



UMKHANYAKUDE DISTRICT MUNICIPALITY

ANNUAL REPORT FOR 2021/2022

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FOREWORD BY THE MAYOR

UMkhanyakude District Municipality is a product of section 108 of the Municipal Systems Act, no 32 of 2000 (MSA), Section 48 (1) of the Municipal Structures Act no 117 of 1998 and section 155 and 156 of the Constitution, Act no 108 of 1996.

The purpose of the Annual Report is to provide record on the activities of the Council during the financial year, whilst providing a report on performance against the budget of uMkhanyakude for the financial year under review. The Annual report is also aimed at providing accountability to communities for decisions made throughout the year by the Municipality. The report is therefore aimed at providing all citizens and stakeholders who have an interest in our District an insight into the workings of this Organisations.

It is important to note that there are challenging situations for the community of uMkhanyakude however our five-year strategic plan is aligned to the National KPAs and PGDs, including our organisation scorecard. Organised to the five prescribed national key performance.

Municipal Transformation and Institutional Development
Local Economic Development and Planning
Basic Service delivery
Financial viability and Management
Good Governance and Public Participation

We are proud to acknowledge the collective effort our leadership, employees, service delivery partners and all citizens who contributed in transforming the municipality into a cohesive institution that is able to deliver its core mandate.

Financial Viability and Management

Our Municipal Management and Council are working vigorously to turn the situation around by means of strengthening the credit control and revenue enhancement strategy, implementing stringent cash flow monitoring, including revamping and re enforcing control.

Good Governance and Public Participation

Community services remains one of our core functions as the district, and through this function we have been able to get involved in activities that are entirely based. Public Participation remains an important pillar of our democracy, as stipulated in the legislative framework governing local government.

UMkhanyakude District Municipality as a water service authority will at any given point engage with local communities on water and sanitation issues. The Purpose of these meetings is to introduce new projects and Contractors and engage community on revenue matter and any other matters related to the services that are provided by uMkhanyakude District.

Again in relation to IDP meetings are convened where public representatives and sector departments are invited, and this platform is crucial to ensure stakeholder participation and alignment as IDP process takes place.

Presenting this report is a pledge to the contract our people gave us, as they are the primary motive behind our work as government. The Municipality has undertaken the initiatives to ensure and informed an active citizenry. A total number of 12 out of 18 Traditional Council has been visited as well number of community engagement has been conducted.

As a closing statement, the municipality continuous to prioritise service delivery to its communities and the implementation of proposed intervention by the DWS ,Regardless of the challenges faced by the Municipality ,the institution still attains its strategic vision of being the number in service delivery of water provision, innovation and good governance.

#Lapho aphuma khona amanzi awaphume 'ngabe sanqamuka

Cllr S. F. Mdaka

His Worship the Mayor - Umkhanyakude DM

MUNICIPAL POWERS AND FUNCTIONS

Municipal Powers and Functions reflect activities that municipalities are obliged to perform. Partly it all depends on the category of the municipality. In terms of the Municipal Structures Act Umkhanyakude District Municipality falls under Category C.

The powers and functions of the UMkhanyakude District Municipality, tabled in terms of sections 83 and 84 of the Municipal Structures Act, are as follows:

- 1) Integrated Development Planning for the District Municipality as a whole, including a framework for integrated development plans for the local municipalities within the area of the District Municipality, taking into account the integrated developments plans on those local municipalities,
- 2) Bulk supply of water that affects a significant proportion of municipalities in the district
- 3) Bulk supply of electricity that affects a significant proportion of municipalities in the district.
- 4) Municipal Health Services serving the area of the District Municipality as a whole
- 5) Fire Fighting services serving the area of the District Municipality as a whole

The following functions are shared by both the district and its family of municipalities:

- 1) Promotion of local Tourism;
- 2) Fire-fighting services;
- 3) Municipal airports;
- 4) Municipal planning;
- 5) Municipal public transport;
- 6) Cemeteries, funeral parlours and crematoria;
- 7) Refuse removals, refuse dumps and solid waste removals;
- 8) The establishment conducts and control of fresh produce markets and abattoirs; and
- 9) Municipal roads which form integral part of a road transport system for the area of the District Municipality as a whole.

SUMMARY OF ANNUAL REPORT LEGISLATIVE FRAMEWORK

INTRODUCTION

In terms of section 121(1) of the MFMA, every municipality and every municipality must for each financial year prepare an annual report. In terms of section 127(2) of the MFMA, the Mayor of the Municipality must, within seven months after the end of a financial year, table in the municipal council the annual report of the municipality and of any municipal entity under the Municipality's sole or shared control.

The Annual Financial Statement of the Municipality {section 121(3)(a)}

The Annual Financial Statement of the Municipality including the consolidations have been prepared and submitted to Auditor-General for audit. Such audited Consolidated Annual Financial Statement have been included in the Annual Report which was tabled to Council for adoption. **See Annexure A**

The Auditor-General's Report {section 121(3)(b)}

Auditor-General has audited and issued a report on the Consolidated and Separated Financial Statements, report on other legal and Regulatory requirements and other Reports. The report of Auditor-General is included in the Annual Report which was tabled to Council for adoption. **See Annexure B**

The Annual Performance Report {section 121(3)(c') and section 121(3) (d)}

The Annual Performance report was Prepared and submitted to Auditor-General for audit. Such audited Annual performance report is included in the Annual report which was tabled to Council for adoption. The Annual performance report was audited by Auditor-General in terms of section 45(b) of the Municipal Systems Act (MSA). **See Chapter 4, page 87**

An assessment of the arrears on Municipal charges {section 121 (e')}

The analysis and the assessment of the arrears on municipal charges has been made in the Annual Financial Statement under Trade and Other Receivables in **Note 4** of Audited Annual Financial Statements. Such audited Annual Financial Statements have been included in **Chapter 6**

Revenue Performance against the budget {section 121(3) (f)}

The revenue performance has been made in form of Statement of Comparison between the budget and the actual amounts of the Annual Financials (AFS). However, it must be mentioned that the actual revenue collection has been very low due to the reason but not limited to the following:

- High number of indigents within the entire district;
- High number of unemployed within the district;
- Continuous none availability of water supply to the community within the district;
- Huge number of unmetered properties and illegal connection; etc.

See Annexure A of the AFS Note 4

121 (3) (f) An assessment by the municipality's accounting officer of the municipality's performance against the measurable performance objectives referred to in section 17 (3) (b) for revenue collection from each revenue source and for each vote in the municipality's approved budget for the relevant financial year.

See Annexure A of the AFS Note 4

Other Action Plan {section 121(3)(g)}

The Audit action plan has been prepared to correct issues raised by Auditor-General and is part of the Annual Report as **Annexure B**

Other issues of importance in connection with the AFS {section 121 (3)(h)}

(a) Liquidity

The liquidity of the municipality has been affected negatively in the sense that current Liabilities have exceeded the current assets of the municipality. The reason being that the huge amounts of receivables / debtors have being written off and some doubtful which resulted in a huge reduction of current assets. However, such incidence was disclosed in the Annual Financial Statement under Going Concern in **note 43** of the AFS. The municipality is not financial self-sustainable as it entirely depended on grants.

(b) Property, plant and equipment

The property, plant and equipment have huge amount of Work-in progress (WIP) which means that the capital projects are not getting complete. Such delay on completion of capital projects has negative impact on actual service delivery on the ground. See **note no 9** on AFS for more details.

Section 121 (3) (i) Any information as determined by municipality

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

Section 121 (3) (j) Any recommendations of the municipality's audit committee

See Annexure E (Audit Committee not Functional during 21-22 FY)

Section 121 (3) (k) Any other information as may be prescribed

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.

Disclosures:-

Allocations from organ of state (section 123(1)(a))

The allocations from organ of state have been analyzed and disclosed on the audited Annual Financial Statements (AFS) in **note 23** Such AFS have been included in the Annual Report for tabling to Council.

Section 123 (1) (a) (ii) Allocations received from a municipal entity or another municipality

None

Section 123 (1) (b) (i) Allocations made to a municipal entity or another municipality

The municipality has established a Development Agency called uMhlosinga Development Agency (UMDA). It is wholly owned by uMkhanyakude District Municipality. The Annual allocations are made to uMhlosinga Development Agency.

***The allocation made by the municipality to municipal entity (UMhlosinga Development R9,289,798
Note 40 of AFS***

Section 123 (1) (b) (ii) Allocations made to any other organ of state

None

Section 123 (1) (c) Details of how the allocations that were received were spent per vote excluding equitable share. Note 23 of the Annual Financial Statements AFS.

Section 123 (1) (d) (i) The municipality has complied with allocation made to it by National Government

Yes

Section 123 (1) (d) (ii) The municipality has complied with allocations made to it other than by National organs of state

Yes

Section 123 (1) (e) Reasons for non-compliance with grant conditions referred to above

None

Section 123 (1) (f) Delays or withholding of funds DoRA

None

Section 123 (1) (a) Reasons for delay or withholding of funds ... DoRA

None

Section 124 (1) (a) Salaries, allowances and benefits of political office-bearers and councillors of the municipality (financial and in-kind)

Remunertaion of councillors

Note 24 of the AFS.

In-kind benefits

The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. The Mayor and the Speaker are provided with offices and secretarial support at the cost of the Council.

All Councillors are re-imbursed for kilometres travelled on official duties with the exception of the Mayor.

The Deputy Mayor and other Executive Committee Members each have an office and share secretarial support at the cost of the Council.

The Mayor has 2 full-time bodyguards and 1 relief bodyguard

Section 124 (1) (b) Statement by the accounting officer that salaries, allowances and benefits are in accordance with the framework in s 219 of the Constitution

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 24 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 Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Section 124 (1) (c) Arrears owed by individual councillors to the municipality or its municipal entity for rates and services which were at any time during the year outstanding for more than 90 days.

None

Section 124 (1) (c) Salaries, allowances and benefits of the municipal manager, CFO and every senior manager

Employee related costs Note 23 of the AFS.

Section 125 (1) (a) List of all municipal entities under the shared or sole control of the municipality
UMhloosinga Development Agency is the only entity of the Municipality

Section 125 (1) (b) Total amount of contributions to organised local government for the year and any outstanding amounts at year end [if the amount is "nil" indicate so]

Nil

Section 125 (1) (c) Taxes

Nil

Section 125 (2) (a) Name of bank where account is held

ABSA See Note 8. of the AFS

Section 125 (2) (b) The Details of the bank account are disclosed in the Annual Financial Statements (AFS) in **note 7 of the AFS**

Section 125 (2) (c) Particulars of contingent liabilities at year end

See Note 39, on AFS for total contingency liabilities – R504,000

Section 125 (2) (d) (i) The unauthorized and irregular Expenditure has been disclosed in the AFS per **note 45 of the AFS**

Municipal Systems Act Requirements

MSA s45 – Audited performance measures

See Annual Performance Report on Chapter 4, page 90

MSA s46 (1) (a) - (i) the municipality's, and any service provider's, performance during that financial year, also in comparison with targets of and with performance in the previous financial year;

See page 103

MSA s46 (1) (a) – (ii) Current year's performance and targets as well as the prior year

See Organisational Scorecard on Annexure D

MSA s46 (1) (a) – (iii) Performance report measures that were taken or are to be taken to improve performance

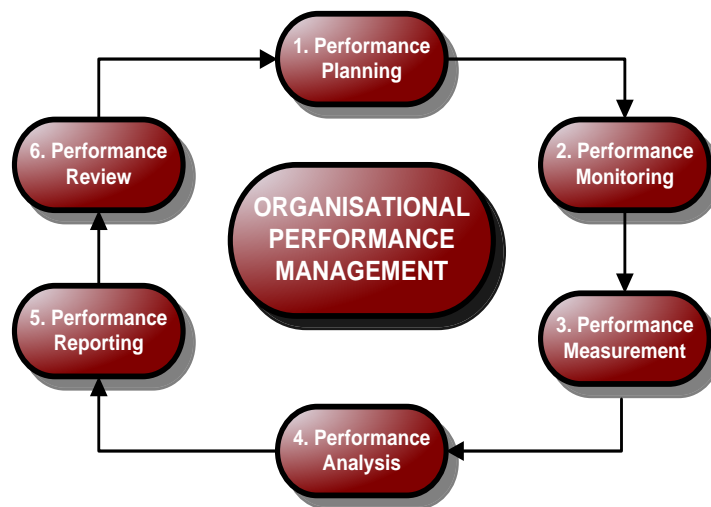
See Annexure D

MSA s46 (1) (a) - Service delivery priorities and performance targets set for the next financial year

See page 90

PERFORMANCE MANAGEMENT PROCESSES

The annual process of managing performance at organizational level in the Municipality involves the steps as set out in the diagram below:



Performance Planning

The performance of the Municipality is managed in terms of its IDP and the process of compiling an IDP and the annual review thereof therefore constitutes the process of planning for performance.

Performance monitoring

Performance monitoring is an ongoing process by which a manager accountable for a specific indicator as set out in the organizational scorecard (and a service delivery target contained in a SDBIP) continuously monitors current performance against targets set. The aim of the monitoring process is to take appropriate and immediate interim (or preliminary) action where the indication is that a target is not going to be met by the time that the formal process of performance measurement, analysis, reporting and review is due.

Performance measurement

Performance measurement refers to the formal process of collecting and capturing performance data to enable reporting to take place for each key performance indicator and against the target set for such indicator. When performance measurement is due, managers are expected to collect and collate the necessary performance data or information and capture the result against the target for the period concerned on the organizational scorecard and relevant SDBIP scorecard and report the result accordingly.

Performance analysis

Performance analysis involves the process of making sense of measurements. It requires interpretation of the measurements as conducted in terms of the previous step to determine whether targets have been met and exceeded and to project whether future targets will be met or not. Where targets have not been met, performance analysis requires that the reasons therefore should be examined and corrective action be taken. Where targets have been met or exceeded, the key factors that resulted in such success should be documented and shared so as to ensure organizational learning.

Performance reporting and review

This section is further divided into three sections dealing with the requirements for in-year versus annual reporting and reviews respectively and lastly a summary is provided of the various reporting requirements.

In-year performance reporting and review

This step involves submission of the scorecards to the Executive Committee for consideration and review of the performance of the Municipality as a whole. The first such report is a major milestone in the implementation of any PMS and it marks the beginning of what should become a regular event namely using the performance report as a tool to review the Municipality's performance and to make important political and management decisions on how to improve.

The organizational and SDBIP scorecards are submitted to the Executive Committee for consideration and review on a quarterly, half yearly basis.

Annual performance reporting and review

On an annual basis, a comprehensive report on the performance of the Municipality is compiled in terms of the MFMA as well as the Municipal Systems Act. After the adoption of the annual report by council it is then subjected to an oversight process which also involve public participation.

Summary of various performance reporting requirements

The following table, derived from both the legislative framework for performance management and this PMS Framework, summarizes for ease of reference and understanding the various performance reporting deadlines as it applies to the Municipality:

Report	Frequency	Submitted for consideration and/or review to	Remarks
1. SDBIPs	Quarterly	Executive Committee	See MFMA Circular 13 of National Treasury for further information
2. Monthly budget statements	Monthly	Mayor (in consultation with Exco)	See sections 71 and 54 of the MFMA
3. Organisational Scorecard	Quarterly	Executive Committee	This PMS Framework
4. SDBIP mid-year budget and performance assessment	Annually during January of each year	Mayor (in consultation with Exco)	See sections 72 and 54 of the MFMA
5. Performance report	Annually	Council	See section 46 of the Municipal Systems Act as amended. Said report to form part of the annual report
6. Annual report	Annually	Council	See section 121 of the MFMA

The Municipality uses the Key Performance model. In the said model, all indicators are grouped together under the national key performance areas as per the Systems Act and the local key performance areas as per the Umkhanyakude District Municipality's IDP. The said Model therefore enables the Municipality to assess its performance based on the national and its own local key performance areas.

The following are the six Key Performance Areas (KPA's) that are being used in the preferred performance management model:

- Institutional Transformation and Development
- Service Delivery and Infrastructure Development;
- Local Economic Development;
- Good Governance and Public Participation; and
- Municipal Financial Viability and Management
- Cross Cutting Interventions

The following strategic priorities were adopted by Council:

- a) Building a capable, ethical, and corrupt free District Municipality
 - i. Address inherent contradictions that are prevalent in the workplace
 - ii. Job descriptions and skills audit
 - iii. Skills development and capacity building
 - iv. Placement of personnel according to skills
 - v. Effective Performance Management
- b) Revenue Enhancement
 - i. Generate own revenue
 - ii. Increase of benefits from which can be enjoyed by all stakeholders
 - iii. Debtor cleansing process
 - iv. Effective metering and billing
- c) Service Delivery Driven
 - i. Ensure resources are adequately allocated;
 - ii. Look at physical, human and financial assets
 - iii. Maximise overall social and economic impact through effective and efficient service delivery
 - iv. Effective utilization of grant funding allocated
- d) Compliance with the rule of Law
 - i. Complying with relevant legislation and policies
 - ii. Attend to all AG matters timeously
 - iii. Identify problems of non-compliance and address them effectively;
 - iv. Ensure effective monitoring and evaluation by legislated municipal structures

1. OVERVIEW OF UMKHANYAKUDE DISTRICT MUNICIPALITY

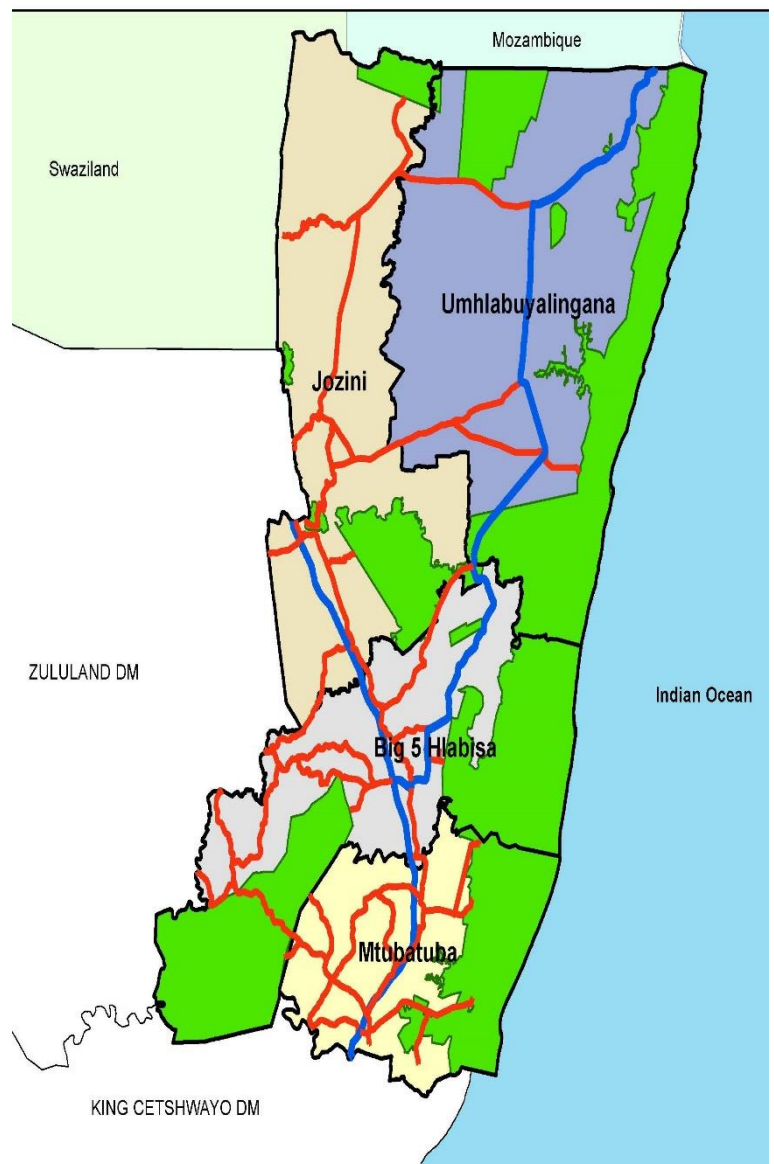
UMkhanyakude District Municipality is located in the far Northern region of KwaZulu-Natal Province in South Africa (**32,014489; -27,622242**). At 12 818 km² and with a population totalling 625,846, the District is the 2nd largest District in KwaZulu-Natal, in terms of size, behind its neighbouring District, Zululand District Municipality. UMkhanyakude District also has the World Heritage Site known as Isimangaliso Wetland Park which encompasses the entire coastline of more than 200 km. The Map below indicates the boundaries of the 5 local municipalities within the UMkhanyakude District and surrounding neighbourhoods. The District Municipality consists of the following municipalities:

1.1.1 Local Municipalities within the District

- UMhlabuyalingana Municipality (KZ 271)
- Jozini Municipality (KZ 272)
- The Big 5 Hlabisa Municipality (KZ 276)
- Mtubatuba Municipality (KZ 275)

The District Municipality is located in Mkhuze and has:

- The Republic of Mozambique to the North
- The Indian Ocean to the East
- King Cetshwayo DM to the South (DC28)
- Zululand DM to the West (DC26)
- the Kingdom of Swaziland to the North- West



1.1 Brief Demographic Profile for uMkhanyakude Municipalities

The Population

Table 1: Population Figures - STATSSA 2016 Community Survey

	UMhlabuyalingana	Jozini	Big 5 Hlabisa	Mtubatuba	Umkhanyakude
2011	156,736	186,502	107,183	175,425	625,846
2016	172,077	198,215	116,622	202,176	689,090
% Growth	8,9%	5,9%	8,7%	13,2%	9,2%

Table 2: Population by Group Type for Umkhanyakude District - STATSSA 2016 Community Survey

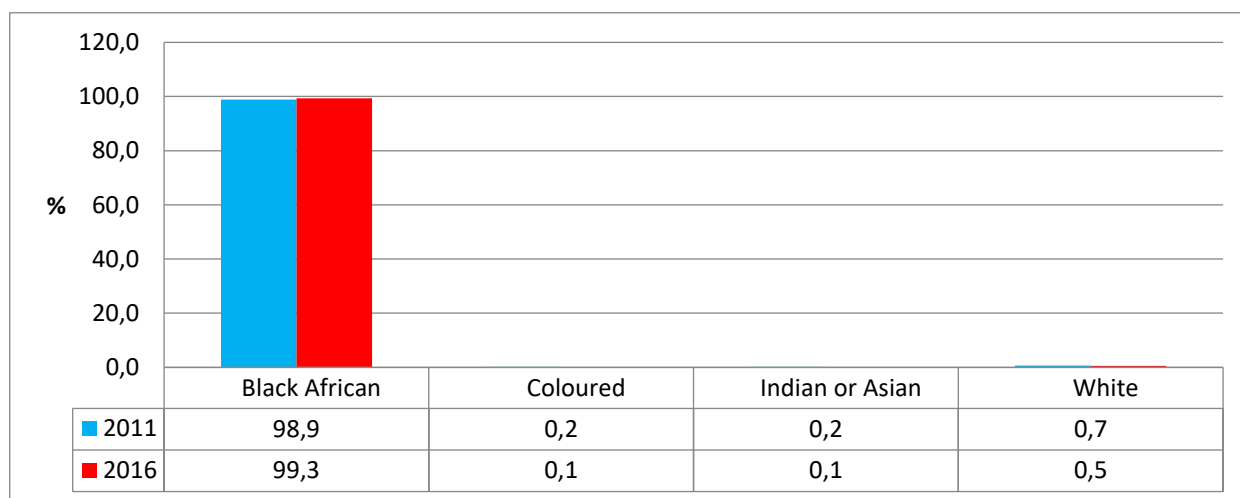


Table 3: Household Figures - STATSSA 2016 Community Survey

Municipality	Household Size	No of Wards (2021)	Traditional Councils
Umhlabuyalingana	39 614	20	4
Jozini	44 584	23	7
Mtubatuba	41 792	23	1
Big 5 Hlabisa	25 255	14	6
UKDM	151 245	80	18

2. MUNICIPAL GOVERNANCE

The institutional structure of the municipality is divided into two levels, the Political and Administrative structures. The Administrative structure is accountable to the Political structure. The administration of the Municipality is structured according to the powers and functions allocated to municipalities as per Chapter 3 of the Municipal Systems Act and Regulations 32 of 2000. The Municipality is guided by the policies and procedures which are developed from National and Provincial guidelines and adopted by Council.

2.1 Political Governance

The Council comprises 33 seats allocated according to proportional representation as per Schedule 2 (7) of the Local Government Municipal Structures Act and Regulations 117 of 1998 and representative of all Local Municipalities.

The Council is made up of the following political parties: Inkatha Freedom Party (17 Councillors), African National Congress (12 Councillors), Independent (01 Councillor) and EFF (03 Councillor).

The principal structure of the municipality is Council which is chaired by the Speaker of Council, Councillor T.S. Mkhombo. The Executive Committee (EXCO) which is chaired by the Mayor of Council, Cllr S.F. Mdaka

Cllr S.F. Mdaka is the delegated political structure that deals with the day to day running of the Municipality and further reports its affairs to Council for noting and consideration depending on the matter in question.

To ensure effectiveness of oversight; council is further divided into various committees which are established in terms of Sections 79 and 80 of the Local Government: Municipal Structures Act (Act no 117 of 1998). These committees include:

No.	Committee	Relevant Section of the MSA	Chairperson
1.	Executive Committee	Section 80	Cllr S.F. Mdaka
2.	Finance Portfolio Committee	Section 80	Cllr S.F. Mdaka
3.	Corporate Governance Portfolio Committee	Section 80	Vacant
4.	Community Services Portfolio	Section 80	Vacant

5.	Planning and Economic Development	Section 80	Vacant
5.	Technical Services Portfolio Committee	Section 80	Cllr S.F. Mdaka
6.	Municipal Public Accounts Committee	Section 79	Cllr M.Z. Nyawo

2.2 Administrative Governance

Organisational Structure

In accordance with municipal legislation, UMkhanyakude District Municipality has developed an organizational structure which has been adopted by Council. The managerial structure has been developed in a manner that would enable the Municipality to deliver on its priorities and objectives, as set out in the Municipality's Integrated Development Plan. UMkhanyakude District Municipality consists of six departments, namely:

No.	Position	Appointment Status
1.	Municipal Manager	Vacant
2.	GM: Corporate Services	Filled
3.	Chief Financial Officer	Vacant
4.	GM: COMPED	Filled
5.	GM: Technical Services	Vacant

1. TOP MANAGEMENT STRUCTURE

2.1 THE CORPORATE SERVICES DIRECTORATE IS RESPONSIBLE FOR THE FOLLOWING FUNCTIONS:

- Information Communication Technology
- Support Services (Administration, Auxiliary Services, Council Support, Facilities Management;
- Records and Information Management and Knowledge Management)
- Human Resources Management (Organizational Development, Recruitment and Selection,
- Employee Wellness and Occupational Safety, Career Development, Performance Management,
- Human Resources Development, Labour Relations and Batho Pele)

2.3 Corporate Governance

Website Functionality

- The municipal website is fully functional but not updated regularly due to termination of service provider's contract. The up-time is normally 99.9%. The Information Communication Unit comprises of the Information Technology Manager (Post is Vacant), the IT Technician and the IT Helpdesk Technician. The personnel within this section were trained on updating the Website. Departmental website related information is supposed to be uploaded on the website

on weekly basis and be authorized by the relevant Head of Department within which that function resides.

- The municipal website has approximately more than 1500 visitors per month for both viewing and downloading of documents.

Backup & Recovery

- The ICT Section does its daily backups internally and online offsite Cloud backups are also done. The daily backups are scheduled, and the Municipality is using the Idera Backup solution for internal backups.
- The online or Cloud offsite backups are done with Iron Tree company on daily bases & alerts reports are send to our gadgets via emails. The ICT Section and Iron Tree conducts Backup restore Testing on a quarterly basis.

Firewall & Anti-Virus Service

Firewall

- The Municipal firewall license for both Main office & Disaster Centre in Hluhluwe has expired and not renewed in year 2021/2022. The Municipality is at risk of without the firewall as internal network is under constant threat of unauthorized access, security breach, and data theft. Without a firewall, we won't be able to even prevents outgoing traffic from visiting certain websites or web pages to keep it safe from the outside unsafe environment or hackers.

Anti-virus

- ESET Business Secure Antivirus has expired in the 2nd quarter Of 2021/22 FY. The Municipality is running at risk without the Antivirus License system, and of not getting all the necessary & latest updates patches for all our Servers & Workstations.
- The most obvious consequence for nonexistent or unlicensed Antivirus or virus protection is lost data. One employee clicking a malicious link can infect your entire computer system with a destructive virus

that can shut down your network, wipe your hard drives, and spread to other companies and clients through the Internet service.

Mobile Communication Service

- The Municipality came to an agreement & signed a Mobile Communication Contract with MTN SA based on National Treasury RT15-2021 procurement system. During the process, the Corporate Department was requested not to be part of the engagement meeting between UKDM & MTN. Atleast 40 Cellphone Gadgets (Samsung Gadgets & iPhone Gadgets) were procured as a first batch. Therefore, Gadgets were delivered to Finance Department (Office the Deputy CFO) on the 25th of May 2022 & were then handed over to Corporate Department after consultative engagement between the Acting CFO, Acting GM Corporate & Acting Accounting Officer.
- The initial directive from the Office of the Acting Accounting Officer was urgently meant for the provision of Cellphone Gadgets to the following users or subscribers;
 - UKDM Amakhosi aseNdlunkulu
 - UKDM Councillors
 - UKDM Management
 - Office of the MM
 - Departmental Secretaries & Staff who works in the Council support.
- 54 Cellphone Gadgets were procured in the financial year 2021/22.

ALLOCATION LIST

No.	Name	Number
1.	Amakhosi	3
2.	Councillors	11
3.	Senior Management	1
4.	Middle Management	4
5.	Line Management	18
6.	Staff Below Management	8
TOTAL ALLOCATION		45

LIST OF AMAKHOSI ASENDLUNKULU

No.	Name	Designation	Type of Cellphone	Cell Number	Collection Status
1.	Inkosi ZT Gumede	Inkosi	Apple iPhone 13 Pro Max	071 858 4646	Collected
2.	Inkosi NI Zikhali	Inkosi	Apple iPhone 13 Pro Max	071 893 8347	Collected
3.	Inkosi KTH Nxumalo	Inkosi	Apple iPhone 13 Pro Max	071 888 9064	Collected

LIST OF COUNCILLORS

No.	Name	Designation	Type of Cellphone	Cell Number	Collection Status
1.	CLlr. P.B. Madlopha	Speaker	Samsung Galaxy S22 Ultra	071 888 0126	Collected
2.	CLlr K.I. Mkhwanazi	Deputy Mayor	Apple iPhone 13 Pro Max	071 888 3810	Collected
3.	CLlr T.S. Mkhombo	Council Member	Apple iPhone 13 Pro Max	063 509 9306	Collected
4.	CLlr M.S. Buthelezi	Council Member	Samsung Galaxy Z Fold	071 855 2042	Collected/Deceased
5.	CLlr M.Z. Nyawo	Council Member	Samsung Galaxy S22 Ultra	071 893 2430	Collected
6.	CLlr S.R. Khumalo	Council Member	Apple iPhone 13 Pro Max	071 893 5751	Collected
7.	CLlr. H.S. Ndlovu	Council Member	Samsung Galaxy S22 Ultra	071 861 0169	Collected
8.	CLlr M.S. Ngcobo	Council Member	Apple iPhone 13 Pro Max	071 855 5798	Collected
9.	CLlr M.M. Mkhwamubi	Council Member	Huawei P50 Pro	071 888 8588	Collected
10.	CLlr N.S. Mthethwa	Council Member	Apple iPhone 13 Pro Max	071 861 1876	Collected
11.	CLlr K.C. Mthembu	Council Member	Apple iPhone 13 Pro Max	063 509 8035	Collected

SENIOR MANAGEMENT

No.	Name	Designation	Type of Cellphone	Cell No:	Collection Status
1.	NE Biyase	GM: Technical	Samsung Galaxy Z Fold	0718939295	Collected

MIDDLE MANAGEMENT

No.	Name	Designation	Type of Cellphone	Cell No:	Collection Status
1.	Mr. Wellman Nxumalo	SM: Corporate	Samsung Galaxy Z Fold3 5G	27718619885	Collected
2.	Ms. Khosi Bengu	SM: PED	Samsung Galaxy Z Fold3 5G	27635095455	Collected
3.	Mr. Bheki Makhoba	SM: Environmental Health	Samsung S22+	27718886428	Collected
4.	Ms. Lumka Salukazana	SM: WSA	Apple iPhone 13 PRO MAX	27635092924	Not Collected
5.	Mr. Sizwe Khumalo	SM: O & M	Samsung S22+	27718933854	Not Collected
6.	Mr. Thembinkosi Xulu	SM: PMU	Apple iPhone 13 PRO MAX	27718555701	Collected

LINE MANAGEMENT

No	Name	Designation	Cellphone Type	Cell No:	Collection Status
1.	Nompumelelo Msomi	Manager: Expenditure	SAMSUNG Galaxy S22+	27718617532	Collected
2.	Mbuso Makhaye	Manager: Environmental Health	SUMSANG Galaxy S22+	27718610968	Collected
3.	Mandla Mhlanzi	Manager: Special Program	SAMSUNG Galaxy S22+	27718884204	Collected
4.	Mdu Dlamini	Manager Communications	Apple iPhone 13 PRO MAX	27718888775	Collected
5.	Ntombifuthi Mthembu	Manager: Environmental Health	Apple iPhone 13 PRO MAX	27635099547	Collected
6.	Thulani Gwala	Manager:	SAMSUNG Galaxy S22+	27718933438	Collected
7.	Mlungisi Mbambo	Manager: Environmental Health	Apple iPhone 13 PRO MAX	27718555298	Collected
8.	Supply Chain Manager	Manager: SCM	SAMSUNG Galaxy S22+	27718618588	Not Collected
9.	Busi Sibisi	Manager: Budget	SAMSUNG Galaxy S22+	27718557493	Collected
10.	Thokozani Khumalo	Manager: Tourism	Apple iPhone 13 PRO MAX	27718556076	Collected
11.	Alpha Buthelezi	Manager: Human Resources	Apple iPhone 13 PRO MAX	27718610505	Collected
12.	Philile Mdletshe	Manager:	Apple iPhone 13 PRO MAX	27718935531	Collected
13.	Puleng Vilakazi	Manager:	Apple iPhone 13 PRO MAX	27718551611	Collected
14.	Vusi Tembe	Manager: GIS	Samsung Galaxy S22+	27718614217	Collected
15.	Bonginkosi Simamane	Manager: Administration	Samsung Galaxy S22+	27718619493	Collected
16.	Sifiso Mngoma	Manager: Disaster Management	Apple iPhone 13 PRO MAX	27635094902	Collected
17.	Thenjiwe Kweyama	Manager: Revenue	Samsung Galaxy S22+	27635097646	Collected
18.	Thobile Khuzwayo	Manager Legal Services	Apple iPhone 13 PRO MAX	27635098947	Collected
19.	Philani Khumalo	Manager: Political Support	Apple iPhone 13 PRO MAX	27635089885	Collected

EMPLOYEES BELOW MANAGERS (1ST ORDER).

No.	Name	Designation	Type of Cellphone	Cell Number	Collection Status
1.	Khosi Mkhize	PA To The CFO	Apple iPhone 13 Pro	27635095087	Collected
2.	Ayanda Nhlenyama	PMS Officer	Samsung S22	27635095754	Collected
3.	Nokuthula Masinga	Acting PA to Acting MM	Apple iPhone 13 Pro	27718550226	Collected
4.	Lindo Khumalo	PA To the Mayor	Apple iPhone 13 Pro	27718889779	Collected
5.	Thabile Ndlovu	Secretary to the Mayor	Apple iPhone 13 Pro	27718888723	Collected
6.	Thoko Gina	Secretary to the Speaker	Samsung S22	27718888042	Collected
7.	Jane Ncube	Secretary to the Deputy Mayor	Samsung S22	27718615406	Collected
8.	Mduduzi Sengwayo	ICT Technician	Apple iPhone 13 Pro	27718934183	Collected

3. PERFORMANCE HIGHLIGHTS

3.1 Corporate Services

Council and Standing Committee meetings held during 2021/2022 financial year:

Council	Executive Committee	Corporate Governance Portfolio Committee	Community and PED Portfolio Committee	Planning Portfolio Committee	Finance Portfolio Committee	Technical Services Portfolio Committee	MPAC	Local Labour Forum
20	06	03	03	02	04	03	02	01

2021/2022 PERFORMANCE HIGHLIGHTS

- Human Resources policies were workshopped but not yet approved by Council;
- Workplace Skills Plan and the Training report were submitted to LGSETA;
- IT Patch Management Policy & IT Security Management Policies were workshopped together with Human Resources Policies but not yet approved.
- Upgrading of Telephone Switchboard to Fibre Solution System.
- Development and adoption of Council Standing Rules and Orders;
- Development and adoption of the Municipal Delegations Framework;
- Conducting Hazard identification and Risk Assessments.
- Conducting Records Management Assessment – KZN COGTA

ORGANIZATIONAL DEVELOPMENT PERFORMANCE

SECTION A: MUNICIPAL PERFORMANCE OVERVIEW

Employee Totals (as per the approved organogram)	Board and General (18) Corporate Services (54) Community Services (32) Financial Services (54) Technical Services (197) Casual Workers (00)
Total	355 (perm and contracted employees)
Turnover	Deaths (03) Resignations (03) Retirements (02) Expiry of Contracts (16) Dismissal (00)
Total	24 (terminated employees)
Vacancies (as per the approved organogram)	Board and General (24) Corporate Services (58) Community Services (46) Financial Services (60) Technical Services (608)
Total	796 (vacancies)

Managing Employee Workforce

Policies

uMkhanyakude District Municipality has developed a number of policies that deal with the management of human resources and administration. The following policies were developed:

Human Resources Management Policies

1. Acting Allowance Policy
2. Benefits and Allowances Policy
3. Employee Leave Absence Policy
4. Employee Assistance Program Policy
5. Employee Relations Policy
6. Employment Equity Policy
7. Employee Study Assistance Policy
8. Home-Owners Allowance Policy

9. Human Resources Strategy
10. Internship Policy
11. Learning and Development Policy
12. Long Service Recognition Policy
13. Overtime Policy
14. Recruitment, Selection and Induction Policy
15. Staff Retention Policy
16. Subsistence and Travel Policy
17. Sexual Harassment Policy
18. Racial and Ethnic Harassment Policy
19. Placement Policy
20. Remuneration Policy
21. Termination of Employment
22. Working Hours and Attendance Policy
23. Telephone-Private Calls Policy

IT Policies

1. It Acceptable Use Policy
2. Anti-Virus And Patching Policy
3. Backup Policy
4. Change Management Policy
5. Data Card And Laptop Allocation Policy
6. Email Policy
7. Laptop And Desktop Security Policy
8. Password Policy
9. Access Control Policy
10. System Management Policy
11. Cellular Phone Policy

Governance Policy

1. Record Management Policy
2. Military Veterans Support Policy
3. Fleet Management Policy
4. Youth Development Policy
5. Anti-Fraud and Anti-Corruption Management Policy
6. Municipal Language Policy
7. Mayoral/Speaker Vehicle Policy
8. Rules of Order
9. Delegations of Authority
10. Public Participation Policy
11. Communication Policy

- **NB: All the above-mentioned policies are not yet adopted and approved due to non-sitting of Council.**

Medical Examination

A total number of 10 employees were examined in 2020/ 2021 FY. Below is a list of employees that were examined:

DATE MEDICAL DONE	EMPLOYEE NAME	DEPARTMENT
09/07/2021	Mrs. P.N Mazibuko	COMPED
30/09/2021	Mr. J. Mtambo	Technical
30/09/2021	Mr. X.K Mdletshe	Corporate Services
30/09/2021	Mr. Z. Hlabisa	Technical

Employee Wellness Programme

uMkhanyakude District Municipality conducted 7 (Seven) Employee Wellness Programmes.

No.	DATE	VENUE	PROGRAM
1.	10 August 2021	Corporate Services	Covid19 Vaccination
2.	18 August 2021	Mkuze Sports Ground	Work and Play
3.	01 September 2021	Mkuze Sports Ground	Work and Play
4.	15 September	Mkuze Sports Ground	Work and Play
5.	18 – 19 February 2022	Durban	Awareness day
6.	04 April 2022	Jozini	Work and Play
7.	01 June 2022	iNgwavuma	Work and Play

UMKHANYAKUDE MUNICIPAL REPORT ON COVID-19 CASES: JUNE 2021-JUNE 2022

CASES	NO. OF CASES
Positive Cases Identified	05
Active Cases	00
Recoveries	04
Deaths	01

Suspensions

No.	Position	Department	Date
1.	General Manager	Corporate Services	March 2022
2.	SCM Manager	Finance Services	February 2022
3.	General Manager	Technical Services	March 2022

Councillors

No.	Employee Initials & Surname	Position	Department	Training attended
1.	MM Mkhwamubi	Councilor	Board & General	Integrated Councilor Induction Programme (ICIP)
2.	BI Zungu	Councilor	Board & General	Integrated Councilor Induction Programme (ICIP)
3.	HS Ndlovu	Councilor	Board & General	Integrated Councilor Induction Programme (ICIP)
4.	DA Ncube	Councilor	Board & General	Integrated Councilor Induction Programme (ICIP)
5.	MS Buthelezi	Councilor	Board & General	Integrated Councilor Induction Programme (ICIP)

Administration Services Report

Security Services, Fleet Services and Office Automation

Security Services

Security Management Report					
No.	Number of Security Guards	109			Guards
	Location/Sites	SECURITY SITE ALLOCATION FOR UMKHANYAKUDE DISTRICT MUNICIPALITY			
		LOCATION	DAY SHIFT	NIGHT SHIFT	
		Mkuze Main Office Grade C	7	6	
		Disaster Centre Grade C	2	2	
		Mdletsheni Water Office Grade C		1	
		Nkolokotho WTW Grade C	2	2	

	Hlabisa Water Treatment Works Grade C	2	2
	Hluhluwe WTW (Phase 1) Grade C	2	2
	Hluhluwe Water Office Grade C	1	1
	Hluhluwe Hydrant Grade C	1	1
	Kwamsa Reservoir Grade C	1	1
	Hluhluwe Phase 2 Grade C	1	2
	Mtubatuba WTW Abtraction Grade C	1	1
	Mtubatubatuba WTW Grade C	1	1

		Mtubatuba WWTW Grade C	1	2	
		Mtubatuba Reservoir Grade C	1	2	
		Mtubatuba Electrical Grade C	1	1	
		Hlabisa Hydrant Grade C	2	2	
		Mkhanyakude Truck Depot Grade C		1	
		Mkhanyakude Environmental Affairs Grade C	1	1	
		Ndlovu Village Pump Station Grade C	1	1	
		Kwamsane Waste Water Treatment Works Grade C	1	1	
		Mbazwane WTW Grade C	2	2	
		Mseleni / Kwasbhayi Grade C	2	2	
		Thengani Airfield Grade C	1	1	
		Thengani Hambisanani Grade C	1	1	
		Manguzi Grade C	1	1	
		Nkanyezini Grade C	2	2	
		Mshudu Grade C	1	1	
		Ingwavuma Grade C	1	1	

Total Expenditure: R13 351 702.39 As of 30 June 2022					

Nondabuya Grade C	1	1
Mgababa Pumphouse Grade C		1
Mkuze Water Treatment Works Grade C	1	1
Mkuze Hydrant (Water Filling Station) Grade C	1	1
Mbazwana Thusong Centre Grade C		2
IYK Water Office Grade C	1	2
Shemula Water Office Grade C	2	2
Ntshongwe / Malobeni Grade C		2
Mseleni Hospital Grade C	1	1
Jozini Old Plant Grade C	1	1
Mbazwane Raw Water Grade C	2	2
Ubombo Booster Pump Station	1	1

Fleet Utilisation Costs			
No.	Description	Number	Amount
1.	No. of Vehicles		
2.	No. of Licensed Vehicles		
3.	Fuel Cost		
4.	Maintenance Cost		
Total expenditure			R 24 316 339.92

Challenges:

- Drivers needs advance training
- Trucks are not in good condition
- Vehicles have gone beyond their useful lifespan
- Late payment of invoices

Office Automation Report			
	No of office machines	Location	Number of Machines
	Location/Sites	<ul style="list-style-type: none">• Mkuze main office• Mbazwana Thusong Center.• Disaster Management Center.• IYK water office.• Shemula water office.	11 Machines 1 Machine 2 Machines 1 Machine
	Total costs as 30/06/22	Total expenditure	R 1 455 691.14

Remuneration of Councillors

Details	Amount – 21/22
Mayor	872 526,01
Deputy Mayor	587 547,38
Speaker	801 214,14
Executive Committee Members	2 694 768,91
Councillors	4001 461,09
Total	R8 957 517,53

The Mayor

Details	Amount – 21/22
Mayoral Allowance	736 844,60
Travel allowance	88828,09
Cellphone	38 327,27
Contributions to UIF, Medical and Pension Funds	8526,05
Total	872 526,01

The Deputy Mayor

Details	Amount – 21/22
Annual Remuneration	427 954,80
Travel allowance	78 8809,27
Cellphone allowance	34 927,27
Reimbursive allowance	40 912,84
Company Contribution	4 943,20
Total	587 547,38

The Speaker

Details	Amount – 21/22
Annual Remuneration	582 768,64
Travel allowance	125 983,51
Cellphone allowance	40 800
Reimbursive allowance	45 289,09
Company Contribution	6372,90
Total	801 214,14

Section 124 (1) (c) Salaries, allowances and benefits of the municipal manager, CFO and every senior manager

Remuneration of the Municipal Manager

Details	Amount – 2021/2022
Annual Remuneration	1 012 347,08
Travel, housing and other allowances	950 655,71
Contributions to UIF, Medical and Pension Funds	24 189,27
Total	198 7190,06

Two people acted for the position of Municipal Manager during the 2021/2022 financial year.

Remuneration of the Chief Financial Officer

Details	Amount – 21/22
Annual Remuneration	623 490,84
Travel, housing and other allowances	636 110,12
Leave paid	18 254,66
Total	1 277 855,62

The position of the Chief Financial Officer is held by the Acting Chief Financial Officer.

Remuneration of GM: Corporate Services

Details	Amount – 21/22
Annual Remuneration	623 490,84
Travel, housing and other allowances	636 110,12
Contributions to UIF, Medical and Pension Funds	18 254,66
Total	1 277 855,62

The contract of General Manager for Corporate Services will expired at the end of March 2023.

Remuneration of GM: Community Services, Planning & Economic Development

Details	Amount – 21/22
Annual Remuneration	654 417,24
Travel, housing and other allowances	383 179,79
Contributions to UIF, Medical and Pension Funds	16 232,00
Total	1 053 829,00

The contract for GM: Community Services, Planning & Economic Development expired at the end of November 2022.

Remuneration of GM: Technical Services

Details	Amount – 21/22
Annual Remuneration	566 391,75
Travel, housing and other allowances	522 920,50
Contributions to UIF, Medical and Pension Funds	14 163,80
Total	1 103 476,05

General Manager Technical services resigned in March 2022 and the Acting General Manager was appointed

3.2 Technical Services

Basic Service Delivery and Infrastructure Development Analysis

Legislative Framework

The Umkhanyakude District Municipality is a Water Services Authority (WSA) and as such is mandated by the Water Services Act to progressively ensure efficient, affordable, economical and sustainable access to water services for all consumers and potential consumers within its area of jurisdiction. The municipality is also a Water Services Provider (WSP) for the consumers within its area of jurisdiction.

Core Functions of the Technical Services Department

The prime mandate of Technical Services Department is provision of reliable, cost effective, efficient and sustainable water services to communities within municipal jurisdiction.

Departmental Sections are as follows:

- Infrastructure Development
- Operations and Maintenance
- Water Service Authority

Water Services Authority Unit

Responsibilities of the Unit

- Regulation – Formulation of water services by-laws.
- Preparation of the Water Services Development Plan.
- Formulation of technical guiding principles for engineering designs,
- Compilation of the water and sanitation master plan
- Formulation of the survival water distribution strategy – water tanker reduction strategy
- Monitor the reduction of water services backlogs.
- Update the water services master plans.
- Align projects and budget to the IDP framework.
- Ensure that communities understand the council policies and procedures related to water services
- Compilation of the water and sanitation master plan.
- Research and development – infrastructure project feasibility studies.
- Compilation of projects business plans.
- Formulation of water services by-laws.

- Communicating Council water services policies with the public and other sectors,
- Alignment of National, Provincial and infrastructure development projects : (housing and industrial) with the WSDP and advise Council accordingly,
- Preparation of the survival water distribution plan
- Management of rudimentary projects emanating from water tanker reduction strategy.
- Water and wastewater quality compliance monitoring.

Infrastructure Development Unit

Responsibilities of the Unit

- Managing electricity at Ingwavuma and KwaMsane.
- Preparation of Energy Sector Plan.
- Implementation of new water and sanitation projects,
- Creation of job opportunities through the implementation of EPWP principles and strategies.
- Managing the construction of both water and sanitation projects,
- Preparing project progress reports,
- Interpretation of engineering drawings,
- Ensuring the use of labour intensive methods in construction projects, employment and training local community members
- Undertake projects inspections
- Design and construction of all approved infrastructure projects
- Operation and management of Ingwavuma and KwaMsane electricity network

Water Services Operations & Maintenance Unit

Responsibilities of the Unit

- Management of Council water services infrastructure,
- Management of the support agent and other service providers appointed within the section,
- Management of the Council water tanker reduction strategy,
- Management of water quality programme and ensuring compliance with applicable legislation,
- Implementation of water balancing, leak detection and water loss prevention programme,
- Ensure that the water services infrastructure complies with all OHS act requirements,
- Customer Relations Management

- Operation and maintenance of all water services infrastructure which includes the following:
- Ensuring that all rural water schemes are functional,
- Water production in terms of the applicable specifications and national guidelines,
- Ensuring that all town water networks are functional and without leaks,
- Ensuring that the sewerage systems and plants are operational and maintained in accordance with the prevailing legislation.
- Ensuring that water quality tests are done and checked against SANS 241 specifications,
- Responsible for the water loss management,
- Responsible for the emergency and drought relief programmes of the municipality which includes the following:
- Drilling, testing and equipping of new boreholes,
- Repair and maintenance of hand pumps,
- Spring development and protection,
- Provision of water through the water tankers,
- Functional Call Centre, proper recording of complaints, interaction with consumers and analysis of data for effective planning.

CAPITAL BUDGET FOR 2021/2022 TO 2023/2024

MUNICIPAL INFRASTRUCTURE GRANT (MIG)

MIG Projects		2021/22 Medium Term Revenue & Expenditure Framework		
Project name	Ward	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
Greater Ingwavuma Water Supply Scheme and Local Reticulation of Jozini Ward 1-2	Ward 9,10	19 539 457.32	10 000 000.00	30 000 000.00
Greater Ngwavuma Water Supply:Siweni	Ward 11	5 987 258.51	-	-
Jozini Regional Community Water Supply Scheme Phase 1A	Ward 5,7	26 060 007.72	24 522 984.00	25 000 000.00
Jozini Umhlabuyalingana VIP Sanitation Projects	Ward 1,2, 4,5,7,9,12,13	19 512 407.00	10 000 000.00	25 000 000.00
KwaJobe Community Water Supply Scheme (Ntshongwe/Malobeneni)	Ward 3,4 and 5	20 100 155.00	10 000 000.00	25 000 000.00
Manguzi Star of the Sea Water Project	Ward 1,3,4,7,8,10,11	18 281 483.56	15 000 000.00	16 496 816.00
Non – Revenue Water Project Phase 3	Whole district	15 033 753.45	35 000 000.00	10 000 000.00
Nondabuya Water Supply	Ward	24 256 704.45	15 000 000.00	10 000 000.00

Scheme, Ward 6,8,9,14,19	6,8,9,14,19			
Thembalethu Sanitation Project	Ward 20	18 738 094.00	14 916 950.00	9 440 134.07
Below RDP & network extension to YC Hluhluwe 1	not registered yet	5 497 851.00	15 000 000.00	10 000 000.00
Below RDP & network extension Greater Mkuze	not registered yet	5 531 598.20	10 500 000.00	10 000 000.00
RDP network & extension Mhlekezi	not registered yet	1 735 219.00	10 500 000.00	10 000 000.00
Below RDP & network to RDP Mpukunyoni	not registered yet	4 368 673.02	10 500 000.00	10 000 000.00
Big Five VIP	not registered yet	2 553 709.15	10 500 000.00	10 000 000.00
Mtuba infill vip sanitation	not registered yet	1 545 005.00	1 474 045.00	-
Hlabisa Hospital network extension phase 1	not registered yet	1 648 222.00	5 793 698.00	-
Hluhluwe network extension phase 1	not registered yet	1 570 567.00	4 609 273.00	-
Manguzi Hospital network extension phase 1	not registered yet	1 721 562.00	10 500 000.00	15 000 000.00
Mseleni network extension phase 1	not registered yet	1 848 549.00	10 500 000.00	15 000 000.00
St Lucia network extension phase 1	not registered yet	2 118 560.00	10 600 000.00	15 000 000.00
Hlabisa WWTW Refurbishment	not registered yet	1 739 209.50	-	-
Hluhluwe WWTW Refurbishment	not registered yet	1 376 885.00	-	-
Bethesda WWTW refurbishment	not registered yet	1 739 209.50	-	-
Ingwavuma WWTW Refurbishment	not registered yet	1 739 209.50	-	-
Jozini WWTW Refurbishment	not registered yet	1 773 193.12	-	-
Kwamsane WWTW Refurbishment	not registered yet	1 739 209.50	-	-
Manguzi WWTW Refurbishment	not registered yet	1 739 209.50	-	-
Mkuze WWTW Refurbishment	not registered yet	1 739 209.50	-	-
Mseleni WWTW Refurbishment	not registered yet	1 739 209.50	-	-
Mtuba WWTW Refurbishment	not registered yet	1 739 209.50	-	-
St Lucia WWTW Refurbishment	not registered yet	1 739 209.50	-	-
Total		216 451 800.00	234 916 950.00	245 936 950.07

WATER SERVICE INFRASTRUCTURE GRANT (WSIG)

WSIG Projects		2021/22 Medium Term Revenue & Expenditure Framework		
Project name	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24	
Jozini LM - Water Infrastructure Refurbishment, New Micro Schemes, Water network extension, etc	18 750 000	19 830 000	18 580 000	
Umhlabuyalingana LM - Water Infrastructure Refurbishment, New Micro Schemes, Water network extension, etc	18 750 000	19 830 000	18 580 000	
Mtubatuba LM - Water Infrastructure Refurbishment, New Micro Schemes, Water network extension, etc	18 750 000	19 830 000	18 580 000	
Big5Hlabisa LM - Water Infrastructure Refurbishment, New Micro Schemes, Water network extension, etc	18 750 000	19 830 000	18 580 000	
Total	75 000 000	79 320 000	74 320 000	

Water Access Backlogs

Umkhanyakude DM												
Households	Census 2011			WSMP 2013			CS 2016			WSMP 2019		
	HH	Bac	%	HH	Backlog	%	HH	Backlog	%	HH	Backlog	%
Umhlabuyalingan	33 858	1	5	32	9 399	29	39	19 024	4	35	7 506	21%
Jozini	38 850	2	5	37	16 018	42	44	21 245	4	41	8 660	21%
Mtubatuba	34 905	1	5	37	6 678	18	41	18 495	4	41	3 307	8%
Hlabisa Big 5	20 582	1	6	26	9 682	36	25	16 809	6	29	9 132	30%
Total	128 195	7	5	135	41 777	31	151	75 573	5	149	28 605	19%

Future household projections for Umkhanyakude District Municipality

Local Municipality	2019	2020	2025	2030	2035	2040	2045
Umhlabuyalingana	35 979	36 402	38 860	40 994	43 449	45 172	46 616
Jozini	41 944	42 472	45 284	47 758	50 545	52 450	54 037
Mtubatuba	41 667	42 175	45 159	47 734	50 654	52 672	54 385
Hlabisa Big 5	29 990	30 342	32 369	34 166	36 190	37 537	38 611
Total	149 580	151 390	161 672	170 653	180 838	187 831	193 649

Sanitation Backlogs (Level of Service % Distribution)

Local Municipalities	Total HH (2019)	Flush Sewer	Flush Septic Tank	VIP	Pit / None
Big 5 Hlabisa	29 990	1 655	1 147	19 134	8 054
Jozini	41 944	1 971	3 747	28 679	7 546
Mtubatuba	41 667	6 230	9 319	23 148	2 970
Umhlabuyalingana	35 979	115	5 420	23 772	6 673
Grand Total	149 580	9 970	19 633	94 733	25 244
LOS % Distribution		6.7%	13.1%	63.3%	16.9%

3.3 Community Services, Planning and Economic Development

Development Planning Shared Services Programme (DPSS)

Under the reporting period the Development Planning Services was strategically responsible for the overall facilitation, coordination, implementation, management and monitoring of the following core functional areas as well as Performance Highlights presented below according to each core function. A table under each core function is provided indicating broad challenges that was facing the section under reporting period. Similarly a suit of possible recommendations to the identified challenges is included in the same table.

Development Planning Services

Key Performance Areas (KPA's):

- ✓ Cross-Cutting Issues
- ✓ Institutional Development & Public Participation

Core Functions & Services

- ✓ Spatial Planning
- ✓ Land Use Management & Administration
- ✓ Geographical Information System (GIS)
- ✓ Human Settlement Planning & Coordination
- ✓ Integrated Transport Planning
- ✓ Environmental Planning & Management
- ✓ Building Inspectorate and Control
- ✓ District Development Planning Services Governance & Coordination (i.e. District Development Planners Forum)
- ✓ District Environmental Planning & Management Governance & Coordination (i.e. District Environmental Planning & Management Forum)

ANNUAL REPORT

UMKHANYAKUDE JOINT MUNICIPAL PLANNING TRIBUNAL REPORT Q1-Q4

Spatial Planning

1. Spatial Development Framework

In terms of the spatial programs the DPSS Unit has effectively coordinated the review of Spatial Development Framework for District and awaiting the adoption of the document by council alongside the IDP.

2. The Freight Transport Plan

UMkhanyakude District with the support by Department of Transport developed a DC27 Freight and Transport Plan to address the transportation issues of the District, however the plan is available awaiting council approval.

Land use Management

1. Transfer and Registration of land of Mkuze main offices Land

The subdivision of the land was completed successfully; Nxumalo & Partners were appointed through the Municipal Panel for Attorneys, their responsibility was to effect the transfer of portion 13 of the farm Harlingen no. 3433 which will see uMkhanyakude District getting a title deed and full ownership of the land. owner. Numerous engagements were conducted with attorneys to share all relevant documents to expedite the process of transferring and registration. The process was not completed due to some issues which includes the settling of rate and taxes debt that were directed to the land owner by Jozini while the land was occupied by uMkhanyakude. To complete the process, further engagements between the Nxumalo & Partners, UKDM, Dr Senekal and his legal team should take place, due to that the transfers will be carried over to be finalised in the 2022/23 financial year.

2. Transfer and Registration of the Disaster Centre office land in Hluhluwe Town.

The Municipality has finalised the necessary subdivision process, the only outstanding part is the transfer of property from Big 5 Hlabisa name to uMkhanyakude District name, through the panel of attorneys one law firm should be appointed to effect the transfer, however, so far a request to get assistance was submitted to the finance department, therefore the transfer will commence as soon as a law firm has been allocated responsibility. This process will also be finalised in the 2022/23 financial year.

DPSS Administration and Support to the Local Municipalities through DJMPT

As part of support rendered to local Municipalities, uMkhanyakude District Joint Municipal Planning Tribunal is one of the core facility that the district use to assist the local municipalities in ensuring that

development is well coordinated around the district. The DJMPT looks into all the development applications which are then assessed and processed timeously. The DJMPT meeting are held monthly and depending on availability of applications. Applications that were tabled in 2021/22 FY were as follows:

APPLICATIONS	DECISION	MUNICIPALITY
1. Rezoning of Mtubatuba Erf 91	Approved	Mtubatuba
2. Shikishela rural housing project in ward 12	Approved	Mtubatuba
3. Special consent for Four Bed& Breakfast on Erf 120 at St Lucia	Approved	Mtubatuba
4. Proposed development of Shopping mall (Phase 1) and Vice Station (Phase 2) on Farm Ndumo No.9714	Approved	Jozini
5. Kwangwanase rural housing projects in ward 6 & 16	Approved	Umhlabuyalingana
6. Proposed Commercial development of a Shopping Centre & Petrol service station	Approved	Umhlabuyalingana
7. Proposed KwaNgwanase Subsidised Rural Housing project	Approved	Umhlabuyalingana
8. Commercial Mixed used development	Approved	Jozini
9. Erf 1277 ,Construction of Telecommunication Mast at KwaMsane		Mtubatuba
10. Erf 2069 , Construction of Telecommunication Mast at Mtubatuba		Mtubatuba
11. Construction of Telecommunication Mast at Shikishela		Mtubatuba
12. Construction of Telecommunication Mast at Lot 56, UMFOLOZI 13319 GV	Approved	Mtubatuba
13. Erf 75, Construction of Telecommunication Mast	Approved	Mtubatuba
14. The Subdivision, Consolidation and Rezoning of Portion of the Remainder and Rem of Sub 2 of Lot 66 uMfolozi No. 13334, Mtubatuba Municipality.	Approved	Mtubatuba
15.		Jozini

Proposed Bhekindoda Filling Station		
16 Msiyane Private School	Approved	Jozini

Development Coordination

Development Planning Forum Meeting

The Municipality has within its programs the Planning forum meeting which is conducted four times, with one forum conducted per quarter, for this 2021/22 FY planners forum meetings were conducted successfully. This is another core function that the district uses to coordinate and administer the planning function throughout the District. With the Planners forum we coordinate and administer issues around GIS functionality, Spatial Planning, Land-use Management, Environmental Management, IDP, PMS, LED and Tourism.

Development Project Support

1. Mkuze Airport

The Municipality through uMhlozinga Development Agency has developed the Mkuze Airport wherein the construction has been finished. the DPSS unit participate and support the implementation of the project throughout the whole Planning and Coordination process and participated in the Project Steering Committee for the project. The project is now 100% complete, no further support and report will be submitted in the upcoming financial year.

2. Mange Skills Centre

UMkhanyakude District through Service Seta is in a process to develop a Skills Development Centre for Mange Community in Mkuze Area; A service provider to conduct a feasibility study and Contractor were appointed; the project has headed for construction which will commence in the 2022/23 Financial Year.

3. Ndumo Inkululeko Project (Ministerial Projects)

Throughout the financial year, the DPSS Unit has participated in PSC and Stakeholder engagements and rendered support through coordination in numerous functions of the project. However, the project is managed at the Premier's Office and most projects within that projects are completed and some still have some challenges, our continued support will be to give support where its due up until the project is completed.

4. Mkuze Rail upgrade

This project was done by SADFA and Local Farmers association of uMkhanyakude, our role was to give support from Planning to Implementation of the Project. The project is 100% complete and official handed over to the farmers and currently functional. no further reports will be submitted hence project is closed.

GIS Mapping and Coordination

UMkhanyakude District GIS Unit has coordinated and provided Support to the Municipal projects and programs, such as IDP, SDF, Water Master Plan, through maps and data support and extended support to Local Municipalities and other external Stakeholders. other crucial function was to source data, capture new data to the system and where possible disseminate and serve as a data custodian.

Other Capacity Building Workshops/meetings/trainings

1. Municipal Baseline of SDF training by COGTA Planning Unit in cooperation with DALRRD. The training was for capacitating the Municipalities in producing credible SDF documents that guide spatial budgeting and to ensure compliance with relevant legislations.
2. Participation to Provincial SPLUMA forum meetings.
3. Participation to the Provincial GIS Forum Meetings conducted by COGTA DIS Unit
4. Housing Forum Meetings for Local Municipalities
5. PSC and Stakeholder meetings

Challenges

- Development planning programmes some were not fully achieved and not achieved due to non-availability of a Town Planner
- ArcGIS software licenses maintenance fees and procurement of new licences were not done due to endless SCM processes that were beyond our control and the instability of the Municipality.
- Members that were gazetted, mainly from uMkhanyakude have not been attending the DJMPT sittings.
- Poor attendance to the District Planners Forum Meeting still persist.
- Unresolved Development applications due to a number of factors, including incomplete information.
- Staff shortage of DPSS Unit, seem to be a standing issue.
- Lack of Budget for Development Planning programs.

Achievements

- Despite the challenges, the Development Planning Shared Services served successfully in all competences outlined in the core functions and services,
- Furthermore, the DPSS model has been very instrumental to ensure that that Local Municipalities are supported where there are capacity issues.
- Ensured that DJMPT stays functional throughout the financial year
- Ensured Planners Forum functionality.
- GIS Services were made available to ensure quality land use management.
- Effective support to programs and projects by the District Municipality and other stakeholders.

Status of uMkhanyakude Disaster Management Centre

UMkhanyakude District Municipality has a functional District Disaster Management Centre (DDMC) which is established in terms of Disaster Management Act No. 57 of 2002 as amended in 2015. The various institutional measures have been established to ensure compliance with disaster management legislation and policies.

The disaster management centre is fully operational and has a fire station adjacent to it. This fire station is shared between the DDMC and The Big 5 Hlabisa Local Fire Department. The building is controlled by uMkhanyakude District Municipality including maintenance and up keep of building. The images below depict the Disaster Management Centre and the adjacent fire station.

Image 1: Back View of UKDMC



Image 2: Fire Station of UKDMC



Status of IGR Structures

4.1. District Disaster Risk Management Practitioners Meeting

The District Disaster Risk Management Practitioners forum has been established and comprises of all four (4) Local Municipalities of UMkhanyakude District which are Jozini, Mtubatuba, Big 5 Hlabisa and uMhlabuyalingana. The Practitioners meeting last sitting was on the **25th of May 2022**.

4.2 District Disaster Risk Management Advisory Forum

The DDMAF seats quarterly and is very successful although there is a steady decline in the attendance of government department, and other stakeholders that take part in these sittings. The last sitting of the forum was on the **09 June 2022** it was a visual meeting.

5. Status of Disaster Management Capacity at UMkhanyakude District

UMkhanyakude District Municipality has a functional District Disaster Management Centre, with the Manager appointed, Mr SE Mngoma. The Manager is supported by four Disaster Management Officers who are strategically allocated to local municipalities to ensure the fulfilment of the Disaster Management mandate as per KPAs and Enablers. However one Officer vacated the position because of green pastures. The officers offer technical support to the local municipalities and fulfil all the requirements set in the job descriptions and UKDM SDBIP (Services Delivery and Budget Implementation Plan). The diagram below depicts how the organisational structure of the district disaster officers is set and their primary responsibilities.

Figure 1: Areas of Cooperation and deployment of disaster management officers



The Disaster Management Officers are executing various milestones and mainstreaming disaster management through awareness campaigns and capacity building programmes. Furthermore the Provincial Disaster Management Centre offers support with disaster relief material, as well as strategic support.

5.1. Fire & Rescue Services

Working Arrangement Between the Fire Stations and the Call Centre

- Linkage and prompt reporting of incidents is essential for effective coordination.



6. Status of UMkhanyakude District Disaster Management Plans / Framework

6.1. Disaster Management Framework

As required by Section 53 of the Disaster Management Act No.57 of 2002, as amended in 2015, uMkhanyakude District Disaster Risk Management Policy Framework has been established and approved by council, and was implemented. The three local municipalities are currently developing their Disaster Management Policy Framework only one local Municipalities who have develop their Disaster Management Policy which is Jozini Local Municipality .

6.2. Disaster Management Plan

The District Disaster management plan has been drafted and still in the process of being adopted by Council. The disaster management sector plan that is aligned with the IDP is in place. It is important to note that hazards and disaster risks are dynamic and this calls for various methods to be used in ensuring that an accurate risk profile for the district is carried-out to inform the development of the plan. All four local municipalities have developed their own Disaster Risk Management Plans, and have all been adopted by respective councils.

6.3. Readiness to deal with disasters

All incidents are attended to as and when they get reported, whilst rapid and effective response is done in a multi-disciplinary manner in partnership with other disaster management role-players. In its role of disaster management co-ordination, the district responds to incidents in supporting the four local municipalities within uMkhanyakude District i.e. uMhlabuyalingana, Jozini, Big 5 Hlabisa and Mtubatuba Local Municipalities. All applicable contingency plans (unique to particular hazards) get implemented as and when there is a need, with all role-players acutely aware of their roles and responsibilities. The support offered by the District Disaster Management Centre via the Disaster officers is benefiting the local Disaster Management Centres immensely.

The Fire and rescue services within the locals and the district are not up to SANS 10090 standard. This needs to be addressed soon, as fires are the most common disaster incidents reported for the **2021/2022** financial year, in the District. There are some challenges regarding a comprehensive Disaster Management Plans. There is no recent and approved disaster management plan from district municipality however all local municipalities which are uMhlabuyalingana, Mtubatuba and Big 5 Hlabisa have developed their plans in place. The number of the

dedicated staff to disaster management and fire services has increased in the 2019/20 financial year but there is still additional staff required. Municipalities have different challenges they encounter like no uniforms and PPEs, tools of trade and no proper working vehicles, to conduct disaster management and fire activities.

List of Priority Risks (Hazards)

UMkhanyakude District Municipality is prone to a number of natural and man-made hazards. The vulnerability differs, by either socio-economic status or the exposure of a particular household or community to a specific hazard. Below is the list of hazards that were reported and responded to.

Table 1: Priority Hazards identified at UMkhanyakude District

	Incident Type	Areas Affected
UMkhanyakude District Municipality	COVID 19	All Municipalities
	Structural Fires	All Municipalities
	MVAs	All Municipalities
	Heavy Rain	All Municipalities
	Lightning	All Municipalities
	Drowning	Jozini L.M
	PMVA'	Jozini L.M and Mtubatuba L.M
		Jozini L.M and Mtubatuba L.M
	Food and mouth Disease	All Municipalities
	Veld fires	All Municipalities
	Strong Wind	

Response and Recovery

Annual Incidents (July 2021 to June 2022)

The district has experienced a significant decrease in the number of incidents during the first quarter. There was a high increase of incidents during the second quarter. The trend analysis graph also shows that November 2021 had the highest number Incidents reported. During 2021/22 financial year, there were five hundred and ninety two (**592**) incidents, a total number of one thousand and fifty three (**1053**) households were affected; that was resulted to three thousand three hundred and seventy seven (**3377**) people were affected. Emphasis still needs to be put on awareness campaigns whilst the issue of capacity is still a challenge. The incident analysis graph below depicts the above mentioned information.

Incidents Analysis

Figure 3: Trend Analysis Graph

TRENDS IN OCCURANCE OF INCIDENTS AND IMPACT IN TERMS OF HOUSEHOLDS AND PEOPLE AFFECTED IN 2020/ 21

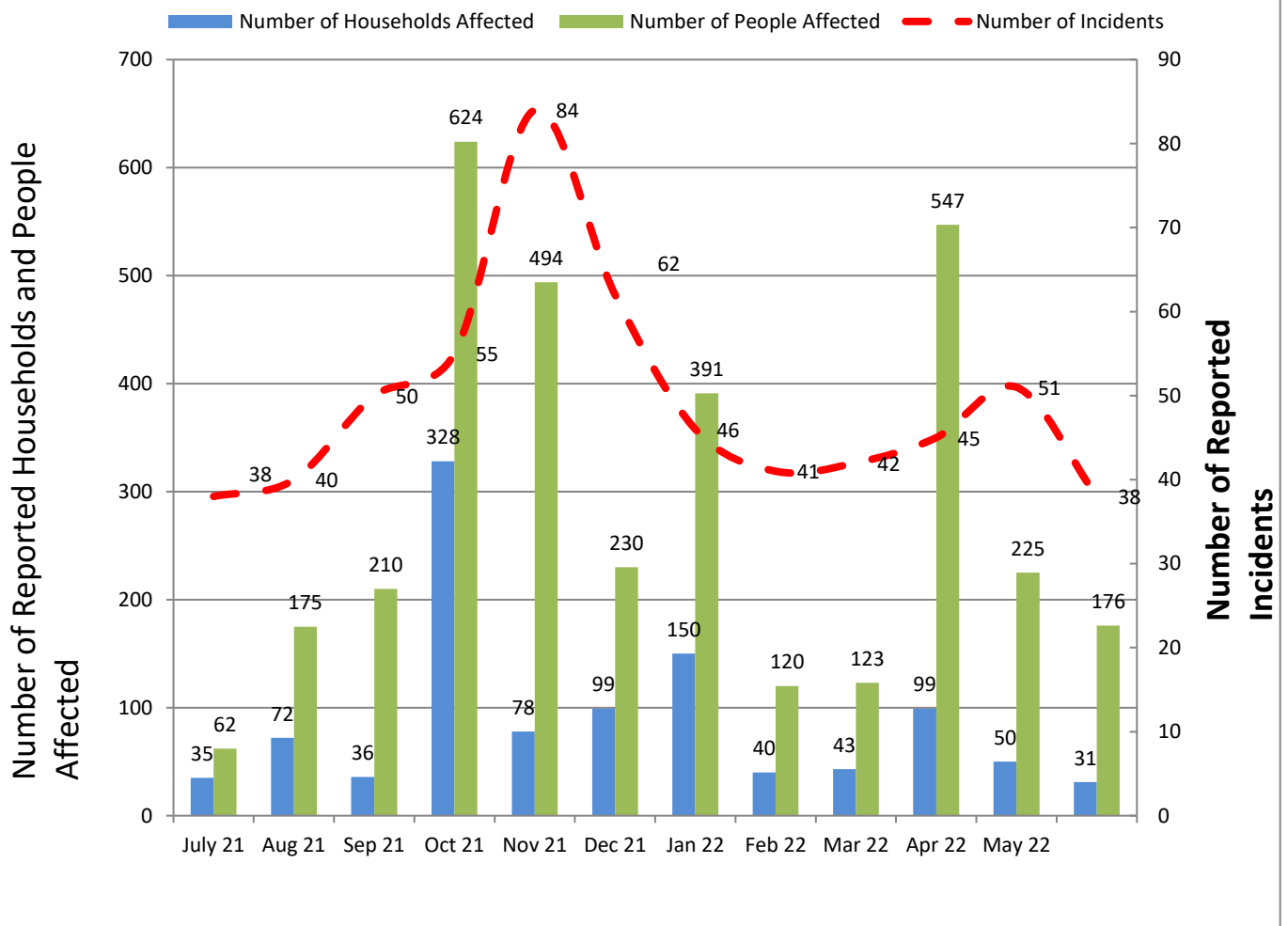
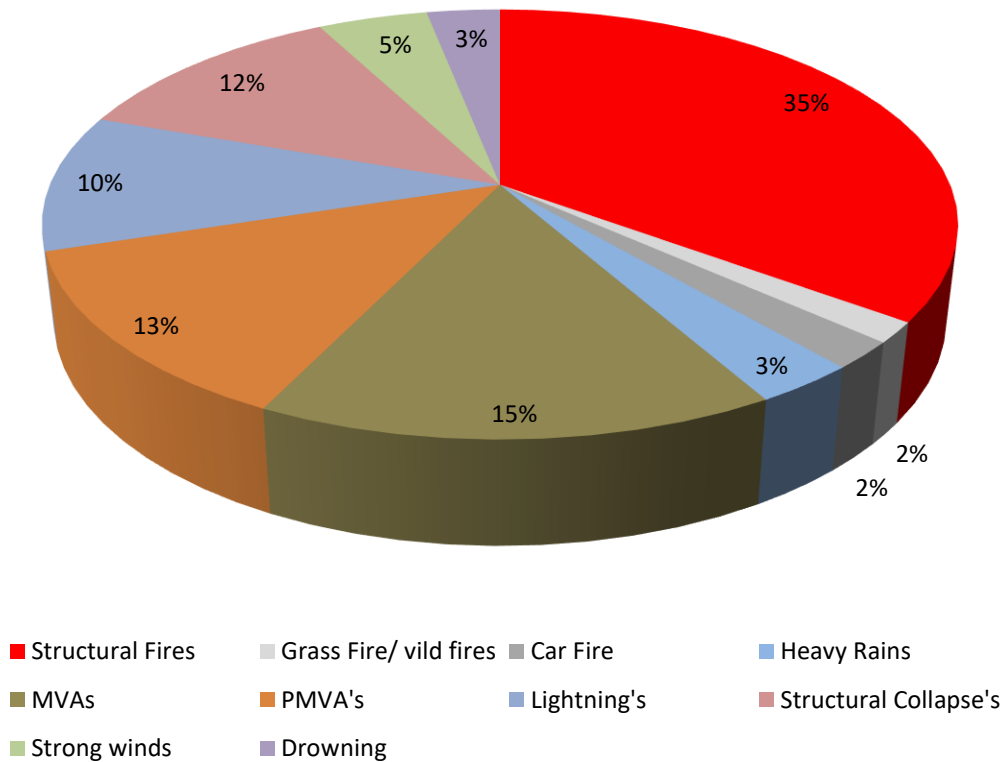


Figure 1 indicates the incidents in percentage, during 2021/22 financial year, Structural Fires and MVA's continued to dominate within with highest the number of percentage for both incidents type reported within the four local municipalities under uMkhanyakude District Municipality, see pie chart below.

uMkhanyakude No. of Incidents Type



8.2. Images displaying the impact of the incidents within UMkhanyakude District

Image 1 : Depicting Structural Fire at 17 Area(Ward 7) under Jozini L.M ON THE 03/07/2021

Image 2:. Depicting Structural fire affected Gumede Family at eMphoweni area (ward 11) on the 14/09/2021



Image3: *Depicting flooded household for Ntombela family at Khula Village under Mtubatuba L.M on heavy rain occurred in April 22*



Image 4 : *Depicting Ngwane family affected by house fire on 28/05/2022 at ward 2 Mngobokazi/Giba received relief from Big 5 Hlabisa L.M*



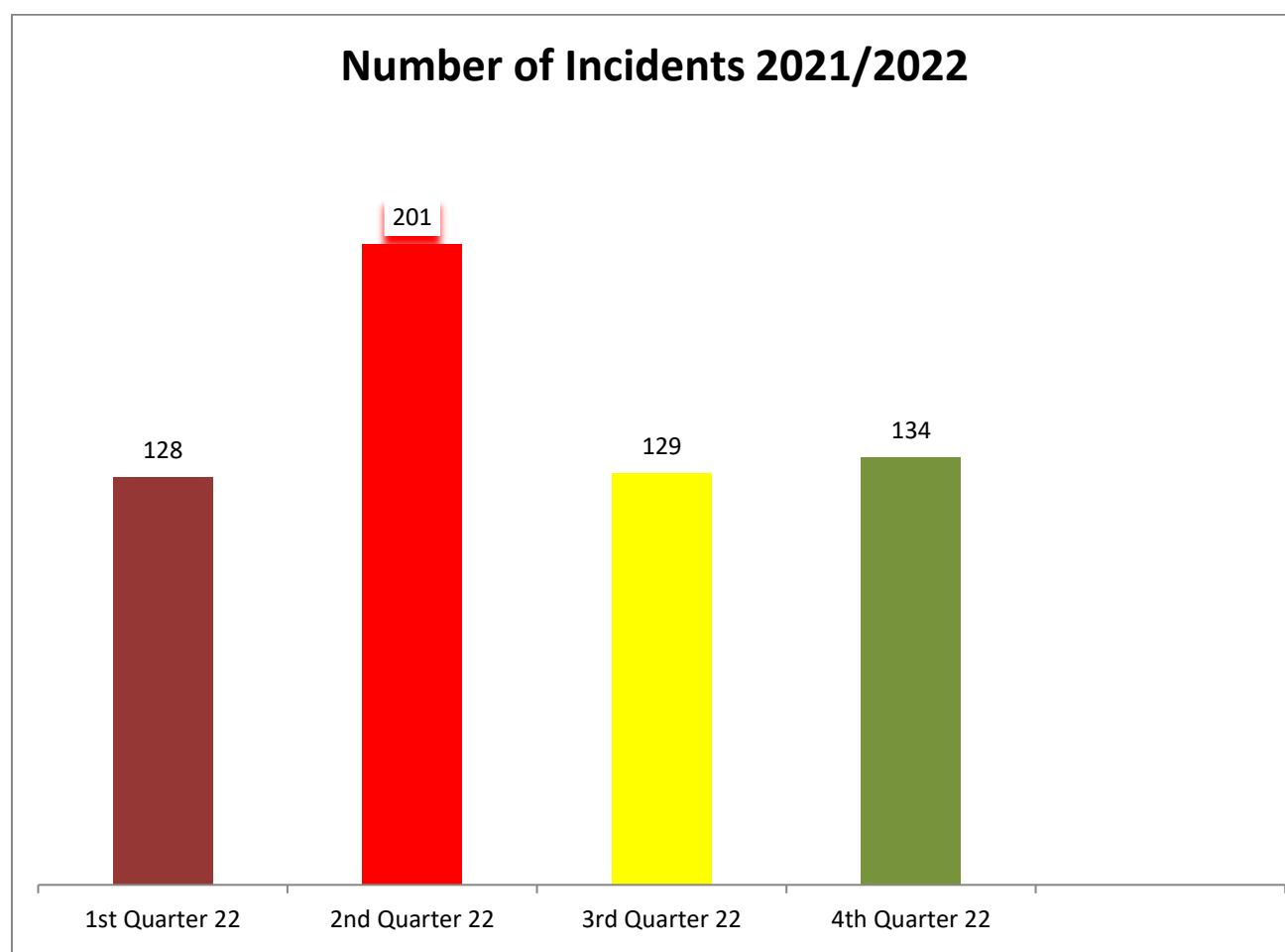
Image 5 : *Depicting damaged which was caused by Strong wind at Cezwane Primary School (Ward 4)9 Classes were Affected and 7 Cottage under Jozin L.M .*



Image 6: *Depicting structural Collapse caused by Strong wind at KwaMadonya (Ward 4) it was total damaged under Jozini L.M*



8.3. Bar Graph indicating the number of Incidents per quarter



8.4. Material Issued

The table below indicates the relief material issued by the local municipalities and district to the affected families Provincial Disaster Centre supported with relief as well. See table below.

Table 3: Material issued to the affected communities

9. uMkhanyakude Capacity Building and Awareness Campaigns Conducted

Quarter	Blankets	Tents	Plastic Sheeting	Matrasses	Emergency Temporal Shelter	Kitchen Box
Quarter 1	218	13	00	77	00	23
Quarter 2	304	04	22	121	00	30
Quarter 3	168	24	104	229	00	68
Quarter 4	141	01	17	64	18	30
Total	831	42	143	491	18	151

In terms of disaster management legislation and policies, uMkhanyakude District Disaster Management Centre and Disaster Units in Local Municipalities must consistently conduct capacity building and awareness campaign. Amongst other objectives these activities are conducted to inculcate the culture of risk avoidance behaviour and also to solicit cooperation and active participation from stakeholders. On monthly basis, sectors, institutions and community structures such as schools, Towns, Clinics, Hospitals and others are targeted for such activities

Quarter	Municipality	Date	Name of School	Number of Students / People
Quarter 1	Big 5 Hlabisa L.M	05/08/2021	Mmiso High School	540
	Big 5 Hlabisa L.M	12/08/2021	Ntaminemidwa High School	305
	Big 5 Hlabisa L.M	12/08/2021	Shiyinkosi High School	162
	Big 5 Hlabisa L.M	21/08/2021	Inqubeko Primary School	257
	Big 5 Hlabisa L.M	26/08/2021	Phunyane Primary School	357
	Big 5 Hlabisa L.M	30/08/2021	Nkanyiso High School	345
	Big 5 Hlabisa L.M	08/09/2021	Bonga high school	456
	Big 5 Hlabisa L.M	08/09/2021	Msindazwe primary school	353
	Big 5 Hlabisa L.M	09/09/2021	Ezifundeni high school	512
	Big 5 Hlabisa L.M	09/09/2021	Macabuzela primary school	930
	Big 5 Hlabisa L.M	09/09/2021	Ntuthukoyamazulu primary school	656
	Big 5 Hlabisa L.M	23/09/2021	Siphosabadletshe high school	942
	Big 5 Hlabisa L.M	23/09/2021	Nompondo primary school	403
	Big 5 Hlabisa L.M	23/09/2021	Dulikhulu primary	305

			school	
	Big 5 Hlabisa L.M	23/09/2021	Safari primary school	162
	Big 5 Hlabisa L.M	14/09/2021	Malusi Omuhle P.S	257
	Big 5 Hlabisa L.M	09/09/2021	Nhlwathi P S	357
	Big 5 Hlabisa L.M	16/09/2021	Phumokwakhe School	345
	Jozini L.M	03/09/2021	Jurie Steyn Christian Academy	
	Jozini L.M	08/09/2021 (Wednesday)	Okhayeni Primary School	
	Jozini L.M	09/09/2021	Egujini Primary	
	Jozini L.M		Mthidlwe Primary	930
	Jozini L.M	10/09/2021	Gugulesizwe High School	656
	Jozini L.M	13/09/2021 (Monday)	Joy House	942
	Jozini L.M		Makhonyeni Primary	403
	Jozini L.M	14/09/2021	Nethezeka Primary	305
	Jozini L.M	(Tuesday)	Nqobizazi Primary	162
	Jozini L.M	15/09/2021	Ntabayenwe Primary	257
	Jozini L.M	(Wednesday)	Impala High School	357
	Jozini L.M		Mhlekezzi Primary	345
	Jozini L.M	16/09/2021	KwaNgwenya Community Centre	930
	Jozini L.M	(Thursday)	Ourlady Primary	656
	Jozini L.M		Khethwayo Primary	942
Quarter 2	Jozini LM	26/10/2021	Ophansi P. School	500
	Jozini LM	26/10/2021	Izineshe P. School	450
	Jozini LM	27/10/2021	Mayaluka P. School	360
	Jozini LM	27/10/2021	Manyiseni P. School	400
	Jozini LM	25/10/2021	Makhane P. School	380
	Jozini LM	25/10/2021	Mahlabeni.P. School	430
	Jozini LM	29/10/2021	Ntenga.P. School	405
	Jozini LM	29/10/2021	Manfene.P. School	480
	Jozini LM	28/10/2021	uBombo P. School	398
	Jozini LM	28/10/2021	Nkangala.P. School	490
	Big5 Hlabisa LM	13/10/ 2021	Mbalikhona P. School	260
	Big5 Hlabisa LM	20 /10/2021	Qalindlela P. School	300
	Mtubatuba LM	27/10/2021	Mpukunyoni P. School	350
Quarter 3	Mtubatuba LM	10/03/2022	Mcebo H.P. Schol	400
	Mtubatuba LM	10/03/2022	Amandlesizwe P. School	450
	Jozini L.M	17/03/2022	Ophondweni P. School	956

	Big 5 Hlabisa L.M	30/3/2022	Ezibayeni High School	500
	Big 5 Hlabisa L.M	07/03/2022	Hlambanyathi Primary School	434
	Big 5 Hlabisa L.M	01/03/2022	Phunyane Primary School	568
Quarter 4	uMkhanyakude	20/04/2022	Mdladla high school	1600
	uMkhanyakude	21/04/2022	KwaGiba High school	22
	Jozini L.M	5/04/2022	Ezibukweni High school	1 820
	Jozini L.M	6/04/2022	Siphosethu high school	3 240
	Jozini L.M	7/04/2022	Mandlethu High school	1460
	Jozini L.M	13/04/2022	Skhandane primary	930
	Jozini L.M	20/04/2022	Mdladla high school	1600
	Big 5 Hlabisa L.M	21/04/2022	KwaGiba High school	22
	Big 5 Hlabisa L.M	21/04/2022	Nkomo primary school	26
	Mtubatuba L.M	29/04/2022	Khiphinkunzi Primary School	400
	Mtubatuba L.M	29/04/2022	Mbongeni High School	670
	Jozini L.M	10/05/2022	Jevu high shool	659
	Jozini L.M	11/05/2022	Maphaya primary	450
	Jozini L.M	12/05/2022	Mzondi Primary	500
	Jozini L.M	13/05/2022	Majozini Primary	300
	Jozini L.M	16/05/2022	Bhekindoda High	380
	Jozini L.M	16/05/2022	Mamfene Primary	400
	Mtubatuba L.M	12/05/2022	Shikishela High School	1200
	Mtubatuba L.M	16/05/2022	Nkonyane Primary School	266
	Mtubatuba L.M	17/05/2022	Qalakancane Primary School	234
	Mtubatuba L.M	25/05/2022	Isolesizwe Primary School	454
	Mtubatuba L.M	27/05/2022	Siphambano Primary School on	313
	UMhlabuyalingana L.M	10/05/ 2022	Mbazwane Primary School	890
	UMhlabuyalingana L.M	12 /05/2022	Inkosi Moses Zikhali High School	2000
	Big 5 Hlabisa L.M	10/05/2022	Ekuseni primary	1038

			school	
	Big 5 Hlabisa L.M	11/05/2022	Mduku high school	1270
	Big 5 Hlabisa L.M	12/05/2022	Makhasa high school	838
	Big 5 Hlabisa L.M	12/05/2022	Inkosizwelakhe Ngwane secondary school	395
	Big 5 Hlabisa L.M	12/05/2022	Mngobokazi primary school	743
	Big 5 Hlabisa L.M	12/05/2022	Mmiso High School	843
	Big 5 Hlabisa L.M	18/05/2022	Nhlwathi Primary School	640
	Big 5 Hlabisa L.M	07/06/ 2022	Qalindlela Primary School	189
	Big 5 Hlabisa L.M	01/06 2022	Thembamandla Primary School	187
	Big 5 Hlabisa L.M	08/06/2022	Ncwabakazi Primary School	195
	Big 5 Hlabisa L.M	23/06/ 2022	Ndabazamanina High School	215
	Big 5 Hlabisa L.M	02/06/2022	Mzila Primary School	410
	Jozini L.M	06/06/2022	Mdamukeni Primary School	430
	Jozini L.M	06/06/2022	Esihlangwini Primary School	455
	Jozini L.M	21/06/2022	DSD Creche	50
		TOTAL	119	

9.1. Images depicting School Awareness Campaigns which were conducted during financial year 2021/22

Image 1 : *Depicting School Awareness Campaign (crèche)at Ndumo DSD Crèche (ward 16) under Jozini L.M*

Image 2: *Depicting School Awareness Campaign at Shikishela High School under Mtubatuba L.M*



Image 3: Depicting School Awareness Campaign at Mmiso High School under Big 5 Hlabisa L.M



Image 4: Depicting school awareness campaign at Malusi Omuhle Primary School Big 5 Hlabisa 14/09/2021



Community Awareness Campaigns

There were community awareness campaigns conducted during IDP consultative meetings.

Date	Municipality	Venue
10/05/2022	Jozini L.M	Ward 22: emombeni hall Ward 14 : Ingwavuma hall
11/05/2022	Jozini L.M	Ward 11 :ntabayengwe hall Ward 10 : kwambuzi hall

13/05/2022	Jozini L.M	Ward 12 : oNaleni hall Ward 23 : makwakwa hall
14/05/2022	Jozini L.M	Ward 18 : Nkungwini hall Ward 15 : Manyiseni sportfield
16/05/2022	Jozini L.M	Ward 13 : emahlabeni hall
17/05/2022	Jozini L.M	Ward 17 ,magwanga area Ward 16 : Thelamama
19/05/2022	Jozini L.M	Ward 1 : nhlonhlela hall Ward 20 : mlingo hall
20/05/2022	Jozini L.M	Ward 2:Qhoqhoqho Ward 7 : kwaQondile
21/05/2022	Jozini L.M	Ward 6 : kwasiqakatha
29/03/2022	Big 5 Hlabisa	Ward 9 eNhlwathi area

Pictures of Community Awareness Campaigns during IDP Consultative Meetings in all local municipalities

Image 1: *Depicting Community Awareness Campaigns at (ward 18) during IPD Consultative Meeting under Jozini L.M*



Image 2: *Depicting Community Awareness Campaigns at (ward 1) during IDP Consultative Meeting under*

Jozini L.M



Image3: *Depicting Community Awareness Campaign at Nhlwathi*



DISASTER MANAGEMENT VOLUNTEER PROGRAM

MUNICIPALITY	DATE	NAME OF AREA	WARD	NUMBER OF PEOPLE
UMkhanyakude District	-	-	-	-
Umhlabuyalingana L.M	-	-	-	-
JoJozini L.M	As 2018 till to date	Jozini L.M	20 wards	200
BiBig 5 Hlabisa L.M	-	-	-	-
Mtubatuba L.M	-	-	-	-
TOTAL	200			

DISASTER MANAGEMENT ADVISORY FORUMS

MUNICIPALITY	Status of Functioning of Advisory Forums
UKDM	Yes, functioning
Big 5 Hlabisa	Yes, functioning
Mtubatuba	Yes, functioning
Jozini	Yes, functioning
uMhlabuyalingana	Yes, functioning

Fire and Rescue Service

Fire Safety Inspections

NAME OF FACILITY	DATE	MUNICIPALITY	DESCRIPTION OF ACTIVITIES	COMPLIANCE YES /NO	ACTION TAKEN
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1st Quarter					
Amapelepele Shop (Jozini)	07/07/2021	Jozini LM	Fire safety Inspection	No	A recommendation letter was sent.
The Fish & Chips shop (Jozini)	07/07/2021	Jozini LM	Fire safety Inspection	No	A recommendation letter was sent.
Cambrige Food Jozini	08/07/2021	Jozini LM	Fire safety Inspection	No	A recommendation letter was sent.
Boxer Build Jozini	07/07/2021	Jozini LM	Fire safety Inspection	Yes	
Shoprite Mini Mkuze	07/07/2021	Jozini LM	Fire safety Inspection	No	A recommendation letter was sent.
Umfolozzi College/school	29/07/2021	Jozini LM	Fire Safety Inspection	Yes	
Mlambo Supermarket (Bhambanana)	06/09/2021	Jozini LM	Fire Safety Inspection	No	A recommendation letter was sent.
Jozini Library	09/09/2021	Jozini LM	Fire safety inspection	No	A recommendation letter was sent.
Jozini Thusong Centre	10/09/2021	Jozini LM	Fire safety inspection	No	A recommendation letter was sent.
Jozini Municipality	09/09/2021	Jozini LM	Fire safety inspection	No	A recommendation letter was sent.
Lifestyle furniture store (Jozini)	11/09/2021	Jozini LM	Fire safety inspection	No	A recommendation letter was sent.
King Khan Shwarm (Mkuze)	16/09/2021	Jozini LM	Fire safety inspection	No	A recommendation letter was sent.
Mobile experts (Mkuze)	17/09/2021	Jozini LM	Fire safety inspection	No	A recommendation letter was sent.
Best sell sound and furniture shop (Mkuze)	16/09/2021	Jozini LM	Fire safety inspection	No	A recommendation letter was sent.
Cheapest store (Ndumo)	29/09/2021	Jozini LM	Fire safety inspection	No	A recommendation letter was sent.

Ndumo Cash & Carry	29/09/2021	Jozini LM	Fire safety inspection	No	A recommendation letter was sent.
Ndumo Cell & Sound	29/09/2021	Jozini LM	Fire safety inspection	No	A recommendation letter was sent.
Ndumo Super Market	29/09/2021	Jozini LM	Fire safety inspection	No	A recommendation letter was sent.
No Name (Ndumo)	29/09/2021	Jozini LM	Fire safety inspection	No	A recommendation letter was sent.
Nsiba Butchery and shisanyama (Bhambanana)	30/08/2021	Jozini LM	Fire safety Inspection	No	A recommendation letter was sent.
Bhambanana savemore (Bhambanana)	30/08/2021	Jozini LM	Fire safety Inspection	No	A recommendation letter was sent.
Adonai (Bhambanana)	30/08/2021	Jozini LM	Fire safety Inspection	No	A recommendation letter was sent.
Low price (Ingwavuma)	30/08/2021	Jozini LM	Fire safety Inspection	No	A recommendation letter was sent.
Jozini cellular Shop	26/08/2021	Jozini LM	Fire safety Inspection	No	A recommendation letter was sent.
Yebo cell and sound	26/08/2021	Jozini LM	Fire Safety Inspection	No	A recommendation letter was sent.
Zidekiwe General Dealer (Jozini)	26/08/2021	Jozini LM	Fire Saftey Inspection	No	A recommendation letter was sent.
Ethembeni Store	21/07/22	Jozini LM	Fire safety Inspection	No	A recommendation letter was sent.
Sweetheart	22/07/22	Jozini LM	Fire safety Inspection	Yes	A recommendation letter was sent.
Bhekilanga Shop	21/07/22	Jozini LM	Fire safety Inspection	No	A recommendation letter was sent.
Mini Shop	22/07/22	Jozini LM	Fire safety Inspection	No	A recommendation letter was sent.
Ezibayeni SAPS	03/08/2021	Big 5 Hlabisa L.M	Fire safety Inspection	no	A recommendation letter was sent.

Mmiso High School	05/08/2021	Big 5 Hlabisa L.M	Fire safety Inspection	no	A recommendation letter was sent.
Ntaminemidwa High School	12/08/2021	Big 5 Hlabisa L.M	Fire safety Inspection	no	A recommendation letter was sent.
Shiyinkosi High School	12/08/2021	Big 5 Hlabisa L.M	Fire safety Inspection	no	A recommendation letter was sent.
Inqubeko Prima05ry School	21/08/2021	Big 5 Hlabisa L.M	Fire safety Inspection	no	A recommendation letter was sent.
Phunyane Primary School	26/08/2021	Big 5 Hlabisa L.M	Fire safety Inspection	no	A recommendation letter was sent.
Nkanyiso High School	30/08/2021	Big 5 Hlabisa L.M	Fire safety Inspection	no	A recommendation letter was sent.
2nd Quarter					
Ntabayengwe Community Hall	25/10/2021	Jozini LM.	Fire Safety Inspection	No	A recommendation letter was sent.
Thelamama Community Hall	25/10/2021	Jozini LM.	Fire Safety Inspection	No	A recommendation letter was sent.
Municipal sub-office	25/10/2021	Jozini L.M	Fire Safety Inspection	Partial	A recommendation letter was sent.
Ingwavuma town hall	25/10/2021	Jozini LM.	Fire Safety Inspection	No	A recommendation letter was sent.
KwaQondile Library	26/10/2021	Jozini LM.	Fire Safety Inspection	No	A recommendation letter was sent.
Ezinyokeni Community hall	26/10/2021	Jozini LM.	Fire Safety Inspection	No	A recommendation letter was sent.
KwaJobe Library	26/10/2021	Jozini LM.	Fire Safety Inspection	No	A recommendation letter was sent.
Manyiseni Library	27/10/2021	Jozini LM.	Fire Safety Inspection	No	A recommendation letter was sent.
Makhonyeni Community Hall	27/10/2021	Jozini LM.	Fire Safety Inspection	No	A recommendation letter was sent.
Mangwazane	27/10/2021	Jozini LM.	Fire Safety Inspection	No	A recommendation letter was sent.

Community Hall					
Machibini Community Hall	28/10/2021	Jozini LM.	Fire Safety Inspection	No	A recommendation letter was sent.
Mlingo Community H	28/10/2021	Jozini LM.	Fire Safety Inspection	No	A recommendation letter was sent.
uBombo Skills Centre	28/10/2021	Jozini LM.	Fire Safety Inspection	No	A recommendation letter was sent.
Mkuze Traffic Centre	28/10/2021	Jozini LM.	Fire Safety Inspection	No	A recommendation letter was sent.
Ndumo Spar	29/10/2021	Jozini LM.	Fire Safety Inspection	Yes	
Jozin Spar Tops	29/10/2021	Jozini LM.	Fire Safety Inspection	Yes	But they need to provide extra fire extinguishers
Jozini Chemist	29/10/2021	Jozini LM.	Fire Safety Inspection	No	A recommendation letter was sent.
Jozini Lucky 7	29/10/2021	Jozini LM.	Fire Safety Inspection	Yes	
Ezibayeni Traditional Court	08/10/2023	Big 5 Hlabisa	Fire Safety Inspection	Yes	
Qalindlela P School	12/10/2023	Big 5 Hlabisa	Fire Safety Inspection	Yes	
Gula P School	14/10/2023	Big 5 Hlabisa	Fire Safety Inspection	Yes	
Bazaneni P. School	27/10/2023	Big 5 Hlabisa	Fire Safety Inspection	Yes	
Family Tuck shop	19/10/2023	Big 5 Hlabisa	Fire Safety Inspection	No	A recommendation letter was sent.
Isreal tuck shop	19/10/2021	Big 5 Hlabisa	Fire Safety Inspection	No	A recommendation letter was sent.
MGZ Life style	05/10/2021	uMhlabuyalingana	Fire Safety Inspection	No	A recommendation letter was sent.
Khosi Bay Resort	18/10/2021	uMhlabuyalingana	Fire Safety Inspection	No	A recommendation letter was sent.

Cambridge food	18/10/2021	uMhlabuyalingana	Fire Safety Inspection	No	A recommendation letter was sent.
Why not chicken	18/10/2021	uMhlabuyalingana	Fire Safety Inspection	No	A recommendation letter was sent.
3rd Quarter					
17/03/2022	Ophondweni clinic	Jozini LM.	Fire Safety Inspection	No	A recommendation letter was sent.
04/03/2022	Jozini Total Garage	Jozini LM.	Fire Safety Inspection	No	A recommendation letter was sent.
18/03/2022	T-Junction Liquor	Jozini L.M	Fire Safety Inspection	No	A recommendation letter was sent.
18/03/2022	T-Junction Gase Case	Jozini LM.	Fire Safety Inspection	No	A recommendation letter was sent.
18/03/2022	T-Junction wholesale	Jozini LM		No	A recommendation letter was sent.
Quarter 4					
Lontop clinic	07/04/2022	Jozini LM.	Fire Safety Inspection	NO	A recommendation letter was sent.
Ndumo clinic	27/04/2022	Jozini LM.	Fire Safety Inspection	No	A recommendation letter was sent.
Ndumo Flue clinic	27/04/2022	Jozini L.M	Fire Safety Inspection	NO	A recommendation letter was sent.
Bhambanana spares & tyres	27/04/2022	Jozini LM.	Fire Safety Inspection	NO	A recommendation letter was sent.
Umercellx sound	27/04/2022	Jozini LM.	Fire Safety Inspection	NO	A recommendation letter was sent.
J.Z Fashion	27/04/2022	Jozini LM.	Fire Safety Inspection	NO	A recommendation letter was sent.
Shoprite Hluhluwe	29/04/2022	BIG 5 Hlabisa L.M	Fire Safety Inspection	Yes	
Hluhluwe one stop spares	29/04/2022	BIG 5 Hlabisa L.M	Fire Safety Inspection	No	A recommendation letter was sent.

Mpembeni Clinic	2022/04/04	BIG 5 Hlabisa L.M	Fire Safety Inspection	Yes	.
Hlabisa SAPS ward 12	2022/04/04	BIG 5 Hlabisa L.M	Fire Safety Inspection	Yes	.
Smad Auto Part	14/05/2022	Jozini LM.	Fire Safety Inspection	NO	A recommendation letter was sent..
Niressa Kisten	14/05/2022	Jozini LM.	Fire Safety Inspection	NO	A recommendation letter was sent.
Bhambanana education circuit	05/05/2022	Jozini LM.	Fire Safety Inspection	NO	A recommendation letter was sent.
Jockimorrison	09/05/2022	Jozini LM.	Fire Safety Inspection	NO	A recommendation letter was sent.
Funky fashion	09/05/2022	Jozini LM.	Fire Safety Inspection	NO	A recommendation letter was sent.
Araha tuck shop	12/05/2022	Big 5 Hlabisa	Fire Safety Inspection	No	A recommendation letter was sent.
KNG supermarket	12/05/2022	Big 5 Hlabisa	Fire Safety Inspection	No	A recommendation letter was sent.
Wimpy Hluhluwe engen	18/05/2022	Big 5 Hlabisa	Fire Safety Inspection	Yes	
Israel tuck shop	18/05/2022	Big 5 Hlabisa	Fire Safety Inspection	No	A recommendation letter was sent.
Nibela store	20/05/2022	Big 5 Hlabisa	Fire Safety Inspection	No	A recommendation letter was sent.
Bayala store	20/05/2022	Big 5 Hlabisa	Fire Safety Inspection	No	A recommendation letter was sent.
Siqusethu store	20/05/2022	Big 5 Hlabisa	Fire Safety Inspection	No	A recommendation letter was sent.
Mpanzakazi Primary School	12/05/2022	Big 5 Hlabisa	Fire Safety Inspection	Yes	A recommendation letter was sent.
Qunwane Primary School	26/05/2022	Big 5 Hlabisa	Fire Safety Inspection	No	A recommendation letter was sent.
Ezibayeni Police Station	09/05/2022	Big 5 Hlabisa	Fire Safety Inspection	No	A recommendation letter was sent.

Nhlwathi Clinic	09/05/2022	Big 5 Hlabisa	Fire Safety Inspection	No	A recommendation letter was sent.
Nkanyiso Secondary	16/05/2022	Big 5 Hlabisa	Fire Safety Inspection	No	A recommendation letter was sent.
Ndabazamanina High School	16/05/2022	Big 5 Hlabisa	Fire Safety Inspection	Yes	
Hlabisa Tops	06/05/2022	Big 5 Hlabisa	Fire Safety Inspection	Yes	
Amandonga Motor spares	06/05/2022	Big 5 Hlabisa	Fire Safety Inspection	No	A recommendation letter was sent.
Mbazwana Liquor store	06 /5/ 2022	uMhlabuyalingana L.M	Fire Safety Inspection	NO	A recommendation letter was sent
Liquor city	18 /5/2022	uMhlabuyalingana L.M	Fire Safety Inspection	NO	A recommendation letter was sent
Shawarma 786	18 /5/ 2022	uMhlabuyalingana L.M	Fire Safety Inspection	NO	A recommendation letter was sent
Big 11	18 /5/2022	uMhlabuyalingana L.M	Fire Safety Inspection	NO	A recommendation letter was sent
Fresh up Shisanyama	18 /5/ 2022	uMhlabuyalingana L.M	Fire Safety Inspection	NO	A recommendation letter was sent
Chem	18/5/ 2022	uMhlabuyalingana L.M	Fire Safety Inspection	NO	A recommendation letter was sent
Spar Tops Mbazwana	18 /5/ 2022	uMhlabuyalingana L.M	Fire Safety Inspection	NO	A recommendation letter was sent
Family Shop	18 /5/ 2022	uMhlabuyalingana L.M	Fire Safety Inspection	YES	
Coral Divers	19/5/ 2022	uMhlabuyalingana L.M	Fire Safety Inspection	NO	A recommendation letter was sent
Jeze shop	19 /5/2022	uMhlabuyalingana L.M	Fire Safety Inspection	NO	A recommendation letter was sent
School wear and furniture	19 /5/ 2022	uMhlabuyalingana L.M	Fire Safety Inspection	YES	
J.M.S	19 / 5/ 2022	uMhlabuyalingana L.M	Fire Safety Inspection	YES	
Silver Sand	19 / 5 / 2022	uMhlabuyalingana L.M	Fire Safety Inspection	YES	

VIS-ASEBLY	19 / 5 / 2022	uMhlabuyalingana L.M	Fire Safety Inspection	NO	A recommendation letter was sent
Triton lodge	20 /5/ 2022	uMhlabuyalingana L.M	Fire Safety Inspection	NO	A recommendation letter was sent
Crown Home Store	20 / 5 /2022	uMhlabuyalingana L.M	Fire Safety Inspection	YES	
Mbazwane INN	20 / 5/ 2022	uMhlabuyalingana L.M	Fire Safety Inspection	YES	
Wind mill take away	20 / 5 /2022	uMhlabuyalingana L.M	Fire Safety Inspection	YES	
Fabios ice cream pandour	20 / 5 / 2022	uMhlabuyalingana L.M	Fire Safety Inspection	NO	A recommendation letter was sent
Jock Morrison and sons	20 / 5/ 2022	uMhlabuyalingana L.M	Fire Safety Inspection	YES	
Sibonokuhle liquor store	20 May 2022	uMhlabuyalingana L.M	Fire Safety Inspection	YES	
Inkuzi Liquor Store	08/06/2022	Jozini LM.	Fire Safety Inspection	Yes	.
Lontop Trading Shop 41	08/06/2022	Jozini LM.	Fire Safety Inspection	Yes	
KingPie	07/06/2022	Jozini LM.	Fire Safety Inspection	Yes	
Ngenani	13/06/2022	Jozini LM.	Fire Safety Inspection	No	Recommendation letter was sent.
Ultra Liquors	13/06/2022	Jozini LM.	Fire Safety Inspection	Yes	
Save Rite Shop	13/06/2022	Jozini LM.	Fire Safety Inspection	Yes	
Easy Fix Shop	13/06/2022	Jozini LM.	Fire Safety Inspection	No	Recommendation letter was sent.
Ndumo Development (Youth) Community Centre	21/06/2022	Jozini LM.	Fire Safety Inspection	No	Recommendation letter was sent.
Mthanti Creche	21/06/2022	Jozini LM.	Fire Safety Inspection	No	Recommendation letter was sent.

Ndumo Community Centre (DSD)	21/06/2022	Jozini L.M.	Fire Safety Inspection	No	Recommendation letter was sent.
Ndumo Public Library	21/06/2022	Jozini L.M.	Fire Safety Inspection	No	Recommendation letter was sent.
Department of transport Hluhluwe	13/06/2022	Big 5 Hlabisa L.M	Fire Safety Inspection	No	Recommendation letter was sent.
Hluhluwe clinic	13/06/2022	Big 5 Hlabisa L.M	Fire Safety Inspection	Yes	
Qalindlela Primary School	07/06/2022	Big 5 Hlabisa L.M	Fire Safety Inspection	No	Recommendation letter was sent.
Pep Hlabisa Town	29/06/2022	Big 5 Hlabisa L.M	Fire Safety Inspection	Yes	
Ncwabakazi Primary School	08/06/2022	Big 5 Hlabisa L.M	Fire Safety Inspection	Yes	
Swaxa Tuckshop	27/06/2022	Big 5 Hlabisa L.M	Fire Safety Inspection	Yes	
Eroundini lounge and restaurant	24/06/2022	uMhlabuyalingana L.M	Fire Safety Inspection	No	Recommendation letter was sent
TOTAL			165		

Picture of Fire Safety Inspections

Image 1: depicting picture of fire safety inspection conducted at Bhambanana under Jozini L.M	Image 2: depicting picture of fire safety inspection conducted by Jozini L.M
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Fire Hydrant Inspection

Date	Municipality	Location	Road marking	Pole marking	Pit clean	Pressure
26/04/2022	Mtubatuba L.M	Nordale	No	No	Yes	Yes
26/04/2022	Mtubatuba L.M	Mtuba CBD	No	Yes	Yes	Yes
09/05/2022	Mtubatuba L.M	Horn bill street next to no 16	Yes	No	Yes	Yes
09/05/2022	Mtubatuba L.M	Kingsher street next to guest 16 Hilltop house	Yes	No	Yes	Yes
09/05/2022	Mtubatuba L.M	Sandpipe street next to No 17	Yes	No	Yes	Yes
09/05/2022	Mtubatuba L.M	Sandpipe street Leopard corner Ladge	Yes	No	Yes	Yes
09/05/2022	Mtubatuba L.M	King Fisher street next No.74	Yes	No	Yes	Yes
09/05/2022	Mtubatuba L.M	Mckenzie Street next to No. 81	Yes	No	Yes	Yes
17/05/2022	Mtubatuba L.M	Pelikaan street next to No 31	Yes	No	Yes	Yes
17/05/2022	Mtubatuba L.M	Pelikaan street next to No 55	Yes	No	Yes	Yes
17/05/2022	Mtubatuba L.M	Pelikaan street next to No 118	Yes	No	Yes	Yes
17/05/2022	Mtubatuba L.M	Horn bill street next to no 124	Yes	No	Yes	Yes

17/05/2022	Mtubatuba L.M	Horn bill street next to no 143	Yes	No	Yes	Yes
17/05/2022	Mtubatuba L.M	Flamingo Street next to No 28	Yes	No	Yes	Yes

Picture of Inspecting Water Hydrants

Image 1: depicting Fireman conducted water hydrant inspection at Mtubatuba L.M



Image 2: depicting Fireman conducted water hydrant inspection at Jozini L.M



Conclusion

A big challenge is still regarding administrative especially with tools of trade where work is overwhelmingly high with limited resources; management is still addressing the issue. There is a great need from the district together with the local municipalities to have a functional working relationship. Most of the targets have been partly achieved however there is a lot that needs to be attended in order to make sure that we have well-functioning of Disaster Management Centre.

3.4 Office of the Municipal Manager

Functions of the Office of the Municipal Manager are as follows:

- Establishing, develop and manage economically viable, effective and accountable administration.
- Taking full liability for sound financial management.
- Coordinating and manage Intergovernmental Relations (IGR).
- Ensuring sound co-operative governance.
- Managing the Municipality's administration in accordance with the Constitution, Local Government Structures Act, the Municipal Systems Act, the Municipal Finance Management Act, the Public Management Act and all other provincial and national legislation applicable.

Participation of Traditional Leaders in Municipal Council Meetings

Legislative Background (Section 81 of Municipal Structures Act)

81. (1) *Traditional authorities that traditionally observe a system of customary law in the area of a municipality, may participate through their leaders, identified in terms of subsection (2), in the proceedings of the council of that municipality, and those traditional leaders must be allowed to attend and participate in any meeting of the council.*

Five members of the Traditional Council are sitting regularly in all Council meetings.

The Intergovernmental Relations (IGR)

The Provincial COGTA provided grant funding to support the Umkhanyakude family of municipalities in strengthening their IGR functions. Necessary forums required to facilitate IGR have been established and terms of reference to facilitate smooth operations for these forums have been developed. Dates of IGR meetings are incorporated in the District Events Calendar.

IGR REPORT FOR 2021/22 FY

The White Paper on Local Government provides the purpose for the establishment of IGR Forums which aims to:

- Promote and facilitate co-operative decision making;
- Co-ordinate and align priorities, budgets, policies and activities across interrelated functions and sectors;
- Ensure a smooth flow of information within government, and between government and communities, with a view to enhancing the implementation of policy and programmes; and
- Prevent and resolve conflicts and disputes.

The District and Local Municipalities are required to govern and perform municipal functions to secure the welfare of inhabitants within municipal districts. Intergovernmental Relations Framework Act No. 13 of 2005 provides legislative requirements for the structures. The Protocol agreement which guide the functionality of forums were signed by all the Mayors on 25th October 2016.

Audit Committee

The functionality of the Audit Committee has slumped during 2021/2022 as it was not appointed. Details are contained in Annexure E.

Municipal Public Accounts Committee (MPAC)

The MPAC is a committee of the municipal council, appointed in accordance with section 79 of the Structures Act. The main purpose of the MPAC is to exercise oversight over the executive functionaries of council and to ensure good governance in the municipality. This also includes oversight over municipal entity. This committee is now fully functional and is performing its duties optimally.

Functionality of Bid Committees

The following committees are functional:

- Bid Specification
- Bid Evaluation; and
- Bid Adjudication

The committees meet as and when required to do so. The Bid committees have standing schedule of meetings. The functionality of these committees is at an acceptable level.

The Functionality of S79 and S80 Committees

To ensure effectiveness; council is further divided into various committees which are established in terms of Sections 79 and 80 of the Local Government: Municipal Structures Act (Act no 117 of 1998). These committees include:

- Executive Committee
- Finance Committee
- Corporate Governance Portfolio Committee
- Technical Services Portfolio Committee
- Community Services, Planning & Economic Development Portfolio Committee
- Municipal Public Accounts Committee

3.5 Budget and Treasury Office

Financial Viability at a Glance

Statements of Financial Performance

Statement of financial performance			
Figures in Rand	Notes	2022	2021 Restated
Revenue			
Revenue from exchange transactions			
Service charges	16	37,071,101.00	45,199,233.00
Rental of facilities	17	237,272.00	235,851.00
Interest on Receivables	18	15,135,295.00	11,734,926.00
Other Income	19	422,828.00	654,148.00
Interest on - investment	20	7,012,553.00	5,316,344.00
Total revenue from exchange transactions		59,879,049.00	63,140,502.00
Revenue from non- exchange transactions			
Transfer revenue			
Government grants and subsidies	21	659,156,935.00	778,403,651.00
Total Revenue		719,035,984.00	841,544,153.00
Expenditure			
Employee related costs	22	192,014,790.00	193,438,963.00
Remuneration of councillors	23	8,558,122.00	8,738,479.00
Depreciation and amortisation	24	52,573,661.00	57,210,058.00
Finance costs	26	1,785,161.00	3,172,280.00
Lease rentals on operating lease	27	4,349,198.00	8,852,800.00
Debt Impairment	28	161,729.00	24,555,371.00
Inventory Consumed	29	125,480,073.00	104,888,934.00
Bulk purchases	30	24,223,392.00	12,998,265.00
Contracted services	31	58,560,297.00	83,725,459.00
General Expenses	33	97,470,502.00	64,747,788.00
Total expenditure		565,176,925.00	562,328,397.00
Operating surplus		565,176,925.00	562,328,397.00
Loss on disposal of assets and liabilities		-	(328,921.00)
Actuarial gains/losses	14	508,425.00	(1,125,025.00)
Impairment loss	25	-	(5,482,928.00)
		508,425.00	(6,936,874.00)
Surplus for the year		154,367,484.00	272,278,882.00

Comments

- Total revenue increased by 14.6%
- revenue from exchange transactions 5.17%
- revenue from non-exchange transactions 15.3%
- Increase as a result of general annual grant increase by the funders.
- The amount recognised for the MIG grant increased 27% over the previous year as there was a high amount that was unspent in the previous year.
- Service charges show an increase of nearly 18% over the previous period which is attributable to increased consumption in the light of the Covid-19 pandemic.
- Overall the municipality is in a surplus position

Grants

Figures in Rand	2022	2021 Restated
Operating Transfers and Grants		
Operating grants		
Local Government Equitable Share	473,221,900.00	505,743,737.00
Expanded Public Works Programme Integrated Grant	5,283,364.00	4,838,000.00
Local Government Financial Management Grant	1,950,002.00	1,800,054.00
Development Planning Strategy Grant	590,362.00	-
	481,045,628.00	512,381,791.00
Capital grants		
Municipal Infrastructure Grant	163,844,000.00	243,220,849.00
Water Services Infrastructure Grant	14,267,307.00	22,801,011.00
	178,111,307.00	266,021,860.00
Total grants	659,156,935.00	778,403,651.00

Comments on Grants

- The grants received by the municipality are still in line with those received in the 2021 financial year
- Total grants received account for 92% of the municipality's total revenue
- The Water Services Infrastructure Grant expenditure incurred in the current year was low
- Therefore, grant recognised was low in relation to the previous year as most grant receipts are still shown as unspent.

Asset Management

Figures in rand	2022	2021
Assets		
Current Assets		
Inventories	230,147,794	197,399,659
Receivables from exchange transactions -Consumer debtors	113,831,507	81,719,613
Receivables from exchange transactions- Other Receivables	164,348	1,556,183
VAT receivable	63,987,582	58,589,769
Cash and cash equivalents	159,103,869	174,703,950
	567,235,100	513,969,174
Non-Current Assets		
Property, plant and equipment	2,179,937,851	2,131,861,797
Intangible assets	46,070	67,966
Heritage assets	586,000	586,000
	2,180,569,921	2,132,515,763
Total Assets	2,747,805,021	2,646,484,937

Comments on Asset Management

- Current assets have increased significantly – 10% over previous year
- Inventories increased due to a new VIP toilets that commenced in the current financial year
- A significant amount of VAT was not claimed on the VAT201's and this has been raised
- Debtors in relation to water increased significantly as water consumption also increased
- The municipality invested a significant amount of cash in order to cashback the unspent conditional grants resulting in increased cash holdings
- Infrastructure increased by R48m in the current year due to infrastructure developments

Financial Ratios

Ratio's	2020-2021
Capital Expenditure to Total Expenditure	31%
Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value)	100%
Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	2%
Collection Rate	10%
Bad Debts Written-off as % of Provision for Bad Debt	
Net Debtors Days	816
Cash / Cost Coverage Ratio (Excl. Unspent Conditional Grants)	2 months
Current Ratio	1.29
Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure	1%
Debt (Total Borrowings) / Revenue	-1%

Comments on Financial Ratios

- **Capital expenditure to total expenditure**
 - Very low at 32%
 - Expected to approximate around 50%
 - MIG expenditure 2021/22 is 100%.
 - WSIG expenditure for 2021/22 is 41%.
- **Impairment of PPE & Intangible assets to Carrying Value**
 - Total amount impaired for the year is 0% and is as per the norm (in line with NT)
- **R&M as a % of PPE**
 - The norm is 8% while the municipality's actual is 2%
 - This implies that the municipality is not spending adequately on repairs and maintenance on its assets
- **Bad debts written off as a % of the provision**
 - No bad debts were written off during the year
- **Net debtors days**
 - The norm for this ratio is 30 days
 - The municipality's ratio is 816 days way out of an acceptable one
 - The debtors database requires cleansing to reduce the debt book to credible debtors
- **Liquidity ratios**
 - All below norm indicating that the municipality's cash position is not healthy
- **Debt ratios**
 - The municipality's debt position is not significant on the balance hence low ratios.

Capital Expenditure

Capital Grants Expenditure		
Figures in Rands	2022	2021
Municipal Infrastructure Grants		
Balance unspent at the beginning of the year	24,105,151.00	55,994,313.00
Current-year receipts	163,844,000.00	220,826,000.00
Condition met-transfer to revenue	(163,844,000.00)	(243,220,848.00)
Unspent grant withheld from equitable share	(24,105,151.00)	(9,494,314.00)
	-	24,105,151.00
Water services infrastructure grants		
Balance unspent at beginning of the year	44,968,989.00	1.00
Current-year receipts	35,000,000.00	67,770,000.00
Conditions met-transfer to revenue	(14,267,307.00)	(22,801,012.00)
Unspent grant withheld from equitable share	(44,968,989.00)	-
	20,732,693.00	44,968,989.00

Sources of Revenue

Figures in Rand	2022	2021
Receipts		
Sale of goods	25,322,481.00	21,068,583.00
Grants	635,344,000.00	794,126,000.00
Interest income	865,552.00	4,785,097.00
Other receipts	345,000.00	881,605.00
	661,877,033.00	820,861,285.00

Borrowing and Investments

Borrowings		
Figures in Rand	2022	2021
Loans		
Loan from DBSA		
Non-current portion of borrowings	2,834,373.00	2,755,283.00
Current portion of borrowings	-	926,897.00
	2,834,373.00	3,682,180.00

Comments on Borrowings and Investments

- The municipality is presently servicing a loan from the DBSA
- There was no further loan raised in the current year
- Interest and debt repayments are presently being serviced

4. ANNUAL PERFORMANCE REPORT FOR 2021/2022 FY

BACKGROUND

This section will indicate, in more detail, the performance of the Municipality for the financial year and makes reference to the supporting documentation, including the Municipal Scorecard. The performance reporting of the Municipality in this section is done in line with the 6 national KPA's and is the focus of the MSA Section 46 requirements and therefore reflects the performance of the Municipality for the financial year, comparisons to performance of the previous financial year and measures taken to improve performance.

Background to municipal scorecard

- The Municipal Scorecard **Appendix 1** approach reflects the 6 national KPA's and local priorities and enables a wider assessment of how the municipality is performing.
- The performance report is based on measures included within the Municipal Scorecard. This incorporates 40 priority measures selected from the IDP. The criteria used reflect factors such as previous performance levels, comparative performance and budget implications.

PERFORMANCE MANAGEMENT PROCESS

The Performance Management System (PMS) at Umkhanyakude District Municipality is mainly guided by the Framework (PMS Framework). The Municipality uses the Key Performance model. In the said model all indicators are grouped together under the national key performance areas as per the Systems Act and the local key performance areas as per the Umkhanyakude District Municipality's IDP. The said Model therefore enables the Municipality to assess its performance based on the national and its own local key performance areas.

The following are the five national Key Performance Areas (KPAs) that will be used in the preferred performance management model:

- Institutional Transformation and Development
- Service Delivery and Infrastructure Development;
- Local Economic Development;
- Good Governance and Public Participation; and
- Municipal Financial Viability and Management
- Cross Cutting Interventions

4.1 Key Performance Area Report

The performance of the Municipality can be summarised as follows:

Narrative Report

- At an organisational level there was a total of **41 targets for 2021/2022** financial year
- 34 targets** were **not achieved** which includes 13 that did not have any progress as per reasons stated in the Annual Performance Report, 17 targets that were partially achieved and 4 targets that did not have budget) representing **83%**
- 7 targets** were **achieved** representing **17%**

Key Performance Areas	Fully or Over-Achieved		Partially Achieved		Not Achieved		Total DC 27 Targets
	No.	%	No.	%	No.	%	No.
1. Municipal Transformation and Institutional Development	0	0%	5	100%	0	0%	5
2. Basic Service Delivery and Infrastructure Investment	1	7%	4	29%	9	64%	14
3. Local Economic Development	1	20%	4	80%	0	0%	5
4. Financial Viability and Management	5	72%	1	14%	1	14%	7
5. Good Governance & Public Participation	0	0%	4	87%	1	33%	5
6. Cross Cutting Interventions	0	0%	2	40%	3	60%	5
Total Targets	7	17%	20	49%	14	34%	41

For more details, see attached spreadsheet, Annexure D

Definitions

Achieved	-	Refers to targets that met expectations 100%
Partially Achieved	-	Refers to targets that achieved below 100%
Not Achieved	-	Refers to targets that did not meet expectations at all (0%)

Notes

- Targets that were partially achieved (17) and those that did not have budgets (4), are recorded as not being achieved in the final analysis which represents 21 (plus 13 targets that were totally not achieved). All in all targets not achieved represents 83%.

COMPARISON WITH PREVIOUS FINANCIAL YEARS

Details	Financial Years		
	2021-2022	2020-2021	2019-2020
Target achieved (%)	17%	13%	09%
Not achieved (%)	83%	87%	91%

Comments

- a) Targets not achieved still remain unacceptably high at 83%
- b) There has not been a remarkable improvement of performance for compared to previous financial years
- c) Targets achieved are slightly better than the previous financial years but they stem from compliance KPAs and not on service delivery
- d) The trend of poor performance still continues without any improvement
- e) Consistency in performance generally is still lacking

4.2 Service Delivery Priorities and Targets for 2022/2023

Strategic Priorities

The following strategic priorities were adopted by Council during a strategic planning session

- a) Building a capable, ethical, and corrupt free District Municipality
 - i. Address inherent contradictions that are prevalent in the workplace
 - ii. Job descriptions and skills audit
 - iii. Skills development and capacity building
 - iv. Placement of personnel according to skills
 - v. Effective Performance Management
- b) Revenue Enhancement
 - i. Generate own revenue
 - ii. Increase of benefits from which can be enjoyed by all stakeholders
 - iii. Debtor cleansing process
 - iv. Effective metering and billing
- c) Service Delivery Driven
 - i. Ensure resources are adequately allocated;
 - ii. Look at physical, human and financial assets

- iii. Maximise overall social and economic impact through effective and efficient service delivery
 - iv. Effective utilization of grant funding allocated
- d) Compliance with legislation
 - i. Complying with relevant legislation and policies
 - ii. Attend to all AG matters timeously
 - iii. Identify problems of non-compliance and address them effectively;
 - iv. Ensure effective monitoring and evaluation by legislated municipal structures

Objectives and Strategies – 2022/2023

KPA 1: Municipal Transformation and Institutional Development (5)

OBJECTIVE	STRATEGY	KPI NO	TARGET
A1. To provide effective and efficient human resource management aimed at achieving a skilled workforce that is responsive to service delivery and change	Development, implementation and monitoring of Workplace Skills Plan	A 1.1	100% of Municipality's budget allocated for WSP spent on implementation by 30 June 2022
	Employment of people from EE target (designated group) employed in the three highest levels of management	A 1.2	3 people employed by 30 June 2022
A2. To ensure effective implementation of Health and safety Plan	Review, implement and monitor Health and Safety Risk Plan	A 2.1	4 Health and Safety Risk Plan functionality assessment reports submitted to Extended MANCO for discussion by 30 June 2022
A3 To ensure effective and efficient administration	Review, Implement and monitor of admin support services plan	A 3.1	12 admin support services implementation reports submitted to Extended MANCO for discussion by 30 June 2022
A4. To ensure adherence to evolving technology	Review, Implement and monitor ICT Governance Framework	A 4.1	4 ICT Framework functionality assessment reports submitted to Extended MANCO for discussion by 30 June 2022

KPA 2: Basic Service Delivery and Infrastructure Investment (13)

OBJECTIVE	STRATEGY	KPI NO	TARGET
B1. To provide high quality infrastructure network to support improved quality of life and economic growth	Provision of basic infrastructure services	B1.1	Not less than 40 km of bulk pipes made to final work for provision of potable water in Umkhanyakude by 30 June 2022
		B1.2	1800 potable water yard connections in Umkhanyakude by 30 June 2022
		B1.3	Not less than 180 km of reticulation pipes installed for provision of potable water in Umkhanyakude by 30 June 2022
		B1.4	3000 households with access to basic level of service for sanitation provision by 30 June 2022
	Implementation of water services provision planning	B1.5	500 Households with access to waterborne (high level of service) for sanitation provision by 30 June 2022
	Ensuring access to water services	B1.6	Reviewed WSDP submitted to Council for adoption and loaded to Department of Water and Sanitation website by 30 June 2022
	Ensuring access to water services	B1.7	4 progress reports on implementation of Section 78 Process submitted to Extended MANCO for discussion by 30 June 2022
		B1.8	6 implementable ready projects for 22/23 FY completed by 30 June 2022
	Ensuring water quality management throughout the district	B1.9	12 water quality management reports for both potable and wastewater submitted to Extended MANCO and DWS by 30 June 2022
	Improve water conservation and water demand management within UKDM	B1.10	4 progress reports on water conserved, water loss and demand managed submitted to Extended MANCO by 30 June 2022
	Ensure quality infrastructural developments through implementation of WSIG	B1.11	4 interim water supply infrastructure development (WSIG) reports submitted to Extended MANCO by 30 June 2022

KPA 2: Basic Service Delivery and Infrastructure Investment (13)...

OBJECTIVE	STRATEGY	KPI NO	TARGET
B1. To provide high quality infrastructure network to support improved quality of life and economic growth...	Maintenance of water and sanitation infrastructure	B1.12	12 reports of 25 water services schemes operated and maintained schemes submitted to Extended MANCO by 30 June 2022
	Timeous maintenance of electricity infrastructure	B1.13	4 electricity infrastructure (Ingwavuma and KwaMsane areas only) maintenance reports submitted to MANCO by 30 June 2022

KPA 3: Local Economic Development (5)

OBJECTIVE	STRATEGY	KPI NO	TARGET
C1. To expand district economic output and increase quantity and quality of employment opportunities	Implementation of Local Economic Development Strategy	C1.1	4 implementation reports on LED Strategy discussed at MANCO by 30 June 2022
	Development of Tourism Strategy	C1.2	Council adopted Tourism Strategy by 30 June 2022
	Promotion of SMME and entrepreneurial development	C1.3	4 of SMME and entrepreneurial programmes promoted by 30 June 2022
	Monitoring of uMhlosinga Development Agency's performance as per the Business Plan for operational budget	C1.4	4 quarterly performance review session reports submitted to Extended MANCO for Noting by 30 June 2022
	Improve the efficiency, innovation and variety of government-led decent job creation programmes	C1.5	200 Jobs created by 30 June 2022

KPA 4: Financial Viability and Management (7)

OBJECTIVE	STRATEGY	KPI NO	TARGET
D1 To Implement Revenue Collection Strategy	Implementation of revenue enhancement strategy	D1.1	Outstanding Service Debtors to Service Revenue ratio maintained at less than 0,5 throughout the 21/22 FY
		D1.2	More than 1 Debt coverage Ratio maintained throughout the 21/22 FY
D2 To improve expenditure management	Develop, implement and monitor standard operating procedures related to expenditure management	D2.1	12 monthly Creditors age analysis reviewed by 30 June 2022
		D2.2	More than 1 Cost Coverage Ratio maintained throughout the 21/22 FY
D3. To Improve Financial Management	Develop a credible budget and report in accordance with the provisions of the MFMA	D3.1	12 Reports submitted to the Mayor in Terms MFMA Section 71 by 30 June 2022
D4. To Effectively Implement Supply Chain Management Regulations	Submission of Quarterly Reports on Unauthorised, Irregular, Fruitless and Wasteful Expenditure	D4.1	12 Irregular registers updated by 30 June 2022
D5. To ensure effective and efficient management of current assets and current liabilities	Compilation of sustainability report	D6.1	12 cash backed reserves report compiled by 30 June 2022

KPA 5: Good Governance and Public Participation (5)

OBJECTIVE	STRATEGY	KPI NO	TARGET
E1. To improve the quality of lives for people within Umkhanyakude District	Develop, Implement and monitor special programmes	E1.1	4 Programmes (Snr Citizens, Gender, HIV/AIDS & Disability) implemented by 30 June 2022
	Develop, Implement and monitor Environmental Health Management strategies and plans in accordance with applicable legislation	E1.2	16 Environmental Management Services functionality assessments conducted (water quality, Food Safety, Chemical Safety & Health and Hygiene) by 30 June 2022
E2. To ensure excellence in governance and leadership	Implementation of Risk management Plan	E2.1	4 functionality assessment reports on risk Management submitted to Extended MANCO for discussion by 30 June 2022
	Ensure functionality of committees responsible for oversight	E2.2	4 oversight functionality reports submitted to Extended MANCO for discussion by 30 June 2022 (4 for AUDCOM)
	Ensure functionality of DDM (DDM)	E2.3	4 DDM functionality reports submitted to Extended MANCO for discussion by 30 June 2022

KPA 6: Cross Cutting Interventions (5)

OBJECTIVE	STRATEGY	KPI NO	TARGET
F1. To ensure effective Organizational Performance Management System (PMS)	Develop PMS Framework to inform Monitoring and Review processes	F1.1	PMS Framework developed and adopted by Council by 30 June 2022
F2. To ensure effective integrated development planning (IDP)	Review IDP as per legislation and KZN COGTA Guide	F2.1	IDP Reviewed and adopted by Council by 31 May 2022
F3. To ensure integrity and quality of physical environment underpinned by a coherent spatial development pattern	Monitor the Implementation of SPLUMA and LUMF and applicable development pieces of legislation	F3.1	4 functionality assessment reports submitted to Extended MANCO for discussion on implementation of SPLUMA and LUMF by 30 June 2022
F3. To ensure integrity and quality of physical environment underpinned by a coherent spatial development pattern...	Review Spatial Development Framework as per the provisions of legislative framework	F3.2	Council adopted SDF review by 31 May 2022
F4. To ensure functional and responsive Disaster Management Unit	Monitoring and evaluation of the implementation of Disaster Risk Reduction Plan	F4.1	4 Monitoring and evaluation reports on the implementation of Disaster Risk Reduction Plan submitted to Extended MANCO for discussion by 30 June 2022

KPA 1: MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT (5)

OBJECTIVE	KPI NO	TARGET	STATUS	PERFORMANCE HIGHLIGHTS AND CHALLENGES	CORRECTIVE MEASURES
A1. To provide effective and efficient human resource management aimed at achieving a skilled workforce that is responsive to service delivery and change	A 1.1	100% of Municipality's budget allocated for WSP spent on implementation by 30 June 2022	Partially Achieved	The target was not fully achieved due to budget constraints	This target will be reviewed during 22-23 Fy
	A 1.2	3 people employed by 30 June 2022	Partially Achieved	The target was not fully achieved due to budget constraints	This target will be reviewed during 22-23 Fy
A2. To ensure effective implementation of Health and safety Plan	A 2.1	4 Health and Safety Risk Plan functionality assessment reports submitted to Extended MANCO for discussion by 30 June 2022	Partially Achieved	All assessments were conducted but could not be presented to MANCO due to governance instability experienced in the Municipality	This target will be reviewed during 22-23 Fy
A3 To ensure effective and efficient administration	A 3.1	12 admin support services implementation reports submitted to Extended MANCO for discussion by 30 June 2022	Partially Achieved	All reports were prepared but could not be presented to MANCO due to governance instability experienced in the Municipality	This target will be reviewed during 22-23 Fy
A4. To ensure adherence to evolving technology	A 4.1	4 ICT Framework functionality assessment reports submitted to Extended MANCO for discussion by 30 June 2022	Partially Achieved	All assessments were conducted but could not be presented to MANCO due to governance instability experienced in the Municipality	This target will be reviewed during 22-23 Fy

KPA 2: BASIC SERVICE DELIVERY AND INFRASTRUCTURE INVESTMENT (14)

OBJECTIVE	KPI NO	TARGET	STATUS	PERFORMANCE HIGHLIGHTS AND CHALLENGES	CORRECTIVE MEASURES
B1. To provide high quality infrastructure network to support improved quality of life and economic growth	B1.1	Not less than 15 km of bulk pipes made to final work for provision of potable water in Umkhanyakude by 30 June 2022	Achieved 38,4 of Bulk Pipeline	1.Project is progressing fairly well. 2.The focus is on installation of reticulation pipeline and yard	None
	B1.2	50 potable water yard connections in Umkhanyakude by 30 June 2022	Not Achieved	Due to MIG allocation being reduced from R227 million to R163 million, the annual target was adjusted accordingly.	Yard connections with flowing water will be prioritised in 2022-2023
	B1.3	Not less than 180 km of reticulation pipes installed for provision of potable water in Umkhanyakude by 30 June 2022	Partially Achieved , 140 km of reticulation pipes installed	1.Subcontractors had cash-flow challenges. 2.Increment weather conditions also contributed in delays the project.	In future the main contractor to provide materials for all the sub-contractors
	B1.4	3000 households with access to basic level of service for sanitation provision by 30 June 2022	Partially Achieved , 2722 Households	1.There were delays in payments during the month of March and April 2022 2. Social challenges are causing delays on progress	1.Municipality to pay service providers timeously for the work done on site. 2. PSC and UKDM to resolve all social related issues
	B1.5	500 Households with access to waterborne (high level of service) for sanitation provision by 30 June 2022	Partially Achieved 300 Households	This project is implemented in 5 formalised areas of Mtubatuba LM i.e Mtubatuba Town, KwaMsane, Nordale, Indlovu Village and St Lucia. However for this KPI, two areas contributes to a global target i.e Nordale Township and St Lucia Town	Nordale Township households will only be connected once a new pump station has been design and built.
	B1.6	Reviewed WSDP submitted to council for adoption and loaded to Department of Water and Sanitation website by 30 June 2022	WSDP Not Reviewed	Budget constraints resulted in none implementation of the project	Project to be prioritized in the next financial year 22-23

KPA 2: BASIC SERVICE DELIVERY (14)...

OBJECTIVE	KPI NO	TARGET	STATUS	PERFORMANCE HIGHLIGHTS AND CHALLENGES	CORRECTIVE MEASURES
B1. To provide high quality infrastructure network to support improved quality of life and economic growth...	B1.7	Section 78 (Water and Sanitation) Framework submitted to Extended MANCO for discussion by 30 June 2022	Budget Constraints	There were no targets set for Q4 due to non-availability of budget,	Project to be prioritized in the next financial year 22-23
	B1.8	6 implementable ready projects for 22/23 FY completed by 30 June 2022	Budget Constraints	4 projects (Manguzi sewer Upgrade, Hluhluwe phase 2, Mtuba waste water sewer upgrade St Lucia sewer upgrade) were stalled due to irregular appointments of these projects	2. SCM unit to regularize the appointments of all consultants that have exceeded 3 years and projects to be prioritized in the next financial year 22-23
	B1.9	12 water quality management assessment reports for both potable and wastewater submitted to Extended MANCO and DWS by 30 June 2022	Budget Constraints	Targets for Q4 not achieved due to none allocation of budget	The municipality to allocate appropriate budget for this project as it affects human life
	B1.10	10% of water loss reduction achieved by 30 June 2022	Not Achieved	Appointment of the services provider delayed by National Treasury circular	The municipality to appoint service provider to deal with water conservation and water demand management programs
	B1.11	16 interim water supply schemes refurbished by 30 June 2022	Not Achieved	Works suspended due to section 63 Minister of Water & Sanitation intervention	The target will be removed as the function for refurbishments has been given to Mhlathuze Water Entity

KPA 2: BASIC SERVICE DELIVERY (14)...

OBJECTIVE	KPI NO	TARGET	STATUS	PERFORMANCE HIGHLIGHTS AND CHALLENGES	CORRECTIVE MEASURES
B1. To provide high quality infrastructure network to support improved quality of life and economic growth...	B1.12	Not less than 95% of functional potable water plants (baseline: 36 in total) by 30 June 2022	Partially Achieved	Items to council not be submitted for Q1,Q2 and Q4 due to non-sitting of council	The office of the MM and MR to assist with timeous sitting of council meetings
	B1.13	Not less than 95% of functional sanitation plants (baseline: 11 in total) by 30 June 2022	Partially Achieved	Items to council not be submitted for Q1,Q2 and Q4 due to non-sitting of council	The office of the MM and MR to assist with timeous sitting of council meetings
	B1.14	1000 households installed with smart electricity metres at Kwa-Msane area by 30 June 2022	Not Achieved	1. Budgetary challenge for installations. Items to council not be submitted for both Q1 & Q2 due to non-sitting of council	1. Ensure adequate budget for installation in 2022/2023 financial year. Ensure timeous sitting of council meetings

KPA 3: LOCAL ECONOMIC DEVELOPMENT (5)

OBJECTIVE	KPI NO	TARGET	STATUS	PERFORMANCE HIGHLIGHTS AND CHALLENGES	CORRECTIVE MEASURES
C1. To expand district economic output and increase quantity and quality of employment opportunities	C1.1	4 implementation reports on LED Strategy discussed at MANCO by 30 June 2022	Partially Achieved	Reports were prepared but the schedule of MANCO meetings was not being followed by management	Sitting of MANCO meetings to be made part of performance agreements for all managers
	C1.2	Council adopted Tourism Strategy by 30 June 2022	Partially Achieved	The Tourism Strategy was adopted in May 2022 by Council but later on decisions taken by the Council in May were nullified by the High Court in Pietermaritzburg	The Tourism Strategy will be submitted to a legitimate Council to adopt it not later than the end of December 2022
	C1.3	4 of SMME and entrepreneurial programmes promoted by 30 June 2022	Partially Achieved	District Business Chamber was supported. Informal Economy, Tourism Indaba and Cooperatives could not be supported due to Budget constraints	Programmes and budget will be reviewed in the next coming financial year
	C1.4	4 quarterly performance review session reports submitted to Extended MANCO for Noting by 30 June 2022	Partially Achieved	Reports for UMDA were prepared but the schedule of MANCO meetings was not being followed by management	Sitting of MANCO meetings to be made part of performance agreements for all managers
	C1.5	200 Jobs created by 30 June 2022	Achieved		

KPA 4: FINANCIAL VIABILITY AND MANAGEMENT (7)

OBJECTIVE	KPI NO	TARGET	STATUS	PERFORMANCE HIGHLIGHTS AND CHALLENGES	CORRECTIVE MEASURES
D1 To Implement Revenue Collection Strategy	D1.1	Outstanding Service Debtors to Service Revenue ratio maintained at less than 0,5 throughout the 21/22 FY	Not Achieved		Filling of Revenue Manager post and assistance from Provincial Treasury is expected to yield positive results on reducing the debtors' balance
	D1.2	More than 1 Debt coverage Ratio maintained throughout the 21/22 FY	Achieved		
D2 To improve expenditure management	D2.1	12 monthly Creditors age analysis reviewed by 30 June 2022	Achieved		
	D2.2	More than 1 Cost Coverage Ratio maintained throughout the 21/22 FY	Achieved		
D3. To Improve Financial Management	D3.1	12 Reports submitted to the Mayor in Terms MFMA Section 71 by 30 June 2022	Achieved		
D4. To Effectively Implement Supply Chain Management Regulations	D4.1	12 Irregular registers updated by 30 June 2022	Partially Achieved	Updated only after quarter 3 covering period July 2021 to March 2022 i.e, as well as after Quarter 4 for AFS purposes. Register is still work-in-progress since AFS are not finalised as yet at the time of compiling this report.	
D5. To ensure effective and efficient management of current assets and current liabilities	D6.1	12 cash backed reserves report compiled by 30 June 2022	Achieved		

KPA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION (5)

OBJECTIVE	KPI NO	TARGET	STATUS	PERFORMANCE HIGHLIGHTS AND CHALLENGES	CORRECTIVE MEASURES
E1. To improve the quality of lives for people within Umkhanyakude District	E1.1	4 Programmes (Snr Citizens, Gender, HIV/AIDS & Disability) implemented by 30 June 2022	Partially Achieved	Budget constraints prevented full achievement of the target	Target to be reviewed in 22-23
	E1.2	16 Environmental Management Services functionality assessments conducted (water quality, Food Safety, Chemical Safety & Health and Hygiene) by 30 June 2022	Partially Achieved	Most of the activities were not achieved due to non-availability of budget and the focus was on COVID-19 compliance	Provide tools of trade and made budget available
E2. To ensure excellence in governance and leadership	E2.1	4 functionality assessment reports on risk Management submitted to Extended MANCO for discussion by 30 June 2022	Partially Achieved	No person in charge of risk management	A chairperson needs to be appointed to drive risk management
	E2.2	4 oversight functionality reports submitted to Extended MANCO for discussion by 30 June 2022 (4 for AUDCOM)	Not Achieved	Oversight by the Audit Committee was not functional during 2021-2022. Advert to appoint members closed at the end of April 2022. Shortlisting needs to be done before the end of May 2022 but no further progress was made	The recruitment process will be restarted so that not later than the mid-year for 22/23 FY committees are functional
	E2.3	4 DDM functionality reports submitted to Extended MANCO for discussion by 30 June 2022	Partially Achieved	Even though reports were prepared, MANCO meetings were not sitting regularly	

KPA 6: CROSS CUTTING INTERVENTIONS (5)

OBJECTIVE	KPI NO	TARGET	STATUS	PERFORMANCE HIGHLIGHTS AND CHALLENGES	CORRECTIVE MEASURES
Performance Management System	F1.1	PMS Framework developed and adopted by Council by 30 June 2022	Not Achieved	Governance instability after the elections that were held on the 01 Nov 2021 resulted in council committees not sitting as per the expectation	Target to be reviewed in 22-23
Integrated Development Plan	F2.1	IDP Reviewed and adopted by Council by 31 May 2022	Not Achieved	Even though reports were prepared, MANCO meetings were not sitting regularly	Target to be reviewed in 22-23
Integrity and Quality of Physical Environment	F3.1	4 functionality assessment reports submitted to Extended MANCO for discussion on implementation of SPLUMA and LUMF by 30 June 2022	Partially Achieved	Governance instability after the elections that were held on the 01 Nov 2021 resulted in council committees not sitting as per the expectation	Target to be reviewed in 22-23
Integrity and Quality of Physical Environment...	F3.2	Council adopted SDF review by 31 May 2022	Not Achieved	Even though reports were prepared, MANCO meetings were not sitting regularly	Target to be reviewed in 22-23
Functional Disaster Management Unit	F4.1	4 Monitoring and evaluation reports on the implementation of Disaster Risk Reduction Plan submitted to Extended MANCO for discussion by 30 June 2022	Partially Achieved	Governance instability after the elections that were held on the 01 Nov 2021 resulted in council committees not sitting as per the expectation	Target to be reviewed in 22-23

5. SERVICE PROVIDERS ASSESSMENT

Period: July 2021- June 2022

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

Bid Number	Name of external Service Provider	Date Contract Awarded	Service provided in terms of the SLA	Value of project	Comparison with previous year 2019/2021		Current Financial Year 2020/2021		Assessment of Service Providers Performance		
					Target	Actual	Target	Actual	G	S	P
SCMU 011/2014/2015	Shula Construction (Contractor)	02 December 2015	JOZINI REGIONAL CWS - CONSTRUCTION OF 4.6 KM LONG 800/700/200MM DIAMETER WELDED STEEL PIPELINES AND 100KL ELEVATED TANK	R22 266 070.22			R21 260 753.73	R 12 150 719.73		✓	
2010 Consultants	Royal askoning (Consultant)		JOZINI REGIONAL CWS - CONSTRUCTION OF 4.6 KM LONG 800/700/200MM DIAMETER WELDED STEEL PIPELINES AND 100KL ELEVATED TANK	R35 822 821.69						✓	
SCMU 003/2015/2016	Bosch Munitech-Drought	25 November 2015	MTUBATUBA EMERGENCY WATER SUPPLY PROJECT - DESIGN AND INSTALLATION OF SUBSURFACE WATER ABSTRACTION AT UMFOLOZI RIVER AND ASSOCIATED WORKS	R 2,229,112.00			R0.00	R0.00			✓
MIG 03/2012-05-KZN	SBT Civil Engineers	April 2013	Mkuze Water Treatment Works	R34 112 136.05			R0.00	R0.00			✓

Bid Number	Name of external Service Provider	Date Contract Awarded	Service provided in terms of the SLA	Value of project	Comparison with previous year 2019/2021		Current Financial Year 2020/2021		Assessment of Service Providers Performance		
					Target	Actual	Target	Actual	G	S	P
2010 Consultants	(Contractor) Gibb Engineers (Consultant)		Mkuze Water Treatment Works	R11 488 606.42						✓	
SCMU 010/2015/2016	WJ construction	September 2016	Construction of Hlabisa Mandlakazi Water Supply Scheme Secondary Bulk and Reticulation	R29, 669 ,784.40			R 4 642 065.05	R 4 205 314.41	✓		
2010 Consultants	Gibb Engineers	2011 September	Construction of Hlabisa Mandlakazi Water Supply Scheme Secondary Bulk and Reticulation	R22 116 184.45					✓		
2010 Consultants	MAKHETHA DEVELOPMENT CONSULTANTS	2011 September	Ingwavuma VIP Sanitation	R142 588 855.43			R22 606 888.70	R23 442 679.36	✓		
2010 Consultants	JG AFRICA	2011 September	Manguzi Star of the Sea Water Scheme	R148 948 612.24			R21 000 000.00	R 21 166 761.43	✓		
SCM 006/2016/2017	R & B Pipelines	2018 May	Manguzi Star of the Sea Water Scheme	R148 948 612.24					✓		
2010 Consultants	UWP	Multi-Year Projects	Mtubatuba VIP Sanitation Project	R95 778 067.80			R 7 149 863.67	R 1 004 916.00	✓		
2010 Consultants	ZIYANDA CONSULTING		Thembaletu Sanitation	R10 932 451.17			R 5 000 000.00	R 3 224 177.25		✓	
SCMU 149/2012	Klomac	January 2012	Thembaletu Sanitation							✓	
SCMU 149/2012	Siyabonga Industrial Supplies	January 2012	Thembaletu Sanitation								✓
None	JOAT	March 2017	WCWDM Programme within UKDM	R112 764 753.75			R 54 164 407.40	R 82 706 484,54	✓		
Contract No. 025/2013/2014	Amathonga Consulting Engineers	July 2014	Bhoboza to KwaMsane Gravity Main Project (Drought)	R 3 912 792.00			R 3 912 792.00	R 1001 859.96		✓	
	NNKL Trading	January 2019	Bhoboza to KwaMsane Gravity Main Project (Drought)	R 3 912 792.00			R 3 912 792.00	R 1001 859.96			✓
	ECA Consulting Engineers		Ingwavuma Boreholes (Drought)	R5,497,135.00			R 800 000.00	R 285 932.39		✓	

Bid Number	Name of external Service Provider	Date Contract Awarded	Service provided in terms of the SLA	Value of project	Comparison with previous year 2019/2021		Current Financial Year 2020/2021		Assessment of Service Providers Performance		
					Target	Actual	Target	Actual	G	S	P
SCM/134/2012	Mariswe	April 2011	Hluhluwe Phase 1	R 45 814 739.00			R 1000 000.00	R 963 946.34			✓
	TLS Consulting Engineers	November 2018	Rehabilitation of uBombo Water Scheme	R8 561 400.00			R5 000 000.00	R 3 267 872.55		✓	
SCMU 005/2018/2019	Truebuild Civils	January 2019									✓
	Umkhonto Professional Services	July 2018	Jozini Low Cost Housing Sewer Upgrade	R55 799 182.90			R 8 000 000.00	R 7 078 323.15			✓
	MSW Consulting Engineers	November 2016	Hluhluwe Phase 2	R5 270 005 .00			R4 803 479.36	R3 259 700.36		✓	
SCMU 002/2015/2016	WSSA	17 November 2015								✓	
	RHDHV	October 2011	Mpukunyoni Water Remedial	R 137 902 277.00			R5 691 323.58	R 6 035 849.35	✓		
SCMU 002/2018/2019	Mzimkhulu Trading	January 2019								✓	
SCMU 011/2014/2015	Shula Construction (Contractor) Royal haskoning (Consultant)	02 December 2015	JOZINI REGIONAL CWS - CONSTRUCTION OF 4.6 KM LONG 800/700/200MM DIAMETER WELDED STEEL PIPELINES AND 100KL ELEVATED TANK	R22 266 070.22			R21 260 753. 73	R 12 150 719.73		✓	
2010 Consultants			JOZINI REGIONAL CWS - CONSTRUCTION OF 4.6 KM LONG 800/700/200MM DIAMETER WELDED STEEL PIPELINES AND 100KL ELEVATED TANK	R35 822 821.69						✓	

Bid Number	Name of external Service Provider	Date Contract Awarded	Service provided in terms of the SLA	Value of project	Comparison with previous year 2017/2018		Current Financial Year 2018/2019		Assessment of Service Providers Performance		
					Target	Actual	Target	Actual	G	S	P
SCMU 003/2015/2016	Bosch Munitech-Drought	25 November 2015	MTUBATUBA EMERGENCY WATER SUPPLY PROJECT - DESIGN AND INSTALLATION OF SUBSURFACE WATER ABSTRACTION AT UMFOLOZI RIVER AND ASSOCIATED WORKS	R 2,229,112.00			R0.00	R0.00			✓
MIG 03/2012-05-KZN	SBT Civil Engineers (Contractor) Gibb Engineers (Consultant)	April 2013	Mkuze Water Treatment Works	R34 112 136.05			R0.00	R0.00			✓
2010 Consultants			Mkuze Water Treatment Works	R11 488 606.42						✓	
SCMU 010/2015/2016	WJ construction	September 2016	Construction of Hlabisa Mandlakazi Water Supply Scheme Secondary Bulk and Reticulation	R29, 669 ,784.40			R 4 642 065.05	R 4 205 314.41	✓		
2010 Consultants	Gibb Engineers	2011 September	Construction of Hlabisa Mandlakazi Water Supply Scheme Secondary Bulk and Reticulation	R22 116 184.45					✓		
2010 Consultants	MAKHETHA DEVELOPMENT CONSULTANTS	2011 September	Ingwavuma VIP Sanitation	R142 588 855.43			R22 606 888.70	R23 442 679.36	✓		
2010 Consultants	JG AFRIKA	2011 September	Manguzi Star of the Sea Water Scheme	R148 948 612.24			R21 000 000.00	R 21 166 761.43	✓		
SCM 006/2016/2017	R & B Pipelines	2018 May	Manguzi Star of the Sea Water Scheme	R148 948 612.24					✓		
2010 Consultants	UWP	Multi-Year Projects	Mtubatuba VIP Sanitation Project	R95 778 067.80			R 7 149 863.67	R 1 004 916.00	✓		
2010 Consultants	ZIYANDA CONSULTING		Thembaletu Sanitation	R10 932 451.17			R 5 000 000.00	R 3 224 177.25		✓	
SCMU 149/2012	Klomag	January 2012	Thembaletu Sanitation							✓	

Bid Number	Name of external Service Provider	Date Contract Awarded	Service provided in terms of the SLA	Value of project	Comparison with previous year 2017/2018		Current Financial Year 2018/2019		Assessment of Service Providers Performance		
					Target	Actual	Target	Actual	G	S	P
SCMU 149/2012	Siyabonga Industrial Supplies	January 2012	Thembaletu Sanitation								√
None	JOAT	March 2017	WCWDM Programme within UKDM	R112 764 753.75			R 54 164 407.40	R 82 706 484,54	✓		
Contract No. 025/2013/2014	Amathonga Consulting Engineers	July 2014	Bhoboza to KwaMsane Gravity Main Project (Drought)	R 3 912 792.00			R 3 912 792.00	R 1001 859.96		✓	
	NNKL Trading	January 2019	Bhoboza to KwaMsane Gravity Main Project (Drought)	R 3 912 792.00			R 3 912 792.00	R 1001 859.96			√
	ECA Consulting Engineers		Ingwavuma Boreholes (Drought)	R5,497,135.00			R 800 000.00	R 285 932.39		✓	
SCM/134/2012	Mariswe	April 2011	Hluhluwe Phase 1	R 45 814 739.00			R 1000 000.00	R 963 946.34			√
	TLS Consulting Engineers	November 2018	Rehabilitation of uBombo Water Scheme	R8 561 400.00			R5 000 000.00	R 3 267 872.55		√	
SCMU 005/2018/2019	Truebuild Civils	January 2019									√
	Umkhonto Professional Services	July 2018	Jozini Low Cost Housing Sewer Upgrade	R55 799 182.90			R 8 000 000.00	R 7 078 323.15			√
	MSW Consulting Engineers	November 2016	Hluhluwe Phase 2	R5 270 005 .00			R4 803 479.36	R3 259 700.36		√	
SCMU 002/2015/2016	WSSA	17 November 2015								√	
	RHDHV	October 2011	Mpukunyoni Water Remedial	R 137 902 277.00			R5 691 323.58	R 6 035 849.35	√		
SCMU 002/2018/2019	Mzimkhulu Trading	January 2019								√	

Key Areas to Note

- a) There was no improvement in the overall performance of the Municipality
- b) After the Local Government Elections which were held on the 01 November 2021. Umkhanyakude District Municipality has been experiencing very dysfunctional governance processes which to a certain extent affected performance of the Municipality
- c) Issues of performance management need to be well managed at departmental level and there must be individuals that should be tasked to

Way Forward

- a) Improving performance of the Municipality needs to be given a priority and the Office of the Municipal Manager needs to devise a plan to solely focus on the challenges that results in poor performance
- b) The Unit that is responsible for performance management needs to be properly staffed.
- c) Physical verification for work done especially infrastructure projects need to be verified by an independent team to check completeness and deliverables as per the project plan
- d) Portfolio of evidence submitted for targets achieved need to be in line with the expected output of the target
- e) Performance Management System needs to be cascaded to all levels of the Municipality.

NB: Information on Chapter 6 and most annexures will be ready as soon as the audit has been concluded

6. CONSOLIDATED ANNUAL FINANCIAL STATEMENTS -21/22

See Annexure A

ANNEXURES

Annexure A: Consolidated Annual Financial Statements – 2021/2022 FY

Annexure B: Auditor General's Report – 2021/2022 FY

Annexure C: Audit Action Plan – 2022/2023 FY

Annexure D: Annual Performance Report for 2021/2022 FY

Annexure E: Audit Committee Report – 2021/2022 FY

Annexure F: Annual Report for uMhlosinga Development Agency – 2021/2022 FY

**ANNEXURE A: CONSOLIDATED ANNUAL FINANCIAL
STATEMENTS – 2022/2022 FY**



uMkhanyakude District Municipality
Annual Financial Statements
for the year ended June 30, 2022

uMkhanyakude District Municipality

Annual Financial Statements for the year ended June 30, 2022

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	The provision of services (electricity, water, and sanitation) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.
Legislation governing the municipality's operations	Constitution of the Republic of South Africa (Act 108 of 1998) Local Government: Municipal Finance Management Act (Act no.56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Division of Revenue Act (Act 1 of 2007)
Mayor Executive Committee	MR SF MDAKA (MAYOR) MR TS MKHOMBO (SPEAKER) MR ME NDLELA MRS EZ MTSHALI (DEPUTY MAYOR) (RESIGNED 10 JUNE 2022) MR SR KHUMALO (WHIP) MISS MZ NYAWO (MPAC) MR BP MADLOPHA MR TS MOODLEY
Councillors	MR KI MKHWANAZI MR NS MTHETHWA MISS MS NGCOBO MISS N MLAMBO MR HS NDLOVU MR DA NCUBE MRS MM MKHWAMUBI MR BI ZUNGU MR TM MALU MR NL GUMBI MR MZ MHLONGO MR CT KHUMALO MISS TP MANZINI MR JP MSEZANE MR TZ NYAWO MR SW NKONYANE MR BW SHANGASE MR NS MYENI MR KC MTHEMBU MR SM KHUMALO MR LX QWABE MR MW MLUNGWANA MR MQ MKHWANAZI MR TN MAGAGULA MR BN MTHEMBU MR TS KHUMALO MR MS BUTHELEZI (Posthumous)

uMkhanyakude District Municipality

Annual Financial Statements for the year ended June 30, 2022

General Information

Traditional Leaders	INKOSI MR NI ZIKHALI INKOSI MR Z GUMEDE INKOSI MR KTH NXUMALO
Grading of local authority	Grade 4
Chief Finance Officer (CFO)	MR S Sibisi (Acting)
Accounting Officer	Mr WM Nxumalo (Acting)
Registered office	Harlingen No. 13433 Kingfisher Road Mkuze 3965
Business address	Harlingen No. 13433 Kingfisher Road Mkuze 3965
Postal address	P.O. Box 449 Mkuze 3965
Bankers	ABSA FNB
Auditors	Auditor-General South Africa Chartered Accountants (S.A.) Registered Auditors

uMkhanyakude District Municipality

Annual Financial Statements for the year ended June 30, 2022

Index

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

	Page
Accounting officer's Responsibilities and Approval	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Statement of Comparison of Budget and Actual Amounts	9 - 10
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Notes to the Annual Financial Statements	44 - 78

Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
LGSETA	Local Government Services Sector Education & Training Authority
SALGA	South African Local Government Association

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 June 30, 2023 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the municipality for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

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 November 30, 2022 and were signed on its behalf by:

Mr WM Nxumalo (Acting)
Accounting Officer

uMkhanyakude District Municipality

Annual Financial Statements for the year ended June 30, 2022

Statement of Financial Position as at June 30, 2022

Figures in Rands	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Inventories	3	145,461,954	113,003,258
Receivables from exchange transactions -Consumer debtors	4	50,873,343	48,031,395
Receivables from exchange transactions- Other Receivables	5	557,489	1,550,080
VAT receivable	6	65,893,311	58,589,769
Cash and cash equivalents	7	159,111,891	174,703,950
		421,897,988	395,878,452
Non-Current Assets			
Property, plant and equipment	8	2,189,798,912	2,130,795,368
Intangible assets	9	46,070	67,966
Heritage assets	10	586,000	586,000
		2,190,430,982	2,131,449,334
Total Assets		2,612,328,970	2,527,327,786
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	320,360,242	319,884,668
Consumer deposits	12	2,836,079	2,459,343
Unspent conditional grants and receipts	13	31,404,226	81,384,370
Employee benefit obligation	14	911,000	682,000
Loans	15	1,060,234	926,897
		356,571,781	405,337,278
Non-Current Liabilities			
Employee benefit obligation	14	12,578,000	11,706,000
Loans	15	1,754,823	2,755,283
		14,332,823	14,461,283
Total Liabilities		370,904,604	419,798,561
Net Assets		2,241,424,366	2,107,529,225
Accumulated surplus		2,241,424,366	2,107,529,225
Total Net Assets		2,241,424,366	2,107,529,225

* See Note 41

uMkhanyakude District Municipality

Annual Financial Statements for the year ended June 30, 2022

Statement of Financial Performance

Figures in Rands	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	16	36,808,133	45,199,233
Rental of facilities and equipment	17	251,272	235,851
Interest on receivables	18	15,009,764	11,628,391
Other income	19	523,276	654,148
Interest on investment	20	7,012,596	5,316,344
Total revenue from exchange transactions		59,605,041	63,033,967
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	21	661,737,178	779,382,725
Public contributions and donations	22	11,164,118	-
Total revenue from non-exchange transactions		672,901,296	779,382,725
Total revenue		732,506,337	842,416,692
Expenditure			
Employee related costs	23	(192,004,897)	(193,438,963)
Remuneration of councillors	24	(8,558,122)	(8,738,479)
Depreciation and amortisation	25	(52,573,661)	(57,210,058)
Finance costs	26	(2,086,754)	(3,179,079)
Lease rentals on operating lease	27	(4,500,947)	(9,831,875)
Debt Impairment	28	(29,306,145)	(56,073,776)
Inventory consumed	29	(127,367,140)	(104,888,934)
Bulk purchases	30	(24,313,242)	(12,998,265)
Contracted services	31	(92,013,215)	(150,605,581)
General expenses	32	(98,854,193)	(67,643,346)
Total expenditure		(631,578,316)	(664,608,356)
Operating surplus		100,928,021	177,808,336
Loss on disposal of assets and liabilities	33	-	(328,921)
Increase in Net realisable value	34	32,458,697	(777,592)
Actuarial gains/losses	14	508,425	(1,125,025)
Impairment loss	35	-	(5,482,928)
		32,967,122	(7,714,466)
Surplus for the year		133,895,143	170,093,870

* See Note 41

uMkhanyakude District Municipality

Annual Financial Statements for the year ended June 30, 2022

Statement of Changes in Net Assets

Figures in Rands	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	1,817,952,185	1,817,952,185
Adjustments		
Prior year adjustments 41	119,483,170	119,483,170
Balance at July 1, 2020 as restated*	1,937,435,355	1,937,435,355
Changes in net assets		
Surplus for the year	170,093,870	170,093,870
Total changes	170,093,870	170,093,870
Restated* Balance at July 1, 2021	2,107,529,223	2,107,529,223
Changes in net assets		
Surplus for the year	133,895,143	133,895,143
Total changes	133,895,143	133,895,143
Balance at June 30, 2022	2,241,424,366	2,241,424,366
Note(s)		

* See Note 41

uMkhanyakude District Municipality

Annual Financial Statements for the year ended June 30, 2022

Cash Flow Statement

Figures in Rands	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		57,978,093	90,191,922
Grants		711,717,322	766,182,068
Interest income		7,012,596	5,316,344
		776,708,011	861,690,334
Payments			
Employee costs		(199,055,107)	(198,911,489)
Suppliers		(478,123,313)	(437,609,845)
Finance costs		(2,086,754)	(3,179,079)
		(679,265,174)	(639,700,413)
Net cash flows from operating activities	37	97,442,837	221,989,921
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(111,577,205)	(104,590,395)
Cash flows from financing activities			
Repayment of loans		(1,457,691)	(2,878,638)
Net cash flows from financing activities		(1,457,691)	(2,878,638)
Net increase/(decrease) in cash and cash equivalents		(15,592,059)	114,520,888
Cash and cash equivalents at the beginning of the year		174,703,950	60,183,062
Cash and cash equivalents at the end of the year	7	159,111,891	174,703,950

* See Note 41

uMkhanyakude District Municipality

Annual Financial Statements for the year ended June 30, 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	48,594,000	-	48,594,000	36,808,133	(11,785,867)	49
Rental of facilities and equipment	212,000	71,000	283,000	251,272	(31,728)	
Interest received (trading)	11,594,000	-	11,594,000	-	(11,594,000)	
Interest on receivables	-	-	-	15,009,764	15,009,764	
Other income - (rollup)	133,000	-	133,000	523,276	390,276	
Interest received - investment	6,799,000	-	6,799,000	7,012,596	213,596	
Total revenue from exchange transactions	67,332,000	71,000	67,403,000	59,605,041	(7,797,959)	

Revenue from non-exchange transactions

Transfer revenue

Government grants & subsidies	786,544,000	35,800,000	822,344,000	661,737,178	(160,606,822)	
Public contributions and donations	-	-	-	11,164,118	11,164,118	
Total revenue from non-exchange transactions	786,544,000	35,800,000	822,344,000	672,901,296	(149,442,704)	
Total revenue	853,876,000	35,871,000	889,747,000	732,506,337	(157,240,663)	

Expenditure

Personnel	(195,757,000)	(5,100,000)	(200,857,000)	(192,004,897)	8,852,103	
Remuneration of councillors	(9,775,000)	-	(9,775,000)	(8,558,122)	1,216,878	
Inventory consumed	(74,318,000)	(28,800,000)	(103,118,000)	(127,367,140)	(24,249,140)	
Depreciation and amortisation	(59,759,000)	-	(59,759,000)	(52,573,661)	7,185,339	
Finance costs	(1,778,000)	(2,847,000)	(4,625,000)	(2,086,754)	2,538,246	
Lease rentals on operating lease	(6,572,203)	-	(6,572,203)	(4,500,947)	2,071,256	
Debt Impairment	(21,381,000)	-	(21,381,000)	(29,306,145)	(7,925,145)	
Bulk purchases	(28,800,000)	-	(28,800,000)	(24,313,242)	4,486,758	
Contracted Services	(93,597,000)	607,000	(92,990,000)	(92,013,215)	976,785	
General Expenses	(45,747,797)	(36,604,000)	(82,351,797)	(98,854,193)	(16,502,396)	
Total expenditure	(537,485,000)	(72,744,000)	(610,229,000)	(631,578,316)	(21,349,316)	
Operating surplus	316,391,000	(36,873,000)	279,518,000	100,928,021	(178,589,979)	
Fair value adjustments	-	-	-	32,458,697	32,458,697	
Actuarial gains/losses	-	-	-	508,425	508,425	
	-	-	-	32,967,122	32,967,122	

Surplus before taxation	316,391,000	(36,873,000)	279,518,000	133,895,143	(145,622,857)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	316,391,000	(36,873,000)	279,518,000	133,895,143	(145,622,857)	

uMkhanyakude District Municipality

Annual Financial Statements for the year ended June 30, 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Statement of Financial Position

Assets

Current Assets

Inventories	266,711,000	-	266,711,000	145,461,954	(121,249,046)	
Receivables from exchange transactions- Other Receivables	5,276,000	-	5,276,000	557,489	(4,718,511)	
VAT receivable	4,955,000	-	4,955,000	65,893,311	60,938,311	
Receivables from exchange transactions -Consumer debtors	90,801,000	-	90,801,000	50,873,343	(39,927,657)	
Cash and cash equivalents	88,811,000	22,861,000	111,672,000	159,111,891	47,439,891	
	456,554,000	22,861,000	479,415,000	421,897,988	(57,517,012)	

Non-Current Assets

Property, plant and equipment	2,360,154,000	-	2,360,154,000	2,189,798,912	(170,355,088)	
Intangible assets	820,000	-	820,000	46,070	(773,930)	
Heritage assets	586,000	-	586,000	586,000	-	
	2,361,560,000	-	2,361,560,000	2,190,430,982	(171,129,018)	

Total Assets	2,818,114,000	22,861,000	2,840,975,000	2,612,328,970	(228,646,030)	
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Liabilities

Current Liabilities

Loans	-	-	-	1,060,234	1,060,234	
Payables from exchange transactions	139,098,000	(27,374,000)	111,724,000	320,360,236	208,636,236	
Consumer deposits	1,847,000	-	1,847,000	2,836,079	989,079	
Employee benefit obligation	-	-	-	911,000	911,000	
Unspent conditional grants and receipts	122,262,000	(109,559,000)	12,703,000	31,404,226	18,701,226	
	263,207,000	(136,933,000)	126,274,000	356,571,775	230,297,775	

Non-Current Liabilities

Loans	1,446,000	-	1,446,000	1,754,823	308,823	
Employee benefit obligation	-	-	-	12,578,000	12,578,000	
	1,446,000	-	1,446,000	14,332,823	12,886,823	

Total Liabilities	264,653,000	(136,933,000)	127,720,000	370,904,598	243,184,598	
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Net Assets	2,553,461,000	159,794,000	2,713,255,000	2,241,424,372	(471,830,628)	
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Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

Accumulated surplus	2,553,461,000	159,794,000	2,713,255,000	2,241,424,372	(471,830,628)	
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Operating lease rentals was original allocated to General expenditure in the approved budget this is now split in the annual financial statements to comply with GRAP requirements. The Approved budget is not adjustment.

Refer to note 49 for budget explanations

uMkhanyakude District Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

Figures in Rands	Note(s)	2022	2021
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1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

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:

In the process of applying its accounting policies, and in preparing the annual financial statements, management is required to make various judgements, including estimates and assumptions, that may affect the determination of the reporting framework, affect amounts represented in the annual financial statements and as well as related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

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

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

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

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

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

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Provisions

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

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 14.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

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

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Not depreciated	
Buildings	Straight-line	
• Residential dwellings	Straight-line	10 - 30 years
• Non residential dwellings	Straight-line	15 - 30 years

Accounting Policies

1.5 Property, plant and equipment (continued)

Infrastructure	Straight-line	
• Electricity	Straight-line	5 - 60 years
• Water	Straight-line	5 - 100 years
• Sewerage	Straight-line	10 - 40 years
• Airports	Straight-line	15 - 30 years
• Stormwater		30 - 80 years
Plant and machinery	Straight-line	5 - 15 years
Furniture and fixtures	Straight-line	5 - 10 years
Motor vehicles	Straight-line	5 - 7 years
IT equipment	Straight-line	3 - 5 years
•		

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 8).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 8).

1.6 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

Accounting Policies

1.6 Intangible assets (continued)

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

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

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

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.

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	Straight-line	5 years

Intangible assets are derecognised:

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

1.7 Heritage assets

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

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

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

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

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.

uMkhanyakude District Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.7 Heritage assets (continued)

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 10).

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

Transfers

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

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

Derecognition

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

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

1.8 Financial instruments

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

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.

Accounting Policies

1.8 Financial instruments (continued)

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.

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.

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.

Accounting Policies

1.8 Financial instruments (continued)

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 unitised 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.

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.

uMkhanyakude District Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.8 Financial instruments (continued)

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
Other Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and 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
Trade and other payables	Financial liability measured at amortised cost
Loans payable	Financial liability measured at amortised cost

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

1.9 Tax

Value Added Tax

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Section 15(2)(a) of the Value Added Tax Act No 89 of 1991.

1.10 Leases

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.11 Inventories

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

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

Accounting Policies

1.11 Inventories (continued)

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.

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.

Water inventory:

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc.). However, water in dams, that are filled by natural resources and that has not been treated, therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all cost of purchase, cost of conversion and other cost incurred in bring the inventory to its present location and condition, net of trade discounts and rebates.

Water are purified effluent are valued by using the weighted average cost formula, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at the year-end.

Redundant and slow-moving inventories are identified and written down from cost to the net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such Inventory at the lowest of cost and net realisable value are recognised in the statement of financial performance in the year in which they arise. The amount of any reversal of any write- down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

1.12 Impairment of cash-generating 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.

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

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.

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.

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

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.

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.12 Impairment of cash-generating 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.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.13 Impairment of non-cash-generating 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.

Non-cash-generating assets are assets other than cash-generating assets.

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 managed 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.

Accounting Policies

1.13 Impairment of non-cash-generating assets (continued)

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 service amount is the higher of a non-cash-generating asset's 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 non-cash-generating assets or cash-generating assets, are as follows:

[Specify judgements made]

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.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

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 a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets.

Identification

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

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

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service 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.

Accounting Policies

1.13 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdressing assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-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 non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service 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 non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.13 Impairment of non-cash-generating assets (continued)

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.14 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Accounting Policies

1.14 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 Cellphone) 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.

Accounting Policies

1.14 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

1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.14 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.14 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

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.

Accounting Policies

1.14 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.

1.15 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus.

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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

Accounting Policies

1.15 Provisions and contingencies (continued)

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

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

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

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

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

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

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

1.16 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.17 Revenue from exchange transactions

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

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

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

Accounting Policies

1.17 Revenue from exchange transactions (continued)

Measurement

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

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

Sale of goods

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

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

Rendering of services

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

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

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

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

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

uMkhanyakude District Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.17 Revenue from exchange transactions (continued)

Interest, royalties and dividends

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

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

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

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

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

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

1.18 Revenue from non-exchange transactions

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

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

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

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

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

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.

Accounting Policies

1.18 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.

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Taxation revenue are not grossed up for the amount of tax expenditures.

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

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.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

1.19 Investment income

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

1.20 Changes in accounting estimates and judgements

The municipality makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Assets Useful Lives

Plant and equipment is depreciated over its useful life. The actual useful lives of the assets are assessed annually and vary depending on a number of factors. In reassessing the assets' useful lives, factors such as technological innovation and maintenance programmes are taken into account.

1.21 Water losses

Water losses are the sum of the real and apparent losses and are calculated from the difference between the system input volume and the authorised consumption. In most countries, the water losses were also considered to be unaccounted-for water.

Accounting Policies

1.21 Water losses (continued)

Real losses are the physical water losses from the pressurised system, up to the point of measurement of customer use. In most cases, the real losses represent the unknown component in the overall water balance and the purpose of most water balance models is therefore to estimate the magnitude of the real losses so that the municipality can gauge whether or not it has a serious leakage problem. The real losses are calculated as the difference between the total losses and the estimated apparent losses.

Apparent losses or commercial losses are made up from the unauthorised consumption (theft or illegal use), plus all technical and administrative inaccuracies associated with customer metering. While it should be noted that the apparent losses should not be a major component of the water balance in most developed countries, it can represent the major element of the total losses in many developing countries. A systematic estimate should be made from local knowledge of the system and an analysis of technical and administrative aspects of the customer metering system.

1.22 Comparative figures

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

1.23 Unauthorised expenditure

“Unauthorised expenditure”, in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 1 l(3) of MFMA. and includes-

- overspending of the total amount appropriated in the municipality's approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- 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.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 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).

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.25 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.

Accounting Policies

1.25 Irregular expenditure (continued)

Irregular expenditure in relation to a municipality, means-

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).

- expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of MFMA, and which has not been condoned in terms of section 170 of that Act
- expenditure incurred by a municipality in contravention of or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act 30 No. 20 of 1998); or
- expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any municipality's by-laws giving effect to such policy, and which has not been condoned in 35 terms of such policy or by-law,

but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure"

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law.

Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant Programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.26 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

uMkhanyakude District Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.26 Segment information (continued)

Measurement

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

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.

1.27 Consumer deposits

Consumer deposits represents security held by the municipality in respect of new consumer accounts opened. Once application for connection of services are made consumers are required to pay a nominal fee which is recognised as a Consumer deposit.

Consumer deposits are recognised at their nominal or carrying value.

Upon closure of a consumer's account the deposit is subsequently refunded by the municipality to the consumer.

1.28 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisation's (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 accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 7/1/2021 to 6/30/2022.

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.

1.29 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 ventures).

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.

uMkhanyakude District Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.29 Related parties (continued)

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.

1.30 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.31 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.32 Expenditure

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets.

Where an outflow of economic benefits does not result in future benefits, it is disclosed as fruitless and wasteful expenditure. The point at which an expense is recognised is dependent on the nature of the transaction or other event that gives rise to the expense. Where future economic benefits are consumed immediately or soon after acquisition, for example, repairs and maintenance expenditure, bulk purchases and general expenses, the expense is recognised in the reporting period in which the acquisition of the future economic benefit occurs. Where future economic benefits are expected to be consumed over several reporting periods e.g. non-current assets, expenses (depreciation) is allocated systematically to the reporting period during which the future economic benefits are expected to be consumed; where expenditure produces no future economic benefits e.g. fines paid, an expense is recognised immediately; and where a liability is incurred without the recognition of an asset an expense is recognised simultaneously with the recognition of the liability.

Generally, expenses are accounted for on an accrual basis at fair value. Under the accrual basis of accounting expenses are recognised when incurred usually when goods are received or services are consumed. This may not be when the goods or services are actually paid for. 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.

uMkhanyakude District Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.32 Expenditure (continued)

Major expenses include:

- Losses on the disposal/impairment of non-current assets;
- Repairs and Maintenance - constitutes all costs of repairs and maintenance to buildings, infrastructure assets, motor vehicles and sports and recreational facilities;
- Bulk purchases - expenditure on the procurement of bulk water and electricity;
- Contracted services – Includes all expenditure under long term contracts with suppliers except repairs and maintenance costs and bulk purchases as these are presented separately as material class of expenses. Further, legal costs are all presented under general expenses. Major costs included in contracted services are Consultancy fees, fleet management costs, IT services and system support, Communication costs, Cellular and data services and security services costs, Photocopies and office equipment rental and insurance.
- General Expenses which constitute several of all other expense items which are not individually significant.

uMkhanyakude District Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rands	2022	2021
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2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

GRAP 25 (as revised): Employee Benefits

Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

Key amendments to GRAP 25

The Board agreed to align GRAP 25 with IPSAS 39, but that local issues and the local environment need to be considered. As a result of this decision, there are areas where GRAP 25 departs from the requirements of IPSAS 39. The Board's decisions to depart are explained in the basis for conclusions.

The amendments to GRAP 25 are extensive and mostly affect the accounting for defined benefit plans. A new renumbered Standard of GRAP (e.g. GRAP 39) will not be issued, but rather a new version of the current GRAP 25.

The effective date of these revisions have not yet been set. April 1, 2009.

The municipality expects to adopt the revisions for the first time in the 2098/2099 annual financial statements.

The impact of this revisions is currently being assessed.

GRAP 104 (as revised): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the amendment is not yet set by the Minister of Finance.

The municipality expects to adopt the amendment for the first time when the Minister sets the effective date for the amendment.

The impact of this standard is currently being assessed.

3. Inventories

Water pipes	142,830,144	107,422,788
Water Stock	1,101,810	1,031,090
Water and Electricity meters	1,530,000	4,549,380
	145,461,954	113,003,258

Inventory is carried at the lower of its original cost and net replacement value.

Inventory pledged as security

No Inventory is pledged as security - -

Water for distribution

4. Receivables from exchange transactions-Consumer debtors

Gross balances

Electricity	13,635,090	12,667,182
Water	170,834,038	139,984,585
Sewerage	30,614,234	30,445,231
	215,083,362	183,096,998

Less: Allowance for impairment

Electricity	(10,051,750)	(9,541,079)
Water	(125,599,304)	(97,221,120)
Sewerage	(28,558,965)	(28,303,404)
	(164,210,019)	(135,065,603)

Net balance

Electricity	3,583,340	3,126,103
Water	45,234,734	42,763,465
Sewerage	2,055,269	2,141,827
	50,873,343	48,031,395

uMkhanyakude District Municipality

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Notes to the Annual Financial Statements

Figures in Rands	2022	2021
4. Receivables from exchange transactions-Consumer debtors (continued)		
Electricity		
Current (0 -30 days)	211,156	118,212
31 - 60 days	160,393	101,528
61 - 90 days	105,966	99,536
91 - 120 days	133,130	94,573
121 - 150 days	77,231	104,211
151 - 180 days	82,187	89,569
> 180 days	12,865,027	12,059,553
Less Impairment allowance	(10,051,750)	(9,541,079)
	3,583,340	3,126,103
Water		
Current (0 -30 days)	7,390,381	3,824,533
31 - 60 days	3,574,093	3,431,907
61 - 90 days	3,371,082	3,191,070
91 - 120 days	4,237,372	3,150,660
121 - 150 days	3,289,689	3,011,520
151 - 180 days	2,793,483	3,499,357
> 180 days	146,177,938	119,875,538
Less Impairment allowance	(125,599,304)	(97,221,120)
	45,234,734	42,763,465
Sewerage		
Current (0 -30 days)	28,632	30,455
31 - 60 days	36,549	32,916
61 - 90 days	27,990	49,993
91 - 120 days	19,791	56,097
121 - 150 days	18,760	39,554
151 - 180 days	29,899	64,740
> 180 days	30,452,613	30,171,476
Less Impairment allowance	(28,558,965)	(28,303,404)
	2,055,269	2,141,827

uMkhanyakude District Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rands	2022	2021
4. Receivables from exchange transactions-Consumer debtors (continued)		
Summary of debtors by customer classification		
Residential		
Current (0 -30 days)	1,404,013	1,461,713
31 - 60 days	1,633,960	1,390,426
61 - 90 days	1,609,716	1,362,623
91 - 120 days	1,205,379	1,690,199
121 - 150 days	1,211,338	2,020,074
151- 180 days	1,250,618	2,001,116
> 180 days	109,005,829	91,978,492
	117,320,853	101,904,643
Industrial/ commercial		
Current (0 -30 days)	1,717,794	1,338,431
31 - 60 days	914,884	1,102,776
61 - 90 days	1,011,924	2,808,333
91 - 120 days	1,913,308	1,154,130
121 - 150 days	1,062,969	709,453
151- 180 days	1,151,153	966,139
> 180 days	52,986,398	42,775,853
	60,758,430	50,855,115
National and provincial government		
Current (0 -30 days)	4,489,474	1,173,056
31 - 60 days	1,163,113	1,073,149
61 - 90 days	838,045	1,169,640
91 - 120 days	1,258,347	457,001
121 - 150 days	1,055,738	425,758
151- 180 days	469,836	686,411
> 180 days	24,710,304	24,720,474
	33,984,857	29,705,489
Reconciliation of allowance for impairment		
Balance at beginning of the year	(135,065,603)	(78,991,826)
Contributions to allowance	(29,144,416)	(56,073,777)
	(164,210,019)	(135,065,603)

Consumer debtors pledged as security

No Consumer debtors were pledged as security for overdraft facilities.

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

uMkhanyakude District Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rands	2022	2021
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4. Receivables from exchange transactions-Consumer debtors (continued)

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At June 30, 2022, 3,198,556 (2021: 2,693,522) were past due but not impaired.

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

1 month past due	1,132,344	1,071,020
2 months past due	826,811	1,166,021
3 months past due	1,239,402	456,480

Reconciliation of allowance for impairment of consumer debtors

Opening balance	(135,065,603)	(78,991,826)
Allowance for impairment	(29,144,416)	(56,073,777)
	(164,210,019)	(135,065,603)

5. Receivables from exchange transactions- Other Receivables

Employee debtors	140,965	148,745
Interest receivables	-	427,970
Insurance Receivable	-	545,317
Creditors with Debit balances	359,511	428,048
Prepayments	7,957,013	7,900,000
Allowance for impairment	(7,900,000)	(7,900,000)
	557,489	1,550,080

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(7,900,000)	(7,900,000)
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Employee debtors relates to overpayment on employees for travel allowance and payment to former Municipal manager after his contract had ended.

Allowance for impairment relates to prepayment that was paid long time ago and no progress in receiving the goods paid for.

6. VAT receivable

VAT	65,893,311	58,589,769
-----	------------	------------

VAT is payable on the payment basis. VAT is submitted to SARS only once payment has been made to suppliers and when money has been received from debtors.

VAT as disclosed in the annual financial statements is prepared on the accrual basis. There were no late payments to SARS in the current year.

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	10	781
Bank balances	17,253,661	37,989,770
Call accounts balances	141,858,220	136,713,399
	159,111,891	174,703,950

uMkhanyakude District Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rands	2022	2021
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7. Cash and cash equivalents (continued)

Cash and cash equivalents pledged as collateral

The municipality does not hold any restricted cash and can freely realise the available balances.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2022	June 30, 2021	June 30, 2020
First National BANK - Demand Deposit- 62092993809	735,058	722,957	713,399	735,058	722,957	713,399
First National Bank -Demand deposit - 62027696478	-	104,499	104,292	-	104,499	104,292
First National Bank -Primary Account: 62026865321	4,315,039	9,341,803	9,644,035	4,315,039	9,341,803	9,644,035
ABSA Bank -Call Account 40-5310-7423	12,938,622	28,543,468	49,247,325	12,938,622	28,543,468	49,247,325
ABSA Bank -Call Account - 91-1531-5268	-	451,219	436,245	-	451,219	436,245
First National Bank -Money Market Account -62263733258	-	32,732	32,157	-	32,732	32,157
First National Bank -Business Call Account -62309788498	-	3,191	3,114	-	3,191	3,114
ABSA Bank -Call Account- 93-6453-0392	141,123,162	135,503,340	-	141,123,162	135,503,340	-
Cash on hand	-	-	-	10	781	2,495
Total	159,111,881	174,703,209	60,180,567	159,111,891	174,703,990	60,183,062

uMkhanyakude District Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rands

8. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1,157,250	-	1,157,250	1,157,250	-	1,157,250
Buildings	62,306,832	(25,254,569)	37,052,263	62,306,832	(23,231,796)	39,075,036
Infrastructure	2,564,972,535	(427,540,809)	2,137,431,726	2,453,706,534	(380,783,761)	2,072,922,773
Other property, plant and equipment	54,346,882	(40,189,209)	14,157,673	54,057,575	(36,417,266)	17,640,309
Total	2,682,783,499	(492,984,587)	2,189,798,912	2,571,228,191	(440,432,823)	2,130,795,368

uMkhanyakude District Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rands

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Additions through acquisition	Depreciation	Total
Land	1,157,250	-	-	-	1,157,250
Buildings	39,075,036	-	-	(2,022,773)	37,052,263
Infrastructure	2,072,922,773	91,418,498	19,869,600	(46,779,145)	2,137,431,726
Other property, plant and equipment	17,640,309	-	289,107	(3,771,743)	14,157,673
	2,130,795,368	91,418,498	20,158,707	(52,573,661)	2,189,798,912

uMkhanyakude District Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rands

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Additions through acquisition	Depreciation	Impairment loss	write off	Total
Land	1,157,250	-	-	-	-	-	1,157,250
Buildings	41,810,769	-	-	(2,187,196)	(548,537)	-	39,075,036
Infrastructure	2,023,141,767	103,180,628	1,054,267	(49,275,579)	(4,934,392)	(243,918)	2,072,922,773
Other property, plant and equipment	23,638,366	-	355,500	(5,723,237)	-	(630,320)	17,640,309
	2,089,748,152	103,180,628	1,409,767	(57,186,012)	(5,482,929)	(874,238)	2,130,795,368

Pledged as security

Carrying value of assets pledged as security:

Other information

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

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

Bulk pipeline from Mtubatuba to KwaMsane Contractor has been on and off site due to late delivery of required materials, pipes, couplings and bends.	18,956,352	18,956,352
Mpukunyoni Community Water Supply Community unrest at KwaMshaya and Phaphasi Reservoirs. The community at KwaMshaya reservoir demanded a standpipe	33,650,572	33,650,572
Jozini Regional Community Water Supply Scheme phase 1 Contract was terminated before the contractor could start any work on the ground. The portion of 80million from prior year is complete and will be capitalised in 2021	86,216,815	86,216,815
Mkuze Water Treatment works Upgrade and refurbishment The Electrical & Mechanical items are behind schedule as the subcontractor is off site due to non-payment by the main contractor	38,543,460	38,543,460
	177,367,199	177,367,199

uMkhanyakude District Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rands	2022	2021
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8. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Total
Opening balance	728,272,486	728,272,486
Additions/capital expenditure	19,869,600	19,869,600
	748,142,086	748,142,086

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Total
Opening balance	631,582,300	631,582,300
Additions/capital expenditure	103,180,628	103,180,628
Transferred to completed items	(6,490,442)	(6,490,442)
	728,272,486	728,272,486

Expenditure incurred to repair and maintain property, plant and equipment

Refer to note 31 for details of expenditure to repair and maintain property plant, and equipment.

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

uMkhanyakude District Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rands

9. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	435,206	(389,136)	46,070	435,206	(367,240)	67,966

Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software, other	67,966	(21,896)	46,070

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software, other	95,224	(27,258)	67,966

Pledged as security

No intangible assets pledged as security:

uMkhanyakude District Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rands

10. Heritage assets

	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral Regalia	586,000	-	586,000	586,000	-	586,000

Reconciliation of heritage assets 2022

	Opening balance	Total
Mayoral Regalia	586,000	586,000

Reconciliation of heritage assets 2021

	Opening balance	Total
Mayoral Regalia	586,000	586,000

Deemed costs

The deemed cost of the mayoral chain was determined using fair value. The fair value was determined by a Corlia Luyt, an independent jewellery designer and manufacturer, on 23 August 2016.

Pledged as security

No heritage assets pledged as security:

uMkhanyakude District Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rands	2022	2021
11. Payables from exchange transactions		
Trade payables	228,501,803	255,750,744
Debtor Prepayments	3,006,448	3,413,583
Employee Related deductions and suspense accounts	7,354,375	7,136,140
Accruals for 13th Cheque payments	4,640,521	4,375,044
Payable to Treasury for withholding of Equitable share	23,540,065	-
WSSA	7,728,006	8,475,833
Accruals for leave pay	16,758,330	16,108,470
Retentions	22,492,487	18,286,647
Other payables- Umhloosinga Development Agency	6,338,207	6,338,207
	320,360,242	319,884,668
12. Consumer deposits		
Deposits	2,836,079	2,459,343
13. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Ndumo Learners Shelter Grant	9,441,505	9,441,505
Municipal Infrastructure Grant	-	24,105,151
Rural Roads Asset Management Grant	2,681,999	1,665,925
Expanded Public Works Programme	562,636	-
Kwazibi National Lottery Grant	122,667	122,667
Mqobela National Lottery Grant	166,666	166,666
Mabibi National Lottery Grant	166,667	166,667
Public Participation Customer Satisfaction Survey Grant	-	35,500
Water Services infrastructure Grant	18,152,450	44,968,989
Councillors Training Grant	-	11,300
Development Planning Strategy Grant	109,636	700,000
	31,404,226	81,384,370
Movement during the year		
Balance at the beginning of the year	81,384,370	66,641,096
Additions during the year	635,344,000	803,622,737
Revenue recognition during the year	(661,737,178)	(779,382,725)
Unspent grants withheld from equitable share	(47,200,000)	(9,496,738)
Unspent grants paidback to Cogta	14,800	-
Unspent grants to be withheld from equitable share for 2022/23	23,598,234	-
	31,404,226	81,384,370

See note 21 for reconciliation of grants from National/Provincial Government.

uMkhanyakude District Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rands	2022	2021
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14. Employee benefit obligations

Defined benefit plan

Post retirement benefit plan

The Municipality's personnel are members of one of the Natal Joint Municipal Pension (NJMPF) retirement funds, namely the Superannuation, Retirement and Provident Funds. As the aforementioned funds are multi- employer funds, the allocation of any surplus/ deficit to individual municipalities cannot be determined.

Furthermore, disclosure of further details such as actuarial assumptions cannot be attributed to any specific municipality and is of no relevance to the users of the municipality's financial statements. As the required disclosure information cannot be obtained the funds are all treated as defined contribution plans.

An independent valuer carries out statutory valuation of the NJMPF on a triennial basis and an interim valuation on an annual basis. The 2022 interim valuations have not been released.

Long Services

The independent valuer's carried out a statutory valuation on the Long Service Awards benefit as at 30 June 2022. The previous valuation was conducted by ZAQ Consultants and Actuaries as at 30 June 2021.

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service. We have converted the awarded leave days to a percentage of annual salary by assuming there are 250 working days per year. The expected value of each employee's long service award is projected to the next interval by allowing for future salary growth.

The calculated award values are then discounted at the assumed discount interest rate to the date of calculation. The accrued liability is determined on the basis that each employee's long service benefit accrues uniformly over the working life of an employee up to the end of the interval at which the benefit becomes payable. Further it is assumed that the current policy for awarding long service awards remains unchanged in the future.

uMkhanyakude District Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rands	2022	2021
14. Employee benefit obligations (continued)		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Opening Balance	(12,388,000)	(9,726,000)
Interest cost	(1,354,000)	(1,203,000)
current service cost	(1,043,000)	(882,000)
Benefits paid	787,575	548,025
Actuarial gain/(loss)	508,425	(1,125,025)
	(13,489,000)	(12,388,000)
Non-current liabilities	(12,578,000)	(11,706,000)
Current liabilities	(911,000)	(682,000)
	(13,489,000)	(12,388,000)

We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2022 of 4.9%. The next salary increase was assumed to take place on 01 July 2023.

In addition to the normal salary inflation rate, we assumed the following promotional salary increases:

Age Band		
20 - 24	5%	5%
25 - 29	4%	4%
30 - 34	3%	3%
35 - 39	2%	2%
40 - 44	1%	1%
45 and over	0%	0%

15. Loans

At amortised cost		
Loans from DBSA	2,815,057	3,682,180

The municipality received two (2) loans from Development Bank of Southern Africa (DBSA) to fund the construction of the municipal buildings. The interest rates per each loan are as follows:

Loan 61000800, fixed interest rate at 6.75%

Loan 61000191, semi- floating interest rate. Interest reference is 6 Month Jibar (current base interest plus the margin).

Loan repayments are due bi-annually (i.e. on 31 March and 30 September each calendar year) with the final redemption date being 30 September 2025.

Non-current liabilities		
At amortised cost	1,754,823	2,755,283
Current liabilities		
At amortised cost	1,060,234	926,897

uMkhanyakude District Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rands	2022	2021
16. Service charges		
Sale of electricity	3,908,730	3,941,003
Sale of water	32,465,928	40,520,536
Sewerage and sanitation charges	433,475	737,694
	36,808,133	45,199,233
17. Rental of facilities and equipment		
Facilities and equipment		
Rental of facilities	251,272	235,851
18. Interest on receivables		
Electricity	371,240	341,292
Sewerage and sanitation	3,059,283	2,665,669
Water	11,579,241	8,621,430
	15,009,764	11,628,391
19. Other income		
Connection fees	13,759	60,310
Tender Documents	79,566	-
Insurance Refund	-	286,398
Commission	100,448	94,438
Refund from SETA	329,503	213,002
	523,276	654,148
20. Interest on investment		
Interest revenue		
Bank	7,012,596	5,316,344

uMkhanyakude District Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rands	2022	2021
21. Government grants & subsidies		
Operating grants		
Equitable share	473,221,900	505,743,737
Rural Roads Asset Management Grant	-	979,074
Development Planning Strategy Grant	590,362	-
Expanded Public Works Programme	5,283,364	4,838,000
Finance Management Grant	1,950,002	1,800,054
	481,045,628	513,360,865
Capital grants		
Municipal Infrastructure Grant	163,844,000	243,220,849
Water Services Infrastructure Grant	16,847,550	22,801,011
	180,691,550	266,021,860
	661,737,178	779,382,725
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	188,515,278	273,638,988
Unconditional grants received	473,221,900	505,743,737
	661,737,178	779,382,725
Ndumo Learners Shelter Grant		
Balance unspent at beginning of year	9,441,505	9,441,505
Conditions still to be met - remain liabilities (see note 13).		
Municipal Infrastructure Grant		
Balance unspent at beginning of year	24,105,151	55,994,313
Current-year receipts	163,844,000	220,826,000
Conditions met - transferred to revenue	(163,844,000)	(243,220,848)
Withheld from equitable share	(24,105,151)	(9,494,314)
	-	24,105,151
Conditions still to be met - remain liabilities (see note 13).		
Rural Asset Management Grant		
Balance unspent at beginning of year	1,665,925	2,424
Current-year receipts	2,682,000	2,645,000
Conditions met - transferred to revenue	-	(979,075)
Unspent Grant withheld from equitable share	(1,665,926)	(2,424)
	2,681,999	1,665,925
Conditions still to be met - remain liabilities (see note 13).		
Expanded Public Works Programme		
Current-year receipts	5,846,000	4,838,000
Conditions met - transferred to revenue	(5,283,364)	(4,838,000)
	562,636	-

uMkhanyakude District Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rands	2022	2021
21. Government grants & subsidies (continued)		
Conditions still to be met - remain liabilities (see note 13).		
Kwazibi National Lottery Grant		
Balance unspent at beginning of year	122,667	122,667
Conditions still to be met - remain liabilities (see note 13).		
Mqobela National Lottery Grant		
Balance unspent at beginning of year	166,666	166,666
Conditions still to be met - remain liabilities (see note 13).		
Mabibi National Lottery Grant		
Balance unspent at beginning of year	166,667	166,667
Conditions still to be met - remain liabilities (see note 13).		
Public Participation Customer Satisfaction Survey Grant		
Balance unspent at beginning of year	35,500	35,500
Transferred back to Cogta	(35,500)	-
	-	35,500
Conditions still to be met - remain liabilities (see note 13).		
Water Services infrastructure Grant		
Balance unspent at beginning of year	44,968,989	1
Current-year receipts	35,000,000	67,770,000
Conditions met - transferred to revenue	(16,847,550)	(22,801,012)
Unspent Grant withheld from equitable share	(44,968,989)	-
	18,152,450	44,968,989
Conditions still to be met - remain liabilities (see note 13).		
Councillors Training Grant		
Balance unspent at beginning of year	11,300	11,300
Transferred back to Cogta	(11,300)	-
	-	11,300
Conditions still to be met - remain liabilities (see note 13).		
Finance Management Grant		
Balance unspent at beginning of year	-	54
Current-year receipts	1,950,000	1,800,000
Conditions met - transferred to revenue	(1,950,000)	(1,800,054)
	-	-
Development Planning Strategy		

uMkhanyakude District Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rands	2022	2021
21. Government grants & subsidies (continued)		
Balance unspent at beginning of year	700,000	700,000
Conditions met - transferred to revenue	(590,364)	-
	109,636	700,000

Conditions still to be met - remain liabilities (see note 13).

22. Public contributions and donations

Water Infrastructure	11,164,118	-
Reconciliation of conditional contributions		
Boreholes	10,901,150	-
Generators	262,968	-
	11,164,118	-

Water supply infrastructure was donated by the department of Cogta. The assets are located across the District.

uMkhanyakude District Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rands	2022	2021
23. Employee related costs		
Basic	125,180,863	131,780,194
Pension	19,629,922	19,251,804
Bonus	9,448,270	9,542,566
Medical aid - company contributions	8,127,320	7,883,471
UIF	754,404	689,275
SDL	1,588,458	1,337,646
Life Insurance	1,063,529	956,011
Leave pay provision charge	1,452,014	(132,603)
Night Shift Allowance	857,984	446,805
Cellular and Telephone	1,609,057	113,435
Bargaining Council	40,964	41,125
Travel, accommodation, subsistence allowance	4,393,631	3,809,246
Overtime payments	6,719,739	7,252,563
Long-service awards	1,043,000	882,000
Car allowance	8,092,683	7,476,937
Housing benefits and allowances	2,003,059	2,108,488
	192,004,897	193,438,963

Remuneration of municipal manager

Annual Remuneration	1,189,813	1,043,371
Travel, housing and other allowances	721,118	307,998
Reimbursement of KM	52,070	56,508
Contributions to UIF, Medical and Pension Funds	24,189	20,297
	1,987,190	1,428,174

The Municipal Manager was suspended in August 2021 and the General Manager Technical was appointed to Act as the Municipal Manager.

MR MA Nkosi was Municipal Manager until November 2021. Dr SR Ntuli was Municipal Manager from December 2021 till June 2022.

Remuneration of chief finance officer

Annual Remuneration	744,297	264,433
Travel, housing and other allowances	308,008	47,566
Reimbursement of KM	4,729	-
Contributions to UIF, Medical and Pension Funds	16,292	2,449
Acting allowance	-	57,385
	1,073,326	371,833

The CFO Mr LB Sibisi was in the position for 10 months of the year.

Remuneration of General Manager - Corporate Service

Annual Remuneration	785,491	785,491
Travel, housing and other allowances	474,110	440,610
Contributions to UIF, Medical and Pension Funds	18,255	15,301
	1,277,856	1,241,402

Remuneration of General Manager - Community Services and Planning & Economic Development

Annual Remuneration	785,491	694,305
Travel, housing and other allowances	474,110	302,211
Reimbursement of KM	-	38,463

uMkhanyakude District Municipality

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Figures in Rands	2022	2021
23. Employee related costs (continued)		
Contributions to UIF, Medical and Pension Funds	18,255	13,586
	1,277,856	1,048,565

Remuneration of General Manager - Technical Services

Annual Remuneration	656,392	541,453
Travel, housing and other allowances	360,847	422,181
Reimbursement of KM	35,555	63,413
Contributions to UIF, Medical and Pension Funds	14,164	11,865
Acting Allowance	36,518	-
	1,103,476	1,038,912

Mr SJ MADELA resigned on the March 2022 and was replaced by Mr NE BIYASE from April 2022 until year end.

24. Remuneration of councillors

Mayor	737,022	736,763
Deputy Executive Mayor	99,926	326,171
Mayoral Committee Members	2,889,334	3,381,928
Councillors	4,831,840	4,293,617
	8,558,122	8,738,479

In-kind benefits

The Mayor, Deputy Mayor, Speaker and Mayoral Committee Members are full-time.

The Mayor, Deputy Mayor, Speaker are provided with an office and secretarial support at the cost of the Council.

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

All Councillors are reimbursed for kilometres travelled on official duties with the exception of the Mayor.

The Mayor and speaker have two full-time bodyguards and one relief bodyguard.

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

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

Additional information

The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

25. Depreciation and amortisation

Property, plant and equipment	52,573,661	57,182,800
Intangible assets	-	27,258
	52,573,661	57,210,058

26. Finance costs

Non-current borrowings	590,568	1,969,281
Trade and other payables	1,496,186	1,209,798
	2,086,754	3,179,079

uMkhanyakude District Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rands	2022	2021
27. Lease rentals on operating lease		
Equipment		
Contractual amounts	4,500,947	9,831,875
28. Debt impairment		
Contributions to debt impairment provision	29,144,416	56,073,776
Bad debts written off	161,729	-
	29,306,145	56,073,776
29. Inventory consumed		
Water	127,367,140	99,906,799
Material and supplies	-	4,982,135
	127,367,140	104,888,934
30. Bulk purchases		
Electricity - Eskom	24,313,242	12,998,265
31. Contracted services		
Outsourced Services		
Audit Committee fees	252,069	584,565
Cleaning Services	39,350	7,200
Internal Auditors	2,783,466	2,160,788
Organisational	-	7,000
Researcher	513,358	-
Consultants and Professional Services		
Financial management	5,417,278	12,657,257
Infrastructure and Planning	2,797,018	851,369
Legal Cost	14,025,867	7,472,655
Contractors		
Catering Services	1,507,976	4,017,600
Interior Decorator	1,219,546	-
Maintenance of Buildings and Facilities	893,138	76,000
Maintenance of Equipment	11,630,306	33,870,917
Maintenance of Unspecified Assets	535,793	2,247,466
Pest Control and Fumigation	-	20,000
Security services	17,649,915	15,531,234
Sewerage Services	32,748,135	69,118,872
Staff Recruitment	-	1,982,658
	92,013,215	150,605,581

uMkhanyakude District Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rands	2022	2021
32. General expenses		
Accommodation Costs	259,184	5,896,342
Advertising	273,817	148,557
Auditors remuneration	4,865,102	4,561,403
Bank charges	145,572	345,044
Communication	322,500	2,238,750
Electricity	54,329,632	32,935,541
GPS Licence Fees	1,545,749	1,081,085
Hire Charges	28,550	487,053
IT expenses	333,697	296,860
Insurance	2,208,256	2,048,111
Medical expenses	15,965	-
Motor Vehicle Licence	3,426,811	4,631,348
Transfer Payment to Umhlosinga	12,228,813	9,500,000
Postage	-	2,165
Printing and stationery	708,941	171,000
Samples and specimens	76,316	22,514
Subscriptions and membership fees	2,152,809	-
Telephone	1,823,101	1,099,951
Uniform and Protective Clothing	-	642,106
Workmen's Compensation	-	641,205
Wet Fuel	14,109,378	894,311
	98,854,193	67,643,346
33. Loss on disposal		
Property plant and equipment		
Write off of assets	-	328,921
Write off for assets is reported net of proceeds from insurance of PY R545,317. Included in write off is PY R328,921, resulting from assets written off due to either theft, obsolete, damage and/or replaced.		
34. Increase in Net realisable value		
Inventory Increase in Net realisable value	32,458,697	(777,592)
Inventory		
Water pipes- Increase in Net realisable value as price realisable value of pipes has increased	35,407,356	-
Water Meters- Decrease in water meters as the cost to repair are significant	(3,019,380)	-
	32,387,976	-
35. Impairment loss		
Impairments		
Property, plant and equipment	-	5,482,928
36. Auditors' remuneration		
Fees	4,865,102	4,561,403

uMkhanyakude District Municipality

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Notes to the Annual Financial Statements

Figures in Rands	2022	2021
37. Cash generated from operations		
Surplus	133,895,143	170,093,870
Adjustments for:		
Depreciation and amortisation	52,573,661	57,210,058
loss on sale of assets and liabilities	-	328,921
Fair value adjustments	(32,458,697)	777,592
Impairment loss	-	5,482,928
Debt impairment	29,306,145	56,073,776
Movements in retirement benefit assets and liabilities	1,101,000	2,662,000
Changes in working capital:		
Inventories	(32,458,696)	17,171,408
Receivables from exchange transactions- Other Receivables	992,591	(717,836)
Consumer debtors	(32,148,093)	(43,551,120)
Movement in interest on loan accrual	(42,328)	-
Payables from exchange transactions	33,589,061	(38,017,646)
VAT	(7,303,542)	(18,450,760)
Unspent conditional grants and receipts	(49,980,144)	13,200,657
Consumer deposits	376,736	(273,927)
	97,442,837	221,989,921

38. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	166,483,048	351,216,969
---------------------------------	-------------	-------------

Total capital commitments

Already contracted for but not provided for	166,483,048	351,216,969
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Total commitments

Total commitments

Authorised capital expenditure	166,483,048	351,216,969
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This committed expenditure relates to plant and equipment and will be financed by Municipal Infrastructure Grant funding.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	1,106,598	1,207,198
- in second to fifth year inclusive	-	1,106,598
	1,106,598	2,313,796

Operating lease payments represent rentals payable by the municipality for photocopier machines. Leases are contracted for a period of three (3) years. No contingent rent is payable. No contingent rent is payable. Lease rentals are charged at a fixed amount of R100,600. No escalations in the contract.

uMkhanyakude District Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rands	2022	2021
39. Contingencies		
As at 30 June 2021, the municipality had pending court cases with suppliers. Refer to the table below for details:		
Supplier name and details of the case		
Mageba: The supplier claims that they did engineering consulting services which the municipality disputes	-	4,124,993
Nxumalo & Partners: Disputed invoices for investigation service rendered	-	21,325,978
Ziqoqe Construction: Disputed invoices for service rendered	-	2,850,973
Duyaza Construction: Cancellation of contract	-	4,829,429
Sakhokuhle: Disputed invoices for service rendered	-	3,040,000
Salary Disparities post level 3 to 2	432,000	-
Investigation on salary disparities and poor management	72,000	-
	504,000	36,171,373

40. Related parties

Relationships

Umhlosinga Development Agency

Umhlosinga Development Agency is a municipal entity under the control of Umkhanyakude District Municipality to spearhead the economic development within the district. During the 2021 financial year, the municipality was placed under administration by COGTA, enabling it to exercise control or significant influence on the municipality through s139(4) intervention.

Cooperative Governance and Traditional Affairs (COGTA)

Related party balances

Payables - Owing to related parties

Umhlosinga Development Agency	6,388,207	6,325,270
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Expenditure incurred and Transfers paid to related parties

Umhlosinga Development Agency: Expenditure incurred (Excl VAT)	9,289,798	9,500,000
Umhlosinga Development Agency: Transfers paid (Incl VAT)	12,228,813	13,565,810

Key management information

Mayor	1
Councillors	34
Municipal Managers	1

Remuneration of management

Refer to note 23 "Employee costs" and note 24 "Remuneration of councillors" and note 47 for Councillors with arrear accounts.

41. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

uMkhanyakude District Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rands	2022	2021		
41. Prior-year adjustments (continued)				
2021				
	Note	As previously reported	Correction of error	Restated
Inventories		199,208,341	-	199,208,341
Receivables from exchange transactions -Consumer debtor		79,910,931	(31,879,536)	48,031,395
Receivables from exchange transactions- Other Receivables		1,556,183	(434,151)	1,122,032
VAT receivable		57,985,177	604,592	58,589,769
Cash and cash equivalents		174,703,990	(40)	174,703,950
Property, plant and equipment		2,129,176,060	2,685,737	2,131,861,797
Intangible assets		67,966	-	67,966
Heritage assets		586,000	-	586,000
Payables from exchange transactions		(314,025,745)	(5,430,877)	(319,456,622)
Consumer deposits		(3,159,343)	700,000	(2,459,343)
Unspent conditional grants and receipts		(82,926,987)	1,542,617	(81,384,370)
Employee benefit obligation-Short-term		(682,000)	-	(682,000)
Loans-Short-term		(926,897)	-	(926,897)
Employee benefit obligation-long-term		(11,706,000)	-	(11,706,000)
Loans-long-term		(2,755,283)	-	(2,755,283)
Accumulated surplus		(2,227,012,393)	693,252	(2,226,319,141)
		-	(31,518,406)	(31,518,406)

Statement of financial performance

2021

	Note	As previously reported	Correction of error	Re-classification	Restated
Service charges		45,199,233	-	-	45,199,233
Rental of facilities and equipment		235,851	-	-	235,851
Interest on Receivables		-	(106,536)	11,734,927	11,628,391
Other income		654,148	-	-	654,148
Interest received - investment		17,051,271	-	(11,734,927)	5,316,344
Government grants & subsidies		779,382,725	-	-	779,382,725
Employee related costs		(194,563,989)	-	1,125,025	(193,438,964)
Remuneration of councillors		(8,738,479)	-	-	(8,738,479)
Depreciation and amortisation		(57,213,083)	3,025	-	(57,210,058)
Impairment loss		(5,811,849)	-	328,921	(5,482,928)
Finance costs		(3,172,280)	(6,799)	-	(3,179,079)
Lease rentals on operating lease		-	-	(9,831,875)	(9,831,875)
Debt Impairment		(24,555,371)	(31,518,405)	-	(56,073,776)
Inventory consumed		-	(3,566,033)	(101,322,901)	(104,888,934)
Repairs and Maintenance		(35,064,805)	-	35,064,805	-
Bulk purchases		(109,339,031)	-	96,340,766	(12,998,265)
Contracted services		(63,094,936)	(66,884,122)	(20,626,523)	(150,605,581)
Loss on disposal of assets and liabilities		-	-	(328,921)	(328,921)
General Expenses		(65,127,482)	(2,891,592)	375,728	(67,643,346)
Acturial gains/losses		-	-	(1,125,025)	(1,125,025)
Surplus for the year		275,841,923	(104,970,462)	-	170,871,461

Inventory

Inventory

Audited amount	-	199,208,341
WIP-VIP toilets	-	(85,427,491)
	-	113,780,850

uMkhanyakude District Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rands	2022	2021
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41. Prior-year adjustments (continued)

Work in progress- VIP toilets was adjusted for units that had been complete but not expensed for in prior year.s

Receivables from exchange transactions -Consumer debtor

Interest on recievables incorrectly raised was reversed.

Receivables from exchange transactions -Consumer debtor

Audited Amount	-	79,910,931
Interest reversal	-	(361,130)
Provision for impairment	-	(31,518,405)
	-	48,031,396

Interest reversal-Interest on recievables incorrectly raised was reversed.

Provision for impairment- Provision for impairment was recalculated and adjusted upwards

Other Receivables from exchange transactions

The following adjustments occurred:Reversal of Prepayment for licence.

Other Receivables from exchange transactions

Audited Amount	-	1,556,183
Reversal of Prepayment	-	(15,603)
	-	1,540,580

Reversal of prepayment of caseware licence previously raised

VAT

VAT

Audited Amount	-	79,910,931
VAT Adjustment	-	(21,321,162)
	-	58,589,769

Adjustments to VAT due to various Adjustment to expenditure.

Property Plant and Equipment

Property plant and equipment

Audited Amount	-	2,129,176,060
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Consumer Deposits

Audited Amount	-	3,159,343
Development Strategy grant not alloacted to unspent grants	-	(700,000)
Restated opening balance	-	2,459,343

Development Strategy grant not allocated to unspent grants

uMkhanyakude District Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rands	2022	2021
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41. Prior-year adjustments (continued)

Payables

Audited Amount	-	314,025,745
Retentions	-	1,613,546
Umhlosinga	-	12,937
Employee related deductions and suspense accounts-Workmens compensation	-	648,003
Payables	-	3,156,388
Restated opening balance	-	319,456,619

Workmens compensation not previously raised.

Retention- Additional retention raised

Umhlosinga additional amount raised

Unspent grants

Audited Amount	-	82,826,987
Development Planning Strategy Grant- from Consumer deposits	-	700,000
Cogta Grants recognised	-	(2,242,617)
Restated opening balance	-	81,284,370

Development Planning Strategy Grant- allocated from Consumer deposits.

Other Cogta grants recognised

uMkhanyakude District Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rands	2022	2021
41. Prior-year adjustments (continued)		
Interest on receivables		
Interest on receivables		
Audited Amount	-	11,734,927
Interest reversal	-	106,536
	-	11,841,463
Depreciation		
Depreciation		
Audited Amount	-	57,213,083
Finance Cost		
Finance cost		
Audited Amount	-	3,172,280
Interest	-	6,799
	-	3,179,079
Debt Impairment		
Debt impairment		
Audited Amount	-	24,555,371
Impairment provision	-	31,518,405
	-	56,073,776
Inventory consumed		
Inventory Consumed		
Correction-Senekal	-	3,566,033
Reclassification from bulk purchases	-	101,322,901
	-	104,888,934
Contracted services		
Contracted services		
Audited amount	-	63,094,936
Recognition of VIP toilets	-	66,884,122
Recalssification	-	20,626,523
	-	150,605,581
General expenses		
General expenses		
Audited Amount	-	65,127,482
Additional Expenditure raised	-	2,891,592
Reclassification	-	(375,728)
	-	67,643,346
42. Risk management		
Financial risk management		

uMkhanyakude District Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rands	2022	2021
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42. Risk management (continued)

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.

Yearly cash flow forecasts are prepared to monitor the municipality's liquidity commitments.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At June 30, 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long term loans	1,060,234	1,754,823	-	-
Trade and other payables	320,360,242	-	-	-
Consumer and other deposits	2,836,079	-	-	-
At June 30, 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long term loans	926,897	1,060,234	1,754,823	-
Trade and other payables	319,884,667	-	-	-
Consumer and other deposits	2,459,343	-	-	-

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. Receivables from exchange transactions are settled on a monthly basis, however some customers are not paying in time. Upon the new connections the consumers pays deposit in advance.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2022	2021
Receivables from exchange transactions- Consumer debtors	50,873,343	48,031,395
Other receivables from exchange transactions	557,489	1,550,080
Cash and cash equivalents	159,111,891	174,703,950

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

The municipality's interest rate risk arises from long-term borrowings from DBSA. At year end, financial instruments exposed to interest rate risk were as follows:

- A portion of the loan from Development Bank of South Africa that has semi- floating interest rate linked to Jibar. The municipality does not have any hedge cover for the risk of changes in interest rate, however it invests all its surplus funds from time to time during the year with banks, which yield interest income to help cover for any losses from change in interest rate.
- FNB Bank and ABSA deposits: The municipality invests surplus funds from time to time to earn interest income. Interest earned on surplus funds is variable bases on the changes in prime rate. The municipality does not have any cover for the risk of changes interest in interest rate.

uMkhanyakude District Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rands	2022	2021
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43. Going concern

We draw attention to the fact that at June 30, 2022, the municipality had an accumulated surplus of 2,241,424,366 and that the municipality's total liabilities exceed its assets by 2,241,424,366.

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.

44. Events after the reporting date

The municipality received a letter date 4 November 2022 from National Treasury indicating that, The National Treasury has finalised the unspent conditional grant process for the 2021/22 financial year subsequent to year end and has determined the unspent amount to be repaid to the National Revenue Fund (NRF).

For the municipality, National Treasury concluded that an amount of R209.3 million remains unspent and should be repaid to the NRF. The unspent amount is in respect of the Financial Management Grant (R1.9 million), Rural Roads Assets Management Systems Grant (R2.7 million), Expanded Public Works Programme Integrated (R5.9 million), Water Services Infrastructure Grant (R35 million) and Municipal Infrastructure Grant (R163.8 million). The unspent funds are reflected in the 2021/22 fourth quarter Section 71 publication due to non-submission of the absence of the 2022 pre-audited AFS. These unspent amounts were not requested for rollover.

The municipality was required to surrender these amounts by the 18th of November 2022. Should the municipality fail to return the unspent conditional grants to the National Revenue Fund or comply with section 21(1) of the of the 2021 Division of Revenue Amendment Act, (Act No. 17 of 2021) (DoRAA). National Treasury will offset the entire unspent amount from the municipality's 07 December 2022 equitable share installment available to your municipality in terms of section 21(4) of the 2021 DoRA.

The municipality was given 14 days to respond to the letter, which the municipality responded and indicating to National Treasury that these amounts are not a true reflection and had resulted from the fact that National Treasury utilises the 2022 pre-audited Annual Financial Statements (AFS) to update the unspent conditional grants dataset and to determine the amount to be surrendered to the National Revenue Fund against the 2021/22 allocation, in the absence of the AFS, National Treasury used the Section 71 report for the fourth quarter of 2021/22 to determine the amount to be surrendered to the NRF.

Updated amounts were provided, Rural Roads Assets Management Systems Grant (R2.7 million), Expanded Public Works Programme Integrated (R500 thousand), Water Services Infrastructure Grant (R18.2 million) were the amounts of unspent grants at 30 June 2022. The municipality is currently still awaiting response from National Treasury.

45. Unauthorised expenditure

Opening balance as previously reported	455,157,216	423,299,536
Add: Unauthorised expenditure - current	48,676,681	31,857,680
Closing balance	503,833,897	455,157,216

Unauthorised expenditure in the current financial year was incurred as a result of expenditure which exceeded the approved budget.

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Non-cash	7,925,145	-
Cash	40,751,536	-
	48,676,681	-

Analysed as follows: non-cash

Debt impairment	7,925,145	-
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uMkhanyakude District Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rands	2022	2021
45. Unauthorised expenditure (continued)		
Analysed as follows: cash		
Employee related costs	16,502,396	-
Inventory Consumed	24,249,140	-
	40,751,536	-
46. Fruitless and wasteful expenditure		
Opening balance as previously reported	90,856,233	81,071,613
Add: Fruitless and wasteful expenditure identified - current	1,546,327	9,784,620
Closing balance	92,402,560	90,856,233
Fruitless and wasteful expenditure is presented inclusive of VAT		
Fruitless and wasteful expenditure comprise of interest and penalties relating to SARS, and late payment of creditors(Telkom, Auditor General, BIGEN AFRICA, NJM RETIREMENT FUND, SA POST OFFICE, HATCH AFRICA (PTY) LTD.Department of labour.)		
47. Irregular expenditure		
Opening balance as previously reported	2,997,252,573	2,803,908,179
Add: Irregular expenditure - Prior year contracts	-	191,910,692
Add: Irregular expenditure - Current year contracts	-	1,433,702
Add: Irregular expenditure - Prior year expenditure discovered during the year	1,321,605,422	-
Add: Current year expenditure	202,368,035	-
Closing balance	4,521,226,030	2,997,252,573
48. Additional disclosure in terms of Municipal Finance Management Act		
Audit fees		
Opening balance	-	30,101
Current year subscription / fee	4,865,102	5,284,635
Amount paid - current year	-	(5,284,635)
Amount paid - previous years	-	(30,101)
	4,865,102	-
PAYE and UIF		
Opening balance	1,795,618	2,524,019
Current year deductions withheld	34,063,700	37,734,981
Amount paid - current year	(33,960,623)	(38,463,382)
	1,898,695	1,795,618
Pension and Medical Aid Deductions		
Opening balance	4,052,405	1,708,602
Current year deductions withheld	60,737,896	42,402,586
Amount paid - current year	(60,614,493)	(40,058,783)
	4,175,808	4,052,405

uMkhanyakude District Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rands	2022	2021
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48. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at June 30, 2022:

June 30, 2022	Outstanding less than 90 days	Outstanding more than 90 days	Total
MR TS MOODLEY	8,218	305,122	313,340
MR BI ZUNGU	176	13,373	13,549
MR SF MDAKA	118	831	949
	8,512	319,326	327,838

June 30, 2021	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor GP Moodley	-	232,534	232,534
Councillor MC Zungu	-	36,510	36,510
Councillor MA Gina	-	1,840	1,840
	-	270,884	270,884

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

Supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Items of goods and services were procured during the current financial year which deviated from the provisions of paragraph 12(1)(d)(i) as reflected above. As at 30 June 2022, deviations from Municipal Supply Chain Management Regulations for the year are as follows:.

Incident

Total Deviations for the year	1,707,824	4,231,733
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SALGA Fees

Opening balance	5,776,015	3,734,685
Current year subscription/fee	2,152,809	2,041,330
Amount paid - current year	(1,809,202)	-
	6,119,622	5,776,015

49. Budget differences

Material differences between budget and actual amounts

uMkhanyakude District Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rands	2022	2021
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49. Budget differences (continued)

Service charges- The municipality is not billing all the consumers in the database. Mostly urban and business consumers are being billed resulting in this large variance between the actual billing and the final budget.

Rental of facilities- The rental that was received is less than the budget.

Interest - Investment revenue- The municipality exceeded the projection estimate for interest on investment, this is mainly because the amount invested during the financial year was more than what was expected to be invested during the year.

Interest - Outstanding debtors- The municipality under budgeted for the interest on outstanding debtors.

Other revenue- very little revenue was received in the current year from other sources that are not core to the municipality

Transfers Revenue- There was a special adjustment in grants receivable reduced the grants for the year

Public donations and donations - Assets were donated to the municipality and these were not budgeted for

Employee related costs- The municipality had budgeted to fill certain critical vacant posts during the second half of the year and that did not materialise. Also the last two months of the financial year had a municipal shutdown as staff went on strike.

Remuneration of councillors- During the year the municipal council did not sit normally resulting in councillors that are paid a sitting allowance not being paid. This caused the underspending on the item.

Debt impairment- A more vigorous approach to providing for uncollectable debtors was followed at year end to calculate the year end provision.

Depreciation & asset impairment- Less projects were capitalised during the financial year. More Impairment was also provided for on PPE as the infrastructure was very poor.

Finance charges- The municipality over budgeted for finance charges. The expectation was that the more interest would be incurred as a result of long-outstanding creditors that were paid via court orders. Fewer court order payments were made in the last half of the year thus rendering the estimate much higher than the actual.

Bulk purchases- The bulk purchases for electricity were over-budgeted by 16%.

Inventory consumed- The item was under-budgeted. One bulk water supplier was not accounted for in the budget and the overall estimate was inadequate.

Contracted expenditure- The municipality managed to lower the contracted expenditure in this financial year.

Lease rentals on operating lease- The lease rental was over budgeted.

General expenses- There were a lot of litigation expenses from court orders that were not expected.

50. Distribution losses

Distribution Losses

Electricity distribution losses	20,341,404	15,573,381
Water Distribution losses	52,230,750	48,176,329
	72,572,154	63,749,710

uMkhanyakude District Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rands	2022	2021
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50. Distribution losses (continued)

	2022		c	
Figures in Rands	KWh Units	Rand	KWh units	Rand
Electricity Purchases	12,770,644	25,054,385	13,313,924	19,646,750
Electricity sales	(1,895,062)	(4,712,981)	(2,462,164)	(4,073,369)
Subtotal	10,875,582	20,341,404	10,851,760	15,573,381
	10,875,582	20,341,404	10,851,760	15,573,381

	2022		2022	
Figures in Rands	KL	Rand	KL	Rand
Water Distribution losses	7,494,750	52,230,750	6,982,077	48,176,329
Water Loss %	41	41	37	37
Subtotal	7,494,791	52,230,791	6,982,114	48,176,366
	7,494,791	52,230,791	6,982,114	48,176,366

**ANNEXURE B: AUDITOR GENERAL'S REPORT –
JUNE 2022**

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

FOR THE YEAR ENDED 30 JUNE 2022

uMkhanyakude District Municipality



**AUDITOR - GENERAL
SOUTH AFRICA**

Auditing to build public confidence

Report of the auditor-general to the KwaZulu-Natal Provincial Legislature and the council of Umkhanyakude District Municipality

Report on the audit of the financial statements

Disclaimer of opinion

1. I was engaged to audit the financial statements of the Umkhanyakude District Municipality set out on pages x to x, 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. I do not express an opinion on the financial statements of the municipality. Because of the significance of the matters described in the basis for disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

Inventory

3. The municipality did not recognise inventory at the lower of cost and net realisable value in accordance with SA Standard of generally recognised accounting practice (GRAP) 12, *Inventories*. The municipality's inventory is reported at R145,46 million (2021: R113,01 million), which did not indicate the net realisable value thereof. I was unable to determine the extent of the misstatement on the net carrying amount of inventory in the financial statements as it was impracticable to do so.

Receivables from exchange transactions and debt impairment

4. The municipality did not calculate the provision for impairment of debtors in accordance with the SA Standard of GRAP 104, *Financial instruments*. The municipality applied a uniform rate for all the debtors in calculating the impairment provision and did not assess the credit risk for a group or sub-group of debtors, as required. Consequently, receivables from exchange transactions are misstated. I was unable to determine the full extent of the misstatements as it was impracticable to do so. Furthermore, I was unable to obtain sufficient appropriate audit evidence that receivables from exchange transactions were properly accounted for due to the lack of accounting records. I was unable to confirm the receivables from exchange transactions by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to receivables from exchange transactions stated at R50,87 million (2021: R48,03 million) in note 4 to the financial statements.

Property, plant and equipment

5. I was unable to obtain sufficient appropriate audit evidence that management had properly accounted for property, plant and equipment due to the poor status of the accounting records. I could not confirm the property, plant and equipment by alternate means. Consequently, I was unable to determine whether any further adjustments to property, plant and equipment stated at R2,2 billion (2021: 2,1 billion) in note 8 to the financial statements were necessary.
6. The municipality did not adequately assess whether there were indicators of impairment of assets in accordance with the SA Standards of GRAP 21, *Impairment of Non-cash-generating Assets*. Asset with indicators of impairment were not impaired, as impairment assessment was not conducted for all assets. I was unable to determine the full impact on the net carrying amount of property plant and equipment as it was impracticable to do so.
7. The municipality did not review the residual values and useful lives of property, plant and equipment at each reporting date in accordance with GRAP 17, *Property, plant and equipment*. I was unable to determine the impact on the net carrying amount of property, plant and equipment stated at R2,2 billion, as it was impracticable to do so.

Payables from exchange transactions

8. The municipality did not have adequate systems to maintain records of accounts payable for goods and services received but not yet paid for. This resulted in payables from exchange being understated by R 9,80 million. In addition, I was unable to obtain sufficient appropriate audit evidence for the amounts disclosed as payables from exchange due to the poor status of accounting records. I could not confirm payables by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to payables from exchange stated at R 320,36 million in the financial statements.

Revenue from exchange transactions

9. The municipality did not account for service charge revenue in accordance with SA Standards of GRAP 9, *Revenue from exchange transactions*. I was unable to determine the full extent of the misstatement of the revenue from exchange transactions reported at R36,80 million (2021: R45,20 million) and the related receivables from exchange transactions of R50,87 million (2021: R48,03 million) in the financial statements as it was impracticable to do so. Additionally, there was an impact on the surplus for the period and on the accumulated surplus.

Expenditure

10. I was unable to obtain sufficient appropriate audit evidence for expenditure due to the poor status of the accounting records. I could not confirm the expenditure by alternative means. In addition, contracted services was recorded in the incorrect accounting period resulting in contracted overstated by R 10,13 million. Consequently, I was unable to determine whether any adjustment relating to expenditure stated at R 631,58 million (2021: R664,61 million) and related payables in the financial statements was necessary.

Unauthorised, irregular and fruitless and wasteful expenditure

11. The municipality did not have adequate systems to maintain records of unauthorised, irregular, fruitless, and wasteful (UIFW) expenditure incurred during the year. This resulted in UIFW expenditure being misstated by amounts that could not be determined. I was unable to determine the full extent of the misstatement as it was impracticable to do so. In addition, I was unable to obtain sufficient appropriate audit evidence for the amounts disclosed as UIFW expenditure. I could not confirm these amounts by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to UIFW expenditure stated at R503,83 million, R4,52 billion and R92,40 million respectively in the financial statements.

Contingent liabilities

12. I was unable to obtain sufficient appropriate audit evidence for contingent liabilities, as the municipality did not maintain accurate and complete records of the information used to determine contingent liabilities. Adjustment made to previous year balances, but the adjustments could not be substantiated by supporting audit evidence. I could not confirm the contingent liability by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to contingent liability stated at R0,50 million (2021: R36,17 million) in the financial statements.

Distribution losses

13. I was unable to obtain sufficient appropriate audit evidence for the water and electricity losses disclosed at R52,23 million (2021: R48,17 million) and R20,34 million (2021: R15,57 million) respectively, in note 50 to the financial statements. This was due to inadequate systems and processes for the recording and monitoring of these losses. I could not confirm the disclosed losses through alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the water and electricity losses disclosed in the financial statements.

Commitments

14. I was unable to obtain sufficient appropriate audit evidence for commitments, as the municipality did not maintain accurate and complete records of the contractual information used to determine commitments. I could not confirm the commitments by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to commitments stated at R166,48 million (2021: R351,22 million) in the financial statements.

Prior year adjustments

15. I was unable to obtain sufficient appropriate audit evidence for the previous period errors disclosed, as some supporting information was not provided. I was unable to confirm the restatement by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the correction of error note disclosed in note 41 to the financial statements.

16. 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.
17. 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.
18. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my disclaimer opinion.

Other matter

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

Unaudited disclosure notes

20. 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

21. 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 Municipal Finance Management Act (MFMA) and Division of Revenue Act (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.
22. 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

23. My responsibility is to conduct an audit of the financial statements in accordance with the International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

24. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA code), as well as the other ethical requirements that are relevant to my audit of the financial statements in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

Report on the audit of the annual performance report

Introduction and scope

25. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected objective presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
26. 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.
27. 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 presented in the municipality's annual performance report for the year ended 30 June 2022.
28. 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.
29. The material findings on the usefulness and reliability of the performance information for the selected objective are as follows:

Basic service delivery and infrastructure development

Number of kilometres of bulk pipes installed for provision of potable water in Umkhanyakude

30. I was unable to obtain sufficient appropriate audit evidence that clearly defined the predetermined source information as the target was not specific (i.e. the nature and required level of performance clearly identified). This was due to a lack of measurement definitions and processes. I was unable to test whether the indicator was well-defined by alternative means.

Number of kilometres of reticulation pipes installed for provision of potable water in Umkhanyakude

31. I was unable to obtain sufficient appropriate audit evidence that clearly defined the predetermined source information as the target was not specific (i.e. the nature and required level of performance clearly identified). This was due to a lack of measurement definitions and processes. I was unable to test whether the indicator was well-defined by alternative means.

Minimum percentage of functional potable water plants achieved

32. There was no clear and logical link on how the indicator and reported achievement (reports) will contribute to achieving the planned outcomes or will measure the actual service delivery and the planned output to which it relates as the target measured the minimum percentage of functional potable water plants and sanitation plants achieved.

Minimum percentage of functional sanitation plants achieved

33. There was no clear and logical link on how the indicator and reported achievement (reports) will contribute to achieving the planned outcomes or will measure the actual service delivery and the planned output to which it relates as the target measured the minimum percentage of functional portable water plants and sanitation plants achieved.

Various Indicators

34. There was no clear and logical link on how the indicators and targets listed below will contribute to achieving the planned outcomes or will measure the actual service delivery and the planned output to which they relate. The indicators focused on preparing monitoring reports instead of the actual delivery of quality houses. Adequate systems and processes were not established to enable consistent measurement and reliable reporting of performance against the predetermined indicator definitions. As a result, I was unable to obtain sufficient appropriate audit evidence for the achievements reported in the annual performance report for the listed indicators. I was unable to confirm the verifiability of the indicator and the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements.

Indicator	Target	Reported achievement
Minimum percentage of functional potable water plants achieved	Not less than 95% of functional potable water plants (baseline: 36 in total) by 30 June 2022	12 reports
Minimum percentage of functional sanitation plants achieved	Not less than 95% of functional sanitation plants (baseline: 11 in total) by 30 June 2022	12 reports

Indicator	Target	Reported achievement
Number of implementable ready projects for 22/23 FY	6 implementable ready projects for 22/23 FY completed by 30 June 2022	2 implementable ready projects for 22/23 FY completed by 30 June 2022
Number of households in UMkhanyakude District with access to water borne sanitation	500 Households with access to waterborne (high level of service) for sanitation provision by 30 June 2022	300 Households with access to waterborne (high level of service) for sanitation provision by 30 June 2022

Other matter

35. I draw attention to the matter below.

Achievement of planned targets

36. The annual performance report on pages x to x sets out information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 32, 33, 34 and 35 of this report.

Report on the audit of compliance with legislation

Introduction and scope

37. 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.

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

Financial statements

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

40. The annual financial statements were not submitted to the Auditor-General, for auditing, within two months after the end of the financial year, as required by section 126(1)(a) of the MFMA.

Expenditure management

41. Reasonable steps were not taken to prevent unauthorised expenditure, as required by section 62(1)(d) of the MFMA. The full extent of the unauthorised expenditure could not be quantified as indicated in the basis for disclaimer paragraph. The majority of the disclosed unauthorised expenditure was caused by the lack of monitoring of expenditure against budgets and contracts.
42. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The full extent of the irregular expenditure could not be quantified as indicated in the basis for disclaimer opinion paragraph. The majority of the disclosed irregular expenditure was caused by issues relating to contract management.
43. Reasonable steps were not taken to prevent fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA. The full extent of the fruitless and wasteful expenditure could not be quantified as indicated in the basis for disclaimer paragraph. The majority of the disclosed fruitless and wasteful expenditure was caused by interest and penalties paid to South African Revenue Services and late payment of creditors, cancellation of contracts, infrastructure assets paid for but that could not be verified and inventory written off as impairment.
44. An adequate management, accounting and information system was not in place which recognised expenditure when it was incurred, as required by section 65(2)(b) of the MFMA.
45. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.

Revenue management

46. An effective system of internal control for debtors and revenue was not in place, as required by section 64(2)(f) of the MFMA.
47. Revenue due to the municipality was not calculated on a monthly basis, as required by section 64(2)(b) of the MFMA.
48. Accounts for service charges were not prepared on monthly basis, as required by section 64(2)(c) of the MFMA.

Asset management

49. An effective system of internal control for assets was not in place, as required by section 63(2)(c) of the MFMA.

Consequence management

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

52. Fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

Strategic planning and performance management

53. The local community was not consulted on the drafting and implementation of the Integrated development plan (IDP), as required by section 29(1)(b)(ii) of the MSA on drafting of the IDP and municipal planning and performance regulation 15(1)(a)(i).
54. The local community was not afforded the opportunity to comment on the final draft of the IDP before adoption, as required by section 42 of the MSA and municipal planning and performance management regulation 15(3).
55. The IDP was not adopted by the council after the start of its elected term, as required by section 25(1) of the MSA.
56. The SDBIP for the year under review did not include monthly revenue projections by source of collection and the monthly operational and capital expenditure by vote, and the service delivery targets and performance indicators for each quarter as required by section 1 of the MFMA.
57. The performance management system and related controls were not maintained as it did not describe how the performance measurement and reporting processes should be conducted and organised, as required by the municipal planning and performance management regulation 7(1).

Procurement and contract management

58. 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 by supply chain management (SCM) Regulation 17(1)(a) and (c). Similar non-compliance was also reported in the prior year.
59. Some of the quotations were accepted from bidders whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of SCM regulation 43.
60. The preference point system was not applied on some of the procurement of goods and services above R30 000 as required by section 2(1)(a) of the Preferential Procurement Policy Framework Act. Similar non-compliance was also reported in the prior year.
61. Sufficient appropriate audit evidence could not be obtained that quotations were awarded to suppliers based on preference points that were allocated and calculated in accordance with the requirements of section 2(1)(a) Preferential Procurement Policy Framework Act and its regulations.
62. Sufficient appropriate audit evidence could not be obtained that contracts were extended or modified with the approval of a properly delegated official as required by SCM Regulation 5. Similar limitation was also reported in the prior year.

63. Sufficient appropriate audit evidence could not be obtained that the performance of contractors or providers was monitored on a monthly basis as required by section 116(2) of the MFMA. Similar limitation was also reported in the prior year.
64. Sufficient appropriate audit evidence could not be obtained that contract performance and monitoring measures were in place to ensure effective contract management as required by section 116(2)(c)(ii) of the MFMA. Similar limitation was also reported in the prior year.

Human resource management

65. The municipal manager and senior managers did not sign performance agreements within the prescribed period, as required by section 57(2)(a) of the MSA.

Other information

66. 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 objective presented in the annual performance report that have been specifically reported in this auditor's report.
67. 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.
68. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objective presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
69. As a result of the disclaimer of opinion expressed on the financial statements, I do not conclude on material misstatements of the other information relating to the financial statements. If, based on the work I have performed relating to the audit of performance information and compliance with legislation, I conclude that there is a material misstatement of this information, I am required to report this fact. I have nothing to report in this regard.

Internal control deficiencies

70. 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 thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for disclaimer of opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.
71. Leadership did not exercise adequate oversight responsibility regarding financial and performance reporting and compliance with laws and regulations. Leadership had not ensured that the respective staff members were sent for training in respect of their work requirements to ensure that they had a good understanding of all the required legislations,

regulations, policies and procedures, therefore, preventing the effective implementations thereof. The leadership was also slow to respond to key control deficiencies highlighted in the prior year financial year, with audit action plans not being fully implemented and a number of repeat findings being noted during the external audit performed.

Material irregularities

72. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit and on the status of the material irregularities reported in the previous year's auditor's report.

Material irregularities identified during the audit

73. The material irregularities identified are as follows:

Service charges not billed monthly

74. During the annual audit for 2019-20 at the municipality, we identified a material irregularity relating to the loss of revenue due to fact that the municipality did not bill a substantial number of its customers for services rendered for actual water usage. Furthermore, the municipality did not bill the consumers using average billing for the months where actual monthly meter readings were not done.
75. The accounting officer failed to comply with section 64(2)(b) of the MFMA by ensuring that customers were billed on a monthly basis. An estimated financial loss of R12 633 148.78 in respect of water service charges not billed was determined by the audit team for the 2019/20.
76. The accounting officer was notified of the material irregularity on the 28th of March 2021 and invited to make a written submission on the actions taken and that will be taken to address the matter.
77. We have followed up actions taken by accounting officer to address the material irregularity and during the assessment the actions were considered insufficient.
78. I notified the accounting officer on 7 September 2022 of the following recommendations, which should have been implemented by 7 December 2022:
- a. Reasonable steps should be taken to ensure that revenue due to the municipality is calculated for all consumers on a monthly basis as required by section 64(2)(b) of the MFMA. The steps taken should include a plan on replacing or fixing faulty meters, ensuring that meter readings are taken regularly and that consumers are billed as indicated in the municipal bylaws and applicable policies of the municipality.
 - b. Appropriate action should be taken in accordance with the applicable policies of the municipality to bill consumers that were not billed.

- c. The non-compliance should be investigated to determine if any official might have committed an act of financial misconduct or an offence in terms of Chapter 15 of the MFMA.
- d. Disciplinary or, where appropriate, criminal proceeding should commence, without undue delay, against any official who has allegedly committed an act of financial misconduct or an offence, as required by section 62(1)(e) of the MFMA and in the manner prescribed by the Municipal Regulations on Financial misconduct procedures and Criminal Proceedings.
- e. If a senior manager of the municipality has allegedly committed an act of financial misconduct, the accounting officer must report the allegation to the municipal council, the Provincial Treasury and the National Treasury as required by Regulation 3(1) of the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceeding.

79. A progress report on the status of the recommendations was received on the 26th of January 2023. We have assessed the response and based on the progress that we have noted on the implementation of the recommendations, based on the progress, an additional 6 months for implementation has been approved with specific conditions for the Municipality to implement the recommendations. The revised implementation date is 13 September 2023.
80. I will follow up on the implementation of the recommendations during our next audit.

Interest incurred on late payments of supplier- Barzani Developments (PTY) Ltd

81. The municipality failed to ensure that the payments due to a supplier, were made within 30 days of the invoice date. They were notification of debt issued by the supplier and municipal management signed the acknowledgement of debt, subsequently entered to a payment arrangement with the supplier undertaking payment of the outstanding amount of R32 429 598 over 36 monthly instalment period at an interest rate of 5% per annum and thus incurred interest on the outstanding balance was amounting to of R1.2 million for the 2019- 20 year, with a further R0.4 million in interest still to be incurred over the remainder of the settlement agreement period.
82. The accounting officer failed to comply with section 65(2)(e) by not ensuring that money owed by the municipality was settled within 30 days of receipt of relevant invoice.
83. The non-compliance resulted in a likely material financial loss for the municipality as the supplier charged interest amounting to R2.56 million.
84. The notification was issued on the 28th of March 2021 and the accounting officer made a submission on the 21st of April 2021.
85. Actions taken by the accounting officer to address the material irregularity were considered insufficient as there were no commitments on when the financial recovery plan will be adopted and implemented by the municipality, there are also no commitment dates to achieve the short, medium and long term strategies included on the financial recovery plan.

86. I notified the accounting officer on 7 September 2022 of the following recommendations, which should have been implemented within 6 months of date of notification:
- a. The non-compliance should be investigated to determine if any official might have committed an act of financial misconduct or an offence in terms of Chapter 15 of the MFMA.
 - b. Any person(s) liable for the losses should be identified and appropriate action should commence to recover the financial loss. The recovery process should not be unduly delayed.
 - c. Disciplinary proceeding should commence against any official who has allegedly committed an act of financial misconduct or an offence, as required by section 62(1)(e) of the MFMA and in the manner prescribed by the Municipal Regulations on Financial misconduct procedures and Criminal Proceedings.
 - d. If a senior manager of the municipality has allegedly committed an act of financial misconduct, the accounting officer must report the allegation to the Municipal Council, the Provincial Treasury and the National Treasury as required by Regulation 3(1) of the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceeding.
 - e. If it appears that the municipality suffered the financial loss through theft, this should be reported to the South African Police service, as required by section 32(6)(b) of the MFMA.

Failure to collect long outstanding debtors

87. The AO failed to take steps to collect long outstanding debts due to the municipality. Management sighted that meter reading and billing issues as the cause of not collecting amounts due from its customers.
88. The accounting officer failed to comply with section 62(1)(f)(iii) by not ensuring the Municipality take reasonable steps to recover these outstanding debt as required in terms of the Municipality's Credit Control Policy.
89. The non-compliance resulted in a likely material financial loss for the municipality estimated to be R127 million based on historical data
90. The notification was issued on the 9th of April 2021 And the AO made a submission on the 1st of June 2021
91. Actions taken by the accounting officer to address the material irregularity were considered to be insufficient as the accounting officer's response did not provide detailed evidence and progress reports of committed actions.
92. I notified the accounting officer on 7 September 2022 of the following recommendations, which should have been implemented within 6 months of date of notification:
- a) Appropriate action should be taken to fill all key vacancies in the department / unit responsible for collection of revenue.

- b) Appropriate actions to validate and/or update customer information should commence in order to enable the municipality to send monthly statements and recover monies owing to it.
- c) Appropriate action should be taken to review and update the credit control policy to include effective collection processes or measures to enforce payment.
- d) Reasonable steps should be taken to fully implement the credit control policy of the municipality as required by section 62(1)(f)(iii) of the MFMA in order to recover monies owing by existing debtors

Unverified assets written off

- 93. In prior financial years the municipality changed the consultant used to verify the assets. Upon completion of the verification, the new consultants drew up a list of assets that could not be verified. The municipality wrote off infrastructure assets that was paid for in prior years but could not be verified in the 2019/20 financial year to the value of R16.7 million This is evident of the municipality having an ineffective system of control over municipal assets.
- 94. The accounting officer failed to comply with section 63(1)(a) by not ensuring that assets of the municipality are appropriately safeguarded
- 95. The non-compliance resulted in a material financial loss for the municipality as assets amounting to R16.7 million were written off
- 96. The accounting officer was notified of the material irregularity on the and invited to make writtend submission on the actions taken and that will be taken to address the matter.
- 97. Actions taken by the accounting officer to address MI were considered to be insufficient as municipality had indicated that they appointed a legal firm to conduct an investigation into the R16,7 million write off, however, the scope of work had not been provided to determine if the method of investigation is appropriate in addressing the requirements of the material irregularity.
- 98. I notified the accounting officer on 7 September 2022 of the following recommendations, which should have been implemented within 6 months of date of notification:
 - a. The non-compliance should be investigated to determine if any official might have committed an act of financial misconduct or an offence in terms of Chapter 15 of the MFMA.
 - b. Any person(s) liable for the losses should be identified and appropriate action should commence to recover the financial loss. The recovery process should not be unduly delayed.
 - c. Disciplinary proceeding should commence against any official who has allegedly committed an act of financial misconduct or an offence, as required by section 62(1)(e) of the MFMA and in the manner prescribed by the Municipal Regulations on Financial misconduct procedures and Criminal Proceedings.

- d. If a senior manager of the municipality has allegedly committed an act of financial misconduct, the accounting officer must report the allegation to the Municipal Council, the Provincial Treasury and the National Treasury as required by Regulation 3(1) of the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceeding.
- e. Reasonable steps should be taken to safeguard the assets of the municipality from any further losses as required by section 63(1)(a) of the MFMA.
- f. If it appears that the municipality suffered the financial loss through theft, this should be reported to the South African Police service, as required by section 32(6)(b) of the MFMA.

99. I will follow up on the implementation of the recommendations during our next audit.

Material irregularities in progress

100. I identified other material irregularities during the audit and notified the accounting officer, as required by material irregularity regulation 3(2). By the date of this auditor's report I had not yet completed the process of evaluating the response from the accounting officer. This material irregularity will be included in the next year's auditor's report.

Status of previously reported material irregularities

Unused water pipes not appropriately safeguarded

- 101. There are a large number of water pipes that were bought but not used in any projects. These pipes were purchased in 2012, a very small number was used in 2015/16 financial year, These pipes have been left in various sites with no security, no shelter, stacked together, left under bad weather conditions which has resulted in deterioration. The value of the water pipes remain at R107,422,788 in the 2020/21 financial statement.
- 102. The accounting officer failed to appropriately safeguard its water pipes stock in accordance with section 63(2)(c) read with 63(1)(a) of the MFMA which has resulted in the impairment of the water pipes stock which could have been avoided. Both the auditors and management engaged the services of experts to value the water pipes stock and both experts expressed a view that the water pipes stock were impaired. The non-compliance is likely to result in a material financial loss for uMkhanyakude District Municipality as the pipes are currently unusable due to poor storage conditions that has deteriorated its economic value or service potential.
- 103. The accounting officer was notified of the material irregularity on 28 March 2021. The accounting officer committed to safeguard the assets and to conduct an assessment of the best options in preventing further losses, this would include selling the pipes and identifying future projects where these pipes will be used.
- 104. We have followed up actions taken by accounting officer to address the material irregularity and during the assessment the actions were considered insufficient.

105. I recommend that the accounting officer should take the following actions to address the material irregularity, which should be implemented within six (6) months:

- 1) The non-compliance should be investigated to determine if any official might have committed an act of financial misconduct or an offence in terms of Chapter 15 of the MFMA.
- 2) The financial loss should be quantified and all person(s) liable for the losses should be identified and appropriate action should commence to recover the financial loss. The recovery process should not be unduly delayed.
- 3) Disciplinary proceedings should commence, without undue delay, against all officials who have allegedly committed an act of financial misconduct or an offence, as required by section 62(1)(e) of the MFMA and in the manner prescribed by the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.
- 4) If a senior manager of the municipality has allegedly committed an act of financial misconduct, the AO must report the allegation to the municipal council, the Provincial Treasury and the National Treasury as required by regulation 3(1) of the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.
- 5) Reasonable steps should be taken to safeguard these assets of the municipality from any further losses as required by section 63(1)(a) of the MFMA read with section 63(2)(c) of the MFMA.

106. I will follow up on the implementation of the recommendations during our next audit.

Write down of water meters

107. During the 2015/16 financial year, uMkhanyakude District Municipality purchased 11 000 smart water meters as part of the non-revenue project with the objective to replace damaged or dysfunctional water meters to improve on revenue collection. To date, 5930 water meters remain unused and have been stored in Jozini stores. The municipality undertook an exercise in the 2018/19 financial year to assess the condition of the water meters in storage. The report on the conditional assessment sighted poor storage conditions and ageing of the water meters resulting in 62,7% of water meters deemed to be unusable which has led to the municipality writing down R9 020 980 of the from the water meter balance in the prior year and R3 019 380 in the current year.
108. The accounting officer failed to comply with section 63(1)(a) of the Municipal Finance Management Act No. 56 of 2003 (MFMA) which states that the accounting officer of a municipality is responsible for the management of the assets of the municipality, including the safeguarding and the maintenance of those assets.
109. The non-compliance is likely to result in a material financial loss for the municipality as the water meters are currently unusable due to poor storage conditions that has deteriorated its economic value or service potential.
110. The accounting officer was notified of the material irregularity on 29 April 2021. The accounting officer committed to assess the remaining water meters for usability make a

further decision to either sell the water meters or use it in current projects. Whichever is most feasible to the municipality.

111. We have followed up actions taken by accounting officer to address the material irregularity and during the assessment the actions were considered insufficient.
112. I recommend that the accounting officer should take the following actions to address the material irregularity, which should be implemented within six (6) months:
- a. The non-compliance should be investigated to determine if any official might have committed an act of financial misconduct or an offence in terms of Chapter 15 of the MFMA.
 - b. The financial loss should be quantified and all person(s) liable for the losses should be identified and appropriate action should commence to recover the financial loss. The recovery process should not be unduly delayed.
 - c. Disciplinary proceedings should commence, without undue delay, against all officials who have allegedly committed an act of financial misconduct or an offence, as required by section 62(1)(e) of the MFMA and in the manner prescribed by the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.
 - d. If a senior manager of the municipality has allegedly committed an act of financial misconduct, the AO must report the allegation to the municipal council, the Provincial Treasury and the National Treasury as required by regulation 3(1) of the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.
 - e. Reasonable steps should be taken to safeguard these assets of the municipality from any further losses as required by section 63(1)(a) of the MFMA read with section 63(2)(c) of the MFMA.

113. I will follow up on the implementation of the recommendations during our next audit.

COVID 19 projects: payments made for goods/services not received

114. During May 2020, the municipality reprioritised Municipal Infrastructure Grant (MIG) project funding as a result of COVID19. An amount of R53 million was allocated so as to embark on special projects that were in line with COVID19 infrastructure demand. Suppliers that were already doing other work with the municipality were allocated this funding to fast-track the work. The municipality was invoiced for majority of these projects by 29 June 2020 and all approvals for invoices took place on the same date. I conducted a site visit on certain of these COVID 19 projects from 18 - 20 November 2020. Upon verification, it was noted for certain projects that payments were made for goods and services that were not on yet received. Such payments were authorised between 21 July 2020 to 03 September 2020.
115. The accounting officer failed to comply with section 65(2)(a) of the MFMA as payments were made for goods that were not received. The non-compliance is likely to result in a financial loss for the municipality as goods and services paid for had not been received and may not

be fully received. The related expenditure has been disclosed as irregular expenditure in note 37 of the 2019/20 financial statements.

- 116. The accounting officer was notified of the material irregularity on 22 April 2021 and invited to make a written submission on the actions taken and that will be taken to address the matter.
- 117. The accounting officer committed to conduct an investigation through the internal audit unit to determine if the goods and services were received, and also to assist with the recovery of monies paid where internal audit could not locate those assets. Further, the investigation should determine if any individual(s) should be held accountable.
- 118. I have followed up actions taken by accounting officer to address the material irregularity and I am in the process of evaluating the appropriateness of the actions taken by the accounting officer and whether I need to take further action to ensure resolution of the material irregularity.

Assets unlawfully removed from site by a contractor

- 119. The municipality appointed a supplier on 14 January 2019 to construct phase 1A of Jozini water scheme for a contract value of R29 000 000; however, the supplier failed to supply certain documentation that would allow for commencement of the project. Regardless, the supplier commenced with the construction work on the 03 July 2019. On 10 September 2019, the supplier received a letter of termination from the municipality due to non-submission of key compliance documents required prior to construction. The supplier left the construction site on 11 September 2019 and removed all temporary work assets from the construction site that the municipality had paid for.
- 120. The accounting officer failed to comply with section 63(1)(a) read with section 63(2)(c) of the MFMA as the municipality failed to safeguard the temporary work assets and no steps have been taken by the municipality to recover these assets from the supplier.
- 121. The temporary work assets removed from the construction site are likely to result in a financial loss of R3 051 611 for the municipality as goods paid for were removed from the construction site and there were no steps taken by the accounting officer to recover the loss of these state resources.
- 122. The accounting officer was notified of the material irregularity on 29 April 2021 and invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer committed to appoint a legal firm to assist in the recovery of the goods from the supplier.
- 123. I have followed up actions taken by accounting officer to address the material irregularity and I am in the process of evaluating the appropriateness of the actions taken by the accounting officer and whether I need to take further action to ensure resolution of the material irregularity.

Pietermaritzburg

31 March 2023



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNEXURE C: AUDIT ACTION PLAN – 2022/2023 FY

FINDING	DETAILED FINDING	REMEDIAL ACTIONS- Auditors	Repeat finding	2019/2020 Finding	PERSONS RESPONSIBLE
Property, Plant, and Equipment not verified during the Audit.	Formal requests for information for the audit were issued to management on 31 st of January 2023 and 07 February 2023 and was due on the 3rd of February 2023 and 10 th of February 2023 respectively. However, the information requested was not submitted to auditors. A] Movable assets B] Land and building C] Infrastructure assets (High value) D] Work-in-progress E] Infrastructure assets	Management should implement a tracking tool for all requests issued in order to keep track of all information requested and the necessary time line to ensure compliance. Management should implement a system to ensure proper record keeping such as stringent access control in areas where municipal documents that support the municipal reporting are kept.			Assets Accountant
Reasonable steps not taken to safeguard infrastructure assets-prior year issue.	During the audit of Property, Plant and Equipment, it was noted that infrastructure – work in progress - to the value of R16 736 801 was written off in the 2018/2019 financial period as the infrastructure could not be verified. It would be expected that the above write off would have been considered in conjunction with requirements of the asset policy as well as the Act.	The municipality must ensure that a full and proper investigation into the loss incurred is conducted as a result of the write off these assets and provide Audit feedback about: • The circumstances that led to the financial loss. • The action that has been taken to			Legal Manager
Work in progress paid for by the municipality could not be verified-prior year issue	During the audit of assets under construction (work-in-progress), it was noted that certain payments had been made to Exgeni Engineers for a construction of the assets, as detailed in the table below, for work done in the 2018/19 financial year, however some work could not be verified.	The assets portion not on the ground should be de-recognized and the amount must be recognized as a loss to the institution.			Legal Manager
Assets not presented for verification-current year.	During the audit of property, plant and equipment and the performing of physical verifications of the assets, the assets detailed in the table below were not verified by Audit:	. The above matter to be investigated to ensure that all assets are identified, and reported to the CFO and accounting officer. Adequate steps must be undertaken to recover these assets including claiming from insurance and holding those responsible to account for these assets. . Management must also perform			Assets Accountant
Site visit shortcoming - asset not found on the floor-prior year issue.	Site inspections were conducted at the undermentioned infrastructure projects from 18 - 20 November 2020 to establish existence, assess the quality and progress of the infrastructure; and to determine whether these were utilized by the community for the provision of water.	Conduct an investigation into all payments made to TLS Consulting Engineers and SPK Engineers. The municipality should take appropriate steps to institute proper controls to ensure that the payment process is more efficient and effective by			PMU

Other site visit shortcomings- prior year issue.	The under-mentioned water infrastructure projects for COVID-19 were selected for physical verification purposes as part of the integrated audit approach:	Conduct an investigation into all payments made to TLS Consulting Engineers and SPK Engineers. The municipality should take appropriate steps to institute proper controls to ensure that the payment process of the consultant is more efficient and effective by developing a physical verification checklist and monitoring the payments made against the actual progress verified.			PMU
Hlabisa - Mandlakazi bulk pipeline not connected to the madlakazi water treatment.	During the audit of property, plant and equipment there were water pipers that were recognised by the municipality as assets even though they do not meet the definition of an asset because it was not clear how the municipality will derive the <i>future economic benefits or service potential as a result of installing the water pipes</i> :	Management should ensure that all the assets recognised in annual financial statements meet the definition of an asset and depreciation commences when the asset is available for use.			Technical/MM's Office
No evidence that an assesment of useful lives of assets at reporting date was done.	During the audit of annual financial statements we noted that there was no evidence that an assessment was done to determine whether the useful lives of assets were still reasonable at reporting date whereas there were indications of a change in useful lives of assets. We noted an instance where assets that are approaching the end of their previously expected useful life or have reached the end of their useful lives we depreciated at the same rate/original useful life as these assets are still in use there is an indication that the estimated useful life was not reasonable in relation to expected economic benefits to be derived from the use of the assets as such a change in <u>estimated useful life was necessary.</u>	Management shall assess whether there was any indication that the municipality's expectations about the useful lives of assets have changed since the preceding reporting date and adjust financial statements for the accounting implications of such a change in accordance with GRAP 3 requirements of a change in accounting estimate where there is a change in estimated useful lives.			Assets Accountant
Assets not presented for verification - existence.	During the audit of the property, plant and equipment we selected assets from the fixed asset register and during the physical verification of the assets, the assets below could not be verified. The auditor was taken to the location where the asset is located per the fixed asset register and we could not confirm that the existence of the following assets.	Management should ensure that the asset count is done annually to ensure that all assets included in the fixed asset register exist. Management should ensure that all assets of the municipality are barcoded (where not possible the GPS co-ordinates are accurate).			Assets Accountant

Assets not impaired when indicators of impairment were present.	During the audit of property, plant and equipment we noted that the assets in the tables below were damaged however there is no evidence that the municipality assessed for impairment at year end as required by GRAP 21. There were indicators of impairment (i.e. damage) however the municipality did not estimate the recoverable amount of these assets to determine whether they should be impaired as stated in GRAP 21.	Management shall determine recoverable amount and assess the entire population for impairment, adjust annual financial statements accordingly.			Assets Accountant
Follow up site visits conducted.	Consequently, the municipality has not received the required benefit from the payment of R309 935 (Invoice No.135185 - VAT exclusive) which was approved by the Chief Financial Officer and paid on 3 September 2020 as annotated in Section 3 of the BoQ. Thus, the expenditure incurred totalling R309 935 (VAT exclusive) is considered fruitless and wasteful as it was made in vain .	Review all reported audit findings and effect corrective actions, Update the audit action plan to address the abovementioned issues,			
Amount per invoice does not agree with an amount per BOQ - work in progress.	During the audit of property, plant and equipment we noted that amounts per invoice for additions to work in progress do not tie back with amounts per the bill of quantities (BOQ). As a result we could not confirm the accuracy of the amounts invoiced in comparison with the BOQ which shows the payments due for work done and we were unable to confirm the accuracy of capitalized amounts to work in progress.	Management should ensure that proper reviews of submitted documents supporting work billed by the suppliers are done prior to approval of invoices for payment.			Technical
Property, plant and equipment not completely recorded (completeness)	During the audit of property, plant and equipment the following assets were selected from the floor and could not be traced back to the fixed assets register: [A] Infrastructure assets not recorded in the FAR - Through enquiries with employees on the Shemula water treatment it was established that the assets above are still new. [B] Other PPE assets not recorded in the FAR - During the audit of property, plant and equipment the following assets were selected from the National Traffic Information System (eNATIS) list for vehicles and could not be traced back to the fixed assets register.	Management should perform an asset verification and reconciliation to ensure that all fixed assets are recorded on the fixed asset register.			Assets Accountant
No safe guarding of inventory asset easy access and no security.	During the verification of the inventory it was identified that the inventory was not safe guarded, there was an easy access to it. Further the following was identified; Further the following was identified; <ul style="list-style-type: none"> There is no security guard in the area guarding the inventory assets There is an easy access to the inventory, no restrictions from the public in access the inventory There is no control security upon moving the inventory from one location to another i.e. electricity meters were 	The municipality must implement security controls over the inventory and have a proper controls for movement of inventory i.e. Sign the inventory sheet stating the details of the inventory being moved.			Assets Accountant/ Technical

Water pipes with impairment factors measured above cost with no evidence of previous write down of the water pipes.	During the audit of the inventory we identified that the water pipe value was increased above it cost by R 35 407 356, 00 after valuated by the expert. Management did not provide any evidence that the pipes that increased in value were previously written-down.	Accounting officer is advised to provide reasonable steps that were conducted to safeguard the assets and to maintain its reasonable cost as best as possible.			Assets Accountant
Fruitless and wasterful expenditure as a result of inventory write-off.	During the audit of inventory – water meters - as reported in note 3 of the annual financial statements, the following was noted: The municipality had appointed a consultant (JOAT) in the 2018/19 financial year to perform a conditional assessment on approximately 5930 smart meters that were stored at the Jozini stores. •Based on the report, smart meters to the value of R9 020 980 were estimated as impaired or unusable and subsequently impaired. •The reasons for impairment include poor storage conditions together with the ageing of the meters. Included in the reasons were also the following technical failures: oSystem failure – the meters do not open at low pressures oMeter software failure – Meter software is programmed to sense tempering and close on detection. If not handled with care they activate into closed mode. Some reasons provided in the report were not the JOAT	The municipality must ensure that a full and proper investigation into the loss incurred is conducted as a result of the write off these assets and provide Audit feedback about: • The circumstances that led to the financial loss. • The action that has been taken to recover the amount			Legal Manager
Provision for debt impairment not calculated in line with GRAP 104 requirements.	During the audit of provision for impairment of R 164 210 019 which is 100% of receivable aging above 180 days, the following was noted:During the audit of provision for impairment of R 164 210 019 which is 100% of receivable aging above 180 days, the following was noted: •The method that is used is blanket system and customers are not assessed on a case-by-case basis and there is no basis and procedures in place to support this provision. •(Policy- is this methodology considered.) - There is no approved policy. The methodology on the age analysis is to provide for 100% of the debtors that are above 180 days, which was used to provide for debtors. This methodology is different to the methodology in the policy that was submitted for audit. Therefore the finding remains	Management to annually review the impairment policy and the criteria utilised, preferably close to year-end so that updated factors and not historical factors can be taken into account when determining the impairment amount for consumer debtors, resulting in a more accurate consumer debtor balance being reflected in the financial statements.			Financial Reporting
Customer not billed for service change during the year.	During the audit of the revenue, it was determined that revenue disclosed in financial statement is not complete as for consumer below meter reading exercise was not conducted and therefore not billed for the period stated below.	Management should implement policies which will ensure that all meters are read monthly.			Revenue Manager

Customer not billed and interest charged on incorrect balances.	During the audit of receivables from exchange, it was identified that the following customers were not billed. They do not appear in the billing report for the current year.	Management should review meter reports and customer billings to ensure that all customers are billed, either after having their meters read or through average billings being raised for the months when meters are not read.			Revenue Manager
Overstatement of interest on receivable between register and financial statement.	During the audit of interest on investment, we identified the difference between the AFS and the investment register. This indicates that the revenue is overstated.	Management should ensure investment register is kept up to date and the financial statements are supported by accurate and complete evidence.			Financial Reporting
Invoice with no municipal vat number and suppliers charging vat with no vat number.	During the audit of expenditure it was noted that the municipality procured goods and services from different suppliers and the invoices provided did not indicate the supplier and the Municipality's VAT registration numbers yet VAT has been charged at 15% rate on the invoice. We were there for unable to confirm that the suppliers are registered VAT vendors, Refer below for details.	Management should investigate these invoices and ensure that all invoices received from registered VAT vendors have their registration numbers appearing on the invoice.			Financial Reporting
Statement requested has not been provided for audit purpose.	During the audit of trade payables, Formal requests for information for the audit were issued to management on the 27th February 2023 and was due on the 2nd March 2023. However, the information requested was not submitted to auditors. Further to that, information was communicated with the management and several follows were made for these invoices; however they were still not submitted, refer to table below: [A] Creditors statement not provided: ESKOM	Management should implement a tracking tool for all requests issued in order to keep track of all information requested and the necessary time line to ensure compliance. Management should implement a system to ensure proper record keeping such as stringent access control in areas where municipal documents that support the			Expenditure Manager
Amount per creditor statement does not agree to age analysis.	During the audit of trade creditors, it was noted that the balances per the creditors' statements did not agree with the balances reflected in the creditors' age analysis, as detailed in the table below: [A] Creditors balance as per age analysis do not agree to the creditors statement balance:	Management to ensure that monthly creditors reconciliations are performed, comparing creditors statements to the age analysis and following up on all variances.			Expenditure Manager

Differences between AFS and underlying records/ accrual report.	<p>During the audit of trade creditors, it was noted that the balances per the creditors' statements did not agree with the balances reflected in the creditors' age analysis, as detailed in the table below.</p> <p>[A] Accruals for leave pay balance as per AFS not agreeing with balance as per Leave accrual schedule provided for audit, refer to table below:-</p> <p>B] Retentions Balance as per AFS not agreeing with balance as per retentions register provided for audit, refer to table below:-</p>	Management should ensure that the information in the annual financial statements is accurate and complete and furthermore; supported by accurate and readily available audit evidence. Management should ensure that sufficient reviews are undertaken in the Annual financial statement to ensure that the General ledgers and the supporting schedules			PMU
Invoices accounted in current financial year instead of the previous year	<p>During the audit of contract service expenditure, it was noted that the below-mentioned invoices were accounted for as transactions in the current financial year under audit being 2021/22, however the invoices relate to the previous financial year being 2020/21.</p> <p>The expenditure in relation to contracted services has been understated in the previous financial year and overstated in the current financial year by the projected amount of R10 134 186.65.</p> <p>Because similar finding with same internal control deficiencies were raised in the previous financial year this finding will be classified as a repeat finding.</p>	<p>Management should ensure that the information in the annual financial statements is accurate and complete and furthermore; supported by accurate audit evidence.</p> <p>Management should ensure that there is adequate controls in place to ensure adequate review expenditure invoices captured and reconciling of expenditure listings to the General ledger.</p>			Expenditure Manager
Payment not made within 30 days after receiving the invoices	<p>During the audit of expenditure it was noted that there are invoices that were not paid within the prescribed period of 30 days.</p>	Management should ensure there is a system and processes in place to ensure tracking of invoices received and thereby ensuring that all invoices are paid within the prescribed period of 30 days.			Expenditure Manager
No evidence of goods or service received by the Municipality	<p>During the audit of expenditure, it was noted that there is no evidence which supports that goods or services paid for were actually received by the municipality, invoices are stamped and signed by an official declaring the goods received in satisfaction or services rendered satisfactorily, however the stamp on the invoice alone is not sufficient because the invoice does not always come with the goods/service upon delivery and also the stamp does not give us proof that the quantity and quality of the goods/service was confirmed upon delivery . Furthermore, there were no other alternative supporting documentation that were provided by the Municipality evidencing receipt of goods or services.</p>	<p>Management should ensure that all expenditure transactions recorded in the general ledger are supported by verifiable supporting documentation.</p> <p>Management should ensure alternative evidence is submitted, providing assurance that goods or services were actually received by the Municipality.</p>			Expenditure/SCM Manager

ESKOM expenditure discrepancies between invoice and general ledger and invoices not received	<p>During the testing of the Eskom expenditure we have identified the following issues.</p> <p>(B) Differences between General ledger (GL) and audited amount per invoice</p> <p>During the audit of the electricity cost, we identified the following discrepancies between the amount record in the GL and the supporting documents, being the invoice.</p>	<p>Management should ensure that the information submitted for audit is reviewed and agreed to the supporting documents, a monthly reconciliation should be performed to ensure that the amount paid agreed to the amount billed per Eskom billing report.</p> <p>Management should investigate all the errors including possible similar errors in the population and provide correcting supporting documents</p>			Expenditure Manager
Insufficient evidence that goods and/or services paid for by the municipality were received.	<p>During the audit of expenditure, it was ascertained that the municipality did not have an adequate system of internal control in place where appropriate evidence of goods and/or services received were presented to the head of the user department, Chief Financial Officer (CFO) and accounting officer before payments were authorized. In many cases there is no evidence that municipality agreed the quantity (and quality) of the goods and/or services received to the order.</p>	<p>Management should ensure that all expenditure transactions recorded in the general ledger are supported by verifiable supporting documentation.</p> <p>Management should ensure alternative evidence is submitted, providing assurance that goods or services were actually received by the Municipality.</p>			SCM/Expenditure Manager
Novubu constraction invoices not received.	<p>During the audit of water stock expenditure we requested the supporting documentation for the following expenditure, 12 month invoice relating to Novubu was submitted however we could not find the supporting document relating to the below transaction, there is no supporting documents provided for the expenditure ref.N0425</p>	<p>Management should ensure that reliable and complete records are made available for the audit.</p> <p>Management should investigate to identify if there is no possible over payment, and consequences should be implemented for the</p>			Expenditure Manager
Expenditure: Evidence of goods or services received–prior year misstatements.	<p>During the audit of expenditure, we assessed prior year misstatements for any corrections and it was noted that there is no evidence which supports that goods or services paid for were actually received by the municipality. Upon testing it was noted that there are no goods received notes, invoices are stamped and signed by an official declaring the goods received in satisfaction or services rendered satisfactorily, however the stamp is only signed by the Municipality and there is no acknowledgement from the supplier that the goods or services was actually provided. Furthermore, no other supporting documentation has been provided by the Municipality evidencing receipt of goods or services:</p>	<p>Management should ensure that all expenditure transactions recorded in the general ledger are supported by verifiable supporting documentation.</p> <p>Management should ensure alternative evidence is submitted, providing assurance that goods or services were actually received by the Municipality.</p>			SCM/Expenditure Manager
Expenditure: Differences in amounts as per invoice and general ledger prior year misstatements	<p>During the audit of expenditure for contracted services, it was noted that there were differences in amounts between the invoice and general ledger.</p>	<p>Management should ensure that the information in the annual financial statements is accurate and complete and furthermore; supported by accurate audit evidence.</p> <p>Management should ensure that there is adequate controls in place to ensure adequate review expenditure invoices captured and</p>			Expenditure Manager

Expenditure finding not resolved - prior year misstatements	Upon inspecting the invoice it was identified that there was no stamp to date to show the date that the payment was made, as a result we weren't able to recalculate if the payment was made within 30 days as required by the act.	Management should ensure there is a system and processes in place to ensure tracking of invoices received and thereby ensuring that all invoices are paid within the prescribed period of 30 days.			Expenditure Manager
Differences between electricity purchase as per electricity loss calculations and bulk purchase invoices.	During the audit of the annual financial statements we noted that the amount for electricity distribution losses as per the schedules does not agreed to amounts as per supporting invoices.	Municipality must provide valid, accurate and complete financial records to support the financial statement submitted for audit. Municipality should review the distribution losses calculation on a timely basis and ensure it is supported by accurate and complete information.			Technical
Payments made above initial agreed amount without any evidence of variation orders or other approval at delegated level.	During the audit of contract management, it was noted that payment to the below suppliers was above contract amount by more than 15% for other services and no approval was provided for such overpayments.	Management should ensure that the supply chain management system of the entity provide for contract management to include, but not limited to: <ul style="list-style-type: none"> • Monitoring and regular reporting on contracts, • Identification of institutional period contracts that are nearing expiry 			SCM - Contract Management
Irregular expenditure, fruitless and wasteful expenditure (UIFW) not prevented.	During the audit of financial statement we have identified that the accounting officer did prevent unauthorised, irregular, fruitless and wasteful expenditure, as evidence by increase in UIFW from previous year. The following table show the unauthorised, irregular, fruitless and wasteful expenditure that was incurred for the 2022 financial year.	Management to develop stronger controls in respect of all procurement and contract management and expenditure so as to detect and prevent unauthorized, irregular, prevent fruitless and wasteful expenditure in a timely manner.			MM
Segment reporting information not disclosed as required by GRAP 18.	During the audit of annual financial statements of uMkhanyakude District Municipality for 2021/22, it was identified that there was no disclosure of segment reporting information as required by paragraph 18 -20 of GRAP 18. As a result, the financial statements have not been prepared in accordance with GRAP and the corresponding figures have been impacted.	Management should adjust the AFS to include segment reporting information as per GRAP 18 requirements.			Financial Reporting

Commitment inaccurate and limitations during the audit.	During the testing of the commitment we identified the following misstatement.	Management should ensure that the commitments schedule is reviewed and agreed to the contract amounts and expenditure incurred for accuracy and completeness. Management should have a filing system that allow easy retrieval of documents.			Technical
Prior year adjustment AFS note restated amounts are not the same as the restated amounts on the statement of financial position.	The following prior year adjustment AFS note restated amounts are not the same as the restated amounts on the statement of financial position.	The annual financial statement must be reviewed properly to ensure that all the notes agree to the face of the annual financial statements before they are approved and submitted for audit.			Financial Reporting
Differences between audited and AFS disclosed water losses information.	During the audit of Water distribution losses upon agreeing the information disclosed in the financial statement and the information reported by the expert on water losses, the following differences has been noted for 2022 financial year end:	Accounting officer must develop and implement a checklist to ensure that all information presented on the AFS is supported by relevant documents.			Technical
Water losses calculation not reliable.	In accordance with the conceptual framework, there may be uncertainty associated with the measurement of many amounts presented in the financial statements. The use of estimates is an essential part of the accrual basis of accounting. A decision about the relevance and faithful representativeness of measurement involves the consideration of techniques, such as using ranges of outcomes and point estimates, and whether additional evidence is available about economic circumstances that existed at the reporting date.	Management should implement strategies/plans to ensure that the meters are read on a regular basis to ensure the reliable reporting of the distribution losses. The accounting officer should exercise oversight to ensure that the meters are read on a regular basis.			Technical
Expenditure incorrectly classified – Leases rental.	During the audit of expenditure comprising of lease rentals it was noted that the below mentioned transactions were being accounted for under lease rentals on operating lease however upon assessing the nature of the transactions it was ascertained that these transactions do not relate to lease rentals on operating leases.	Management should ensure that the information in the annual financial statements is presented accurately and appropriately and furthermore; supported by accurate audit evidence. Management should do a review of the population to ascertain if there are any other transactions that have been incorrectly classified and the appropriate adjustments be made to the annual financial statements and the general ledger mapping of transactions.			Expenditure Manager

Differences in water stock expenditure.	During the testing of the expenditure we identified the following differences, the amount per general ledge does not agreed to the amount per invoice.	Management should ensure that the information submitted for audit is reviewed and agreed to the supporting documents. Management should investigate all the errors including possible similar errors in the population and provide correcting supporting documents			Technical
Information requested has not been received - contingent liabilities.	During the audit of contingent liabilities we requested the legal confirmations on 24 January 2023 from the following legal representatives of the municipality.	Management must put necessary measure to ensure effective working relationship between the municipality and its legal representatives.			Legal Manager
Termination of supplier contract letters. .	We had a meeting with the Administrator and the CFO on the 9 th of February 2023 on the meeting we had agreed that the Municipality will provide the auditors with the termination letter for all the suppliers whose contracts were terminated in 2021, an e-mail was further sent on the 23th of February 2023 however these termination letters have not yet been received to date.	Management should ensure that reliable and complete records are made available for the audit. Management should implement a tracking tool for all requests issued in order to keep track of all information requested.			MM
Reported achievement is not consistent with planned target.	During the audit of the annual performance report, it was noted that the reported achievement is inconsistent with the reported achievement as detailed in the table below. The target has a percentage as a unit of measurement but reported achievement was number of O & M report.	Management to put processes and controls in place, whereby a delegated official is tasked with the reviewing and reconciling of reported targets reflected in the performance reports to the supporting portfolio of evidence.			PMS Manager
Performance Indicator not well defined.	During the audit of annual performance report of uMkhanyakude District Municipality for 2021/22, it was identified that for Basic Service delivery and infrastructure investment the following indicators were not well defined and not verifiable.	Management should need to ensure that all indicators are reviewed in detail ensuring that they are well defined for understanding by users of the annual performance report.			PMS Manager
Indicators on the APR overstated when compare to the amount actualy achieved as per the supporting documents.	During the audit of annual performance report of uMkhanyakude District Municipality for 2021/22, it was identified that for Basic Service delivery and infrastructure investment the following indicators actual achievement was overstated:	Management should adjust the annual performance report to report the actual achievement as communicated above and to report the correct achievement.			PMS Manager

Information for target achieved requested has not been provided for audit purpose	During the audit, the listings (schedules) of the key performance indicators of Basic service delivery and infrastructure investments were not submitted as part of the Annual Performance report submission, as a result we are not able to confirm the accuracy of the information disclosed in the annual performance report.	Management should ensure that reliable and complete records are made available for the audit. Management should implement a tracking tool for all requests issued in order to keep track of all information requested.			PMS Manager
No audit evidence on public participation on drafting and Implementation of IDP.	1.The local community was not consulted on the drafting and/or implementation of the IDP, as required by section 29(1)(b)(ii) of the MSA (on drafting of the IDP) and/or municipal planning and performance regulation 15(1)(a)(i)]. 2.The local community was not afforded the opportunity to comment on the final draft of the IDP before adoption, as required by section 42 of the MSA and municipal planning and performance management regulation 15(3).	Management need to provide reasons as to why the community was consulted in drafting and implementation of the IDP.			PMS Manager
Information requested for KPI B1.12 and B1.13 has not been provided for audit purpose Requirement.	During the audit of performance information, auditors could not test reliability (Validity, accuracy and completeness) for the following indicators.	Management need to ensure that all indicators are reviewed in detail to ensure that they are and that appropriate sufficient evidence is kept safe for audit purposes and reporting.			PMS Manager
The reported achievement is not valid.	During the audit of annual performance report of uMkhanyakude District Municipality for 2021/22, it was identified that for Basic Service delivery and infrastructure investment the following indicator is not valid.	Management should adjust the annual performance report to report the actual achievement as communicated above and to report the correct achievement.			PMS Manager
2021/22 IDP not adopted before the start of 2021/22 financial year.	During the audit of UMkhanyakude district municipality for 2021/22, it was noted that the IDP was not adopted within 30 days before the start of the financial year.	Management need ensure that the IDP is adopted at least 30 days before the start of the financial year.			PMS Manager

Non-submission of the annual financial statements for the year ended 30 June 2022.	Contrary to this requirement, the municipality did not submit financial statements for the financial year ended 30 June 2022 by 31 August 2022 as required by the MFMA section 126(1)a.	Management should prepare financial statements in a timely manner to allow for the reviews and submission to the AGSA office as required by the MFMA section 126(1)(a).			CFO
Three quotations not obtained for procurement of goods and services.	During the audit of supply chain management, it was identified that the municipality did not obtained the minimum quotation as required by the act and reasons for not obtaining the three quotes were not provided. The following table shows the awards where quotations from three different suppliers were not provided.	The oversight structure must review and monitor the progress of the preparation and the related internal controls implemented by management.			SCM
Quotations evaluation evaluated with the criteria specified in the invitation.	During the audit of supply chain management, we have identified that there was no evaluation report to determine whether the quotes were in accordance with the criteria specified in the invitation to quote document, as a result we were unable to confirm if the awards were evaluated with the criteria specified in the invitation. There is also no evidence that the award was approved by an appropriately delegated official. Please see the table below for all the suppliers awarded with no evidence of evaluation being performed.	Management needs to put measures in place to ensure that there is compliance with laws, regulations, and municipal policies.			SCM
Suppliers not tax compliant according to CSD documents.	During the audit of supply chain management it was noted that the municipality awarded suppliers whose tax matters were not in order as required by the supply chain management regulations. Refer to table below for detail.	Management needs to put measures in place to ensure that there is compliance with laws, regulations, and municipal policies.			SCM
BBBEE points awarded where the BBBEE status was expired.	During the audit of supply chain management, and through the inspection of the expenditure vouchers and it was identified that the municipality awarded points to suppliers where the BBBEE status was expired. There was no BBBEE certificate on the file submitted for audit, however through inspecting the CSD report it was confirmed that there following suppliers BBBEE status expired before they were appointed.	Management needs to put measures in place to ensure that there is compliance with laws, regulations, and municipal policies.			SCM

Contract agreement not signed by the municipality	During the audit of contract management for 2020/21, contract agreement with the following service providers were not signed by the municipality.	Management need to ensure that contract entered into by the municipality are signed by the responsible official.			SCM - Contract Management
Payment on contract above contract amount with no approval-prior year.	During the audit of contract management, it was noted that payment to the below suppliers was above contract amount by more than 15% for other services and no approval was provided for such overpayments.	Management should ensure that the supply chain management system of the entity provide for contract management to include,			SCM - Contract Management
Performance agreement for 2021/22 not signed within the required time frames.	The performance agreement of the following managers were not signed within one month after the beginning of the financial year 2021/22.	Management need to provide reasons as to why the performance agreement were not signed within the required time frame. Further provide reason as to why the performance agreement of the municipal manager was not signed for 2021/22.			MM/PMS Manager
Unauthorised, irregular, fruitless and wasteful expenditure (UIFWE) incurred during 2020/21 not investigated.	During the audit of consequence management it was identified that the unauthorized, irregular, fruitless and wasteful expenditure incurred during the 2020-21 had not been investigated as required by applicable legislation and regulations.	Leadership is advised to follow the process of MFMA and investigate the UIFW timely so as to comply, implement measures to prevent re-occurrence, also to increase prospect of recovering money where appropriate.			MM

**ANNEXURE D: ANNUAL PERFORMANCE REPORT
FOR 2021/2022 FY**

UMKHANYAKUDE DISTRICT MUNICIPALITY																
ANNUAL PERFORMANCE REPORT																
PERIOD: 2021/2022																
KPA	KPI NO	KPI	TARGET	UNIT OF MEASURE	DEMAND	BASELINE	BACKLOG	EXPENDITURE		2020-2021		2021-2022		ANALYSIS		RATING
								PROJECTED	ACTUAL	PROJECTED	ACTUAL	PROJECTED	ACTUAL	COMMENTS	CORRECTIVE MEASURES	
MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT	A 1.1	Percentage of budget spent on implementing WSP	100% of Municipality's budget allocated for WSP spent on implementation by 30 June 2022	Number				R 850 000,00	R 0,00	100%	Not Achieved	100%	75%	The target was not fully achieved due to budget constraints	This target will be reviewed during 22-23 Fy	2
	A 1.2	Number of people from EE target employed in the three highest levels of management	3 people employed by 30 June 2022	Number				R 0,00	R 0,00	3 People	Not Achieved	3 People	2 people	The target was not fully achieved due to budget constraints	This target will be reviewed during 22-23 Fy	2
	A 2.1	Number of Health and Safety Risk Plan functionality assessment reports submitted to Extended MANCO	4 Health and Safety Risk Plan functionality assessment reports submitted to Extended MANCO for discussion by 30 June 2022	Number				R 250 610,00	R 0,00	4 Assessments	4 Assessments	4 Assessments	4 Assessments	All assessments were conducted but could not be presented to MANCO due to governance instability experienced in the Muni[cipality	This target will be reviewed during 22-23 Fy	2
	A 3.1	Number of admin support services implementation reports submitted to Extended MANCO	12 admin support services implementation reports submitted to Extended MANCO for discussion by 30 June 2022	Number				R 38 024 777,00	R 37 424 295,00	12 Reports	No reports were submitted	12 Reports	12 Reports	All reports were prepared but could not be presented to MANCO due to governance instability experienced in the Muni[cipality	This target will be reviewed during 22-23 Fy	2
	A 4.1	Number of ICT Framework functionality assessment reports submitted to Extended MANCO	4 ICT Framework functionality assessment reports submitted to Extended MANCO for discussion by 30 June 2022	Number				R 3 487 920,00	R 1 905 785,00	4 Assessments	3 ICT Assessment Reports	4 Assessments	3 Assessments	All assessments were conducted but could not be presented to MANCO due to governance instability experienced in the Muni[cipality	This target will be reviewed during 22-23 Fy	2
BASIC SERVICE DELIVERY AND INFRASTRUCTURE INVESTMENT	B1.1	Number of kilometres of bulk pipes installed for provision of potable water in Umkhanyakude	Not less than 15 km of bulk pipes made to final work for provision of potable water in Umkhanyakude by 30 June 2022	KM	151 245 HH	108 896 HH	42 349	R 38 067 635,08	R 88 450 912,07	N/A	N/A	15 km	Construction of 38.4 km of Bulk Pipeline installed for provision of potable water	1.Project is progressing fairly well. 2.The focus is on installation of reticulation pipeline and yard		3
	B1.2	Number of potable water yard connections in Umkhanyakude	50 potable water yard connections in Umkhanyakude by 30 June 2022	Number	151 245 HH	95 284 HH	55 961	R 77 388 444,24		N/A	N/A	50 Yard Connections	Zero yard connections	Infrastructure was constructed bu there was no water flowing and hence no schedule of beneficiaries. There were delays in the procurement process in the form of appeals for work awarded	Yard connections with flowing water will be prioritised in 2022-2023	Not Achieved
	B1.3	Number of kilometres of reticulation pipes installed for provision of potable water in Umkhanyakude	Not less than 180 km of reticulation pipes installed for provision of potable water in Umkhanyakude by 30 June 2022	Number	2 817	2 400	417	R 18 680 771,00		N/A	N/A	180km	Not fully Achieved , 140 km of reticulation pipes installed for provision of potable water		Installation of reticulation pipelines (network) will certainly take place in the new fiscal year – 2022/23	2
	B1.4	Number of households in Umkhanyakude with access to a minimum of basic level of service for sanitation provision	3000 households with access to basic level of service for sanitation provision by 30 June 2022	Number				R 15 267 992,00	R 51 911 974,33	N/A	N/A	3000 Households	Zero Households	1.There were delays in payments during the month of March and April 2022 2. Social challenges are causing delays on progress	1.Municipality to pay service providers timeously for the work done on site. 2. PSC and UKDM to resolve all social related issues	Not Achieved
	B1.5	Number of households in Umkhanyakude with access to water borne sanitation services	500 Households with access to waterborne (high level of service) for sanitation provision by 30 June 2022	Number				R 12 481 201,33	R 15 469 205,20	N/A	N/A	500 Households	Zero Households	1.Progress for construction on this project is at 99.61%. The targeted 417 households could not be achieved due the non-existence of the pumpstation which is meant to pump the sewer to the waste water treatment plant. 2. Practical Completion could not be achieved due to delay caused by unresolved servitude issue with St Lucia RatePayers Association .	Nordale Township households will only be connected once a new pumpstation has been design and built. This pumpstation project is currently at planning phase and the due completion date for design phases is not yet known.	Not Achieved
	B1.6	Date of Reviewed Water Services Development Plan (WSDP) adopted by council and loaded on the DWS website	Reviewed WSDP submitted to council for adoption and loaded to Department of Water and Sanitation website by 30 June 2022	Date				R 1 000 000,00	R 0,00	Reviewed WSDP	WSDP Not Reviewed	Reviewed WSDP Adopted by Council	WSDP Not Reviewed	Budget constraints resulted in none implementation of the project	Project to be prioritized in the next financial year 22-23	No Budget
	B1.7	Development of of Section 78 (Water and Sanitation)Framework	Section 78 (Water and Sanitation)Framework submitted to Extended MANCO for discussion by 30 June 2022	Number				R 0,00	R 0,00	N/A	N/A	1.Develop ToR and submit to HOD for procerement process. 2.Conduct Section 78(1) assessment Submit 1st Draft Section 78 (1) report to HOD	Not Achieved	There were no targets set for Q4 due to non-availability of budget,	Project to be prioritized in the next financial year 22-23	No Budget

KPA	KPI NO	KPI	TARGET	UNIT OF MEASURE	DEMAND	BASELINE	BACKLOG	EXPENDITURE		2020-2021		2021-2022		ANALYSIS		RATING
								PROJECTED	ACTUAL	PROJECTED	ACTUAL	PROJECTED	ACTUAL	COMMENTS	CORRECTIVE MEASURES	
BASIC SERVICE DELIVERY AND INFRASTRUCTURE INVESTMENT...	B1.8	Number of implementable ready projects for 22/23 FY	6 implementable ready projects for 22/23 FY completed by 30 June 2022	Number				R 5 000 000,00	R 0,00	N/A	N/A	6 implementable ready projects for 22/23 FY completed	Only 1 (hlabisa sanitation and Greater Ingwavuma water supply zone 9 and 10) out 6 projects planned up to implementable ready stage	5 projects (Manguzi sewer Upgrade, Hluhluwe phase 2, Mtuba waste water sewer upgrade St Lucia sewer upgrade and Ingwavuma)were stalled due to irregular appointments of these projects	2. SCM unit to regularize the appointments of all consultants that have exceeded 3 years and projects to be prioritized in the next financial year 22-23	No Budget
	B1.9	Number of Water Quality Management assessments conducted and submitted to Extended MANCO and DWS	12 water quality management assessment reports for both potable and wastewater submitted to Extended MANCO and DWS by 30 June 2022	Number				R 1 500 000,00	R 0,00	N/A	N/A	12 Reports	Zero Reports	Targets for Q4 not achieved due to none allocation of budget	The municipality to allocate appropriate budget for this project as it affects human life	No Budget
	B1.10	Percentage of water loss reduction	10% of water loss reduction achieved by 30 June 2022	Number				R 15 700 000,00	R 0,00	N/A	N/A	10% water loss reduction	Zero %	Appointment of the services provider delayed by National Treasury circular	The municipality to appoint service provider to deal with water conservation and water demand management programs	Not Achieved
	B1.11	Number of interim water supply schemes refurbished	16 interim water supply schemes refurbished by 30 June 2022	Number				R 75 000 000,00	R 0,00	N/A	N/A	4 WSIG Reports	Zero Reports	Works suspended due to section 63 Minister of Water & Sanitation intervention	The target will be removed as the function for refurbishments has been given to Mhlathuze Water Entity	Not Achieved
	B1.12	Minimum percentage of functional potable water plants achieved	Not less than 95% of functional potable water plants (baseline: 36 in total) by 30 June 2022	%				R 0,00	R 0,00	N/A	N/A	Not less than 95% of functional potable water plants by 30 June 2022	Zero %	Items to council not be submitted for Q1,Q2 and Q4 due to non sitting of council	The office of the MM and MR to assit with timeous sitting of council meetings	Not Achieved
	B1.13	Minimum percentage of functional sanitation plants achieved	Not less than 95% of functional sanitation plants (baseline: 11 in total) by 30 June 2022	%				R 0,00	R 0,00	N/A	N/A	Not less than 95% of functional sanitation plants by 30 June 2022	Zero %	Items to council not be submitted for Q1,Q2 and Q4 due to non sitting of council	The office of the MM and MR to assit with timeous sitting of council meetings	Not Achieved
	B1.14	Number of households installed with smart electricity metres	1000 households installed with smart electricity metres at KwaMsane area by 30 June 2022	Number				R 2 350 000,00	R 0,00	N/A	N/A	1000 smart electricity metres installed (KwaMsane households)	No installations done	1. Budgetary challenge for installations. Items to council not be submitted for both Q1 & Q2 due to non seating of council	1. Ensure adequate budget for installation in 2022/2023 financial year. Ensure timeous sitting of council meetings	Not Achieved
LOCAL ECONOMIC DEVELOPMENT	C1.1	Number of implementation reports on LED Strategy	4 implementation reports on LED Strategy discussed at MANCO by 30 June 2022	Date				R 0,00	R 0,00	Final documents for adoption of both strategies by Council	Partially Achieved	4 LED Implementation Reports discussed at MANCO	Not Fully Achieved	Reports were prepared but the schedule of MANCO meetings was not being followed by management	Sitting of MANCO meetings to be made part of performance agreements for all managers	2
	C1.2	Date of Tourism Strategy adoption by Council	Council adopted Tourism Strategy by 30 June 2022	Date				R 52 300,00	R 0,00	N/A	N/A	Council adopted Tourism Strategy	Not Fully Achieved	The Tourism Strategy was adopted in May 2022 by Council but later on decisions taken by the Council in May were nullified by the Hogh Court in Pietermaritzburg	The Tourism Strategy will be submitted to a legitimate Council to adopt it not later than the end of December 2022	2
	C1.3	Number of SMME and entrepreneurial programmes promoted	4 of SMME and entrepreneurial programmes promoted by 30 June 2022	Number				R 0,00	R 0,00	N/A	N/A	4 SMME and entrepreneurial programmes promoted	Not Fully Achieved	District Business Chamber was supported. Informal Economy, Tourism Indaba and Cooperatives could not be supported due to Budget constraints	Programmes and budget will be reviewed in the next coming financial year	1
	C1.4	Number of quarterly performance review sessions held with UMDA	4 quarterly performance review session reports submitted to Extended MANCO for Noting by 30 June 2022	Number				R 9 289 798,00	R 12 228 813,00	4 Reviews	4 Reviews	4 quarterly performance review session reports submitted to Extended MANCO	Not Fully Achieved	Reports for UMDA were prepared but the schedule of MANCO meetings was not being followed by management	Sitting of MANCO meetings to be made part of performance agreements for all managers	2
	C1.5	Number of jobs created through local economic development initiatives and capital projects	200 Jobs created by 30 June 2022	Number				R 5 846 000,00	R 5 283 364,00	800 jobs	263 Jobs	200 Jobs	252 Jobs			3
FINANCIAL VIABILITY AND MANAGEMENT	D1.1	Ratio in compliance with MFMA Section 64(2)(a)	Outstanding Service Debtors to Service Revenue ratio maintained at less than 0,5 throughout the 21/22 FY	Ratio				R 0,00	R 0,00	< 0,5	0,2	< 0,5	Not Achieved		Filling of Revenue Manager post and assistance from Provincial Treasury is expected to yield positive results on reducing the debtors' balance	Not Achieved
	D1.2	Ratio in compliance with MFMA Section 65(2)€	More than 1 Debt coverage Ratio maintained throughout the 21/22 FY	Ratio				R 0,00	R 0,00	> 1	1	> 1	12 reports			3
	D2.1	Number Creditors age analysis reviewed	12 monthly Creditors age analysis reviewed by 30 June 2022	Date				R 0,00	R 0,00	12 monthly Creditors age analysis reviewed	12 monthly Creditors age analysis reviewed	12 Reports	12 reports	See monthly reports		3
	D2.2	Ratio compliance with MFMA Section 65(2)(e)	More than 1 Cost Coverage Ratio maintained throughout the 21/22 FY	Ratio				R 0,00	R 0,00	> 1	0,1	> 1	> 1	See calculations		3
	D3.1	Number of reports in compliance with MFMA Sec.71	12 Reports submitted to the Mayor in Terms MFMA Section 71 by 30 June 2022	Number				R 0,00	R 0,00	12 Reports submitted to the Mayor in Terms MFMA Section 71	12	12 Reports	12 reports	See attached Section 71 Reports		3
	D4.1	Number of Irregular registers updated	12 Irregular registers updated by 30 June 2022	Number				R 0,00	R 0,00	12 Irregular registers updated	6	12 Reports	9 Reports	Updated only after quarter 3 covering period July 2021 to March 2022 i.e, as well as after Quarter 4 for AFS purposes. Register is still work-in-progress since AFS are not finalised as yet at the time of compiling this report.		2
	D5.1	Level of cash backed reserves	12 cash backed reserves report compiled by 30 June 2022	Number				R 0,00	R 0,00	N/A	N/A	12 Reports	12	Refer Paragraph 3 in the monthly Section 71 reports per D3.1 above		3

KPA	KPI NO	KPI	TARGET	UNIT OF MEASURE	DEMAND	BASELINE	BACKLOG	EXPENDITURE		2020-2021		2021-2022		ANALYSIS		RATING
								BUDGET	ACTUAL	PROJECTED	ACTUAL	PROJECTED	ACTUAL	COMMENTS	CORRECTIVE MEASURES	
GOOD GOV AND PUBLIC PARTICIPATION	E1.1	Number of Special Programmes implemented	4 Programmes (Snr Citizens, Gender, HIV/AIDS & Disability) implemented by 30 June 2022	Number				R 0.00	R 0.00	4 Programmes (Snr Citizens, Gender, HIV/AIDS & Disability) implemented	Partially Achieved	4 Programmes (Snr Citizens, Gender, HIV/AIDS & Disability) implemented	4 Programmes (Snr Citizens, Gender, HIV/AIDS & Disability) implemented	Budget constraints prevented full achievement of the target	Target to be reviewed in 22-23	2
	E1.2	Number of Functionality assessment conducted on Environmental Management Services	16 Environmental Management Services functionality assessments conducted (water quality, Food Safety, Chemical Safety & Health and Hygiene) by 30 June 2022	Number				R 0.00	R 0.00	4 Environmental Management Services Reports	4 Environmental Management Services Reports	16 Environmental Management Services functionality assessments conducted	16 Environmental Management Services functionality assessments conducted	Most of the activities were not achieved due to non availability of budget and the focus was on COVID-19 compliance	Provide tools of trade and made budget available	2
	E2.1	Number of Risk Management functionality assessment reports submitted to Extended MANCO	4 functionality assessment reports on risk Management submitted to Extended MANCO for discussion by 30 June 2022	Number				R 0.00	R 0.00	4 functionality assessment reports on risk Management	3 Reports	4 Risk Management Committee meeting reports	Not Fully Achieved	No person in charge of risk management	A chairperson needs to be appointed to drive risk management	2
	E2.2	Number of oversight functionality reports submitted to Extended MANCO	4 oversight functionality reports submitted to Extended MANCO for discussion by 30 June 2022 (4 for AUDCOM)	Number				R 0.00	R 0.00	4 oversight functionality report	4 Reports	4 AUDCOM Oversight reports	Not Achieved	Oversight by the Audit Committee was not functional during 2021-2022. Advert to appoint members closed at the end of April 2022. Shortlisting needs to be done before the end of May 2022 but no further progress was made	The recruitment process will be restarted so that not later than the mid-year for 22/23 FY committees are functional	Not Achieved
	E2.3	Number of DDM functionality reports submitted to Extended MANCO	4 DDM functionality reports submitted to Extended MANCO for discussion by 30 June 2022	Number				R 0.00	R 0.00	N/A	N/A	4 DDM Reports	Partially Achieved	Even though reports were prepared, MANCO meetings were not sitting regularly		1
CROSS CUTTING INTERVENTIONS	F1.1	Date of Developing and monitoring of implementation of PMS Framework	PMS Framework developed and adopted by Council by 30 June 2022	Date				R 0.00	R 0.00	PMS Framework adopted by Council	Not Achieved	PMS Framework adopted by Council	Not Achieved	Governance instability after the elections that were held on the 01 Nov 2021 resulted in council committees not sitting as per the expectation	Target to be reviewed in 22-23	Not Achieved
	F2.1	Date of reviewing IDP as per legislation and KZN COGTA Guide	IDP Reviewed and adopted by Council by 31 May 2022	Date				R 0.00	R 0.00	Final IDP Adopted by Council	Not Achieved	Final IDP Adopted by Council	Not Achieved	Governance instability after the elections that were held on the 01 Nov 2021 resulted in council committees not sitting as per the expectation	Target to be reviewed in 22-23	Not Achieved
	F3.1	Number of functionality assessment reports on implementation of SPLUMA and LUMF submitted to MANCO	4 functionality assessment reports submitted to Extended MANCO for discussion on implementation of SPLUMA and LUMF by 30 June 2022	Date				R 0.00	R 0.00	4 Reports on SPLUMA and LUMF Assessment	Partially Achieved	4 Reports on SPLUMA and LUMF Assessment	Partially Achieved	Even though reports were prepared, MANCO meetings were not sitting regularly	Target to be reviewed in 22-23	2
	F3.2	Date of Spatial Development Framework Reviewed and adopted by Council	Council adopted SDF review by 31 May 2022	Date				R 0.00	R 0.00	SDF Adopted by Council in March 2022	Partially Achieved	SDF Adopted by Council in March 2022	Partially Achieved	Governance instability after the elections that were held on the 01 Nov 2021 resulted in council committees not sitting as per the expectation	Target to be reviewed in 22-23	Not Achieved
	F4.1	Number of Monitoring and evaluation reports on the implementation of Disaster Risk Reduction Plan submitted to Extended MANCO	4 Monitoring and evaluation reports on the implementation of Disaster Risk Reduction Plan submitted to Extended MANCO for discussion by 30 June 2022	Number				R 0.00	R 0.00	4 DRRP reports	Partially Achieved	4 DRRP reports	Partially Achieved	Even though reports were prepared, MANCO meetings were not sitting regularly	Target to be reviewed in 22-23	2
Total								R 0.00	R 0.00							

NAME OF OFFICIAL:

SIGNATURE OF OFFICIAL:

DESIGNATION OF OFFICIAL:

DATE:

Rating	Key	%	No of Targets
Expenditure			N/A
N/D	Not Due	0%	0
No Budget	No Budget	10%	4
Not Achieved	Not Achieved	22%	9
1		5%	2
2	Partially Achieved	46%	19
3	Achieved	17%	7
4		0%	0
5	Target Exceeded	0%	0
Total			41

ANNEXURE E: AUDIT COMMITTEE REPORT
2021/2022 FY



REPORT ON THE FUNCTIONALITY OF AUDIT COMMITTEE TO THE UMKHANYAKUDE DISTRICT MUNICIPAL COUNCIL

DATE: 2021/2022 Financial Year

1. LEGISLATIVE PROVISIONS

- 1.1 In terms of Section 165 of the Municipal Finance Management Act, Act 56 of 2003 ("the MFMA"), Internal Audit Unit is directly accountable functionally to the Audit Committee. This accountability applies despite the administrative location of the Internal Audit Unit which is under the Office of the Municipal Manager.
- 1.2 Internal Audit Unit is responsible to the Accounting Officer to ensure that it gives assurance as to the effectiveness and efficiency of the systems of internal controls, governance and risk management at Umkhanyakude District Municipality Municipality. This should not, however, be construed as channelling the Internal Audit's direct responsibility to the Accounting Officer as this function reports to the Audit Committee as laid out in International Standards for the Professional Practice of Internal Audit (ISPPA) issued by the Institute of Internal Auditors of South Africa (IIA).
- 1.3 ISPPA requires that matters which arise in the course of the internal audit activities are confidential and primary discussion is restricted to management and Accounting Officer. Discussion with management is necessary when the draft audit report has been prepared for management comments and action plan developed for consideration by the Audit Committee, Executive Committee and Council. This is an essential feature of the good relationship between the internal auditors, management and Council.
- 1.4 The report records the outcome of the work done by the Audit Committee. The committee from time to time made recommendations as preventative or corrective measures to the weaknesses identified by Internal Audit Unit in the municipality based on reports and information, financial reports in terms of Section 52, 66, 71 and 72 of the MFMA supplied to the Audit Committee.
- 1.5 The recommendations or advice in this report have been made based on certain information at a point in time and supplied to the Audit Committee and are subject to change after due consideration of new information received as well as subsequent deliberation with the municipality.

2. **MEMBERS**

None as the committee was not appointed during the year under review.

3. **AUDIT COMMITTEE RESPONSIBILITIES**

The Audit Committee has complied with its responsibilities arising from section 166 of the Municipal Finance Management Act, Act 56 of 2003 (MFMA) and clause 14(2) (a) of the Municipal Planning and Performance Management Regulations of 2001. The Audit Committees' work was guided and regulated by an Audit Committee Charter and has discharged all its responsibility as contained therein.

3.1 **Institutionalisation of Internal Audit Function**

Internal Audit Unit and Audit Committee operate within the mandate of the approved charters adopted by the Audit Committee and Council respectively.

3.2 **Internal Audit Function – Not Functional**

- a) The work of the Internal Audit Activity is regulated by Section 165 MFMA, ISPPA & Internal Audit Charter.
- b) In terms of S165 (1) each Municipality is required to have an internal audit, S165 (3) allows the municipality to co-source the internal audit function if the Municipality requires assistance to develop its internal capacity.
- c) The internal audit services were **not available as they were not appointed**.
- d) The internal audit coverage plan for the 2021/22 year was not approved by the Audit Committee as both structures were **not functional** during 2021/2022 financial year.
- e) Internal audit reports **were not presented** and discussed with management before they were tabled at the Audit Committee meetings **as both structures were not functional**.

4. **RECOMMENDATIONS**

- a) That the Audit Committee be appointed with immediate effect to perform its functions as per the provisions of legislation.

**ANNEXURE F: ANNUAL REPORT FOR UMHLOSINGA
DEVELOPMENT AGENCY 2021/2022 FY**

2021\22 ANNUAL PERFORMANCE REPORT

GOVERNANCE								
STRATEGIC OBJECTIVE	KPI NO.	PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2020/21	PLANNED TARGET 2021/22	ACTUAL ACHIEVEMENT 2021/22	RATING	REASONS FOR DEVIATION	CORRECTIVE MEASURES
To develop institutional capacity of UMDA, at all levels, with the capacity to effectively implement and raise funds for catalytic projects and operational needs.	1.1	Compliance Checklist submitted to Oversight Committees	0 report submitted to AC and Board	Compliance Checklist submitted to Audit Committee, HRRFC and Board no later than the 30 th of June 2022.	Compliance checklist submitted to Audit Committee, HRRFC and the Board during the January 2022 Board Committee and Board meetings.	Achieved	Not Applicable	None
	1.2	Risk Management and Reporting to Oversight Committees	UMDA's Risk Register was reviewed and updated during the second quarter. The updated risk was submitted to internal auditors for them to assess risk of the entity in quarter 4.	Quarterly Risk Management Reports submitted to the Audit Committee, HRRFC and the Board making it 4 reports submitted by 30 June 2022.	Quarter 1 submitted to HRRFC and Board, Quarter 2 submitted to AC, HRRFC and Board, Quarter 3 and Quarter 4 submitted to HRRFC and Board.	Partly achieved	AC members term expired in January 2022 which led to deviation. The Companies Act and MFMA limits the power of appointing AC members to the parent municipality (UKDM).	UMDA is waiting for UKDM to appoint AC as per Companies Act section 94 and MFMA section 166(5).

GOVERNANCE								
STRATEGIC OBJECTIVE	KPI NO.	PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2020/21	PLANNED TARGET 2021/22	ACTUAL ACHIEVEMENT 2021/22	RATING	REASONS FOR DEVIATION	CORRECTION MEASURES
To develop institutional capacity of UMDA, at all levels, with the capacity to effectively implement and raise funds for catalytic projects and operational needs.	1.3	Develop and Implement Communication Strategy and Plan	New target	Develop and Implement Communication Strategy and Plan by 30 June 2022	Communication Strategy and Plan implemented by 30 June 2022	Achieved	Not Applicable	None
	1.4	Signing of Service Delivery Agreement between the accounting officers	SDA signed by the UMDA CEO and UKDM MM on the 29 th of January 2021	Signed Service Delivery Agreement between the UMDA's CEO and UKDM's MM by 30 June 2022	Signed Service Delivery Agreement not signed between the UMDA's CEO and UKDM's MM as at 30 June 2022	Not Achieved	Service Delivery Agreement submitted to the municipal manager of UKDM, however, to date it has not been signed. This is mainly due to instability in the municipality this financial year.	To submit the 2022/23 service delivery agreement for signing before the end of quarter 1 of the 2022/23 financial year.
	1.5	Submission of Performance Reports to UKDM	4 Quarterly Performance reports submitted to UKDM by 30 June 2021	Submission of 1 quarterly report by no later than 30 days after end of the quarter, making it 4 reports by 30 June 2022	Quarterly reports submitted to UKDM no later than 30 days of end of each quarter by 30 June 2022	Achieved	Not Applicable	None

GOVERNANCE								
STRATEGIC OBJECTIVE	KPI NO.	PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2020/21	PLANNED TARGET 2021/22	ACTUAL ACHIEVEMENT 2021/22	RATING	REASONS FOR DEVIATION	CORRECTIVE MEASURES
To develop institutional capacity of UMDA, at all levels, with the capacity to effectively implement and raise funds for catalytic projects and operational needs.	1.6	Board Committee meetings	3 STIC meetings held and 4 HRRFC meeting held by 30 June 2021	4 STIC meetings and 4 HRRFC making 8 Board Committee meetings by 30 June 2022	3 STIC and 4 HRRFC meeting held by 30 June 2022	Partly Achieved	January 2022 STIC meeting was not held as matters for discussion required recommendation by HRRFC and Board resolution which led to deviation.	To ensure that the Board calendar is inclusive of four board committee meetings as per indicator for the 2022/23 financial year.
	1.7	Quarterly Board Meetings	3 Ordinary Board meeting held by 30 June 2021	4 Board meetings by 30 June 2022	4 Board meetings by 30 June 2022	Achieved	Not applicable	None
	1.8	Quarterly Audit Committee Meetings	3 Ordinary Audit Committee meetings held by 30 June 2021	4 Audit Committee meetings by 30 June 2022	3 Audit Committee meetings held by 30 June 2022	Partly Achieved	AC members term expired in January 2022 which led to deviation. The Companies Act and MFMA limits the power of appointing AC members to the parent municipality (UKDM).	UMDA is waiting for UKDM to appoint AC as per Companies Act section 94 and MFMA section 166(5).

LOCAL ECONOMIC DEVELOPMENT								
STRATEGIC OBJECTIVE	KPI NO.	PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2020/21	PLANNED TARGET 2021/22	ACTUAL ACHIEVEMENT 2021/22	RATING	REASONS FOR DEVIATION	CORRECTIVE MEASURES
To promote entrepreneurial development, developing business effectiveness and competitiveness, business retention and renewal, attracting new business and promoting investment in all economic sectors	2.1.1	Review 2019-2024 Strategy and Multi-Year Business Plan	Multi-Year Business Plan drafted.	Strategic review of 2019-2024 Strategic Plan by 30 May 2022	Strategic Review held on the 19 th of May 2022	Achieved	Not Applicable	None
	2.1.2	District Investor Attraction Strategy and Plan	Investor Attraction Plan approved by 30 June 2021	Investor Attraction approved by the Board by 30 June 2022	District Investor Attraction Strategy and Plan approved by the Board by 30 June 2022	Not Achieved	uMkhanyakude District Investor Attraction plan has been completed, but requires Council adoption. Once the plan is adopted by Council, the plan will subsequently be submitted to the Board for adoption and implementation.	Investor Attraction Plan will be submitted to the Board for approval once UKDM Council has adopted it.

LOCAL ECONOMIC DEVELOPMENT								
STRATEGIC OBJECTIVE	KPI NO.	PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2020/21	PLANNED TARGET 2021/22	ACTUAL ACHIEVEMENT 2021/22	RATING	REASONS FOR DEVIATION	CORRECTIVE MEASURES
To promote entrepreneurial development, developing business effectiveness and competitiveness, business retention and renewal, attracting new business and promoting investment in all economic sectors	2.1.3	Submission of business plans and/or proposals for funding and/or technical support	12 Business Plans submitted 30 June 2021	10 business plans and/or proposals submitted for funding and/or technical support by 30 June 2022	10 business plans and/or proposals submitted for funding and/or technical support by 30 June 2022	Achieved	Not Applicable	None
	2.1.4	Agreements with stakeholders for funding and/or technical support	5 agreements signed by 30 June 2021	3 agreements signed with stakeholders for funding and/or technical support by 30 June 2022	6 agreements signed by 30 June 2022	Achieved	Not Applicable	None

LOCAL ECONOMIC DEVELOPMENT								
STRATEGIC OBJECTIVE	KPI NO.	PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2020/21	PLANNED TARGET 2021/22	ACTUAL ACHIEVEMENT 2021/22	RATING	REASONS FOR DEVIATION	CORRECTIVE MEASURES
To promote entrepreneurial development, developing business effectiveness and competitiveness, business retention and renewal, attracting new business and promoting investment in all economic sectors	2.1.5	Formalising working relationships with Local Municipalities	New target	Signing of agreements one agreement with each Local Municipalities in uMkhanyakude District by 30 June 2022	No agreement signed with Local Municipalities by 20 June 2022	Not Achieved	UMDA participated on local and district municipality's project steering committees, LED and Tourism, and IDP Forums. Engagements made for signing of MoUs, however no agreement was reached. Strategic Review session resolved that these agreements will need to be deferred to the next financial year.	To sign agreements in the 2022/23 FY

LOCAL ECONOMIC DEVELOPMENT								
STRATEGIC OBJECTIVE	KPI NO.	PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2020/21	PLANNED TARGET 2021/22	ACTUAL ACHIEVEMENT 2021/22	RATING	REASONS FOR DEVIATION	CORRECTIVE MEASURES
To develop world class Tourism products	2.2.1	Revitalisation of Community Tourism Development projects in uMkhanyakude	A business proposal for the Revitalization of Community-Owned Lodges prepared and submitted to National Environment, Forestry and Fisheries and a funding commitment received.	Prepare proposal for development of Banghoek and Sizani Community Lodge by 30 June 2022	Business Plan for Lawu Lam (Banghoek) prepared by the 28 th of June 2022	Partly Achieved	Delays in obtaining sufficient inputs for a Sizani business plan led to the deviation.	To continue with consultations with stakeholders for inputs and prepare a business plan by the end of the second quarter of 2022/23.
	2.2.2	Host of at least 2 Drag Racing Events at Mkuze Airport for Tourism stimulation in uMkhanyakude by 30 June 2022	New target	Host of at least 2 Drag Racing Events at Mkuze Airport for Tourism stimulation in uMkhanyakude by 30 June 2022	3 Drag racing events held at Mkuze Airport by 30 June 2022	Achieved	Not Applicable	None

LOCAL ECONOMIC DEVELOPMENT								
STRATEGIC OBJECTIVE	KPI NO.	PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2020/21	PLANNED TARGET 2021/22	ACTUAL ACHIEVEMENT 2021/22	RATING	REASONS FOR DEVIATION	CORRECTIVE MEASURES
To develop world class Tourism products	2.2.3	Prepare a Business Plan for the Establishment of Tourism Academy in uMkhanyakude	Draft Business Plan for Tourism Academy in place as at 30 June 2021	Business Plan for uMkhanyakude Tourism Academy by 30 June 2022.	Business Plan prepared by 30 June 2022	Achieved	Not Applicable	None
	2.2.4	Facilitation of Skills Development Programmes	Close out report submitted as per funder's requirements on the implementation of the CATHSSETA on the 07 th of April 2021.	Application of Skills Development Programmes through CHATHSETHA by 30 June 2022	Application for Skills Development programmes made with CHATHSETHA on the 30 th of June 2022.	Achieved	Not Applicable	None

LOCAL ECONOMIC DEVELOPMENT								
STRATEGIC OBJECTIVE	KPI NO.	PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2020/21	PLANNED TARGET 2021/22	ACTUAL ACHIEVEMENT 2021/22	RATING	REASONS FOR DEVIATION	CORRECTIVE MEASURES
To develop sustainable commercialization of Agriculture and Agribusiness industries in the uMkhanyakude District	2.3.1	Application for funding towards Ndumo Packaging Facility	An Intension to Award by published on the 14 th of June 2021.	Submission of Application for additional funding towards Ndumo Packaging Facility by the 30 June 2022	Application for funding submitted to EDTEA on the 16th of March 2022.	Achieved	Not Applicable	None
	2.3.2	Sign Off-take agreements with markets	5 Off-take agreements signed between UMDA and markets as at 30 June 2021.	Sign 2 off-take agreements with markets for uMkhanyakude District Farmers by 30 June 2022.	6 Off-take agreements signed by 30 June 2022.	Achieved	Not Applicable	None

LOCAL ECONOMIC DEVELOPMENT								
STRATEGIC OBJECTIVE	KPI NO.	PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2020/21	PLANNED TARGET 2021/22	ACTUAL ACHIEVEMENT 2021/22	RATING	REASONS FOR DEVIATION	CORRECTIVE MEASURES
To develop sustainable commercialization of Agriculture and Agribusiness industries in the uMkhanyakude District	2.3.3	Providing Access to Market for uMkhanyakude produce	New target	Report on the Provision of Access to Markets for uMkhanyakude Farmers by 30 June 2022	No access to markets was provided as at 30 June 2022	Not Achieved	During quarter 3 and 4 RASET fleet was sent for repairs, therefore, there was no fleet to for farmers to send produce to markets.	To follow up on repairs and maintenance of fleet. To arrange for fleet to be functional by the first quarter of the 2022/23 financial year.
	2.3.4	Infrastructure development for Inkosi Nyawo Farming Coop	New target	Provide infrastructure support to farmers under Nkosi Nyawo Traditional Leadership by 30 June 2022.	Irrigation infrastructure upgraded for farmers under Nkosi Nyawo Traditional Leadership by 30 June 2022	Achieved	Not Applicable	None
	2.3.5	Dukuduku and Sikhemelele RASET Packhouse	New target	Submit progress report the construction of Dukuduku and Skhemelele Packhouse by 30 June 2022	Submit progress report the construction of Dukuduku and Skhemelele Packhouse by 30 June 2022	Achieved	Not Applicable	None
	2.3.6	Expenditure on RASET CoGTA grant	New target	Report on expenditure of CoGTA grant by 30 June 2022	Expenditure report and Close Out report by 30 June 2022	Achieved	Not Applicable	None

LOCAL ECONOMIC DEVELOPMENT								
STRATEGIC OBJECTIVE	KPI NO.	PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2020/21	PLANNED TARGET 2021/22	ACTUAL ACHIEVEMENT 2021/22	RATING	REASONS FOR DEVIATION	CORRECTIVE MEASURES
To develop worldclass catalytic infrastructure that promotes economic development	2.4.1	Construction of Mkhuze Airport Terminal Building	Construction was at 66% as at 25 th of June 2021	Practical completion of the Construction of Mkhuze Airport Terminal Building by 30 June 2022	Practical completion certificate signed on the 30 th of May 2022.	Achieved	Not Applicable	None
	2.4.2	Source funding towards the Establishment of a Fire and Rescue service at Mkhuze Airport	An application for funding towards the Establishment of a Fire and Rescue station was submitted to EDTEA on the 29 th of April 2021.	Application for funding for an establishment of a Fire Rescue Service design for the Mkhuze Airport by 30 June 2022	Application for funding submitted to PETROLSA, COGTA and NYDA by 30 June 2022.	Achieved	Not Applicable	None
	2.4.3	Airport maintenance and revenue reports	4 quarterly reports received after end of quarter making 4 reports by 30 June 2021.	Quarterly Airport maintenance and revenue reports prepared for the 2021/22, making it four reports by 30 June 2022	Quarter 1,2, 3, and 4 Airport maintenance and revenue reports prepared by 30 June 2022	Achieved	None	Not applicable

LOCAL ECONOMIC DEVELOPMENT								
STRATEGIC OBJECTIVE	KPI NO.	PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2020/21	PLANNED TARGET 2021/22	ACTUAL ACHIEVEMENT 2021/22	RATING	REASONS FOR DEVIATION	CORRECTIVE MEASURES
To develop worldclass catalytic infrastructure that promotes economic development	2.4.4	Operationalisation of Mkuze Airport	Draft Business Model in place as at 30 June 2021	Appoint a suitable service provider for Operationalisation of Mkhuze Airport by 30 June 2022	Service provider for the operationalization of Mkhuze Airport not appointed as at 30 June 2022.	Not Achieved	SCM Process for the appointment of a suitable service provider concluded. An appointment letter and service level agreement prepared, however, failure to conclude an agreement with the suitable service resulted in the cancellation of a tender, which led to the deviation.	To source an airport operator for Mkhuze Airport and initiate operations as a category 3 airport during the 2022/23 financial year.
	2.4.5	Promotion of Non-Aviation Development at Mkuze Airport	Meetings for the signing of the Lease Agreement facilitated by 30 June 2021	Submit a Report to UKDM for Promotion and Development of Mkhuze Non-Aviation through the signing of a Lease Agreement for the Non-Aviation development at Mkuze Airport by 30 June 2022	Report was submitted on the 16 th of May 2022 to the MM for Portfolio Committee for recommendation to Council to permit the municipal manager to sign a long-term lease with the developer for Mkhuze Non-Aviation by 30 June 2022	Achieved	Not Applicable	None

LOCAL ECONOMIC DEVELOPMENT								
STRATEGIC OBJECTIVE	KPI NO.	PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2020/21	PLANNED TARGET 2021/22	ACTUAL ACHIEVEMENT 2021/22	RATING	REASONS FOR DEVIATION	CORRECTIVE MEASURES
To develop worldclass catalytic infrastructure that promotes economic development	2.5	Establishment of power generation through the Jozini Hydro	Tender was advertised but no appointment was made as at 30 June 2021.	Appointment of a service provider for the review of Jozini Hydro Feasibility Study by 30 June 2022.	Appointment not made as at 30 June 2022	Not Achieved	Project was not advertised on time as National Treasury Communique, dated 25 February 2022 and	Projects advertised and will be closing on the 27 th July 2022.
	2.6	Broadband Connectivity for uMkhanyakude District	Application for funding prepared as at 30 June 2021.	Application for funding towards Broadband Connectivity by 30 June 2022	Appointment not made as at 30 June 2022	Not Achieved	Advisory Note dated 03 March 2022, regarding the Preferential Procurement Regulations, 2017 suspended procurement above R30 000. Delays in advertising led to the deviation	

LOCAL ECONOMIC DEVELOPMENT								
STRATEGIC OBJECTIVE	KPI NO.	PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2020/21	PLANNED TARGET 2021/22	ACTUAL ACHIEVEMENT 2021/22	RATING	REASONS FOR DEVIATION	CORRECTIVE MEASURES
To promote entrepreneurial development, developing business effectiveness and competitiveness, business retention and renewal, attracting new business and promoting investment in all economic sectors	2.7.1	Appointment of a Turn Key Company to assist with sourcing if funding for executing farmer development programmes	Needs Analysis and Market Gap analysis for Capacity Building of farmers conducted by 30 June 2021	Appointment of a Turn Key Company to assist with sourcing if funding for executing farmer development programmes by 30 June 2022	Service providers appointed on the 09 th of May 2022 for executing farmer development programmes.	Achieved	Not Applicable	None
	2.7.2	Establishment of a SMME One-stop shop	An Intension to Award by published on the 14 th of June 2021.	Inception Report for the Establishment of a One-stop shop by 30 June 2022	Inception report completed on the 30 th of September 2022	Achieved	Not Applicable	None

LOCAL ECONOMIC DEVELOPMENT								
STRATEGIC OBJECTIVE	KPI NO.	PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2020/21	PLANNED TARGET 2021/22	ACTUAL ACHIEVEMENT 2021/22	RATING	REASONS FOR DEVIATION	CORRECTIVE MEASURES
To promote entrepreneurial development, developing business effectiveness and competitiveness, business retention and renewal, attracting new business and promoting investment in all economic sectors	2.7.3	Facilitation of SMME Compliance workshops	New target	Facilitate 4 SMME development workshops by 30 June 2022	3 SMME development workshops facilitate by 30 June 2022	Partly Achieved	The programme is facilitated in partnership with iThala Bank. Ithala has indicated that it had limited financial resources and required UMDA to contribute. UMDA was unable to fund the programme as it was not budgeted for.	To engage Ithala Bank for a revised programme for SMME Development. UMDA will also utilize the services of the Panel of Professionals for uMkhanyakude Farmer Development Programme to achieve the target.

INSTITUTIONAL DEVELOPMENT								
STRATEGIC OBJECTIVE	KPI NO.	PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2020/21	PLANNED TARGET 2021/22	ACTUAL ACHIEVEMENT 2021/22	RATING	REASONS FOR DEVIATION	CORRECTIVE MEASURES
Implement Performance Management	3.1	Performance management of managers reporting to the CEO	2 performance reviews conducted for managers, however, no review conducted for the CFO as at 30 June 2021.	2 written performance reviews of managers reporting to the CEO by 30 June 2022	1 performance review for managers reporting to CEO	Partly Achieved	Performance Reviews not conducted to quarter 4 which led to deviation.	To ensure that performance reviews are conducted as per PMS policy in the 2022/23 financial year.
	3.2	Develop, Implement, and monitor Health and Safety Risk Plan	4 admin supports submitted as of 30 June 2021	Quarterly Health and Safety reports prepared for the 2021/22 financial, making it four by 30 June 2022	Quarter 1, 2, 3 and 4 reports on Health and Safety prepared by 30 June 2022	Achieved	Not Applicable	None
	3.3	Develop, Implement, and monitor admin support plan	New target	Quarterly Admin support reports prepared for the 2021/22 financial, making it four by 30 June 2022	Quarter 1, 2, 3 and 4 reports on Admin support prepared by 30 June 2022	Achieved	Not Applicable	None

FINANCIAL VIABILITY AND MANAGEMENT

STRATEGIC OBJECTIVE	KPI NO.	PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2020/21	PLANNED TARGET 2021/22	ACTUAL ACHIEVEMENT 2021/22	RATING	REASONS FOR DEVIATION	CORRECTIVE MEASURES
Sound Financial Planning and Reporting	4.1.1	Draft annual report adopted by the Board	Draft Annual Report adopted by the Board on the 30 th of October 2020	Adoption Draft annual report by the Board by 31 August 2021	Draft Annual Report adopted by the Board on the 30 th of August 2021	Achieved	Not Applicable	None
	4.1.2	Annual report adopted by the Board and submitted to UKDM	Annual Report adopted by the Board on the 26 th of May 2021.	Adoption and Submission of Annual report to UKDM by 20 January 2021	Annual report adopted by the Board and Submitted to UKDM on the 20 th of January 2022.	Achieved	Not Applicable	None

FINANCIAL VIABILITY AND MANAGEMENT

STRATEGIC OBJECTIVE	KPI NO.	PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2020/21	PLANNED TARGET 2021/22	ACTUAL ACHIEVEMENT 2021/22	RATING	REASONS FOR DEVIATION	CORRECTIVE MEASURES
Sound Financial Planning and Reporting	4.2.1	Adjusted budget approved by Board	Adjusted Budget approved by the Board on the 19 th of January 2021.	Approval Adjusted budget approved by Board by 20 January 2022	Adjusted budget approved on the 19 th of January 2022	Achieved	Not applicable	None
	4.2.2	Draft budget submitted to UKDM	Draft budget submitted to UKDM on the 1 st of February 2021	Draft budget submitted by 20 January 2022	Draft budget submitted by 20 January 2022	Achieved	Not Applicable	None

FINANCIAL VIABILITY AND MANAGEMENT

STRATEGIC OBJECTIVE	KPI NO.	PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2020/21	PLANNED TARGET 2021/22	ACTUAL ACHIEVEMENT 2021/22	RATING	REASONS FOR DEVIATION	CORRECTIVE MEASURES
Sound Financial Planning and Reporting	4.2.3	2021/22 Budget approved by Board	2021\22 Budget approved by the Board on the 27 May 2021	Approval of 2021/22 Budget by the Board by 31 May 2022	Approval of 2022/23 Budget by the Board by 31 May 2022	Achieved	Not applicable	None
	4.3.1	MFMA S87(11) reports submitted to municipal manager (MM) of UKDM	8 S87(11) Reports submitted by 30 June 2021	1 report submitted to MM of UKDM no later than 7 working days after each end month, making it 12 reports by 30 June 2022	8 S (87) reports submitted to UKDM by 30 June 2022	Partly Achieved	During the first quarter reports were not submitted as the UKDM had not approved UMDA's Budget which led to the deviation.	To ensure that reports are submitted timeously as per the MFMA during the 2022/23 FY.

FINANCIAL VIABILITY AND MANAGEMENT

STRATEGIC OBJECTIVE	KPI NO.	PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2020/21	PLANNED TARGET 2021/22	ACTUAL ACHIEVEMENT 2021/22	RATING	REASONS FOR DEVIATION	CORRECTIVE MEASURES
Sound Financial Planning and Reporting	4.3.2	Mid-term budget and performance assessment report submitted to Board and UKDM	Mid-term budget and assessment report approved by the Board on the 19 th of January 2021 and submitted to UKDM on the 19 th January 2021.	Submission of Mid-term budget and assessment report to the Board and UKDM by 20 January 2022.	Mid-term budget and assessment report approved by the Board on the 19 th of January 2021 and submitted to UKDM on the 19 th January 2022.	Achieved	Not applicable	None
	4.3.4	Preparation of MFMA S122 Statements	AFS submitted to the Auditor General on the 30 th of November 2020.	Submission of AFS to AG by 31 August 2021	AFS submitted to AG on the 31 st August 2021	Achieved	Not Applicable	None

NOTES ON ADJUSTMENTS

KPI NO.	INDICATOR BEFORE ADJUSTMENT	INDICATOR AFTER ADJUSTMENT	REVISED KPI NO	ANNUAL TARGET BEFORE ADJUSTMENT	ANNUAL TARGET AFTER ADJUSTMENT	REASON FOR ADJUSTMENT
1.4	Signing of Service Delivery Agreement between the accounting officers	Signed Service Delivery Agreement between the UMDA's CEO and UKDM's MM by 1 July 2021	1.4	Signing of Service Delivery Agreement between the accounting officers	Signed Service Delivery Agreement between the UMDA's CEO and UKDM's MM by 30 June 2022	Service Delivery Agreement has been submitted to the office of the MM; however, it has not yet been signed. Target is brought forward to 30 June 2022
2.2.1	Revitalization of Community Tourism Development projects in uMkhanyakude	Establish a working committee and reporting on approved Revitalization of Community Lodges by the Department of Environmental, Forestry and Fishers by 30 June 2022	2.2.1	Revitalization of Community Tourism Development projects in uMkhanyakude	Prepare proposal for development of Banghoek and Sizani Community Lodge by 30 June 2022	Target is adjusted. Having assessed the first six of the year, the target has high probability of not being attainable as UMDA has no control given that the project managed by National Department of Environmental Forestry and Fisheries. UMDA has identified Sizani and Banghoek for investment promotion.
2.2.2	Hosting of Tourism Events	Host of at least 2 Drag Racing Events at Mkuze Airport for Tourism stimulation in uMkhanyakude by 30 June 2022	2.2.2	Hosting of at least one signature event in Umkhanyakude District	Host of at least 2 Drag Racing Events at Mkuze Airport for Tourism stimulation in uMkhanyakude by 30 June 2022	Indicator is changed so to comply with the SMART principles.

KPI NO.	INDICATOR BEFORE ADJUSTMENT	INDICATOR AFTER ADJUSTMENT	REVISED KPI NO	ANNUAL TARGET BEFORE ADJUSTMENT	ANNUAL TARGET AFTER ADJUSTMENT	REASON FOR ADJUSTMENT
2.2.4	Skills Development Programmes	Apply for skills development programmes by 30 June 2022	2.2.4	Facilitation of Skills Development Programmes	Application of Skills Development Programmes through CHATHSETHA by 30 June 2022	Indicator is changed so to comply with the SMART principles.
2.3.1	Ndumo Packhouse facility	Handover of the Ndumo Packaging Facility to beneficiaries by 30 June 2022.	2.3.1	Application for funding towards Ndumo Packaging Facility	Submission of Application for additional funding towards Ndumo Packaging Facility by the 30 June 2022	Packaging machine procured, however, the packhouse requires water, electricity and cooling facilities to comply as a packhouse. UMDA has developed a proposal for additional funding. Handover is deferred until the packhouse is certified as meeting required standards.
2.3.2	Establish a Fresh Produce Market	Pilot the Virtual Fresh Produce Market by 30 June 2022.	-	-	-	Having assessed the first six months of the financial year, the target does not seem to be attainable. Target is deferred as UMDA is sourcing funding.

KPI NO.	INDICATOR BEFORE ADJUSTMENT	INDICATOR AFTER ADJUSTMENT	REVISED KPI NO	ANNUAL TARGET BEFORE ADJUSTMENT	ANNUAL TARGET AFTER ADJUSTMENT	REASON FOR ADJUSTMENT
2.3.4	Beef sector development	Prepare an application for funding towards the development of the establishment of feedlots within uMkhanyakude by 30 June 2022.	-	-	-	Targets previously recorded as KPI no: 2.3.4, 2.3.5, 2.3.6 and 2.3.7. Targets is removed as indicators on the APP, but be incorporated in KPI 2.1.3 for Sourcing of funds.
2.3.5	Cotton Sector development	Prepare an application for funding towards the development of the cotton industry in uMkhanyakude by 30 June 2022.	-	-	-	
2.3.6	Establishment of Cannabis plantation farms	Prepare an application for funding towards the development of the establishment of cannabis plantation site in uMkhanyakude by 30 June 2022.	-	-	-	
2.3.8	Establishment Macadamia plantations	Prepare an application for funding towards the development of the macadamia plantation by 30 June 2022.	-	-	-	

KPI NO.	INDICATOR BEFORE ADJUSTMENT	INDICATOR AFTER ADJUSTMENT	REVISED KPI NO	ANNUAL TARGET BEFORE ADJUSTMENT	ANNUAL TARGET AFTER ADJUSTMENT	REASON FOR ADJUSTMENT
-	-	-	2.3.3	Providing Excess to Market for uMkhanyakude produce Report on the Provision of	Access to Markets for uMkhanyakude Farmers by 30 June 2022	New target
-	-	-	2.3.4	Infrastructure development for Inkosi Nyawo Farming Coop	Provide infrastructure support to farmers under Nkosi Nyawo Traditional Leadership by 30 June 2022.	New target
-	-	-	2.3.5	Dukuduku and Sikhemelele RASET Packhouse	Submit progress report the construction of Dukuduku and Skhemelele Packhouse by 30 June 2022	New target
-	-	-	2.3.6	Expenditure on RASET CoGTA grant	Report on expenditure of CoGTA grant by 30 June 2022	New target

KPI NO.	INDICATOR BEFORE ADJUSTMENT	INDICATOR AFTER ADJUSTMENT	REVISED KPI NO	ANNUAL TARGET BEFORE ADJUSTMENT	ANNUAL TARGET AFTER ADJUSTMENT	REASON FOR ADJUSTMENT
2.4.1	Construction of Mkuze Terminal Building	100% of Construction of the Mkuze Terminal Building by 20 January 2022	2.4.1	Construction of Mkuze Terminal Building	Practical completion Construction of Mkuze Airport Terminal Building by 30 June 2022	Target is adjusted based on progress to date. Identified snag list indicates that the project will not be completed by year end.
2.4.4	Mkuze Airport City Business Model	Implement of a Business Model for the Mkuze Airport City by 30 June 2022	2.4.4	Operationalisation of Mkuze Airport	Appoint a suitable service provider for Operationalization of Mkuze Airport by 30 June 2022	Target is adjusted based on progress to date. A tender has been advertised for operationalization of Mkuze Airport
2.4.5	Promotion of Non-Aviation Development Site	Establishment for Mkuze Non-aviation development by 30 June 2022	2.4.5	Promotion of Non-Aviation Development at Mkuze Airport	Submit a Report to UKDM for Promotion and Development of Mkuze Non-Aviation through the signing of a Lease Agreement for the Non-Aviation development at Mkuze Airport by 30 June 2022	Target is adjusted based on progress to date. UKDM Council has not approved the signing of the Notary Lease Agreement with the developer
2.4.6	Mkuze Residential Housing Settlement	Signing an agreement with Inhlanhla Yethu CPA for the development of Mkuze Residential House project by 30 June 2022	-	-	-	Target is deferred as attempts to convene with Inhlanhla Yethu CPA have not succeeded. Target requires the buy-in of the CPA.
2.4.7	Smart meter readers	Feasibility Study for Smart Water meters for uMkhanyakude District by 30 June 2022	-	-	-	Target is placed on hold pending UKDM Council to implement the project to UMDA. Concept document have been drafted, however, UKDM and UMDA have signed an agreement for extension of service to water.

KPI NO.	INDICATOR BEFORE ADJUSTMENT	INDICATOR AFTER ADJUSTMENT	REVISED KPI NO	ANNUAL TARGET BEFORE ADJUSTMENT	ANNUAL TARGET AFTER ADJUSTMENT	REASON FOR ADJUSTMENT
2.5	Establishment of power generation through the Jozini Hydro	Review feasibility report of Jozini Hydro by 30 June 2022	2.5	Establishment of power generation through the Jozini Hydro	Appointment of a service provider for the review of Jozini Hydro Feasibility Study by 30 June 2022	Tender was advertised, however, UMDA could not find a suitable bidder. Tender needs to re-advertised.
2.7.1	Capacity building of farmers	Training of Farmers on business compliance and Market Gap analysis for Capacity Building of farmers by 30 June 2022	2.7.1	Appointment of a Turn Key Company to assist with sourcing if funding for executing farmer development programmes	Appointment of a Turn Key Company to assist with sourcing if funding for executing farmer development programmes by 30 June 2022	UMDA does not have capacity to training farmers. UMDA plans to outsource the service.
2.7.2	Establishment of a One-stop shop	Appoint a Turn-Key Company for one-stop-shop by 30 June 2022	2.7.2	Establishment of a SMME One-stop shop	Inception Report for the Establishment of a One-stop shop by 30 June 2022	Annual has been met. Service provider has been appointed.
2.7.3	SMME development Business	Compliance trainings for SMMEs in all LMs (4) by 30 June 2022	2.7.3	Facilitation of SMME Compliance workshops	Facilitate 4 SMME development workshops by 30 June 2022	Indicator is changed so to comply with the SMART principles.

KPI NO.	INDICATOR BEFORE ADJUSTMENT	INDICATOR AFTER ADJUSTMENT	REVISED KPI NO	ANNUAL TARGET BEFORE ADJUSTMENT	ANNUAL TARGET AFTER ADJUSTMENT	REASON FOR ADJUSTMENT
2.7.4	Ilala Processing	Prepare an application for funding towards ilala processing by 30 June 2022	-	-	-	Targets previously recorded as KPI no: 2..7.4 and 2.7.5. Targets to be removed as indicators on the APP, but be incorporated in KPI 2.1.3 fir Sourcing of funds.
2.7.5	Development of the Film industry in uMkhanyakude	Prepare an application for funding or the film industry in uMkhanyakude by 30 June 2022	-	-	-	
2.7.6	Establishment of Corporative Unit	Establish a Corporative Unit by 30 June 2022	-	-	-	

KPI NO.	INDICATOR BEFORE ADJUSTMENT	INDICATOR AFTER ADJUSTMENT	REVISED KPI NO	ANNUAL TARGET BEFORE ADJUSTMENT	ANNUAL TARGET AFTER ADJUSTMENT	REASON FOR ADJUSTMENT
3.2	Skills Training	50% of employees trained by 30 June 2022	-	-	-	UMDA's operational budget has been decreased, therefore, the target is deferred until the financial position of UMDA improves.
3.3	Filling of vacant positions	5 positions filled by 30 June 2022	-	-	-	Target has been met.
3.4	Review of Job Evaluation	Approval of Job Evaluation by the Board by 30 June 2022	-	-	-	UMDA's operational budget has been decreased, therefore, the target is deferred until the financial position of UMDA improves.
3.7	Procurement of additional office space	Procurement of additional office space by 30 September 2021	-	-	-	Target has been met

2021/22 Annual Performance Report submitted by: _____



Ms. T.C. Khumalo
Acting Chief Executive Officer
uMhlosinga Development Agency

Date: 31/08/22

2021/22 Internally Generated Achievement Report/Listing

PART B: PERFORMANCE INFORMATION

PROGRAMME 2: STAKEHOLDER RELATIONS				
STRATEGIC OBJECTIVE 2.1.1 To promote entrepreneurial development, developing business effectiveness and competitiveness, business retention and renewal, attracting new business and promoting investment in all economic sectors				
Performance Indicator	Actual Achievement 2020/21	Actual Achievement 2020/21	Deviation from planned target to Actual Achievement for 2021/22	Comment on deviations
Review 2019-2024 Strategy and Multi-Year Business Plan	Multi-Year Business Plan drafted.	Strategic Review held on the 19 th of May 2022 <ul style="list-style-type: none"> Strategic Review session held on the 19th of May 2022 Strategic Review Report submitted to the Board during Board meeting held on the 31st of May 2022. 	None	Not applicable

PROGRAMME 2: STAKEHOLDER RELATIONS				
STRATEGIC OBJECTIVE 2.1.2 To promote entrepreneurial development, developing business effectiveness and competitiveness, business retention and renewal, attracting new business and promoting investment in all economic sectors				
Performance Indicator	Actual Achievement 2020/21	Actual Achievement 2021/22	Deviation from planned target to Actual Achievement for 2021/22	Comment on deviations
District Investor Attraction Strategy and Plan	Investor Attraction Plan approved by 30 June 2021	District Investor Attraction Strategy and Plan approved by the Board by 30 June 2022	uMkhanyakude District Investor Attraction plan has been completed, but requires Council adoption. Once the plan is adopted by Council, the plan will subsequently be submitted to the Board for adoption and implementation.	Investor Attraction Plan will be submitted to the Board for approval once UKDM Council has adopted it

STRATEGIC OBJECTIVE 2.1.3 To promote entrepreneurial development, developing business effectiveness and competitiveness, business retention and renewal, attracting new business and promoting investment in all economic sectors				
Performance Indicator	Actual Achievement 2020/21	Actual Achievement 2021/22	Deviation from planned target to Actual Achievement for 2021/22	Comment on deviations
Submission of business plans and/or proposals for funding and/or technical support	12 Business Plans submitted 30 June 2021	10 Business Plan submitted by 30 June 2022 <ul style="list-style-type: none"> • Feedlot for the Support of Beef Industry submitted to the DTIC dated 28 June 2022 • Ilala Craft submitted to KZN Premier dated 7 June 2022 • Fire and Rescue submitted to KZN COGTA dated 30 May 2022 • Shared Economic Infrastructure Facility submitted to Dept. Small Business Development dated 03 February 2022 • Ndumo Packing Facility submitted to TIZN dated 05 March 2022 • Additional Funding for Mkhuze Terminal Building submitted to EDTEA dated 25 Nov. 2021 • Jozini Secondary Funding proposal submitted dated 5 March 2022 submitted to Trade and Investment KZN • Film Development Proposal submitted to Services SETA dated 17 Nov 2021 • SMME 1 Stop Shop submitted to TIZN dated 1 April 2022 • Application for programme submitted to CHATHSETA dated 20/06/2022 by email on the 30/06/2022 	None	Not Applicable

STRATEGIC OBJECTIVE 2.1.4 To promote entrepreneurial development, developing business effectiveness and competitiveness, business retention and renewal, attracting new business and promoting investment in all economic sectors

Performance Indicator	Actual Achievement 2019/20	Actual Achievement 2020/21	Deviation from planned target to Actual Achievement for 2020/21	Comment on deviations
Agreements with stakeholders for funding and/or technical support	5 Agreements signed with stakeholders for funding and/or technical support by 30 June 2021	<p>6 agreements signed with stakeholders for funding and/or technical support by 30 June 2022</p> <ul style="list-style-type: none"> • Ithala Bank for Business Support Services signed date: 23 July 2021 • Industrial Development Corporation and Project Activities for Farmers along Nkosi Nyawo signed date: 23 August 2021 • Airports Company South Africa for Operationalisation of Mkhuze Airport signed date: 12 May 2022 • Usuthu Community Trust for the Implementation of DRARD Special Programmes signed date: 13 February 2022 • Qhubeka Mqobokazi Community Trust for the Implementation of DRARD Special Programmes signed date: 22 February 2022 • the KwaZulu Natal Department of Economic Development, Tourism and Environmental Affairs for the Construction of Mkhuze Airport Terminal Building signed date: 06 June 2022 	None	Not applicable

STRATEGIC OBJECTIVE 2.1.5 To promote entrepreneurial development, developing business effectiveness and competitiveness, business retention and renewal, attracting new business and promoting investment in all economic sectors

Performance Indicator	Actual Achievement 2020/21	Actual Achievement 2021/22	Deviation from planned target to Actual Achievement for 2021/22	Comment on deviations
Formalising working relationships with Local Municipalities	New target	No agreement signed with Local Municipalities by 30 June 2022	UMDA participated on local and district municipality's project steering committees, LED and Tourism, and IDP Forums. Engagements made for signing of MoUs, however no agreement was reached. Strategic Review session resolved that these agreements will need to be deferred to the next financial year.	To sign agreements in the 2022/23 FY

STRATEGIC OBJECTIVE 2.2.1 To develop world class Tourism products

Performance Indicator	Actual Achievement 2020/21	Actual Achievement 2021/22	Deviation from planned target to Actual Achievement for 2021/22	Comment on deviations
Revitalisation of Community Tourism Development projects in uMkhanyakude	A business proposal for the Revitalization of Community-Owned Lodges prepared and submitted to National Environment, Forestry and Fisheries and a funding commitment received.	<p>Business Plan for Lawu Lam (Banghoek) prepared by the 28th of June 2022</p> <ul style="list-style-type: none"> Attendance register dated 31 January 2022 for Lodge Meeting Business Plan for Lawu Lami which is for Banghoek Community Lodge received on the 28th of June 2022. 	Delays in obtaining sufficient inputs for a Sizani business plan led to the deviation.	To continue with consultations with stakeholders for inputs and prepare a business plan by the end of the second quarter of 2022/23.

STRATEGIC OBJECTIVE 2.2.2 To develop world class Tourism products

Performance Indicator	Actual Achievement 2020/21	Actual Achievement 2021/22	Deviation from planned target to Actual Achievement for 2021/22	Comment on deviations
Host of at least 2 Drag Racing Events at Mkuze Airport for Tourism stimulation in uMkhanyakude by 30 June 2022	New target	3 Drag racing events held at Mkuze Airport by 30 June 2022 <ul style="list-style-type: none">Quarter 2 - Drag Racing event - 03 December 2021Quarter 3 - Drag Racing event - 26-27 February 2022Quarter 4 - Drag Racing event - 03-05 June 2022	None	Not applicable

STRATEGIC OBJECTIVE 2.2.3 To develop world class Tourism products

Prepare a Business Plan for the Establishment of Tourism Academy in uMkhanyakude	Draft Business Plan for Tourism Academy in place as at 30 June 2021	Business Plan prepared by 30 June 2022 <ul style="list-style-type: none">Situational AnalysisBusiness Plan	None	Not Applicable
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STRATEGIC OBJECTIVE 2.2.4 To develop world class Tourism products

Performance Indicator	Actual Achievement 2020/21	Actual Achievement 2021/22	Deviation from planned target to Actual Achievement for 2021/22	Comment on deviations
Facilitation of Skills Development Programmes	Close out report submitted as per funder's requirements on the implementation of the CATHSSETA on the 07 th of April 2021.	<p>Application for Skills Development programmes made with CHATHSETHA on the 30th of June 2022.</p> <p>Quarter 1</p> <ul style="list-style-type: none">• Identification of skills development programmes <p>Quarter 2</p> <ul style="list-style-type: none">• Identification of Stakeholders <p>Quarter 4 –</p> <ul style="list-style-type: none">• Engagement Meeting Between UMDA & CHATHSETHA• Application for programme submitted to CHATHSETHA dated 20/06/2022 by email on the 30/06/2022• Application letter dated 29/04/2022 to Department of Tourism by Email dated 30/06/22	None	Not Applicable

STRATEGIC OBJECTIVE 2.3.1 To develop sustainable commercialization of Agriculture and Agribusiness industries in the uMkhanyakude District

Performance Indicator	Actual Achievement 2020/21	Actual Achievement 2021/22	Deviation from planned target to Actual Achievement for 2021/22	Comment on deviations
Application for funding towards Ndumo Packaging Facility	An Intension to Award by published on the 14 th of June 2021.	<p>Submission of Application for additional funding towards Ndumo Packaging Facility by the 30 June 2022</p> <p>Quarter 1</p> <ul style="list-style-type: none"> • Appointment letter 20/07/2021 • SLA between UMDA and Altega for the Ndumo Packing Facility signed 30 July 2021 • Site handover meeting date 03/08/21 • Inception report and Implementation plan <p>Quarter 2</p> <ul style="list-style-type: none"> • Ndumo packhouse designs <p>Quarter 3</p> <ul style="list-style-type: none"> • Funding proposal submitted dated 5 March 2022 submitted to Trade and Investment KZN <p>Quarter 4</p> <ul style="list-style-type: none"> • EDTEA Operation Vula fund application for fund Email dated 30 May 2022 	None	Not Applicable

STRATEGIC OBJECTIVE 2.3.2 To develop sustainable commercialization of Agriculture and agribusiness industries in the uMkhanyakude District				
Performance Indicator	Actual Achievement 2020/21	Actual Achievement 2021/22	Deviation from planned target to Actual Achievement for 2021/22	Comment on deviations
Sign Off-take agreements with markets	5 Off-take agreements signed between UMDA and markets as at 30 June 2021.	6 Off-take agreements signed by 30 June 2022. <ul style="list-style-type: none"> • SAS Irrigation for the supply of Tomato date 1 July 2021 • SAS Irrigation for the supply of Green Paper date 1 July 2021 • Identification of markets • Shayokuvelayo Project and Trading for the supply of Cabbage date 2 July 2021 • JP Green House for the supply of Cabbages date 19 August 2021 • JP Green House for the supply of Green Paper date 19 August 2021 • Action Development supply of Potatoes, Cabbages and Onions date 1 September 2021 	None	Not Applicable
STRATEGIC OBJECTIVE 2.3.3 To develop sustainable commercialization of Agriculture and agribusiness industries in the uMkhanyakude District				
Providing Access to Market for uMkhanyakude produce	New target	No access to markets was provided as at 30 June 2022	During quarter 3 and 4 RASET fleet was sent for repairs, therefore, there was no fleet to for farmers to send produce to markets.	To follow up on repairs and maintenance of fleet. To arrange for fleet to be functional by the first quarter of the 2022/23 financial year.

STRATEGIC OBJECTIVE 2.3.3 To develop sustainable commercialization of Agriculture and Agribusiness industries in the uMkhanyakude District

Performance Indicator	Actual Achievement 2020/21	Actual Achievement 2021/22	Deviation from planned target to Actual Achievement for 2021/22	Comment on deviations
Infrastructure development for Inkosi Nyawo Farming Coop	Irrigation infrastructure upgraded for farmers under Nkosi Nyawo Traditional Leadership by 30 June 2022	<p>Irrigation infrastructure upgraded for farmers under Nkosi Nyawo Traditional Leadership by 30 June 2022</p> <p>Quarter 3</p> <ul style="list-style-type: none">• Appointment letter 13/01/2022• Service Level Agreement between UMDA & Abiot dated 13/01/2022 <p>Quarter 4</p> <ul style="list-style-type: none">• Need and situation analysis submitted by Abiot• Design submitted by Aboit for irrigation	None	Not Applicable

STRATEGIC OBJECTIVE 2.3.4 To develop sustainable commercialization of Agriculture and Agribusiness industries in the uMkhanyakude District

Dukuduku and Sikhemelele RASET Packhouse	New target	<p>Submit progress report the construction of Dukuduku and Skhemelele Packhouse by 30 June 2022</p> <p>Quarter 3</p> <ul style="list-style-type: none">• March reports <p>Quarter 4</p> <ul style="list-style-type: none">• April – June report• Minutes of RASET Packhouse Dukuduku and Skhemelele meeting dated 15 June 2022	None	Not Applicable
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STRATEGIC OBJECTIVE 2.3.5 To develop sustainable commercialization of Agriculture and Agribusiness industries in the uMkhanyakude District				
Expenditure on RASET CoGTA grant	New target	Expenditure report and Close Out report by 30 June 2022 Quarter 3 <ul style="list-style-type: none"> January 2022 – March 2022 report Invoices Quarter 4 <ul style="list-style-type: none"> Close out report dated 06 April 2022 		

STRATEGIC OBJECTIVE 2.4.1 To develop world class catalytic infrastructure that promote economic development

Performance Indicator	Actual Achievement 2020/21	Actual Achievement 2021/22	Deviation from planned target to Actual Achievement for 2021/22	Comment on deviations
Construction of Mkhuze Airport Terminal Building	Construction was at 66% as at 25 th of June 2021	<p>Practical completion certificate signed on the 30th of May 2022.</p> <p>Quarter 1</p> <ul style="list-style-type: none">• July, August, September construction reports• Attendance register dated 13 Aug 2022 for Special Visit by SACAA• Payment certificates <p>Quarter 2</p> <ul style="list-style-type: none">• October, November and December construction reports• Payment certificates• Expenditure report <p>Quarter 3</p> <ul style="list-style-type: none">• January and February Construction Report <p>Quarter 4</p> <ul style="list-style-type: none">• Payment certificates• Practical completion certificate dated 30 May 2022	None	Not Applicable

STRATEGIC OBJECTIVE 2.4.2 To develop world class catalytic infrastructure that promote economic development

Performance Indicator	Actual Achievement 2020/21	Actual Achievement 2021/22	Deviation from planned target to Actual Achievement for 2021/22	Comment on deviations
Source funding towards the Establishment of a Fire and Rescue service at Mkhuze Airport	An application for funding towards the Establishment of a Fire and Rescue station was submitted to EDTEA on the 29 th of April 2021.	<p>Application for funding submitted to PETROLSA, COGTA and NYDA by 30 June 2022.</p> <p>Quarter 1</p> <ul style="list-style-type: none">• List of potential funders• Engagement emails with TIKZN dated 17 Aug 2021 <p>Quarter 2</p> <ul style="list-style-type: none">• Attendance registers for Airport awareness day dated 01 Oct 2021• Draft business plan <p>Quarter 3</p> <ul style="list-style-type: none">• Draft funding proposal <p>Quarter 4</p> <ul style="list-style-type: none">• Email to PETROSA requesting funding dated 3/05/2022• Email to COGTA requesting funding dated 30/05/2022• Email to NYDA requesting funding dated 21/06/2022	None	Not Application

STRATEGIC OBJECTIVE 2.4.3 To develop world class catalytic infrastructure that promotes economic development

Performance Indicator	Actual Achievement 2020/21	Actual Achievement 2021/22	Deviation from planned target to Actual Achievement for 2021/22	Comment on deviations
Airport maintenance and revenue reports	4 reports submitted by 30 June 2021	Quarter 1,2, 3, and 4 Airport maintenance and revenue reports prepared by 30 June 2022 <ul style="list-style-type: none">• Q1 report and Landing details (landing book)• Q1 report and Landing details (landing book)• Q1 report and Landing details (landing book)• Q1 report and Landing details (landing book)	None	Not Applicable

STRATEGIC OBJECTIVE 2.4.4 To develop world class catalytic infrastructure that promotes economic development

Performance Indicator	Actual Achievement 2020/21	Actual Achievement 2021/22	Deviation from planned target to Actual Achievement for 2021/22	Comment on deviations
Operationalisation of Mkuze Airport	New target	Service provider for the operationalization of Mkhuze Airport not appointed as at 30 June 2022 Quarter 1 <ul style="list-style-type: none">• Tender avert Quarter 2 <ul style="list-style-type: none">• Appointment letter 31 January 2022 Quarter 3 <ul style="list-style-type: none">• Withdrawal of appointment dated 28 March 2022• Cancellation of tender	SCM Process for the appointment of a suitable service provider concluded. An appointment letter and service level agreement prepared, however, failure to conclude an agreement with the suitable service resulted in the cancellation of a tender, which led to the deviation.	To source an airport operator for Mkhuze Airport and initiate operations as a category 3 airport during the 2022/23 financial year.

STRATEGIC OBJECTIVE 2.4.5 To develop world class catalytic infrastructure that promotes economic development				
Performance Indicator	Actual Achievement 2020/21	Actual Achievement 2021/22	Deviation from planned target to Actual Achievement for 2021/22	Comment on deviations
Promotion of Non-Aviation Development at Mkuze Airport	Meetings for the signing of the Lease Agreement facilitated by 30 June 2021	Report was submitted on the 16 th of May 2022 to the MM for Portfolio Committee for recommendation to Council to permit the municipal manager to sign a long-term lease with the developer for Mkhuze Non-Aviation.	None	Not Applicable
STRATEGIC OBJECTIVE 2.5 To develop a world class catalytic infrastructure that promotes economic development				
Establishment of power generation through the Jozini Hydro	Tender was advertised but no appointment was made as at 30 June 2021.	Appointment not made as 30 June 2022	Project was not advertised on time as National Treasury Communique, dated 25 February 2022 and Advisory Note dated 03 March 2022, regarding the Preferential Procurement Regulations, 2017 suspended procurement above R30 000. Delays in advertising led to the deviation	Projects advertised and will be closing on the 27 th July 2022.
STRATEGIC OBJECTIVE 2.6 To develop a world class catalytic infrastructure that promotes economic development				
Broadband Connectivity for uMkhanyakude District	Application for funding prepared as at 30 June 2021.	Appointment not made as 30 June 2022	Project was not advertised on time as National Treasury Communique, dated 25 February 2022 and Advisory Note dated 03 March 2022, regarding the Preferential Procurement Regulations, 2017 suspended procurement above R30 000. Delays in advertising led to the deviation	Projects advertised and will be closing on the 27 th July 2022.

STRATEGIC OBJECTIVE 2.7.1 SMME Development and Support

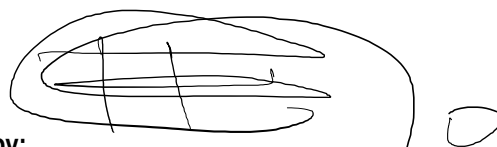
Performance Indicator	Actual Achievement 2020/21	Actual Achievement 2021/22	Deviation from planned target to Actual Achievement for 2021/22	Comment on deviations
Appointment of a Turn Key Company to assist with sourcing if funding for executing farmer development programmes	New Target	<p>Service providers appointed on the 09th of May 2022 for executing farmer development programmes.</p> <p>Quarter 1</p> <ul style="list-style-type: none"> • Concept document <p>Quarter 2</p> <ul style="list-style-type: none"> • Engagement with SEDA dated 5 October 2022 <p>Quarter 3</p> <ul style="list-style-type: none"> • SCM process for Appointment of panel of service providers to source funding and implement the farmer or SMME development programmes in uMkhanyakude District Municipality - UMDAC06/2021/22 <p>Quarter 4 – appointment of panel</p> <ul style="list-style-type: none"> • AGB Finance (PTY) Ltd • Cwaninga Consultancy • Inkasa Development Planning Consultant • NP Consultancy and Accountancy • Insika Foundation NPC 	None	Not Applicable

TRATEGIC OBJECTIVE 2.7.2 SMME Development and Support				
Performance Indicator	Actual Achievement 2020/21	Actual Achievement 2021/22	Deviation from planned target to Actual Achievement for 2021/22	Comment on deviations
Establishment of a SMME One-stop shop	An Intension to Award by published on the 14 th of June 2021.	<p>Inception report completed on the 30th of September 2022</p> <p>Quarter 1</p> <ul style="list-style-type: none"> • Appointment letter for ECA Consulting dated 05 July 2021 • SLA between UMDA and ECA dated 04 August 2021 • Site handover dated 19 August 2022 • Progress report dated 01 September 2021 <p>Quarter 2</p> <ul style="list-style-type: none"> • Progress report dated for October, November and December 2021 <p>Quarter 3</p> <ul style="list-style-type: none"> • Progress report for January, February. • 1 stop-shop building designs • Application for funding dated 30 March 2022 <p>Quarter 4</p> <ul style="list-style-type: none"> • Progress report 		

TRATEGIC OBJECTIVE 2.7.3 SMME Development and Support

Performance Indicator Actual	Actual Achievement 2020/21	Actual Achievement 2020/21	Deviation from planned target to Actual Achievement for 2021/22	Comment on deviations
Facilitation of SMME Compliance workshops	New target	<p>3 SMME development workshops facilitate by 30 June 2022</p> <ul style="list-style-type: none">• Small business support programme by iThala dated 03 March 2022• Financial literacy, SMME training dated 28 March 2022• uMhlabuyalingana Business Summit dated 26/04/2022	The programme is facilitated in partnership with iThala Bank. Ithala has indicated that it had limited financial resources and required UMDA to contribute. UMDA was unable to fund the programme as it was not budgeted for.	To engage Ithala Bank for a revised programme for SMME Development. UMDA will also utilize the services of the Panel of Professionals for uMkhanyakude Farmer Development Programme to achieve the target.

2021/22 Annual Performance Report submitted by:

**Ms. T.C. Khumalo****Acting Chief Executive Officer****uMhlosinga Development Agency**Date: 31/08/22



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through Development"

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Umhlosinga Development Agency SOC Limited
Annual Financial Statements
for the year ended 30 June 2022

Umhloosinga Development Agency SOC Limited

Annual Financial Statements for the year ended 30 June 2022

General Information

Country of incorporation and domicile	Republic of South Africa
Category of local authority	A municipal entity of Umkhanyakude District Municipality
Nature of business and principal activities	Local economic development to facilitate the implementation of economic catalytic projects including the promotion of investments in the district.
Chief Executive Officer (CEO)	Ms T. Khumalo (Acting)
Chief Finance Officer (CFO)	Ms T. Khumalo
Directors	Mr. TM Mthethwa (Board Chairperson) Mrs. ST Mthembu (Deputy Board Chairperson) Mr. NM Ndlovu (Member) Mr. RP Tembe (Member) Mr. KN Ntshangase (Member) Mrs. LV Khumalo (Member)
Registered office	21 Klebe Street Mkuze KwaZulu Natal 3965
Postal address	Lot 308 Ebony Crescent Mtubatuba 3935
Bankers	Nedbank Limited
Auditors	Auditor-General of South Africa Registered Auditors
Company secretary	Vacant

Umhloosinga Development Agency SOC Limited

Annual Financial Statements for the year ended 30 June 2022

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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

GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
UKDM	uMkhanyakude District Municipality
Agency	uMhloosinga Development Agency

Umhloosinga Development Agency SOC Limited

Annual Financial Statements for the year ended 30 June 2022

Chief Executive Officer's Report

uMhloosinga Development Agency is situated in 308 Ebony Crescent, Mtubatuba, is a municipal entity of uMkhanyakude District Municipality established in terms of Section 12(1) of the Municipal Structures Act, 1998(Act No. 117 of 1998).

I am responsible for the preparation of the annual financial statements which are set out on pages 9 to 38 in terms of section 126 (2) of the Municipal Finance Management Act No. 56 of 2003 which I have signed on behalf of the municipal entity.

As required by Section 45 of the Municipal Systems Act and Section 121(4)(a) and (b) of the Municipal Finance Management Act, the annual financial statements were submitted to the Auditor General South Africa (AGSA) on 31 August 2022.

Accounting Officer
Ms T Khumalo

Umhlosinga Development Agency SOC Limited

Annual Financial Statements for the year ended 30 June 2022

Board's Responsibilities and Approval

In terms of Generally Recognised Accounting Practice (GRAP) and the South African Companies Act No 71 of 2008, the directors are required to maintain adequate accounting records and are 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 directors to ensure that the annual financial statements fairly present the state of affairs of the agency as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with (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 directors acknowledge that they are ultimately responsible for the system of internal financial control established by the agency and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss 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 agency and all employees are required to maintain the highest ethical standards in ensuring the agency's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the agency is on identifying, assessing, managing and monitoring all known forms of risk across the agency. While operating risk cannot be fully eliminated, the agency endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are 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 loss.

The directors have reviewed the agency's cash flow forecast for the year to 30 June 2023 and, in the light of this review and the current financial position, they are satisfied that the agency has or has access to adequate resources to continue in operational existence for the foreseeable future.

The agency is dependent on the uMkhanyakude District Municipality for continued funding of operations. The annual financial statements are prepared on the basis that the agency is a going concern and that the uMkhanyakude District Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the agency.

The external auditors are responsible for independently reviewing and reporting on the agency's annual financial statements. The annual financial statements have been examined by the agency's external auditors and their report is presented on page 5.

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

Mr. TM Mthethwa (Board Chairperson)



Report of the Auditor General

To the Provincial Legislature of Umhlosinga Development Agency SOC Limited

**Auditor-General of South Africa
Registered Auditors**

31 August 2022

Umhlosinga Development Agency SOC Limited

Annual Financial Statements for the year ended 30 June 2022

Board's Report

The directors submit their report for the year ended 30 June 2022.

1. Incorporation

The agency was incorporated on 17 June 2004 and obtained its certificate to commence business on the same day.

2. Review of activities

Main business and operations

The agency acts as an agent for and on behalf of uMkhanyakude District Municipality for the purpose of soliciting and implementing economic development activities and all the business allied thereto in order to ensure the development of the uMkhanyakude District Municipality and its surrounding areas.

The operating results and state of affairs of the agency are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net surplus of the agency was R23 291 514(2021: surplus R33 046 203).

3. Going concern

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, dependant on the receiving of grant allocations.

4. Share capital

There were no changes in the authorised or issued share capital of the agency during the year under review.

Share Capital	2022	2021
The authorised share capital comprises of 1000 Ordinary shares of R1 each	1 000	1 000
The issued share capital comprises of 100 Ordinary shares of R1 each	100	100
	1 100	1 100

5. Board

The directors of the agency during the year and to the date of this report are as follows:

Name	Changes
Mr. TM Mthethwa (Board Chairperson)	
Mrs. ST Mthembu (Deputy Board Chairperson)	
Mr. NM Ndlovu (Member)	
Mr. RP Tembe (Member)	
Mr. KN Ntshangase (Member)	
Mrs. LV Khumalo (Member)	
Mr. JS Mkhabela (Board Chairperson until October 2021)	Resigned Sunday, 31 October 2021

6. Holding municipality

uMkhanyakude District Municipality is the agency's parent holding municipality.

Umhloosinga Development Agency SOC Limited

Annual Financial Statements for the year ended 30 June 2022

Board's Report

7. Auditors

In accordance with section 4 (1) (e) of the Public Audit Act No. 25 of 2004, the Auditor-General of South Africa are the auditors of the agency.

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

Mr. TM Mthethwa (Board Chairperson)

Umhloosinga Development Agency SOC Limited

Annual Financial Statements for the year ended 30 June 2022

Company Secretary's Certification

Declaration by the company secretary in respect of Section 88(2)(e) of the Companies Act

In terms of section 88(2)(e) of the Companies Act (2008) of South Africa, I certify that, to the best of my knowledge and belief, the Umhloosinga Development Agency has lodged with the Registrar of Companies for the financial year ended 30 June, 2022 all such returns as are required in terms of the Companies Act, No. 71 of 2008, and that such returns are true, correct and up to date. I certify that for the financial year ended 30 June, 2022, the Agency has lodged with the uMkhanyakude District Municipality the financial statements in respect of the preceding financial year.

Company Secretary
Wednesday, 31 August 2022

Umhlosinga Development Agency SOC Limited

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Receivables from non-exchange transactions	3	8 142 167	16 702 204
Other receivables from exchange transactions	4	2 094 807	143 280
Cash and cash equivalents	5	4 239 833	7 158 535
		14 476 807	24 004 019
Non-Current Assets			
Property, plant and equipment	6	94 654 474	72 215 255
Intangible assets	7	190 987	300 537
		94 845 461	72 515 792
Total Assets		109 322 268	96 519 811
Liabilities			
Current Liabilities			
Other payables from non-exchange	8	2 700 000	2 700 000
Payables from exchange transactions	9	5 316 141	16 912 779
VAT payable	10	1 017 641	326 542
Unspent conditional grants and receipts	11	2 177 915	1 761 435
		11 211 697	21 700 756
Total Liabilities		11 211 697	21 700 756
Net Assets		98 110 571	74 819 055
Share capital / contributed capital	12	100	100
Accumulated surplus		98 110 467	74 818 952
Total Net Assets		98 110 567	74 819 052

* See Note 27 & 26

Umhloosinga Development Agency SOC Limited

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Rental income	13	110 000	20 000
Other income	14	91 226	39 572
Interest earned - investments	15	369 234	593 991
Total revenue from exchange transactions		570 460	653 563
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	16	38 655 545	48 511 690
Public contributions and donations	17	178 623	178 623
Total revenue from non-exchange transactions		38 834 168	48 690 313
Total revenue		39 404 628	49 343 876
Expenditure			
Employee related costs	18	(9 875 635)	(8 223 012)
Directors emoluments	19	(1 289 540)	(1 433 900)
Depreciation and amortisation	20	(1 347 207)	(1 367 219)
Write off loss		(14 838)	-
Rental expense -Property		(214 958)	(52 174)
Debt Impairment		-	(1 690 908)
Repairs and maintenance		(406 558)	(16 629)
Grants and subsidies paid		-	(456 241)
Contracted services		(182 008)	(141 025)
General expenses	22	(2 782 370)	(2 916 565)
Total expenditure		(16 113 114)	(16 297 673)
Surplus for the year		23 291 514	33 046 203

* See Note 27 & 26

Umhloosinga Development Agency SOC Limited

Annual Financial Statements for the year ended 30 June 2022

Statement of Changes in Net Assets

Figures in Rand	Share capital	Accumulated surplus	Total net assets
Opening balance as previously reported	100	44 552 324	44 552 424
Adjustments			
Correction of errors (Note 26)	-	(2 779 575)	(2 779 575)
Balance at 01 July 2020 as restated*	100	41 772 749	41 772 849
Changes in net assets			
Surplus for the year	-	33 046 203	33 046 203
Total changes	-	33 046 203	33 046 203
Restated* Balance at 01 July 2021	100	74 818 953	74 819 053
Changes in net assets			
Deficit for the year	-	23 291 514	23 291 514
Total changes	-	23 291 514	23 291 514
Balance at 30 June 2022	100	98 110 467	98 110 567

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* See Note 27 & 26

Umhlosinga Development Agency SOC Limited

Annual Financial Statements for the year ended 30 June 2022

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Interest income	15	359 501	593 991
Grants		47 633 750	13 957 861
Other income		91 226	59 571
		48 084 477	14 611 423
Payments			
Employee costs and Directors emoluments		(11 216 223)	(9 534 002)
Suppliers		(4 923 995)	(3 591 351)
Other payments		-	(3 985)
		(16 140 218)	(13 129 338)
Net cash flows from operating activities	23	31 944 259	1 482 085
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(34 862 961)	(28 853 538)
Net (decrease)/increase in cash and cash equivalents		(2 918 702)	(27 371 453)
Cash and cash equivalents at the beginning of the year		7 158 535	34 529 988
Cash and cash equivalents at the end of the year	5	4 239 833	7 158 535

* See Note 27 & 26

Umhlosinga Development Agency SOC Limited

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Rental income	80 000	65 000	145 000	110 000	(35 000)	IS 1
Other income	1 080 000	(521 542)	558 458	91 226	(467 232)	IS 2
Interest received - investment	250 000	200 000	450 000	369 234	(80 766)	IS 3
Total revenue from exchange transactions	1 410 000	(256 542)	1 153 458	570 460	(582 998)	

Revenue from non-exchange transactions

Transfer revenue

Government grants & subsidies	60 264 570	(7 180 151)	53 084 419	38 655 545	(14 428 874)	IS 4
Public contributions and donations	-	-	-	178 623	178 623	IS 5
Total revenue from non-exchange transactions	60 264 570	(7 180 151)	53 084 419	38 834 168	(14 250 251)	
Total revenue	61 674 570	(7 436 693)	54 237 877	39 404 628	(14 833 249)	

Expenditure

Employee related costs	(14 004 584)	4 305 289	(9 699 295)	(9 875 635)	(176 340)	IS 6
Directors' emoluments	(1 322 520)	26 712	(1 295 808)	(1 289 540)	6 268	IS 7
Depreciation and amortisation	(1 000 000)	1	(999 999)	(1 347 207)	(347 208)	IS 8
Impairment loss/ Reversal of impairments	-	-	-	(14 838)	(14 838)	
Finance costs	(10 000)	(117)	(10 117)	-	10 117	IS 9
Lease rentals on operating lease	(1 160 000)	429 400	(730 600)	(214 958)	515 642	IS 10
Repairs and maintenance	(415 000)	(43 234)	(458 234)	(406 558)	51 676	IS 11
Contracted Services	(2 422 000)	2 217 725	(204 275)	(182 008)	22 267	IS 12
General Expenses	(7 007 195)	3 699 191	(3 308 004)	(2 782 370)	525 634	IS 13
Total expenditure	(27 341 299)	10 634 967	(16 706 332)	(16 113 114)	593 218	
Surplus before capital expenditure	34 333 271	3 198 274	37 531 545	23 291 514	(14 240 031)	
Capital expenditure	37 639 419	-	37 639 419	23 691 713	(13 947 706)	IS 13
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(3 306 148)	3 198 274	(107 874)	(400 199)	(292 325)	

Reconciliation

Basis difference

Capital expenditure	23 691 713	
Actual Amount in the Statement of Financial Performance	23 291 514	

Umhloosinga Development Agency SOC Limited

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Budget and Actual amount variances

Reference Reason for variance

IS 1: Rental income was slightly lower than anticipated.

IS 2: The variance is due to truck hire revenue which was anticipated but trucks were still under service

IS 3: The Entity expected to receive more interests on investments but due to low cash reserves during the year, actual interest income.

IS 4: Budegeted grants income included receivable grant that was already spent and not yet received from the department.

IS5: The service-in-kind benefit were not budgeted for

IS 6: The variance is due to an increase in pension and medical aid costs due recruitment of new staff to permanent positions.

IS 7: The variance is due to less physical meeting were held, therefore there were cost savings on the travelling cost

IS 8: The variance in depreciation is due to property plant and equipment that was under budgeted for.

IS 9: The variance is a result of SARS penalties that were not budgeted for.

IS 10: The variance is a result of low lease costs

IS 11: The entity applied cost saving measures when it comes to repairs

IS 12: The entity applied cost saving measures

IS 13: The entity applied cost saving measures.

IS 13: The variance is due to the late completion of the Airport projects as a result of grants being received late. Further , the budget included receivable from funder for expenditure that was already recognised.

Umhloosinga Development Agency SOC Limited

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the MFMA (Act 56 of 2003) and the requirements of the Companies Act No.71 of 2008.

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.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

Taxation

As a registered company the agency is registered for income tax. However due to the entity being a municipal entity it is exempt from paying income tax on income.

Useful lives of waste and water network and other assets

As described in accounting policies 1.6 the agency depreciates its property, plant and equipment over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets become available for use. The useful lives and residual values of the assets are based on industry knowledge and are reviewed annually.

Effective interest rate

The agency uses an appropriate interest rate, taking into account guidance provided in the standards, and applying professional judgement to the specific circumstances, to discount future cash flows. The agency used the following in arriving at the effective interest rate used:

- Nedbank Limited which yields interest of 5.25% per annum.

Revenue recognition

Accounting policy 1.9 on Revenue from Exchange Transactions and accounting policy 1.10 on Revenue from Non - Exchange Transactions describes the conditions under which revenue is recorded by the management of the agency.

In making their judgement, 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 and in particular, whether the service has been rendered. The management of the agency is satisfied that recognition of the revenue in the current year is appropriate.

Umhlosinga Development Agency SOC Limited

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

Impairment loss on receivables from exchange and non exchange transactions is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the agency 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.

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

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

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

Umhlosinga Development Agency SOC Limited

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.4 Property, plant and equipment (continued)

Item	Depreciation method	Average useful life
Fencing (Clear Vu)	Straight line	25 years
Motor vehicles	Straight line	5 years
Office equipment	Straight line	5 years
IT equipment	Straight line	5 years
Plant, Machinery & Agricultural Equipment	Straight line	6 years

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 agency assesses at each reporting date whether there is any indication that the agency 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 agency 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 loss 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 loss 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.

The agency separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements.

The agency discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 6).

1.5 Intangible assets

An asset is identifiable if it either:

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

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 agency; and
- the cost or fair value of the asset can be measured reliably.

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

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

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	Straight line	5 years

Intangible assets are derecognised:

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

Umhlosinga Development Agency SOC Limited

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.6 Financial instruments

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

A financial asset is:

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

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

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

Classification

The agency 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

Cash and cash equivalents
Other receivables from exchange transactions
Other receivables from non-exchange transactions
Short term investment deposits
Investment in fixed deposits

Category

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

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

Class

Trade and other payables from exchange transactions
Unspent conditional grant

Category

Financial liability measured at amortised cost
Financial liability measured at cost

Initial recognition

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

The agency recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

Umhlosinga Development Agency SOC Limited

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.6 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Gains and losses

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or loss.

Derecognition

Financial assets

The agency derecognises a financial asset only when:

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

Financial liabilities

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

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

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

Umhlosinga Development Agency SOC Limited

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.6 Financial instruments (continued)

Presentation

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

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

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

In accounting for a transfer of a financial asset that does not qualify for derecognition, the agency does not offset the transferred asset and the associated liability.

1.7 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.

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.

1.8 Impairment of cash-generating 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.

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 agency; or
- the number of production or similar units expected to be obtained from the asset by the agency.

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 agency estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the agency applies the appropriate discount rate to those future cash flows.

Umhlosinga Development Agency SOC Limited

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.8 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the agency:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

1.9 Impairment of non-cash-generating 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.

Non-cash-generating assets are assets other than cash-generating assets.

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).

A cash-generating unit is the smallest identifiable group of assets managed 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.

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

Umhlosinga Development Agency SOC Limited

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.9 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the agency would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or loss.

Any impairment loss of a revalued non-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 non-cash-generating asset to which it relates, the agency recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.10 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an agency after deducting all of its liabilities.

1.11 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

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 expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Umhlosinga Development Agency SOC Limited

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.11 Employee benefits (continued)

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. This contribution expense is measured at the undiscounted amount of the contribution paid or payable to the fund. A liability is recognised to the extent that any of the contributions have not yet been paid. Conversely an asset is recognised to the extent that any contributions have been paid in advance.

Other post retirement obligations

The agency provides post-employment benefits for its officials. These benefits are provided as either defined contribution plans or defined benefit plans. The agency identifies as defined contribution plans any post-employment plan in terms of which it has no obligation to make further contributions to the plan over and above the monthly contributions payable on behalf of employees (for example in the event of a funding shortfall). Any other plans are considered to be defined benefit plans.

1.12 Provisions and contingencies

Provisions are recognised when:

- the agency 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.

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.

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

Contingent assets and contingent liabilities are not recognised.

1.13 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

1.14 Revenue from exchange transactions

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

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

Umhlosinga Development Agency SOC Limited

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.14 Revenue from exchange transactions (continued)

Measurement

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

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 agency;
- 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.

Tender deposits

Income from tender deposits are recognised as income when they are received.

1.15 Revenue from non-exchange transactions

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

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

Control of an asset arise when the agency 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.

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 agency 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 agency.

When, as a result of a non-exchange transaction, the agency 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.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the agency and the fair value of the assets can be measured reliably.

Umhlosinga Development Agency SOC Limited

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.15 Revenue from non-exchange transactions (continued)

Services in-kind

The agency recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the agency and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the agency's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the agency disclose the nature and type of services in-kind received during the reporting period.

1.16 Interest income

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

1.17 Borrowing costs

Borrowing costs are interest and other expenses incurred by an agency in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.18 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

When the agency 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 agency is a principal or an agent requires the agency 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 agency 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.

Recognition

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

Umhloosinga Development Agency SOC Limited

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Accounting Policies

1.19 Comparative figures

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

1.20 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, agency or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (No. 56 of 2003). All unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 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 agency's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23 Budget information

Agency 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 agency shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01 Jul 2021 to 30 Jun 2022.

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.

1.24 Related parties

The agency operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

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

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

The agency 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 agency to have adopted if dealing with that individual agency or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting agency's legal mandate.

Umhloosinga Development Agency SOC Limited

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.25 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 agency will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The agency 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.

Umhloosinga Development Agency SOC Limited

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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2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The agency has not applied the following standards and interpretations, which have been published and are mandatory for the agency's accounting periods beginning on or after 01 July 2022 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">GRAP 104 (amended): Financial Instruments	No effective date determined.'	Unlikely there will be a material impact
<ul style="list-style-type: none">Guideline: Guideline on Accounting for Landfill Sites	No effective date determined.	Unlikely there will be a material impact
<ul style="list-style-type: none">Guideline: Guideline on the Application of Materiality to Financial Statements	No effective date determined.	Unlikely there will be a material impact
<ul style="list-style-type: none">GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Unlikely there will be a material impact

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Notes to the Annual Financial Statements

	2022	2021 Restated*
3. Receivables from non-exchange transaction		
Department of Education	1 690 909	1 690 909
UMkhanyakude District Municipality	6 338 208	6 325 270
EDTEA: Mkuze Airfield Terminal Building Grant receivable	1 803 958	10 376 933
Provision for doubtful debts	(1 690 908)	(1 690 908)
	8 142 167	16 702 204

Credit quality of trade and other receivables

Receivables from non-exchange transactions

Aging of receivables from non-exchange transactions

Current (0 -30 days)	1 803 958	10 376 933
31 - 60 days	-	712 500
>120 days	8 029 118	7 303 679
Less: Allowance for impairment	(1 690 909)	(1 690 909)
	8 142 167	16 702 203

4. Other receivables from exchange transactions

Interest receivable	9 733	-
Airport debtors	11 497	11 542
Staff debtors	-	24 443
Prepayment	86 068	-
Rental Deposit	20 600	20 600
Creditors with debit balances	8 457	11 120
Agri-house Market debtor	1 958 452	75 575
	2 094 807	143 280

5. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	259	2 000
Bank balances	2 750 661	121 866
Call investments	1 488 913	7 034 669
	4 239 833	7 158 535

The agency 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
Primary Bank : Nedbank	2 750 661	121 865	2 307 755	2 750 661	121 865	2 307 755
Account number 1029736839						
Investment call accounts	1 488 913	5 546 386	32 222 152	1 488 913	5 546 386	32 222 152
Account number 369905259997						
Investment call accounts	-	1 488 913	-	-	1 488 284	-
Account number 369905259998						
Cash on hand	-	-	-	259	2 000	81
Total	4 239 574	7 157 164	34 529 907	4 239 833	7 158 535	34 529 988

* See Note 27 & 26

Umhlosinga Development Agency SOC Limited

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

6. Property, plant and equipment

	2022			2021		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Plant, machinery and equipment	9 099	(7 065)	2 034	9 099	(6 494)	2 605
Furniture and fixtures	156 568	(129 215)	27 353	163 963	(127 908)	36 055
Motor vehicles	-	-	-	131 000	(122 332)	8 668
Infrastructure	98 791 353	(4 335 336)	94 456 017	75 224 440	(3 137 685)	72 086 755
Computer equipment	247 295	(78 225)	169 070	180 167	(98 995)	81 172
Total	99 204 315	(4 549 841)	94 654 474	75 708 669	(3 493 414)	72 215 255

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Additions - Assets under Construction	Depreciation	Write off	Closing balance
Plant, machinery and equipment	2 605	-	-	(571)	-	2 034
Furniture and fixtures	36 055	1 000	-	(9 078)	(624)	27 353
Motor vehicles	8 668	-	-	(4 551)	(4 117)	-
Infrastructure	72 086 755	-	23 566 913	(1 197 651)	-	94 456 017
Computer equipment	81 172	123 800	-	(25 806)	(10 096)	169 070
	72 215 255	124 800	23 566 913	(1 237 657)	(14 837)	94 654 474

Umhloosinga Development Agency SOC Limited

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

6. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Additions through Construction	Depreciation	Impairment loss	Closing balance
Plant, machinery and equipment	4 137	-	-	(1 532)	-	2 605
Furniture and fixtures	44 488	9 824	-	(17 205)	(1 052)	36 055
Motor vehicles	13 218	-	-	(4 550)	-	8 668
Infrastructure	36 383 121	-	36 900 470	(1 196 836)	-	72 086 755
Computer equipment	117 964	-	-	(35 617)	(1 175)	81 172
	36 562 928	9 824	36 900 470	(1 255 740)	(2 227)	72 215 255

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

As at the end of June 2021, the construction time lapse was 83%, however, the actual progress on site was R71%, the project was 12% behind schedule, this was due to delays caused by COVID cases that were reported last year and early this year that caused delays in commencing site activities after December recess. The heavy rains around Mkuze area also caused significant delays.

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

Construction of Mkuze Terminal Building	61 390 070	40 069 696
	61 390 070	40 069 696

Included within infrastructure is the following work in progress:

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Total
Opening balance	40 069 696	40 069 696
Additions/capital expenditure	23 566 913	23 566 913
	63 636 609	63 636 609

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Notes to the Annual Financial Statements

6. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Total
Opening balance	3 169 226	3 169 226
Additions/capital expenditure	36 900 470	36 900 470
	40 069 696	40 069 696

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 agency.

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Notes to the Annual Financial Statements

7. Intangible assets

	2022			2021		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	548 124	(357 137)	190 987	548 124	(247 587)	300 537

Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software	300 537	(109 550)	190 987

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software	409 786	(109 249)	300 537

8. Other payables from non-exchange

Cogta Rasset Facility	2 700 000	2 700 000
Cogta has entered into an agreement with UMhlosinga Development Agency. Cogta advanced R 3,000,000 to the entity at 10% commission. The facility is to be used to assist the farmers in receiving the payments on time. The entity is the agent between the market and the farmers. The entity uses the facility to pay the farmers within 7 days and collect the amount from the market within 30 days.		

Umhlosinga Development Agency SOC Limited

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

	2022	2021 Restated*
9. Payables from exchange transactions		
Trade and other payables from exchange transactions	2 231 363	12 962 427
Employee related payables	54 380	187 830
Retention Liability	2 583 910	3 373 993
Leave accrual	446 488	388 529
	5 316 141	16 912 779
10. VAT payable		
VAT payable	1 017 641	326 542
11. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Cathseta Bursary Grant	153 424	153 424
MTN Grant	515 703	515 703
IDC Grant	1 296 615	880 135
National Treasury : ILO	212 173	212 173
	2 177 915	1 761 435
12. Share capital		
Issued		
Ordinary Share Capital	100	100
13. Rental income		
Rental income - third party	110 000	20 000
14. Other income		
Insurance Refund	40 639	3 999
Tender monies	-	1 304
Airport Fees	50 587	34 269
	91 226	39 572
15. Interest revenue		
Interest from investments	369 234	593 991

* See Note 27 & 26

Umhloosinga Development Agency SOC Limited

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

	2022	2021 Restated*
16. Government grants and subsidies		
Operating grants		
IDC Grant	2 583 520	-
Cathseta Bursary Grant	-	456 241
Umkhanyakude District Municipality Grant	10 645 000	9 500 000
	13 228 520	9 956 241
Capital grants		
EDTEA Grant - Mkuze Terminal Building	25 427 025	38 555 449
	38 655 545	48 511 690
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	37 000 000	392 050
Unconditional grants received- UKDM	10 633 750	13 565 810
	47 633 750	13 957 860
EDTEA Grant -Mkuze Terminal Building		
Balance unspent at beginning of year	(10 376 933)	28 178 516
Current-year receipts	34 000 000	-
Conditions met - transferred to revenue	(25 427 025)	(38 555 449)
Grant receivable at year end	(1 803 958)	(10 376 933)
Conditions met - refer to note 3 for grant receivable from the funder.		
Umkhanyakude District Municipality Grant		
Balance receivable at beginning of year	(6 325 270)	(8 966 080)
Current-year receipts**	10 633 750	13 565 810
Conditions met - transferred to revenue	(10 645 000)	(9 500 000)
Current year VAT receivable on grant outstanding	(1 688)	(1 425 000)
Balance receivable at end of year	(6 338 208)	(6 325 270)
Conditions met - refer to note 3* for grant receivable from the funder.		
National School Nutrition Programme Grant		
Balance receivable at beginning of year	(1 690 909)	(13 078 439)
Current-year receipts	-	11 387 530
Balance receivable at end of year	(1 690 909)	(1 690 909)
Conditions met - grant receivable from the funder.(see note 3).		
CATHSETA Bursary Grant		
Balance unspent at beginning of year	153 424	217 616
Current-year receipts	-	392 050
Conditions met - transferred to revenue	-	(456 242)

* See Note 27 & 26

Umhlosinga Development Agency SOC Limited

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Notes to the Annual Financial Statements

	2022	2021 Restated*
16. Government grants and subsidies (continued)		
Unspent grant at year end	153 424	153 424
Conditions still to be met - remain liabilities (see note 11).		
MTN Grant		
Balance unspent at beginning and end of year	515 703	515 703
Conditions still to be met - remain liabilities (see note 11).		
IDC Grant		
Balance unspent at beginning of year	880 135	880 135
Current-year receipts	3 000 000	-
Conditions met - transferred to revenue	(2 583 520)	-
Unspent grant at year end	1 296 615	880 135
Conditions still to be met - remain liabilities (see note 11).		
National Treasury : ILO		
Balance unspent at beginning and end of year	212 173	212 173
Conditions still to be met - remain liabilities (see note 11).		
17. Public contributions and donations		
Service in kind: rental Income	178 623	178 623

The entity receives service in-kind from the parent municipality. UMkhanyakude district municipality has provided Umhlosinga Development Agency with the free use of land and building Water consumption are also being paid by the parent municipality but considered to insignificant.

Electricity consumption also being paid by the parent municipality but has been considered as insignificant; UMDA use electricity for light and connection to our computer equipment. Umhlosinga development agency has a free use of land and building belonging to UMkhanyakude district municipality, further to this; water and electricity used by the entity is being paid for by UMkhanyakude district municipality, these are effectively classified as service in kind in terms of GRAP 23. The fair value of free use for land and buildings has been estimated and recognised in terms of GRAP 23. Free use of water and electricity is not considered by the municipality to be significant to the operations of the entity and is therefore not recognised.

* See Note 27 & 26

Umhlosinga Development Agency SOC Limited

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Notes to the Annual Financial Statements

	2022	2021 Restated*
18. Employee related costs		
Basic	8 244 210	6 680 632
Contributions to pensions, medical aid, UIF and SDL	1 182 723	818 262
Leave expense	81 515	155 679
Workmen's compensation	58 904	-
Travel, motor car, accommodation, subsistence and other allowances	308 283	568 439
	9 875 635	8 223 012

Included in employee costs above is the following:

Remuneration of Chief Executive Officer

Annual Remuneration	737 192	723 461
Medical aid contributions	76 261	-
Travel, motor car, accommodation, subsistence and expense reimbursive	507 596	358 004
	1 321 049	1 081 465

Remuneration of Chief Financial Officer

Annual Remuneration	717 040	915 333
Travel, motor car, accommodation, telephone and expense reimbursive	368 030	324 559
Contributions to UIF, Medical and Pension Funds	51 960	16 343
	1 137 030	1 256 235

19. Directors emoluments

Total emoluments for the year	1 289 540	1 433 900
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2022 emoluments	Retainer fee	Sitting Allowance	Subsistence and travel	Backpay	Total
Mr. RP Tembe	120 000	21 000	13 989	-	154 989
Mr. JS Mkhabela	56 000	6 000	8 173	-	70 173
Mrs ST Mthembu	144 000	42 000	10 909	-	196 909
Mr MN Ndlovu	120 000	48 000	25 821	-	193 821
Mr KN Ntshangase	120 000	63 000	36 486	-	219 486
Mr TM Mthethwa	148 000	75 000	26 876	-	249 876
Mrs LV Khumalo	120 000	54 000	21 756	-	195 756
	828 000	309 000	144 010	-	1 281 010

2021 emoluments	Retainer fee	Sitting Allowance	Subsistence and travel	Total
Mr. RP Tembe	120 000	24 000	17 007	161 007
Mr. JS Mkhabela	168 000	54 000	16 398	308 398
Mrs ST Mthembu	144 000	57 000	4 948	205 948
Mr MN Ndlovu	120 000	48 000	18 174	186 174
Mr KN Ntshangase	120 000	66 000	28 163	214 163
Mr TM Mthethwa	120 000	51 000	15 569	186 569
Mrs LV Khumalo	120 000	42 000	13 825	175 825
	912 000	342 000	114 084	1 438 084

* See Note 27 & 26

Umhlosinga Development Agency SOC Limited

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

	2022	2021 Restated*
20. Depreciation and amortisation		
Property, plant and equipment	1 237 657	1 257 970
Intangible assets	109 550	109 249
	1 347 207	1 367 219
21. Contracted services		
Cellphone and Telephone Contracts	182 008	141 025
22. General expenses		
Accommodation and travel expenses	37 469	307 187
Advertising	67 645	115 252
Audit committee fees	150 000	218 272
Bank charges	13 787	17 975
Conferences and delegations	-	852
Electricity and water	178 623	178 623
External audit fees	377 780	484 519
Fines and penalties	122 314	249 241
Fuel and oil	15 428	5 860
IT related expenses	137 338	70 472
Insurance	35 347	61 285
Internal audit fees	-	78 108
Legal fees	133 473	51 300
Licences	11 527	19 289
Consumables	-	41 533
Printing, stationery and cleaning	125 794	74 371
Professional fees and training	1 309 686	174 675
Protective clothing	-	3 534
Rental of office equipment	37 145	213 605
Security costs	29 014	6 052
System support expenses	-	519 532
Telephone and fax	-	25 028
	2 782 370	2 916 565

* See Note 27 & 26

Umhloosinga Development Agency SOC Limited

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

	2022	2021 Restated*
23. Cash generated from operations		
Surplus	23 291 514	33 046 203
Adjustments for:		
Depreciation and amortisation	1 347 207	1 367 219
Service in kind	-	-
Impairment loss	14 838	-
Debt impairment	-	1 690 908
Other non-cash	-	572 017
Non cash Grant realised	-	(10 376 933)
Other non-cash items	-	1 690 908
Leave expense	-	57 253
Changes in working capital:		
Receivables from non-exchange transactions	8 560 037	(6 045 215)
Consumer debtors	-	(1 690 908)
Other receivables from exchange transactions	(1 951 527)	(96 810)
Payables from exchange transactions	(425 389)	13 468 083
VAT receivable	691 099	(3 957 932)
Unspent conditional grants and receipts	416 480	(28 242 708)
	31 944 259	1 482 085

* See Note 27 & 26

Umhlosinga Development Agency SOC Limited

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
24. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Construction of Mkhuze Airport Terminal Building	7 005 957	26 505 666
• Construction of fresh produce packaging facility	2 000 000	-
	9 005 957	26 505 666
Total capital commitments		
Capital expenditure contracted for	9 005 957	26 505 666
Authorised operational expenditure		
Already contracted for but not provided for		
• Rental of office buildings	584 621	852 422
Total operational commitments		
Already contracted for but not provided for	584 621	852 422
This expenditure will be financed from:		
Total commitments		
Department of Economic Development, Tourism and Environmental Affairs	9 005 957	26 505 666
Authorised operational expenditure	584 621	852 422
	9 590 578	27 358 088

25. Related parties

Related party
uMkhanyakude District Municipality

uMhlosinga Development Agency is a subsidiary wholly owned by uMkhanyakude District Municipality to spearhead the local economic development within the district.

Related party balances

Receivables - owing from related parties		
Transfer outstanding from UKDM	6 338 208	6 325 270
Transfers received from related parties		
Grant received from uMkhanyakude District Municipality (Incl VAT)	12 241 751	13 565 810

Remuneration of management

Refer to note 18 and note 19 for remuneration of key management.

Umhloosinga Development Agency SOC Limited

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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26. Prior period errors

Error 1

During the prior year, there is a number of supplier whose invoices were overstated and some were not raised on the accounting system. A total adjustment of R 2 088 948 was made to trade payables.

Cash withdrawal of R2 000 was incorrectly recognised as bank charges in prior year instead of accounting as petty cash on hand.

Directors emoluments were overstated due to over payment of travel re-imbursive expense of R4 185.

VAT receivable was overstated in prior year by R4 850 950. The entity disclosed a receivable instead of a payable as at 30 June 2021.

Receivable of R10 376 933 for EDTEA Grant was incorrectly presented under other receivables from exchange transactions instead of receivables from non-exchange transactions.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Decrease in other receivables from exchange transactions	-	(160 298)
Decrease in VAT receivable/(payable)	-	(4 865 850)
Increase in cash and cash equivalents	-	2 000
Decrease in payables from exchange transactions	-	2 088 948
Decrease in opening accumulated surplus	-	2 779 575
Increase in receivables from non exchange transactions	-	10 376 933
Decrease in other receivables from exchange transactions (reclassification)	-	(10 376 933)

Statement of financial performance

Decrease in employee costs	-	10 200
Increase in contracted services	-	(13 054)
Increase in general expenses	-	(156 960)
Decrease in directors emoluments	-	4 185

Umhlosinga Development Agency SOC Limited

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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27. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

2021

	Note	As previously reported	Correction of error	Re-classification	Restated
	3	6 325 271	-	10 376 933	16 702 204
Other receivables from exchange transactions	4	10 680 511	(160 298)	(10 376 933)	143 280
Cash and Cash Equivalents	5	7 156 535	2 000	-	7 158 535
unspent grants/other payables		-	-	-	-
VAT Receivable/(Payable)		4 539 308	(4 865 850)	-	(326 542)
Payables from exchange transactions	9	(19 001 727)	2 088 948	-	(16 912 779)
Accumulated surplus		(77 754 155)	2 935 203	-	(74 818 952)
		(68 054 257)	3	-	(68 054 254)

Statement of financial performance

2021

	Note	As previously reported	Correction of error	Restated
Employee related costs	18	(8 233 212)	10 200	(8 223 012)
Directors emoluments	19	1 438 085	(4 185)	1 433 900
Contracted services		(127 971)	(13 054)	(141 025)
General expenditure	22	(2 759 605)	(156 960)	(2 916 565)
Surplus for the year		(9 682 703)	(163 999)	(9 846 702)

Cash flow statement

2021

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Payments to suppliers		(3 593 349)	1 998	(3 591 351)
Cash flow from investing activities				
Purchase of property, plant and equipment		(28 461 490)	(392 048)	(28 853 538)

28. Fruitless and wasteful expenditure

Opening balance	665 008	464 544
Add: Fruitless expenditure current year	112 969	245 303
Less: Amount written off - prior period	(777 977)	(44 839)
Closing balance	-	665 008

Fruitless and Wasteful expenditure relates to South African Revenue Services penalties and other losses from cancellations

The opening balance of R 665 008 from 2020/21 financial year and the current year fruitless and wasteful expenditure of R 112 969 were approved for write off.

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
29. Irregular expenditure		
Opening balance	16 417 949	15 831 644
Irregular expenditure current year	152 901	288 554
Add: Transfer from Deviations	-	297 751
Less: Amount written off - prior period	(16 570 850)	-
Closing balance	-	16 417 949

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Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

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29. Irregular expenditure (continued)

Incidents/cases identified in the current year include those listed below:

Competitive bidding not invited	-	114 801
Three written quotations not invited	-	182 950
Expired contracts not renewed	152 901	288 554
	152 901	586 305

Umhloosinga Development Agency SOC Limited

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

29. Irregular expenditure (continued)

Amounts recoverable

All irregular expenditure was approved for write off during the year.

30. Contingent cases

The entity suspended the former CEO due to irregularities involved in payments relating to board fees for the former board fees. The outcome of the case is unknown at the moment.

31. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Opening balance	319 490	-
Current year fee	377 780	547 811
Amount paid - current year	(377 780)	(228 321)
Amount paid - previous years	(319 490)	-
	-	319 490

PAYE and UIF

Current year payroll deductions	1 597 066	1 382 573
Amount paid - current year	(1 597 066)	(1 382 573)
	-	-

VAT

VAT payable	1 017 641	326 542
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VAT output payables and VAT input receivables are shown in note .

Some of the VAT returns were not submitted by the due date during the year.

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32. Risk management

The agency's objectives when managing capital are to safeguard the agency's ability to continue as a going concern in order to provide returns and benefits for all stakeholders, while delivering sustainable services and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the agency consists of cash and cash equivalents disclosed in note 3 and equity as disclosed in the statement of financial position.

Due to the largely non-trading nature of activities and the way in which they are financed, municipal entities are not exposed to the degree of financial risk faced by business entities. The agency's financial services function monitors and manages the financial risks relating to the operation of the agency. These risks include credit risk and liquidity risk.

Liquidity risk

Liquidity risk refers to the ability of an agency to meet its obligations associated with financial liabilities. The agency's liquidity risk pertains to whether funds are available to cover future commitments. The agency manages liquidity risk through an ongoing review of future commitments and credit obligations.

The agency's risk to liquidity is a result of the funds available to cover future commitments. The agency manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the agency's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. All balances due within 12 months and they equal their carrying balances as the impact of discounting is not significant.

Payables from exchange transactions	5 316 141	16 912 779
Unspent conditional grants	2 177 915	1 761 435
Other payables from non-exchange transactions	2 700 000	2 700 000
	10 194 056	21 374 214

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Debtors comprise of mainly outstanding invoices from National School Nutrition Programme, outstanding transfer from parent municipality. Ongoing evaluations are performed on the financial condition of these debtors and have been presented in these financial statements net of a provision for impairment. In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by demand for payment or which ever procedure is applicable in terms of board of directors' credit control and debt collection system.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument		
Cash and cash equivalents	4 239 833	7 158 535
Accounts receivable from non-exchange transaction	8 142 167	16 702 204
Other receivables from exchange transactions	2 094 807	143 280

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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33. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the board and includes a note to the annual financial statements.

Items of goods and services were procured during the current financial year which deviated from the provisions of paragraph 12(1)(d)(i) as reflected above. As at 30 June 2022, deviations from Municipal Supply Chain Management Regulations for the year are as follows:

Deviations

Total deviations for the year	379 779	-
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34. Going concern

As at 30 June 2022, the agency had an accumulated surplus of R 98 110 467 and the agency's current assets exceeded its current liabilities by R 3 265 110.

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, dependant on the receiving of grant allocations.

35. Events after the reporting date

The agency was not aware of any material events that may have occurred between 30 June 2022 and the date when the annual financial statements were authorised