169,058</b> | <b>76,783,762</b> | <b>215,254,572</b> | <b>284,264,105</b> | <b>339,029,190</b> |
| <b>Total assets as per Statement of financial Position</b> |                    |                    |                    |                   |                   |                    |                    |                    |

### Segment information - 2021

|                                  | Community and Social Services | Energy Sources     | Road Transport   | Sport and Recreation | Waste Management  | Waste Water Management | Water Management  | Other (aggregated) |
|----------------------------------|-------------------------------|--------------------|------------------|----------------------|-------------------|------------------------|-------------------|--------------------|
| <b>Revenue</b>                   |                               |                    |                  |                      |                   |                        |                   |                    |
| Exchange Revenue                 | 1,063,716                     | 190,245,612        | 2,794,606        | -                    | 17,865,848        | 37,367,451             | 44,344,251        | 13,638,803         |
| Non-exchange Revenue             | 5,423,768                     | 7,415,847          | -                | -                    | 819               | 2,308                  | 1,770             | 350,837,015        |
| Interest Income (included above) | -                             | -                  | -                | -                    | -                 | -                      | -                 | 8,876,435          |
| <b>Total segment revenue</b>     | <b>6,487,484</b>              | <b>197,661,459</b> | <b>2,794,606</b> | <b>-</b>             | <b>17,866,667</b> | <b>37,369,759</b>      | <b>44,346,021</b> | <b>373,352,253</b> |
| <b>Entity's revenue</b>          |                               |                    |                  |                      |                   |                        |                   | <b>679,878,249</b> |

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### 50. Segment information (continued)

#### Expenditure

|  |                   |                    |                   |                  |                   |                   |                   |                      |
|--|-------------------|--------------------|-------------------|------------------|-------------------|-------------------|-------------------|----------------------|
| Bulk Purchases                           | -                 | 187,270,673        | -                 | -                | -                 | -                 | -                 | -                    |
| Contracted Services                      | 9,292,575         | 3,906,939          | 2,603,251         | -                | 12,757,071        | 2,173,913         | 27,131,010        | 33,509,348           |
| Depreciation and Amortisation            | 4,799,455         | 26,249,009         | 28,926,089        | 720,704          | 10,694,066        | 7,266,949         | 15,136,247        | 4,647,999            |
| Employee Related Cost                    | 11,637,471        | 21,437,587         | 15,169,769        | 2,560,215        | 4,824,276         | 17,191,648        | 6,994,620         | 86,228,114           |
| Interest Dividends and Rent on Land      | -                 | -                  | -                 | -                | -                 | -                 | -                 | 7,985,905            |
| Inventory Consumed                       | 347,871           | 5,748,811          | 1,833,447         | -                | 244,295           | 978,004           | 8,470,149         | 2,256,046            |
| Operating Leases                         | 18,750            | -                  | 230,206           | -                | -                 | -                 | 950               | 6,339,419            |
| Operational Cost                         | 91,512            | 325,147            | 241,928           | 21,326           | 20,369            | 127,042           | 99,438            | 31,025,524           |
| Remuneration of Councillors              | -                 | -                  | -                 | -                | -                 | -                 | -                 | 17,514,647           |
| Gains and Losses                         | 1,907,288         | 756,854            | 421,192           | -                | -                 | 15,676            | 10,962,044        | 44,540,876           |
| Fair Value Adjustment                    | -                 | -                  | -                 | -                | -                 | -                 | -                 | 15,928,000           |
| Impairment Loss                          | 1,907,288         | 756,854            | 421,192           | -                | -                 | 15,676            | 51,807            | 65,443,056           |
| Inventory                                | -                 | -                  | -                 | -                | -                 | -                 | -                 | 4,974,180            |
| Water Losses                             | -                 | -                  | -                 | -                | -                 | -                 | 10,910,237        | -                    |
| <b>Total segment expenditure</b>         | <b>30,002,210</b> | <b>246,451,874</b> | <b>49,847,074</b> | <b>3,302,245</b> | <b>28,540,077</b> | <b>27,768,908</b> | <b>79,756,502</b> | <b>320,393,114</b>   |
| <b>Total segmental surplus/(deficit)</b> |                   |                    |                   |                  |                   |                   |                   | <b>(106,183,755)</b> |

#### Assets

|  |                   |                    |                    |                   |                   |                    |                    |                      |
|--|-------------------|--------------------|--------------------|-------------------|-------------------|--------------------|--------------------|----------------------|
| Current Assets   | (24,698,614)      | 118,250,704        | 25,567,374         | 545,847           | 32,809,405        | 92,454,615         | 133,525,164        | 68,184,604           |
| Non-current Assets   | 108,620,775       | 351,971,140        | 241,033,825        | 53,453,533        | 26,104,394        | 100,477,956        | 132,373,951        | 279,310,421          |
| <b>Total segment assets</b>                                | <b>83,922,161</b> | <b>470,221,844</b> | <b>266,601,199</b> | <b>53,999,380</b> | <b>58,913,799</b> | <b>192,932,571</b> | <b>265,899,115</b> | <b>347,495,025</b>   |
| <b>Total assets as per Statement of financial Position</b> |                   |                    |                    |                   |                   |                    |                    | <b>1,739,985,094</b> |

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

### 51. Accounting by principals and agents

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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

### 51. Accounting by principals and agents (continued)

#### Details of the arrangement - KZN Provincial Department of Transport

1. The municipality is a party to a principal-agent arrangement in terms of motor vehicle registrations. The municipality is considered to be an agent in accordance with GRAP 109, with the Provincial Department of Transport being the principal in this arrangement.

The purpose of the principal-agent relationship is to provide service the community and to enhance the municipality's revenue.

#### The significant conditions of the arrangement are that:

The Provincial Department shall issue the motor vehicle licence renewal form to the respective owners of the motor vehicles, indicating the amount due for the year. The municipality provide facilities for owners of motor vehicles to pay their licences. The Provincial Department provide the municipality with access to its IT systems to enable capturing of the amounts received and issuing of the motor vehicle licences on their behalf. The system automatically generates the motor vehicle licence upon capturing the payment of the fees due.

The municipality collect the fees due from motor vehicle owners and simultaneously issue the new licences on behalf of the Department. The municipality is required to pay over any revenue (cash) collected to the Department in respect of motor vehicle licences. The municipality is entitled to retain 8,55% of the cash collected for undertaking this activity on behalf of the Department.

#### Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal KZN Provincial Department of Transport is R5 804 579 (2021: R2 791 006).

#### Details of the arrangement - ESKOM

The purpose of the principal-agent relationship is to provide a service to the community in the form of electrification projects whereby a portion of the Integrated National Electrification Grant is utilised to fund projects in ESKOM licenced areas.

#### The significant conditions of the arrangement are that:

The municipality makes payments to contractors appointed by ESKOM for the electrification of households within the ESKOM Licence areas.

#### Expenditure incurred on behalf of principal

The aggregate amount of expenditure that the entity incurred is R3 204 640 (2021: R2 969 009).

#### Liabilities and corresponding rights of reimbursement recognised as assets

No liabilities were incurred on behalf of the principal during the financial year, and hence no outstanding payments were recorded at year end. No corresponding rights of reimbursement that have been recognised at year

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

No resources have been recognised by the agent in its financial statements. The municipality is required to return the equipment supplied by the department should the agreement is terminated.

#### Details of arrangement with Department of Human Settlement

The municipality is party to the principle-agent agreement in municipality and Department of Human Settlements where the municipality is appointed as project manager, meets the definition of a principal-agent arrangement, and is within the scope of Grap 109.

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

| Figures in Rand | 2022 | 2021 |
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### 51. Accounting by principals and agents (continued)

The purpose of the principal-agent relationship is to provide service the community members in ensuring that the municipality issues title deeds to beneficiaries through the title deeds restoration programme.

Expenditure incurred on behalf of the principal for 2022 RNil (2021- R3,034,635).

#### The significant conditions of the arrangement are that:

The municipality being a “developer”, based on the nature of the arrangement the between DHS and the municipality relating to the national commitment of issuing title deeds to beneficiaries through the “Title Deeds Restoration Programme”, the municipality is therefore acting as a project manager

#### Detail of arrangement between AbaQulusi (principal) and Contour Technology

The municipality is party to the principle-agent agreement in municipality and Contour Systems where the municipality is the Principal, meets the definition of a principal-agent arrangement, and is within the scope of GRAP 109.

The purpose if the principal agent is to ensure that the community can be provided with prepaid electricity.

The agent Contour Technology transacts with third party vendors who sell electricity on behalf of AbaQulusi Municipality.

The purpose of the principal-agent relationship is to provide and maintain the software for the Pre-paid electricty voucher service to the community.

#### The significant conditions of the arrangement are that:

The municipality is the principal and Contour Technology acts as the agent who receives a commission of 3.42% on the total sales per month.

The total fees paid is R2,331,685 (2021 R862,429)

The municipality is indemnified against any claims by any third party or personnel of the supplier for any damages and or loss caused by the performance of any duty imposed by the agreement.

In the case of breach of this agreement by the agent, the municipality may elect to terminate this agreement and immediately claim a full repayment of all money paid to the supplier.

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

| Figures in Rand | 2022 | 2021 |
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### 52. Related parties

#### COGTA

The MEC for CoGTA implemented Section 139(1)(b) of the Constitution with effect 21 February 2019. A ministerial representative was appointed to oversee the municipality's financing and operating policy decisions.

The Provincial executive Council resolved to extend the intervention in terms of section 139(1)(b) effective from 01 April 2021 to 31 October 2021. The municipality was not under the Section 139(1)(b) intervention as at reporting date of 30 June 2022 as the abovementioned period lapsed.

| Related parties | Amount         | Total          |
|-----------------|----------------|----------------|
| Councillors     | 107,604        | 107,604        |
| Subtotal        | 107,604        | 107,604        |
|                 | <b>107,604</b> | <b>107,604</b> |

The figures disclosed above are due to the municipality and are for rates, electricity, water, sanitation and solid waste services rendered to related parties.

| Management class: councillors | Councillor upper limit | Total             |
|-------------------------------|------------------------|-------------------|
| Mayoral committee members     | 4,687,960              | 4,687,960         |
| Councillors                   | 13,176,895             | 13,176,895        |
|                               | <b>17,864,855</b>      | <b>17,864,855</b> |

Refer to note "Remuneration of councillors"

The salaries, allowances and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

#### Management class: senior management

| Name  | Basic salary     | Other benefits   | Total            |
|---|------------------|------------------|------------------|
| ZG DHLAMINI (Municipal Manager)             | 145,011          | 3,187            | 148,198          |
| MPE MTHEMBU (CFO)                           | 993,314          | 248,919          | 1,242,233        |
| NW MBONGWA (Director Technical Services)    | 1,006,059        | 296,106          | 1,302,165        |
| S P DLAMINI (Director Corporate Services)   | 1,039,007        | 307,089          | 1,346,096        |
| T XABA (Director Community Services)        | 1,006,059        | 314,589          | 1,320,648        |
| J S LANDMAN (Director Development Planning) | 1,039,007        | 327,199          | 1,366,206        |
|   | <b>5,228,457</b> | <b>1,497,089</b> | <b>6,725,546</b> |

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

| Figures in Rand   | 2022             | 2021             |
|---|------------------|------------------|
| <b>52. Related parties (continued)</b>                                  | 2                | 2                |
| <b>Remuneration of municipal manager</b>                                |                  |                  |
| Annual Remuneration   | 74,696           | 1,154,100        |
| Car Allowance   | -                | 384,700          |
| Performance Bonus   | -                | 105,045          |
| Travel & Subsistence  | 64,117           | 31,718           |
| Cellphone Allowance   | 9,000            | 36,000           |
| UIF and SALGA   | 385              | -                |
|   | <b>148,198</b>   | <b>1,711,563</b> |
| During the financial year, Mr ZG Dhlamini became the Municipal Manager. |                  |                  |
| <b>Remuneration of chief finance officer</b>                            |                  |                  |
| Annual Remuneration   | 993,314          | 1,147,084        |
| Performance Bonuses   | -                | 74,604           |
| Travel & Subsistence  | 207,802          | -                |
| Back Pay  | -                | -                |
| Cellphone Allowance   | 27,500           | 33,825           |
| Acting Allowance  | 13,617           | -                |
|   | <b>1,242,233</b> | <b>1,255,513</b> |
| <b>Remuneration of Director Technical Services</b>                      |                  |                  |
| Annual Remuneration   | 1,006,059        | 600,866          |
| Travel & Subsistence  | 266,106          | 58,284           |
| Backpays  | -                | -                |
| Cellphone Allowance   | 30,000           | 21,205           |
| Car Allowance   | -                | 2,762            |
|   | <b>1,302,165</b> | <b>683,117</b>   |

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

| Figures in Rand  | 2022             | 2021             |
|--|------------------|------------------|
| <b>52. Related parties (continued)</b>                   |                  |                  |
| <b>Remuneration of Director Corporate Services</b>       |                  |                  |
| Annual Remuneration                                      | 1,039,008        | 831,206          |
| Car Allowance  | -                | 277,069          |
| Performance Bonuses                                      | -                | 74,604           |
| Back Pay   | -                | -                |
| Cellphone Allowance                                      | 30,000           | 30,000           |
| Travel & Subsistence                                     | 277,069          | -                |
| Other  | -                | -                |
|  | <b>1,346,077</b> | <b>1,212,879</b> |
| <b>Remuneration Director Community Services</b>          |                  |                  |
| Annual Remuneration                                      | 1,007,141        | 523,154          |
| Car Allowance  | -                | 135,997          |
| Cellphone Allowance                                      | 30,000           | 21,205           |
| Travel & Subsistence                                     | 266,086          | 6,975            |
| Acting allowance   | 17,421           | -                |
|  | <b>1,320,648</b> | <b>687,331</b>   |
| <b>Remuneration of Director Planning and Development</b> |                  |                  |
| Annual Remuneration                                      | 1,039,027        | 831,206          |
| Car Allowance  | -                | 277,069          |
| Performance Bonuses                                      | -                | 74,604           |
| Cellphone Allowances                                     | 30,000           | 30,000           |
| Travel & subsistence                                     | 277,069          | 1,424            |
| Backpays   | -                | -                |
| Acting Allowance   | 20,110           | -                |
|  | <b>1,366,206</b> | <b>1,214,303</b> |

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

| Figures in Rand                        | 2022              | 2021              |
|--|-------------------|-------------------|
| <b>52. Related parties (continued)</b> |                   |                   |
| <b>Remuneration of councillors</b>     |                   |                   |
| Mayor                                  | 573,366           | -                 |
| Deputy Mayor                           | 723,724           | 667,619           |
| Executive Committee Members            | 4,114,594         | 4,527,798         |
| Speaker                                | 723,724           | 684,299           |
| Councillors                            | 11,729,445        | 11,634,930        |
|  | <b>17,864,853</b> | <b>17,514,646</b> |

|                     | Mayor          | Deputy Mayor   | Speaker        | Other<br>councillors | Exco<br>Councillors |
|---------------------|----------------|----------------|----------------|----------------------|---------------------|
| Salary              | 544,876        | 679,324        | 679,324        | 10,026,744           | 3,558,498           |
| Travel allowance    | -              | -              | -              | -                    | 275,976             |
| Cellphone allowance | 26,180         | 40,800         | 40,800         | 1,464,384            | 244,800             |
| Data card           | 2,310          | 3,600          | 3,600          | 126,810              | 21,600              |
| Medical aid         | -              | -              | -              | -                    | 7,200               |
| Backpay             | -              | -              | -              | 111,507              | 6,520               |
|                     | <b>573,366</b> | <b>723,724</b> | <b>723,724</b> | <b>11,729,445</b>    | <b>4,114,594</b>    |

## 53. Budget differences

### Material differences between budget and actual amounts

|                       |   |
|-----------------------|---|
| Service charges       | The municipality continues to experience historical non-payment from customers. Actual is less than budget to the water shortages and electricity loadshedding.     |
| Rendering of services | The municipality continues to experience historical non-payment from customers. Actual is less than budget due to the water shortages and electricity load shedding |



# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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

### 53. Budget differences (continued)

|                                       |  |
|---------------------------------------|--|
| Rental of facilities and equipment    | Hall rental increased as the covid levels reduced more functions at the community halls and new leases were signed on rental properties.   |
| Licences and permits, Agency Services | Less vehicle licences were issued by the municipality due to covid levels and offices being closed.  |
| Other Income                          | The municipality budgeted for the sale of land which did not materialise.  |
| Interest received - investment        | Interest on investments is less due to no additional funds being able to invest.   |
| Property rates                        | Actual is more than budget due to annual increases and stricter credit control   |
| Government Grants                     | The R4 million sports grant is not recognised as own revenue   |
| Imposed licence and permits           | The original budget was reduced during the adjustment budget period and no revenue was received.   |
| Fair value adjustment                 | Adjustment of assets at year end, this is a non-cash item  |
| Fines, penalties and forfeits         | The eNatis system was down for 3 months during the financial year, the municipality could not issue any fines.   |
| Personnel                             | Costs for post-retirement benefits increased personnel costs. The municipality continued with the service of the EPWP workers oafter the grant received was expended to ensure the continuity of services to the community and this contributed to additional expenditure under employee costs |
| Remuneration of councillors           | The saving is due to there being no mayor  |
| Depreciation and amortisation         | This is due to a recalculation of depreciation following the conditional assessment of assets  |

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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

### 53. Budget differences (continued)

|                                  |  |
|----------------------------------|--|
| Finance costs                    | The municipality incurred interest on overdue accounts which was unplanned. These items have been disclosed in the note for fruitless and wasteful expenditure.  |
| Lease rentals on operating lease | A new tender for the hire of office equipment was awarded  |
| Debt impairment                  | The provision for doubtful debts was not budgeted for  |
| Bulk purchases                   | The municipality finalised the Eskom old debt during 2020/21 and less electricity was purchased from Eskom   |
| Contracted services              | New tenders were awarded for meter reading, security and gardening services which were higher than the previous tenders. The technical services utilised a panel of service providers to assist with maintenance of the town during covid. A master plan for water sanitation and roads was developed which increased the infrastructure and planning costs. |
| Transfers and subsidies          | This is for free basic services for indigent consumers   |
| Sale of goods/inventory          | The original budget was reduced during the adjustment budget period and no expenditure was incurred  |
| General expenses                 | Included under general expenditure is inventory consumed which is repairs and maintenance, the ageing infrastructure in particular water pumps that had to be repaired. The insurance of municipal assets increased significantly when the new tender was awarded.   |
| Actuarial gains/losses           | This will be disclosed as unauthorised expenditure for non-cash items in the notes as this expenditure is only determined at year end during the calculation of post retirement provisions by the Actuaries.   |

# CHAPTER 6

## COMPONENT A: AUDITOR GENERAL OPINION ON FINANCIAL STATEMENTS – AUDIT REPORT

Auditor-General of South Africa

**Abaqulusi Local Municipality**  
**Audit Report for the year ended**  
**30 June 2022**

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

## Report on the audit of the financial statements

### Opinion

1. I have audited the financial statements of the Abaqulusi Local Municipality set out on pages 172 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 the statement of comparison of budget information with actual information for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Abaqulusi Local Municipality as at 30 June 2022, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2021 (Act No. 9 of 2021) (Dora).

### Basis for opinion

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

### Emphasis of matters

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

#### Restatement of corresponding figures

7. As disclosed in note 42 to the financial statements, the corresponding figures for 30 June 2021 were restated as a result of an error in the financial statements of the municipality at, and for the year ended, 30 June 2022.

### **Material impairments – receivables from exchange and non-exchange transactions**

8. As disclosed in note 3 to the financial statements, the municipality increased its provision for impairment to R160,08 million (2020-21: R156,18 million) on receivables from exchange transactions due to poor collection practices.
9. As disclosed in note 4 to the financial statements, the municipality increased its provision for impairment to R138,69 million (2020-21: R129,81 million) on receivables from non-exchange transactions due to poor collection practices.

### **Material losses – Consumer interest write off**

10. As disclosed in note 34 to the financial statements, material losses of R17,72 million was incurred as a result of a write-off of irrecoverable interest not charged on arrear debtor accounts.

### **Distribution losses – electricity and water**

11. As disclosed in note 49 to the financial statements, the municipality incurred material electricity losses of R52,03 million (2020-21: R34,76 million), which represents 24% (2020-21: 16%) of the total electricity purchased. This was mainly due to illegal connections, distribution losses caused by ageing infrastructure and meter tampering.
12. As disclosed in note 49 to the financial statements, the municipality incurred material water losses of R9,48 million (2020-21: R8,78 million), which represents 54% (2020-21: 61%) of the total water purified. This was mainly due to illegal connections, distribution losses caused by ageing infrastructure and unmetered water supply.

### **Other matter**

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

### **Unaudited disclosure notes**

14. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

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

15. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and Dora, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
16. 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**

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

19. 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 key performance area presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
20. 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.
21. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the Basic service delivery and infrastructure development key performance area presented on pages x to x of the municipality's annual performance report for the year ended 30 June 2022.
22. 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.

23. I did not identify any material findings on the usefulness and reliability of the reported performance information for KPA 1 – Basic service delivery and infrastructure development.

#### **Other matters**

24. I draw attention to the matters below.

##### **Achievement of planned targets**

25. Refer to the annual performance report on pages 110 to 155 for information on the achievement of planned targets for the year.

##### **Adjustment of material misstatements**

26. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of basic service delivery and infrastructure development. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

#### **Report on the audit of compliance with legislation** **Introduction and scope**

27. 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.
28. The material findings on compliance with specific matters in key legislation are as follows:

#### **Financial statements**

29. 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 of property, plant and equipment, investment property, cash flow statement, statement of comparison of budget information with actual information and fruitless and wasteful expenditure identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

#### **Procurement and contract management**

30. Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of SCM regulation 17(1)(a) and (c). Similar non-compliance was also reported in the prior year.
31. Quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).



32. Some of the goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM regulation 36(1). Similar non-compliance was also reported in the prior year.
33. Some of the contracts were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).
34. Some of the contracts were awarded to providers whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of SCM regulation 43. Similar non-compliance was also reported in the prior year.
35. Tenders which achieved the minimum qualifying score for functionality criteria were not evaluated further in accordance with the 2017 Preferential Procurement Regulation 5(7).
36. Some of the contracts above R30 million did not include a condition for mandatory subcontracting to advance designated groups, as required by the 2017 Preferential Procurement Regulation 9(1).
37. 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.

#### **Expenditure management**

38. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
39. Reasonable steps were not taken to prevent irregular expenditure amounting to R58,24 million as disclosed in note 48 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by a competitive bidding process not being followed, as required by SCM regulation 19(a). Similar non-compliance was also reported in the prior year.
40. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R23,63 million, as disclosed in note 47 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA.
41. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R152,12 million, as disclosed in note 46 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by overspending on budget votes.

#### **Asset management**

42. An effective system of internal control for assets was not in place, as required by section 63(2)(c) of the MFMA.

### Consequence management

43. 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.

### Utilisation of conditional grants

44. Performance in respect of programmes funded by the Municipal Infrastructure Grant was not evaluated within two months after the end of the financial year, as required by section 12(5) of the Dora.

### Other information

45. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and the selected key performance areas presented in the annual performance report that have been specifically reported in this auditor's report.
46. 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.
47. 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 key performance area presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
48. 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 the auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

### Internal control deficiencies

49. 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 findings on the annual performance report and the findings on compliance with legislation included in this report.
50. The financial statements and annual performance report contained material misstatements that were corrected. These were mainly due to the inadequate application of the financial reporting framework and inadequate reviews by management of quarterly, mid-year, and annual performance reports to ensure that it was supported by reliable information.



51. Management did not establish an appropriate compliance checklist to ensure compliance with relevant laws and regulations.

### **Material irregularities**

52. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit.

### **Material irregularities identified during the audit**

53. The material irregularities identified are as follows:

#### **Outstanding invoices not paid within 30 days**

54. The municipality failed to ensure that the payments due to a supplier were made within 30 days of the invoice date and thus incurred and paid interest of R2,86 million on the outstanding amounts due, in contravention of section 65(2)(e) of MFMA. The non-compliance resulted in a material financial loss of R2,86 million incurred by Abaqulusi Local Municipality before 30 March 2020. The interest payments were disclosed as fruitless and wasteful expenditure in note 47 to the 2020-21 annual financial statements.
55. The municipality failed to ensure that payments due to a supplier were made within 30 days of the invoice dates and thus incurred and paid interest of R1,87 million on the outstanding amounts due, in contravention of section 65(2)(e) of the MFMA. The non-compliance resulted in a material financial loss of R1,87 million by 30 March 2020 for Abaqulusi Local Municipality. The interest payments were disclosed as fruitless and wasteful expenditure in note 47 to the 2020-21 annual financial statements.
56. An investigation by the internal audit unit into the above matters was concluded on 28 February 2022. The newly appointed accounting officer was briefed on these material irregularities on 22 August 2022 and committed on 9 September 2022 to implement actions to rectify the matters in future based on the internal audit investigation. A follow up on the implementation of the planned actions will be performed during the next audit.

#### **Interest not charged on arrear debtor accounts**

57. The municipality did not charge interest on its arrear debtor accounts for the 2019-20 and 2020-2021 financial years, as required by section 64(2)(g) of the MFMA. Furthermore, no subsequent billing of this interest was done by 30 June 2021 and no exemption was granted by the council to waive the interest on the arrear debtor accounts. The debtors account balances were R298,68 million and R247,63 million for 2019-20 and 2020-2021 respectively as disclosed in note 6 to the 2020-21 annual financial statements. The non-compliance resulted in a material financial loss to the Abaqulusi Local Municipality, which will not be recoverable from the debtors.

58. An investigation into the matter by the internal audit unit was concluded on 19 July 2022. The newly appointed accounting officer was briefed on the material irregularity on 22 August 2022 and committed on 9 September 2022 to implement actions to rectify the matter in future based on the internal audit investigation. The implementation of the planned actions will be assessed during the next audit.

#### **Service charges not billed**

59. The municipality failed to recognise revenue when it was earned, as some consumers were not billed for sewerage services that had been provided for the period 01 July 2020 to 30 June 2021. Furthermore, the related consumers were not billed subsequently, in contravention of section 64(2)(e)(i) of the MFMA. The non-compliance resulted in a material financial loss to the Abaqulusi Local Municipality, which will not be recoverable from the debtors.
60. An investigation into the matter by the internal audit unit was concluded on 19 July 2022. The newly appointed accounting officer was briefed on the material irregularity on 22 August 2022 and committed on 9 September 2022 to implement actions to rectify the matter in future based on the internal audit investigation. The implementation of the planned actions will be assessed during the next audit.

*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 key performance area 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 Abaqulusi 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.

# AUDIT COMMITTEE REPORT

2021/22

## **ANNUAL REPORT OF THE AUDIT COMMITTEE FOR THE PERIOD 01 JULY 2021 TO 30 JUNE 2022**

### **AUDIT COMMITTEE REPORT**

The Audit Committee of Abaqulusi Municipality has pleasure in submitting this annual report. This report is submitted in terms of the provisions of sections 121(3) (j), 166(2) (b) and 166(2) (c) of the Municipal Finance Management Act of 2003 ("the MFMA") and covers the financial period from 1 July 2021 to 30 June 2022.

### **AUDIT COMMITTEE MEMBERS AND ATTENDANCE**

The Committee consist of the members listed on the table below and meets at a minimum four (4) times a year as prescribed by the approved Audit Committee Charter.

| <b>Audit Committee Members 2021-2022</b> | <b>Number of meeting attended</b> |
|--|-----------------------------------|
| Mr NE Khumalo (Chairperson)              | 4                                 |
| Mr UBS Botshiwe                          | 4                                 |
| Ms PS Ndaba                              | 4                                 |

### **Overview of Activities**

The Committee held four (4) meetings during the financial year on the following dates:  
30 August 2021;  
22 October 2021;  
14 March 2022; and  
23 June 2022.

### **AUDIT COMMITTEE RESPONSIBILITIES**

The Committee has complied with its responsibilities arising from section 166 of the MFMA and clause 14(2) (a) of the Municipal Planning and Performance Management Regulations of 2001. The Committee's work was guided and regulated by an Audit Committee Charter.

### **INTERNAL AUDIT INSTITUTIONAL ARRANGEMENT**

In terms of S62 (c) (ii) and S165 (1) of the MFMA each municipality is required to have an Internal Audit unit and S165 (3) allows the municipality to co-source the internal audit function if the municipality requires assistance to develop its internal capacity. The Committee is satisfied that the municipality has an approved structure of Internal Audit Function and recommended that the Internal Audit Function should be adequately capacitated and resourced to ensure that it addresses the risks pertinent to the municipality



and audits. The Internal Audit Charter as adopted by the Committee regulates the work of the Internal Audit Activities.

## **INTERNAL AUDIT FUNCTION**

The Internal Audit coverage plan and Internal Audit methodology were approved by the Committee in the meeting held on 26 October 2021. During this financial year internal audit reports were presented at the Committee meetings. Internal audit findings were deliberated in the meetings of the Committee and recommendations were recorded. The Internal Audit findings together with Auditor-General findings became actions to be implemented by structures in the municipality.

The Committee noted with concern that Internal Audit Plan was not completed and requested management to expedite the capacitation of the Internal Audit Function so that it can meet its responsibilities arising from the Internal Audit Charter.

## **EFFECTIVENES OF SYSTEM OF INTERNAL CONTROL**

The system of internal controls is designed to provide reasonable assurance that the assets are safeguarded and the liabilities and working capital are effectively and efficiently managed and they remain the responsibility of management.

The Internal Audit reports in areas audited during the financial year indicated that there were numerous weaknesses in the system of internal controls and these were deliberated during the Committee meetings. The Committee noted with concern the findings reported in the Auditor General Management letter related to the weaknesses in the control environment and requested municipality to implement recommendations in order to improve the control environment. Leadership structures within the municipality need to ensure that there is accountability that is intertwined with authority at all levels, thereby minimising risks of maladministration, fraud and corruption.

## **RISK MANAGEMENT**

The municipality has a functional Risk Management Committee that reviewed and updated risk register and risk mitigation plans. The risk registers were deliberated during the Committee meetings. The Internal Audit Manager was responsible for the coordination of municipal risk management processes and this did not compromise the independency and objectivity of the Internal Audit Function.

## **ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

The Committee reviewed the Annual Financial Statements for the year ending 30 June 2022. The Committee noted some errors and requested that the Chief Financial Officer to rectify these errors before submitting financial statements to Auditor-General. These financial statements were approved and submitted to the Auditor-General as required by the MFMA.

In order to improve financial reporting process, the municipality should develop an action plan which will guide the activities during the preparation of Annual Financial Statements including preparation of interim financial statements with adequate working papers.

### **COMPETENCY OF THE FINANCE DEPARTMENT**

The Committee noted with concern the inadequate resources and competency gaps within Finance Department. Management committed to address identified skills gap in order to strengthen the skills and competency of the Finance Department.

### **PERFORMANCE MANAGEMENT**

Performance Management System and Performance Information was reviewed by the Internal Audit Function. The Committee noted weaknesses and findings reported by internal auditors and the strides that were implemented by management. The Committee recommended that the responsible managers should submit performance information timely, so as to ensure corrective actions are taken timeously.

The Committee recommended that the Internal Audit Unit should review the Organisational Scorecard, Service Delivery & Budget Implementation Plan (SDBIP) before the approval by the Mayor to ensure alignment with Integrated Development Plan (IDP) and compliance with SMART principles.

### **MONTHLY FINANCIAL MANAGEMENT REPORTS**

Monthly management reports (S71 Reports) were deliberated in the Committee. These included debtors and creditors age analyses, bank, income and expenditure reports and budget and variance reports. Several pertinent matters were raised with management who in turn furnished answers. In many instances' suggestions, recommendations, and/or requests from the Committee were implemented by management. Recommended controls need to be improved upon especially covering the completeness of revenue recovery of debts, timeous payments of creditors, SCM process, Assets register and in general the daily, monthly and quarterly reconciliations of all records and books of accounts.

### **GOVERNANCE**

The Committee noted that the Municipality was under administration during the first five (5) months of the financial year. The Committee noted with concerns that some of the recommendations in the Audit Committee Quarterly Reports submitted to Council were not implemented during the financial year.

## **COMPLIANCE WITH LAWS AND REGULATIONS**

The Committee reviewed the effectiveness of the system for monitoring compliance with laws and regulations and recommended the development of compliance monitoring checklist. The recommended checklist should be presented in the Committee meetings to report on compliance to laws and regulations.

## **EXTERNAL AUDIT BY AUDITOR-GENERAL (AGSA)**

The Committee reviewed the external audit scope of work to ensure that critical areas within the Municipality are being addressed. In addition, the committee reviewed the audit report including issues arising from the external audit process. The Committee was satisfied that the municipality received an unqualified audit opinion which is the improvement from prior year qualified audit opinion. The Committee noted with concern findings reported in AGSA management letter, management assured the Committee that AGSA findings will be resolved during the 2022-2023 financial year and the progress thereof will be reported during the Committee meetings.


Based on processes followed and assurances received from the Auditor-General, nothing has come to the Committee's attention with regard to any matter concerning the independence of External Auditors.

## **INVESTIGATION, FRAUD AND CORRUPTION**

The Committee was given assurance by management that the internal controls environment was improved to prevent and detect fraudulent activities. The Committee reviewed the Fraud Risk Register during the year and recommended additional controls that should be implemented by management to mitigate identified fraud risks.

## **CONCLUSION**

The Committee wishes to express its sincere gratitude to the Council and all stakeholders for their support during the financial year.



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Chairperson: Audit Committee

Mr NE Khumalo  
05 December 2022

# AUDIT ACTION PLAN

2021/22

# **MUNICIPAL PUBLIC ACCOUNTS OVERSIGHT REPORT**

**MPAC REPORT 2021/22**

**TO BE AVAILABLE BY 31 MARCH 2023**