

# RAYMOND MHLABA LOCAL MUNICIPALITY



**RAYMOND**  
**MHLABA**  
MUNICIPALITY  
\*\*\*\*\*  
UMANYANO KUPHHLISO

***FINAL***  
**AUDITED ANNUAL REPORT**  
**2022/2023**

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## MAYOR'S FOREWORD



In compliance with Section 127 of the MFMA Act no 56 of 2003 and as an expression of commitment to public participation, service delivery, clean and accountable governance, let me once more present the Raymond Mhlaba Municipality's Annual Report for 2022-2023 financial year. This Annual Report reflects on the strategic route that the municipality has undertaken in sustaining the socio-economic and developmental aspirations of our communities. This document enables us to evaluate our performance, identify our shortcomings including opportunities that will enhance our institutional capacity to deliver on key strategic thrust.

This Annual Report of 2022/2023 provides detail on various infrastructural projects being undertaken to facilitate the continued delivery of services to our communities. These projects were made possible through strategic partnerships with other spheres of government as we cannot meet the challenges we face on our own. The municipality's cash flow crunch, combined with the effects of the lacklustre economic growth, created one of the most complex environments for the planning process till to date. In addition, the municipality's dire financial situation and increased pressure on an already depressed economy has been exacerbated by the effects of socio-political challenges facing the international markets.

These socio-political challenges in the international arena continue to have a compounding negative effect and increased the universal challenges experienced by all spheres of government. Thus, in the wake of increasing economic and fiscal challenges in the socio-political landscape of our country, the Raymond Mhlaba Municipality has renewed its commitment to address our crafted set of strategic objectives. Despite all the financial constraints and challenges we faced during the current economic downturn environment, we managed to steer the ship towards a right direction and achieve our milestones with limited resources at our disposal.

It is against this background that we affirm that The mandate of the Raymond Mhlaba Local Municipality aligns with the broader mandate outlined in Chapter 7 of the South African Constitution, which is applicable to local government. To this end, we continue to recognize the significance of a meaningful community engagement, which stands at the apex of our priority list. In solidifying our meaningful community engagement, we have maximised public participation through the following platforms

- IDP & Budget Roadshows
- MPAC Roadshows (Draft Annual Report)



- Convening of Ward Committee Meetings
- Intensification of Social Media usage (Facebook page)

Moreover, this Annual Report provides an overview of the Raymond Mhlaba Municipality's performance during the 2022/23 financial year. However, this period posed greater challenges compared to previous years, primarily due to the prevalence of illegal connections, theft, and infrastructure vandalism. The aftermath of these unscrupulous acts impacts negatively on the financial viability of the municipality in addition to the slow economic growth, decreased revenue collection, and a stagnation in national and provincial grants.

Therefore, the everyday struggles of ageing and poor infrastructure coupled by the limited financial resources continue to place strain on the ability of the municipality to improve its service delivery targets. These challenges are reflected within the service delivery initiatives and every effort is being made to improve service delivery performance at every level. Despite these crises, the municipality has demonstrated resilience by maintaining stability and successfully implementing its strategies and procedures.

In furtherance, this Annual Report highlights our achievements and areas for improvement in fulfilling our political mandate, specifically on key focal areas of local government and are summarized as follows:

- Creating an efficient, effective, and responsive municipality.
- Enhancing accountability and striving for an improved audit outcomes
- Accelerating service delivery and providing support to vulnerable groups
- Promoting economic growth and increase support on enterprise development
- Cultivating developmental partnerships, social cohesion and enhancement of meaningful community engagement
- Enforcement of the credit policy

Accordingly, it is imperative to affirm that the municipality continues to dedicate time in expediting efforts in resolving various service delivery backlogs within its area. Thus, all municipal projects during the period under review were aligned with the municipal strategic priorities, namely:

- To ensure a sustainable municipal financial viability and management.
- To maintain, a green, safe, healthy environment and social cohesion.
- To drive a diversified economic growth, and promotion of rural development including job creation initiatives

- To prioritize efficient provision of quality Basic Services and Infrastructure within a well-planned spatial structure.
- To uphold good governance and public participation principles.
- To impress on driving optimal municipal institutional development, transformation, and capacity building in alignment with the fundamental guiding legislative prescripts.

It is pivotal that we emphasise that there is an extraordinary commitment to synchronise efforts in repositioning Raymond Mhlaba Municipality as the nerve-centre in the provision of quality services. As an institution, we aspire to achieve this by building synergies and coordination in Raymond Mhlaba Municipality as the hallmarks of our endeavours in order to achieve institutional efficiency. We make bold to amplify that our continued efforts will be placed on maintaining and improving existing performance in all areas.

Moreover, we reaffirm that strong efforts be made to maintain a culture of providing quality service delivery. At the heart of this commitment is to sustain and enhance sound fiscal and administrative functioning at all costs. Henceforth, we will endeavour to ensure the municipality continues to perform, while providing the community with the required and expected levels of service delivery, local economic development, infrastructure development, fiscal control and sustainable development and good governance in all aspects. To this end, every effort will be made to meet and sustain community needs in all identified levels- as dictated and defined by the constraints of available infrastructure and resources.

Consequently, the achievements of service delivery targets and deliverables required to be viewed together with the municipality's financial performance and our ability to comply with municipal legislations. Therefore, this Annual Report is intended to attest to the collective efforts of the Council and municipal administration to progressively address the expectation of our communities. As this sphere of government, we will always be evaluated by our ability to meet the growing needs of our residents through rendering quality services, promoting economic development, fiscal discipline including ensuring that we govern effectively including facilitating the growth of our municipality.

It is within this context that we will continue to double our efforts in reigniting the vibrance of local economic development, a process that will help enhance the sustenance of financial independence and growth of institution. In line with the aforesaid, will be to ensure that both the local enterprise and community members are and remain empowered. Thus, creating a community of motivated and capable individuals who can contribute towards the growth and sustainability of the community and the environment.

As we celebrate 30 years of freedom and democracy, we committed in building an administrative architecture that is responsive and orientated towards meeting the needs and aspirations of our communities as per the constitutional dictates. Therefore, our institution takes pride in serving the communities as an extension of good governance and decisions taken are taken in the best interests of our communities. In addition, the challenges we have are not unique to Raymond Mhlaba Municipality and I am confident that with the existing leadership collective both in Council, and the Administration, these challenges are not insurmountable.

I have an unshaken confidence to our collective political leadership and administrative arm that we will continue to utilise the available financial and human resources in bettering the lives of our people. Imperatively, one of the most important ingredients of sustainable service delivery is political stability in the municipality. In our context, we continue to preside over a stable political environment and the sustenance of unity of purpose is our modus operandi.

It suffices that I present to you the 2022/2023 Annual Report covering the reporting period from 01 July 2022 to 30 June 2023. Consequently, let me extend gratitude to the Speaker, Chief Whip, and Members of the Executive Committee, Councillors, Municipal Manager, Directors, all Municipal employees and people of Raymond Mhlaba Municipality in general.



**MAYOR: CLLR NOMHLE SANGO**

**DATE:** 15/04/2024.

## CHAPTER 1: EXECUTIVE SUMMARY

### 1.1 MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

#### 1.1.1. INTRODUCTION TO BACKGROUND DATA

The Raymond Mhlaba municipality is situated along the southern slopes of the Winterberg Mountain range escarpment in the hinterland of the Eastern Cape, and is under the jurisdiction of the Amathole District municipality. The municipality was formally established in 2016, through the merger of the Nkonkobe and Nxuba Local Councils following the local government elections in that year. Alice town is a legislative seat and Fort Beaufort is the administrative head of the municipality. The municipal area covers approximately 6 474 km<sup>2</sup>, with major towns being Alice, Adelaide, Bedford, Fort Beaufort and Middledrift. Smaller settlements include Hogsback, Seymour, Balfour, Blinkwater and Debenek.

Main access corridors are the R63 from King Williams Town through Alice and Fort Beaufort towards Adelaide and Bedford and the R67 from Grahamstown through Fort Beaufort, Blinkwater, Seymour towards Queenstown. Raymond Local Municipality is comprised of 23 wards with a total population of approximately 161 000 of which the majority about 72% resides in rural villages and farms.

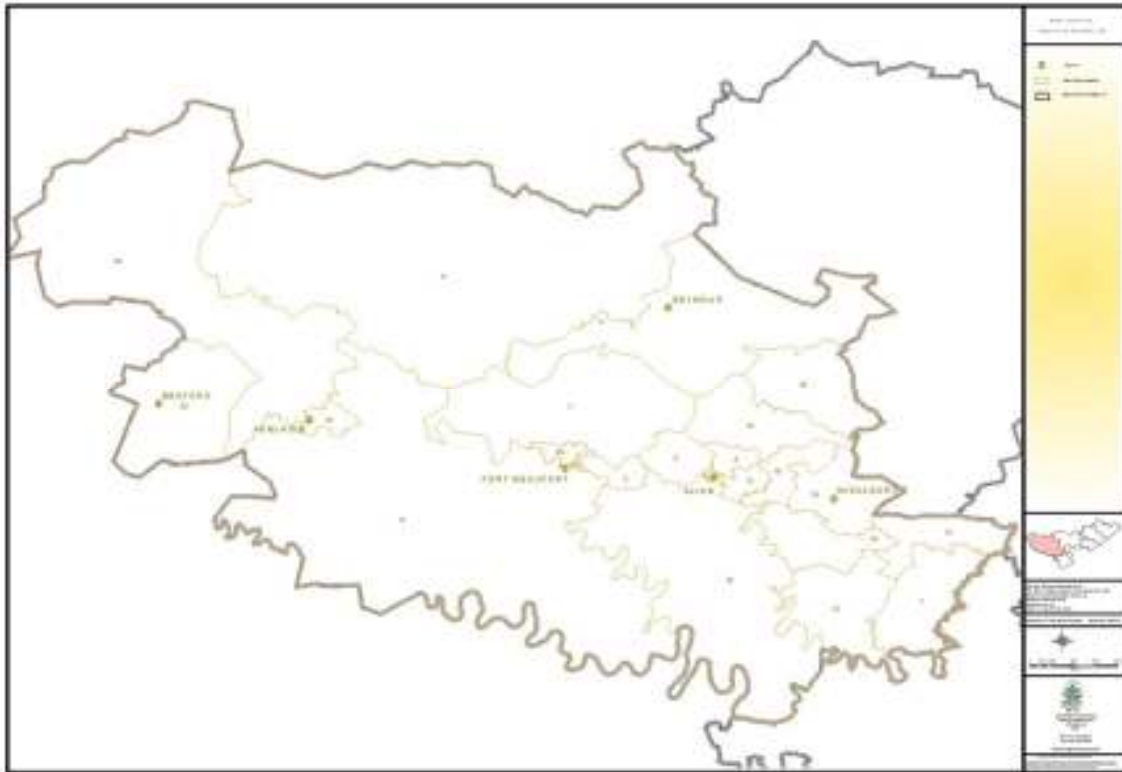
Urbanization is concentrated in Alice, Adelaide, Bedford and Fort Beaufort. The municipal area includes parts of the former Ciskei homeland and Cape Provincial Administration (CPA) areas, which means that it has a history of land expropriation and disposition in many parts due to the consolidation of land to create Ciskei in the 1960s. A distinct land tenure and land use system prevails with two distinctly different systems in the former Ciskei homeland and Cape Province areas.

Raymond Mhlaba is a rural municipality, and the economy is largely driven by the agricultural sector, which includes citrus, forestry, livestock and crop production. Raymond Mhlaba Local Municipality is well-known for its rich heritage and culture. The historic education institutions of Healdtown, Lovedale College and the University of Fort Hare – are important heritage sites in Raymond Mhlaba but as yet are underutilized as tourism or cultural sites. The tourism sector remains largely unsupported and underexploited in a municipality with iconic natural resources in the form of the Amathole Mountains and national significant heritage sites. Some of the major challenges facing Raymond Mhlaba LM include infrastructure challenges and high levels of unemployment and poverty.

The municipality is the second largest local municipality covering 6 474 km<sup>2</sup>, of the surface area of the Amathole District Municipality. The municipality has the following satellite offices –

Middledrift, Hogsback, Alice, Seymour, Adelaide and Bedford. The Raymond Mhlaba area is neighboured by the boundaries of Makana Local Municipality, Blue Crane Local Municipality, Amahlathi Local Municipality, Ngqushwa Local Municipality, Enoch Mgijima Local Municipality and the Buffalo City Metropolitan Municipality.

The following map represents the geographic location of Raymond Mhlaba Local Municipality



## 1.1.2 DEMOGRAPHIC INDICATORS

### 1.1.2.1 TOTAL POPULATION

The 2020 IHS Markit Regional eXplorer indicates that the total population in Raymond Mhlaba Municipality is 161 000. The municipality has 23 wards; and it is dominated by large populace which is indigent. The majority of the population of Raymond Mhlaba of just over 70% resides in both villages and farms, and minorities are located in urban dwellings. Urbanisation is mainly concentrated in Alice, Fort Beaufort, Adelaide and Bedford.

## POPULATION PER WARD

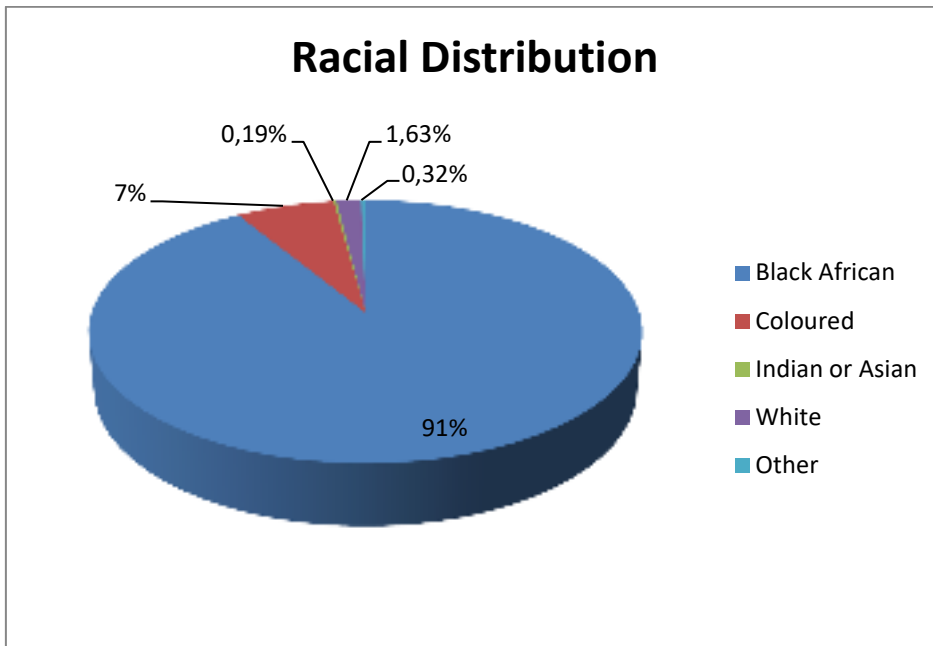
Ward	Area/Villages	Demographics
1	Qamdobowa, Zigodlo, Ndindwa, Mgxotyeni, Kulile, Mnqaba, Xhukwane, Sxekwen, Koloni	5148
2	Township, Ntsela, Upper & Lower Gqumashe, Skhutshwane	8076
3	Takalani, Kanana, Mpolo 1-2-3, Nkukwini, Tyoks Valley, Ntlekisa , Tambo Square	6938
4	Seymour, Katkat Valley, Lushington, Lundini/Elukhanysweni, Hogsbag, Hertzog/Tambuksvlei, Platform	6361
5	Ngobe, Ngwabeni, Gaga Sikolweni; Kwameva, Mgquba, Lenge, Nkobonkobo, Mavuso, Roxeni, Nomaqamba, Sgingqini, Lalini, Skolweni, Memela	5803
6	Tukulu Farm, Guburha, Golf Course, Happy Rest, Town Central, Hillcrest	6142
7	Rwantsane, Nobhanda, Mabheleni, Lamyeni, Ngwevu, Tyatyora, Luzini, Sikolweni, Mdeni, Cimezile, Tebha, Gontsana, Oakdene, Mankazana, Pikat, Ntilini	5538
8	Fort Beaufort Town, Newtown, Rietsfontein, Sparkington, Smithkraal, Wagondrift, Kluklu Farm	7201
9	Balfour, Buxton, Upper Blinkwater, Glenthon, Winterberg country club, Post Retief, Ekuphumleni, Massdor, Jurieshoek, Katberg, Readsdale, Blackwood, Philipton, Fairbain, Kolomani (Marais, Grafton, Ngqikane, Votyawe, Phathikala, Edika, Dunedin, Cains, Diphala)	8110
10	Gomoro, Machibi, Mpundu, Gilton, Guquka, Sompondo, Khayaletu, Hala, Nothemba, Hopefield, Benfield, Gato, Mathole, Komkhulu, Ngwangwane, Mkhuthuleni, Mdeni, Esphingweni, Machibini, Mqayise, Ndlovurha, Zixinene, Chamama, Mdlankomo	6788
11	University of Fort Hare	3362

12	Msobomvu, Magala, Ngcothoyi, Bergplaas, Melani, Krwakrwa, Upper Ncera, Majwareni; Khwezana, Mazotweni, Macfalani, Wordon, Dish, Mkhobeni, Taylor	6405
13	Zalaze, Quthubeni, Fama, Ngcabasa, Ngqolowa, Qhomfo, Didikana, Phewuleni, Qhibira, Ndulwini	5305
14	Saki, Ngwenya, Njwaxa, Mbizana, Gxadushe, Debe Marele, Faki, Mxumbu	6451
15	Lower Ncera, Tyhali, Zibi, Mabheleni, Tyutyuza, Ngqele 1, Ngqele 2, Ncera Skweyiya, Dyamala	5451
16	Annshaw, Town/Gugulethu, Lower Regu, Mfiki, Cwaru, Qawukeni, Cilidara, Ngele, Nothenga, Gudwini	7601
17	Qanda, Trust 1&2, Koloni, Farm Bill, Thafeni, Nonaliti, Debenek, Zihlahleni, Mayiphase, Ntonga	6399
18	Joji, Loyd, Phumlani, Khayamnandi, Thembisa, Xolani, Gxwedera, Balura, Lalini, Eskolweni, Kwali, Mpozisa, Lower Sheshegu, Nofingxana, Nomtayi, Lokhwe, Jowu, Jimi, Korks Farm, Krwanyini, Kwezana West	6560
19	Gontsi, Dudu, Gommagomma, Zwelitsha, Nkukwini, Mike Valley, Kuwait, Group 5, Zwide, Daweti 1&2	7965
20	Hillside, Golf Course, Ndaba, Kwepile, Ntoleni, Mlalandle	7459
21	Red Location, Lingelethu, Adelaide Town, Mount Pleasant, Molweni Game Reserve, Mount Pleasant	5983
22	Bezville, New Area, Gelvandale, Springgrove, Elandsdrift, Red Location,	7082
23	Goodwin Park, Nonzwakazi, Bhongweni, Bedford Town, Phola Park, New Brighton, Khayelitsha, Ndlovini, Sizakhele and Tyoksville	9238

### 1.1.2.2 RACIAL DISTRIBUTION

The results from the pie chart foreshadowed (below) indicate that Black Africans form majority of the total population in Raymond Mhlaba Local Municipality, whereas there is small Coloured

population sporadically populated around the municipal area and Indians/ Asians and Whites being the least represented population group.

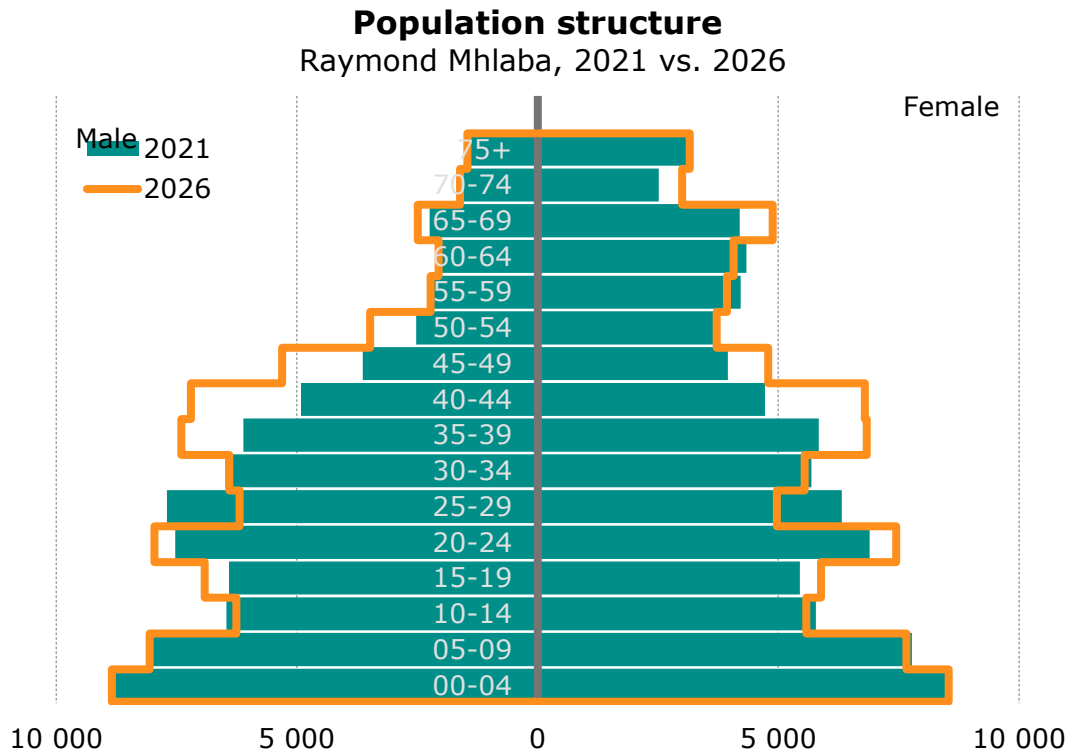


Source: Community Survey, 2016

### 1.1.2.3 POPULATION GROWTH RATE

In 2021, Raymond Mhlaba's population consisted of 91.20% African (147 000), 1.43% White (2 320), 7,07% Coloured (11 400), 0.30% Asian/Indian 0, 30 % (479) people. The largest share of population is within the young working age category (25-44 years) with a total number of 47 800 or 29.6% of the total population. The age category with the second largest number of people is babies and kids (0-14 years) with a total share of 28.1%, followed by the older working age (45-64 years) with 26 800 people. The age category with the least number of people is the retired / old age (65 years and older) with only 15 100 people. The population projection shows an estimated average annual growth rate of 1.1% between 2021 and 2026.





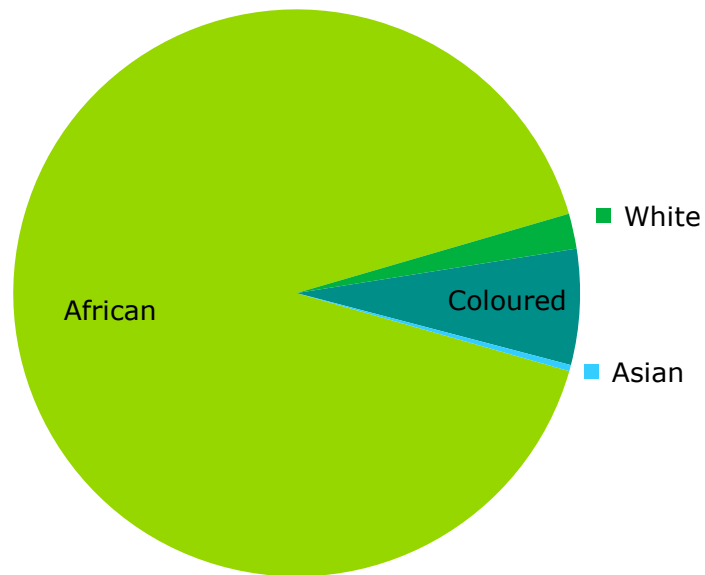
The population pyramid above, indicates that the population of Raymond Mhlaba Local Municipality is dominated by youth and women, ages from 25-44.

#### 1.1.2.4 NUMBER OF HOUSEHOLDS

For the year under review, the municipality had 44 832 households. The composition of the households by population group consists of 91.4% which is ascribed to the African population group with the largest amount of households by population group. The Coloured population group had a total composition of 6.2% (ranking second). The White population group had a total composition of 2.0% of the total households. The smallest population group by households is the Asian population group with only 0.4%. The growth in the number of African headed households between 2010 and 2019 was on average of 0.47% per annum, which translates in the number of households increasing by 1 820 in the period. Although the Asian population group is not the biggest in size, it was however the fastest growing population group between

2010 and 2019 at 6.40%. The average annual growth rate in the number of households for all the other population groups has increased by 0.44%.

**Number of Households by Population group**  
Raymond Mhlaba, 2021



Source: IHS Markit Regional eXplorer version 2257

Natural Resources	
Major Natural Resource	Relevance to Community
Fresh Water Systems	Mariculture and Aquaculture
Biodiversity and Natural Forest	Land based projects and environmental projects
National Heritage Sites	recreation and tourism, research, education and cultural values

## 1.2 SERVICE DELIVERY OVERVIEW

### SERVICE DELIVERY INTRODUCTION

Raymond Mhlaba Local Municipality performs the following functions as embedded in the Constitution:

- Road Traffic Regulations;
- Vehicle Licensing;
- Municipal planning;
- Local tourism;
- Stormwater management systems;
- Cemeteries;
- Cleansing;
- Municipal Roads;
- Electricity;
- Municipal Parks and Recreations;
- Street Lighting;
- Public Spaces; and
- Refuse removal, refuse dumps and solid waste etc.

Basic service delivery and infrastructure development is one of the cornerstones for development and service delivery, as such; the municipality has invested in infrastructural development and to ensure that basic services are accessible by everyone within the municipal area.

***The Amathole District Municipality is the Water Services Authority (WSA) and the Water Service Provider for the entire Raymond Mhlaba area. Water reticulation is provided by the WSP in the urban areas.***

## 1.3 FINANCIAL OVERVIEW

## 1.4 ORGANISATIONAL DEVELOPMENT PERFORMANCE

The Municipality takes a holistic approach to human resource management and development. Priority is given to skills and capacity development initiatives, change management, development and implementation of policies that support individual development while also striving to create an exciting workplace for full realization of everyone's potential in order to

improve competencies and efficiencies. The ability to evolve and respond to individual employee needs is also a critical imperative for the Municipality.

In demonstrating a commitment “**To provide effective and efficient workforce by aligning institutional arrangements to the overall strategy in order to deliver quality services**” the municipality managed to achieve the following results:

- Providing trainings to Councillors and employees based on skills and capacity demands as captured in the Workplace Skills Plan.
- Conducted Councillor & Employee assistance programmes through the office of the EAP Practitioner
- Developed and submitted a Workplace Skills Plan to the Local Government SETA by April 2023.

***Employee Assistance Programmes (EAP) and Occupational Health & Safety conducted as at June 2023.***

1. Workplace Inspection (all satellites offices)
2. Functional OHS Committee
3. EAP Interventions for troubled Employees -one on one session in all Satellite Offices.
4. Financial Wellness
5. Exit Interviews to retired officials
6. Management of trauma debriefing sessions, internal counselling and external referrals to rehabilitation centres.
7. National Condom Week, Pregnancy awareness, STI and Prostate Cancer Awareness
8. TB Screening for vulnerable employees (all satellite offices)
9. Bereavement debriefing sessions
10. Ill health employees on-going active cases

## **1.5 AUDITOR GENERAL REPORT FOR 2022/2023**

**Attached as an Annexure.**

## 1.6 STATUTORY ANNUAL REPORT PROCESS

No	Activity	Timeframe
1	Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period	July
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	
3	Finalize the 4th quarter Report for previous financial year	
4	Submit draft 2022/2023 Annual Report to Internal Audit and Audit Committee	August
5	Municipal entities submit draft annual reports to MM	
6	Audit/Performance committee considers draft Annual Report of municipality and entities	
8	Mayor tables the unaudited Annual Report	
9	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General	
10	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	September – December
11	Auditor General audits Annual Report including consolidated Annual Financial Statements and Performance data	
12	Municipalities receive and start to address the Auditor General's comments	
13	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	
14	Audited Annual Report is made public and representation is invited	
15	Oversight Committee assesses Annual Report	
16	Council adopts Oversight report	
17	Oversight report is made public	
18	Oversight report is submitted to relevant provincial councils	
19	Commencement of draft Budget/ IDP finalization for next financial year. Annual Report and Oversight Reports to be used as input	

## **1.7 COMMENTS ON THE ANNUAL REPORT PROCESS:**

The 2022/2023 Annual Report reflects the performance of the Raymond Mhlaba Local Municipality as well as the achievement obtained and challenged encountered by the municipality during the year under review. This Annual Report provides a full reporting version as required by National Treasury's MFMA Annual Report Circular 63 and is structured as follows:

Chapter 1: Mayor's Foreword and Executive Summary

Chapter 2: Governance

Chapter 3: Service delivery performance

Chapter 4: Organizational development performance

Chapter 5: Financial performance

Chapter 6: Auditor-General Audit Findings

APPENDICES

## CHAPTER 2 – GOVERNANCE

### 2.1 INTRODUCTION TO GOVERNANCE

This chapter integrates the municipality's overarching governance structures and decision making processes. There are several role players for corporate governance in the municipality. Good governance in the municipality embodies processes, structures and systems by the municipality is directed and held to account for. It is characterized by a dynamic interface between political office bearers, administration, public participation and corporate governance.

Raymond Municipality Local Municipality strives towards achieving the following characteristics of efficient government in both legs of governance (political and administrative):

- Participation;
- Transparency;
- Responsiveness;
- Consensus orientation;
- Equity;
- Effectiveness and efficiency;
- Accountability; and
- Strategic vision.

## COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

### 2.2 INTRODUCTION TO POLITICAL AND ADMINISTRATIVE GOVERNANCE

Raymond Mhlaba Local Municipality has comprehensive, effective governance structures, both political and administrative, systems, policies and procedures underpinned by a sound set of values and ethics to support the municipality's growth and development. Furthermore, it has a fully representative and highly structured Council, compliant with legislative requirements. Council is led by the Mayor working collectively with the Executive committee (EXCO) and Councillors. Raymond Mhlaba Municipality has established committees to enhance its all governance structures. These committees function with clearly defined roles and responsibilities. For an example, the section 79 and 80 committees are set up to deal with oversight roles, and to provide advisory role to Raymond Mhlaba Municipality Council.

Raymond Mhlaba Municipality has a highly competitive and capable administrative leadership led by the Municipal Manager. The administrative arm of governance consists of the Municipal

Manager and 5 Directors which constitutes a Senior Management Committee (SMC) that is chaired by the Municipal Manager. The committee sits every first Tuesday of each month, (Monthly basis) to address both strategic and operational matters.

RMM has an active Inter-Governmental Relations function, which is shared across the entire institution. There are imminent engagements with all intra and inter-stakeholders, with a purpose to gather information and updates and to communicate such on continuous basis. External stakeholders include all spheres of government.

Corporate governance is one central focus that distinguishes RMM. The Municipality has established committees to encourage compliance with all legislations and enhance ethical consideration by all its employees and Councillors. The Risk Management Committee guides to identify all risk and oversee processes to managing such. All Supply Chain Management Bid Committees have been established and are operational, i.e. Specification Committee, Evaluation Committee and Adjudication Committee. An Audit Committee is operational and holds its meetings quarterly, and as and when the situation warrant. This committee of Council deals with all audits of the municipality, performance issues, risk management, and provide advice to and reports to RMM Council.

## **2.3 POLITICAL GOVERNANCE**

### **2.3.1 INTRODUCTION TO POLITICAL GOVERNANCE**

The political arm is comprised of 45 Public elected representatives (Councillors). Twenty three of that fourth five are ward Councillors and the remaining twenty two are proportional representatives.

The elected public representatives represent the views of their political parties in Council. The Legislative Arm in Council is led by the Speaker of Council who presides as the Chair in Council Sitings. The Executive Arm in Council is led by the Mayor who presides as the Chair in the Executive Committee. Members of the Executive Committee are appointed by Council amongst Councillors elected to serve in the Raymond Mhlaba Municipal Council

#### **MAYOR: NOMHLE SANGO**

Councillor Nomhle Sango is the Mayor of Raymond Mhlaba Municipality and is discharged for presiding at meetings of the executive committee and performs the duties including any ceremonial functions, and exercise the powers delegated to the Mayor by the municipal council or the executive committee. In addition, the Mayor recommends to the Municipal Council strategies, programmes and services to address priorities needs through the IDP, and the estimates of revenue and expenditure, taking into account any applicable national and provincial development plans.



## **SPEAKER OF COUNCIL: COUNCILLOR THOZAMA NGAYE**

Councillor Ngaye is the Speaker of Council. The Speaker of Council is the Chairperson of Council, presiding over council meetings in accordance with council's Standing Rules and Orders of Raymond Mhlaba Municipal Council. The Speaker also advice on major legislative compliance matters. The Speaker also has a responsibility for Section 79 oversight committees and Councillor affairs to develop political governance capacity among Councillors. Over and above the Speaker is also the driving force of public participation, petitions and ward committees.

## **CHIEF WHIP OF COUNCIL: COUNCILLOR NONKAZIMLO MLAMLA-KLAAS**

Councillor Mlamlala is the Chief Whip of Council. The Chief Whip is an official office bearer, who is also the Chief Whip of the Majority Party. The Chief Whip ensures proportional distribution of Councillors to various Committees of Council. The Chief Whip maintains sound relations among the various political parties by attending to disputes among political parties.

### **POLITICAL STRUCTURE**

#### **MAYOR**



**CLLR NOMHLE SANGO**

#### **SPEAKER**

Cllr Thozama Ngaye

#### **CHIEF WHIP**

Councillor Nonkazimlo Mlamlala-Klaas

### **EXECUTIVE COMMITTEE:**

Cllr Nomhle Sango (Mayor)  
Cllr Bukelwa Tyali  
Cllr Zingiswa Rasmeni  
Cllr Portia Sabane  
Cllr Elton Bantam  
Cllr Sinethemba Mjakuca  
Cllr Sithembela Zuka  
Cllr Mhlangabazi Nombombo  
Cllr Ernst Lombard

### **2.3.2 COUNCILLORS**

The Raymond Mhlaba Council is composed of 45 councillors of which 23 are Ward Councillors and the remaining Councillors are Proportional Representatives Councillors (PR). Councillors of Raymond Mhlaba Municipality contribute to the strategic direction of the municipality through their participation in the development in the development and review of the Integrated Development Plan. Furthermore, Council received a Government Gazette appointing 2 traditional leaders to participate in the municipality in line with the provisions of section 83 of the Local Government Municipal Structures Act, 1998 as amended, read with Traditional Leadership and Governance Framework Act 2003. The traditional leaders participate in all council committees except the Executive Committee. Council adopted a schedule of meetings that provides for the meetings of Council to be convened at least 4 times a year, except where circumstances require the convening of a special meeting of Council.

### **2.3.3 COMMITTEES OF COUNCIL**

The Municipality has functional section 79 and 80 committees of which section 80 committees are as follows; Engineering, Finance, Strategic Planning and Local Economic Development, Corporate Services, Community Services, Sport and Recreation Committee headed by Members of the Executive Committee. These Committees are set up to deal with oversight roles, support and performs an advisory role to the Mayor and Council.

**The following Councillors are chairpersons of the above mentioned committees:**

<b>NO.</b>	<b>NAME</b>	<b>COMMITTEE</b>
1.	Cllr B. Tyali	Corporate Services Committee

2.	Cllr S.Zuka	Engineering Services
3.	Cllr S. Mjakuca	Finance Committee
4.	Cllr E.Bantam	Community Services Committee
5.	Cllr Z.Rasmeni	Strategic Planning and LED Committee
6.	Cllr P.Sabane	Sports and recreation Committee

### **2.3.3.1 BELOW IS THE LIST OF SECTION 79/OVERSIGHT COMMITTEES:**

#### **1. Municipal Public Accounts Committee (MPAC)**

The Municipal Public Accounts Committee is functional and exercise oversight responsibilities over the executive responsibilities of Council. It also assists Council to hold the executive and municipal entities to account, and to ensure the economic, efficient and effective use of municipal resources. By doing so the Committee helps to enhance the public awareness on financial and performance matters of Council and its entities, where applicable.

#### **2. Petitions committee**

The committee regularly or at intervals not exceeding six months submits to Council a report indicating all the petitions received, referred, resolved and a summary of the response to the petitioners or community.

#### **3. Ethics Committee**

The committee as mandated by Council in terms of delegated powers must ensure that issues of Councilor's ethical conduct and discipline become key fundamental values that will shape the future of the Council.

#### **4. Rules Committee**

The committee exists to create a clear road map in as far as the implementation of rules within the Raymond Mhlaba Municipality. To enforce compliance in all stings and official gatherings of the Council and also to put into place systems that will enhance the development of members of the council in terms of conducting fruitful gathering within council.

## 5. Women Caucus

The committee oversee/review the alignment, efficiency and effectiveness of gender policy, mainstreaming strategy to implementation, it also oversees and ensure that civic education/awareness programmes, gender analysis and impact assessment are activated within the municipality.

### 2.3.3.2 Performance and Audit Committee

The Performance and Audit Committee is a Committee of Council and performs the statutory responsibilities assigned to it in terms of sections 165 and 166 of the MFMA. It is an independent advisory body that advises Council and is responsible for oversight over the following functions:

- Internal audits
- External audits
- Financial reporting
- Risk management
- Internal controls
- Information technology governance
- Performance management

## COMPOSITION OF THE AUDIT & PERFORMANCE COMMITTEE AND ATTENDANCE OF MEETINGS

### *List of Members and meetings held during as end June 2023:*

<b>NO</b>	<b>Name of members</b>	<b>Meeting dates and Description of meeting</b>	<b>Attendance</b>
1.	Mr Wayne Manthe ( Chair): <b>Chairperson of the Audit and Performance Committee</b>	07/07/2022 = Ordinary Meeting 23/08/2022= Special Meeting 01/11/2022=Ordinary Meeting 14/03/2023 = Ordinary Meeting 27/06/2023 = Ordinary Meeting	All members
2.	Mr Samkelo Mxunyelwa:		
3.	Ms Sisanda Lehlehla (resigned on the 14/03/2023)		
4.	Dr Ngwadi Mzamo		

5.	Mr Mxolisi Skosana (resigned on the 07/03/2023)		
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### **2.3.4 POLITICAL DECISION-TAKING**

Standing Committees sit monthly to discuss issues pertaining to their respective departments and make recommendations to Executive Committee. Executive Committee meeting is then convened to discuss reports and recommendations submitted by Portfolio Heads and agree on the matters to be referred to Council.

Troika, which consists of Speaker, Chief Whip and Mayor, convenes a meeting prior to the sitting of each Council meeting to discuss all issues to be tabled in the Council. The Municipal Manager also attends the Troika meetings to provide guidance and advice. Council sits quarterly and makes decisions on all matters pertaining to community development and service delivery. Council resolutions are taken on the basis of reports and recommendations made by the Committees.

## **2.4 ADMINISTRATIVE GOVERNANCE INTRODUCTION TO ADMINISTRATIVE GOVERNANCE**

### **2.4.1 INTRODUCTION TO ADMINISTRATIVE GOVERNANCE**

The Administrative Arm of the municipality is driven by the Municipal Manager: Ms U.T Malinzi as the Accounting Officer. The Municipal Manager is supported by a team of five (5) Directors. The municipal administration has the overall responsibility for management and strategic direction of the municipal business affairs. Other duties of the Municipal Administration include planning, reporting and accountability, enforcing internal controls revenue enhancement etc.

### **TOP ADMINISTRATIVE STRUCTURE**

#### **MUNICIPAL MANAGER**

Ms Unathi Malinzi

#### **DIRECTORS:**

**Acting Director Corporate Services**  
Dr. Lulamile Donacious Hanabe

**Director Engineering Services**

Mr Daluxolo Mlenzana

**Acting Director Community Services**

Ms Nosimphiwo Speelman

**Chief Financial Officer**

Mr Mveleli Ngxowa

**Director Strategic Planning & LED**

Dr. Lulamile Donacious Hanabe

**COMPONENT B: INTERGOVERNMENTAL RELATIONS**

**2.5 INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS**

Raymond Mhlaba Local Municipality has fostered Intergovernmental Relations (IGR) to ensure the coordinated delivery of services to citizens. This aligns with the Intergovernmental Relations Framework Act, Act No 13 of 2005, which requires all spheres of Government to coordinate, communicate, align and integrate service delivery to ensure effective access to services. The IGR is a forum that is chaired by the Mayor, and includes Portfolio Heads, Senior Managers of departments in Raymond Mhlaba Municipality as well as Senior managers within the municipality. Government departments in this forum present their programmes within the municipal space for the year as well as programmes they want the municipality to be involved in.

**2.5.1 PROVINCIAL INTERGOVERNMENTAL STRUCTURES**

The Municipal Manager seats in the provincial structure called the Ministers and Members of Executive Council meeting (MuNIMEC). This is where all Ministers, MECs, Municipal Managers, Mayors and Heads of Departments sit. In terms of the value obtained from the meetings; it is challenging to quantify it. There are thorny issues that the municipality has over the years raised in the local structures, and these have been escalated to both the DIMAFO (Mayor's forum) and the provincial IGR structure (MuNIMEC).

## COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

### 2.6 OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

The Municipality has a long-standing culture of community and stakeholder engagement, which promotes transparency and accountability. These values are an integral part of any truly democratic society, and are enshrined in the Constitution.

**The following consultations were facilitated, among others:**

- IDP and Medium-term Revenue and Expenditure Framework (MTREF)
- Annual Report Roadshows

Chapter 4 of the Local Government Municipal Systems Act, 32 of 2000 encourages municipalities to create conditions for the local community to participate in the affairs of the municipality. In terms of strengthening public participation, a wide range of communication tools are used to communicate with the community and also to disseminate information. These include;

- Newspapers: Winterberg, Times Media, Dike lethu, Hogsback Times, Umhlali newsletter
- Imbizo's / Road shows,
- Loud hailing,
- Library;
- Notice boards
- Social Media Pages (Facebook, Twitter)
- Municipal Website
- Intergovernmental Relations (IGR)
- Meetings of ward committees
- Forte FM, Tru FM, Algoa FM, Umhlobo wenene FM

#### 2.6.1 COMMENT ON SATISFACTION LEVELS:

Raymond Mhlaba Local is committed to effective and efficient delivery of services. Accordingly, the municipality acknowledges that this can only be achieved by engaging residents so as to understand their concerns and priorities. Through the ongoing outreach processes, the municipality aims to build a collective and shared vision of the future of the entire Raymond Mhlaba jurisdiction. The processes enable stakeholders to express their interests, concerns, fears and aspirations for the future of Raymond Mhlaba.

### 2.7 WARD COMMITTEE MEMBERS

Municipal Structures Act provides forward committee members to be established with primary function to be a formal communication channel between the community and the municipal council. There are 23 wards that constitute Raymond Mhlaba Municipality and for each ward, ten (10) ward committee members were elected. Furthermore, an induction workshop was conducted to all ward committee members through the assistance of COGTA. Ward Committees are a true reflection of a geographical spread, as well as sectoral composition of each ward (where applicable). Ward Committees are playing a huge role in the municipality's IDP and budget processes including Community Based Planning. Ward committees support the ward councillor by providing reports on development, participate in development planning processes and facilitate wider community participation..

## 2.8 IDP PARTICIPATION AND ALIGNMENT

The Municipality's commitment regarding the promotion of public participation and consultation are based on constitutional and legal obligations including the governance model. Therefore the Municipality continues to promote participatory engagements with communities in all its processes, including the development of the IDP. Public participation is a critical part of democracy, as it affords members of the community and stakeholders an opportunity to inform the Municipality about their developmental needs. The process also gives community members a clear understanding of how the Municipality arranges for public participation.

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



## 2.9 RISK MANAGEMENT

The purpose of risk management is to identify potential problems before they occur that may affect the municipality, manage risks to be within its risk tolerance and to provide reasonable assurance regarding the achievement of municipality's objectives.

Section 62 of the Municipal Finance Management Act 56 of 2003 states that:

- The accounting officer of municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps.
- That the resources of the municipality are used effectively, efficiently and economically.
- That full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.
- That the municipality has effective, efficient, and transparent systems.
- Of financial and risk management and internal control; and
- Of internal audit operating in accordance with any prescribed norms and standards

Risk Management Policy and Risk Management Strategy were developed and approved by the Council. Furthermore, a workshop on strategic risks and policy was conducted to Councillors and employees to promote a positive risk culture.

The strategic risk profile for 2022/23 had 20 risks which were monitored and managed on an ongoing basis through various risk governance structures. Operational risk profiles were also developed and monitored for all departments.

**Below is the list for top 9 high strategic risks:**

Nu mb er	STRETEGIC OBJECTIVE	RISK	ROOT CAUSES	CURRENT CONTROLS	RESIDUAL RISK ASSESSMENT			
					LIKELIHOOD	IMPACT	EXPOSURE	RESULTS

To ensure adequate, efficient, sustainable energy supply and infrastructure by 2027	1.Poor provision of electricity supply 2. Aging electricity infrastructure.	1. Poor maintenance of electricity infrastructure. 2. Inadequate network upgrade. 3. Lack of skills, qualified technicians and resources. 4.Lack of resources e.g. funds, external service provider.	1.Maintenance budget but not sufficient. 2. Reactive maintenance is done. 3. INEP projects are implemented according to needs analysis.	5	5	25	High
			A maintenance plan for 2021/2022 financial year has been drafted to be funded through own revenue 2.Making use of external service providers to assist in restoring power where no resources to do the work. 3.Use of split metering in some areas 4.Involved in executing Eskom Electrification program. 5. NMD has been upgraded by Eskom 6. Material monitoring controls in place.				

				7. Laisse with Housing Department with regards to fencing of substations				
2	To ensure adequate, efficient, sustainable energy supply and infrastructure by 2027	<ol style="list-style-type: none"> <li>1. Poor quality of workmanship by appointed service providers</li> <li>2. Delays in completion of projects.</li> <li>2. Delay in community development project through infrastructure</li> </ol>	<ol style="list-style-type: none"> <li>1. High infrastructure backlog</li> <li>2. Appointment of unqualified contractors and consultants</li> <li>3. Poor monitoring by consultants</li> <li>4. Inability to monitor projects by relevant stakeholders.</li> </ol>	<ol style="list-style-type: none"> <li>1. Have grant allocations as per Dora.</li> <li>2. Implementation of capital projects using available grant</li> <li>3. PMU Manager and technicians monitor service providers</li> <li>4. Performance of service providers is monitored and reported on a monthly basis to contract management.</li> </ol>	4	5	20	High
3	To ensure adequate, efficient, sustainable energy supply and infrastructure by 2027	<ol style="list-style-type: none"> <li>1. Low productivity.</li> <li>2. Poor quality of road network</li> </ol>	<ol style="list-style-type: none"> <li>1. Substance abuse, lack of material, absenteeism.</li> <li>2. Lack of skills</li> <li>3. Aging road network</li> <li>4. Lack of resources for road maintenance and stormwater services</li> <li>5. Poor maintenance of</li> </ol>	<ol style="list-style-type: none"> <li>1. Make use employee assistance wellness programme</li> <li>2. On job training</li> <li>3. Roads are maintained in place</li> <li>4. Upgrading of aging roads.</li> <li>5. RAMS (road asset management</li> </ol>	5	4	20	High

			roads. 5. Increase in traffic volume. 6. Global warming. 7. Shortage of staff 8. Poor condition of yellow plant and fleet vehicles used by Civil works	system) has been conducted.				
4	To ensure effective and efficient workforce by aligning institutional arrangements to the overall strategy to deliver quality services by 2027	Increase employee cost in comparison to current budget	1. Amalgamation	1. Organogram in place	5	5	25	High
5	To ensure sustainable Local Economic Development by 2027.	1. Inability to facilitate programmes that may provide support to LED initiatives . 2. Non-existence of LED strategy.	1. Lack of resources (insufficient budget. 2. Non-prioritization and implementation of LED Projects. 3. Non-existence of business council. 4. Inactive LED structures .	1. Development Agency. 2. Tourism master plan.	4	5	20	High

6	To ensure the financial sustainability in order to fulfil the statutory requirements by 2027	1.Unfunded budget.	1. Commitments are above available budget 2. Lack of sufficient revenue base.	1. Funding plan which is approved by Council with budget. 2. Implementation of revenue enhancement strategy for additional revenue sources. 3. Implementation of cost containment measures on high cost drivers.	4	5	20	High
7	To ensure the financial sustainability in order to fulfil the statutory requirements by 2027	1. Low revenue collection rate.	1. Increase of indigents impact revenue. 2. Rural state of municipality 3. Low revenue base 4. Municipality houses leased below market value.	1. Implementation of Credit Control and Debt Management Policy. 2. Implementation of revenue enhancement strategy. 3. Continue liaising with Provincial and National sphere of governance to collect debt.	5	4	20	High
8	To ensure proper governance and accountability by 2027	Non-cooperation of stakeholders in IGR structures. Non-integratio	Non-attendance of stakeholders in IGR structures. Non implementation of IGR resolutions. Working in silos	IGR Framework IGR Cluster Meetings IGR Forums DIMAFO and Munimec MoUs and SLA	5	4	20	High

		n of sector plans						
9	To improve the municipal responsiveness to service delivery breakdowns by 2027.	1. Inability to respond to community complaints timely 2. Limited resources to respond to community complaints due network failure & loadshedding.	1. Lack of resources ( telephone lines , bulk sms). 2. Customer Care is not embedded in the culture of the organization.	1. Customer care strategy, Customer policy, Customer care service charter. 2. Dedicated telephone lines and email and Facebook page.	5	5	25	High

## 2.10 SUPPLY CHAIN MANAGEMENT

Raymond Mhlaba implements a Supply Chain Management Policy that is aligned with MFMA and SCM regulations which includes all the elements of Supply Chain Management namely:

- Demand management,
- Acquisition management,
- Logistics management,
- Disposal management,
- Risk management and
- Performance management.

SCM policy has allocated 30% of procurement to be prioritized to local SMME's. The municipality has managed meet this target for this financial year. The municipality has also targeted that 70% of its procurement should be for vulnerable groups (e.g women, youth, disabled and military veterans) for threshold under R200 000.00. In the 2022/23 financial year the municipality has procured more than 71% from local SMME's.

**There are three committees established in the bidding process namely:-**

- Bid Specification Committee
- Bid Evaluation Committee
- Bid Adjudication Committee

In order for the municipality to spend 100% on the Grant funded projects, its has resolved to implement its procurement plan. This has led to grant spending and also contributed to COGTA releasing additional funding so that the municipality could implement more on its projects. This was a great improvement.

The challenges faced by the municipality is that its local contractors are battling to comply with some of the requirements and as a result the municipality conducted a supplier day in order to capacitate them and listen to their challenges as well.

## **2.11 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES**

### **INTRODUCTION TO INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES**

Information Communication Technology section oversee the stability of business systems and network infrastructure within the organization, which require constant performance monitoring. Set institution-wide standards for software configurations and implementation guidelines in line with Policies and Procedure Manuals. Ensure maximized uptime, performance optimization, and full utilization of ICT resources and implementation of security measures & electronic data operations. Co-ordinates tasks/activities associated with the provision of End User support and analyses, diagnoses and resolves software/ hardware related problems ensuring optimum and uninterrupted functionality of operating systems and applications across the Municipality. Use system analysis techniques and procedures, including consulting with users, to determine hardware, software, or system specifications. Managing LAN\WAN infrastructure, making sure it's up, and running.

In ensuring that the above comes to realization, the ICT unit has installed a cloud-based backup system to ensure that all user files are kept safe and in an event of a disaster there will be business continuity. Daily user support is provided to ensure that the institution and its workforce can perform their duties. Policies have been developed and approved for proper ICT Governance. Internet and Telephone system upgrades have been implemented for effective communication, transfer of data and seamless access to systems.

Capital Expenditure Year 2022/2023: ICT Services					
					R' 000
Capital Projects	Year 2022/2023				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
<b>Total All</b>					
Purchase of Microsoft Licences	R1,3 Million		R1,3 Million		
Telephone system upgrade	R368 316.00		R368 316.00		

### COMMENT ON THE PERFORMANCE OF ICT SERVICES OVERALL

The municipal website was upgraded with continuous maintenance. An Internet service upgrade has been performed in all municipal offices including the previously disadvantaged sites i.e.Hogsback and Seymour. Continuous upgrade of wireless network Infrastructure in a phased approach is implemented. A functional ICT Steering Committee was established to enhance ICT monitoring and performance. The committee regularly sits on a quarterly basis.

#### 2.12 CUSTOMER CARE

The institution receives complaints/ queries through a dedicate email ([customercare@raymondmhlaba.gov.za](mailto:customercare@raymondmhlaba.gov.za)) and communications Office landline. Once a complaint/ query has been received, officials from customer care acknowledge receipt of the query to the resident / rate payer, then its forwarded to departmental personnel, who investigates and resolves the query and forward update/ action to Customer Care Unit. The Customer Care contacts the resident/ rate payer and provides feedback and once the resident/ rate payer is satisfied with feedback and the query is resolved.



## CHAPTER 3: SERVICE DELIVERY PERFORMANCE

### 3.1 INTRODUCTION

This chapter presents the performance of the Municipality over the 2022/2023 financial year. In the main, the focus is on performance against predetermined objectives as presented in the SDBIP scorecard approved by Council. The Municipality identified the following strategic pillars to anchor its development objectives and guide the implementation of programmes for effective service delivery:

- To ensure a safe, friendly and sustainable environment by 2027.
- To ensure adequate, efficient, sustainable energy supply and infrastructure by 2022

Over the financial year under review, the Municipality committed to improve effectiveness in the provision of basic services. The provision of roads and storm water networks, waste management, electricity, housing, disaster management, emergency services such as firefighting, social programmes for the elderly and other vulnerable groups were all identified as priority focus areas.

***The Amathole District Municipality is the Water Service Authority (WSA) and the Water Service Provider for the entire Raymond Mhlaba area.***

### COMPONENT A: BASIC SERVICES

This component includes: electricity; waste management; and housing services; and a summary of free basic services.

### 3.2 INTRODUCTION TO BASIC SERVICES

This key performance area (kpa) deals with the core functions of the Municipality by providing the provision of electricity, roads and stormwater, community facilities, and town planning services. The departments responsible for this KPA are Engineering and Community Services and they are entrusted with ensuring that services are delivered to the communities *i.e.* construction of community halls, day care facilities; construction or development or maintenance of gravel roads, paving of roads, installation of electricity, maintenance of municipal buildings and consideration of plans (building plans), zoning *etc.* Land and Human Settlements is also located in this department, registration for houses, rectification is referred to this department and channeled to the Provincial Department.

### 3.3 INTRODUCTION TO ELECTRICITY

The supply of electricity in Raymond Mhlaba Municipality is provided for by two suppliers, i.e. Eskom and the Local Municipality. The municipality has a NERSA license to provide electricity in Adelaide, Bedford and Fort Beaufort and the surrounding townships. Electricity in the other administrative areas namely; Alice, Middledrift, Hogsback, Seymour, farm areas and all rural villages is supplied by Eskom. The Municipality has a combined NMD of 14.4 MVA. The department executes the maintenance of the electrical infrastructure within the municipality area of supply, this includes maintenance of streetlights and highmast lights .

The top three indicators for the electricity are as follows;

1. To ensure all applications for new connections are achieved
2. Ensure electricity losses are minimised through conducting meter audits
3. Ensure continuity and quality of supply is maintained

The electricity section has been encountering recurring number of theft and vandalism and as a result that has impacted maintaining continuity of supply. A number of interventions have been put in place like installation of cable sleeves and replacing underground cables with overhead lines.

The table below shows the annual progress as at end June 2023;

Number of faults attended	Streetlights maintenance (Adelaide, Bedford, Fort Beaufort, Seymour, Alice and Middledrift)	Highmastlights maintenance (Adelaide ,Bedford, Fort Beaufort ,Seymour, Alice and Middledrift)
3231	274	25

**Electricity Service Policy Objectives Taken From IDP**

Service Objectives	Outline Service Targets	Year 2021/2022		Year 2022/2023			Year 2023/24	Year 2024/25	
		Target	Actual	Target		Actual	Target		
		*Previous Year		*Previous Year	*Current Year		*Current Year	*Current Year	*Following Year
Number of illegal connection audits conducted	illegal connection audits conducted	4	4	4	4	4	4	4	4
Percentage of new connections and reconnections completed	New connection completed within 21 days of application			100	100%	100%	100%	100%	100%
Percentage of INEP projects implemented	INEP projects implemented	no grant funding	no grant funding	no grant funding	100%	100%	100%	100%	100%
Percentage of reconnections completed within 7 days after settlement of municipal account	Reconnections completed within 7 days after settlement of municipal account	100%	100%	100%	100%	100%	100%	100%	100%

## **COMMENT ON ELECTRICITY SERVICES PERFORMANCE OVERALL:**

The electricity section deals with day-to-day maintenance and repairs of the electrical infrastructure in Fort Beaufort, Adelaide and Bedford. These include, but not limited to, maintenance of highmast and streetlights, providing supply for new customers, maintaining/replacing faulty meters, attending to cable/line faults etc. Some parts of the electrical network are vulnerable and requires upgrade to mitigate power outages.

The electricity section implemented the electrification of the villages through INEP funding in Wurbun, Gilton and Bienfiled. 37 houses were connected.

The Municipality has also bought new meters to ensure new customers are supplied with electricity and the consumption is monitored. Quarterly meter audits are also conducted in Fort Beaufort, Adelaide and Bedford towns.

Three new highmast lights have been energized during the year under review; two in Fort Beaufort and one in Adelaide. The other 5 highmast light in Eskom area of supply is in the process of being energized by Eskom.

Some of the challenges hindering the continuity of electrical supply was the recurring theft of cables and vandalism of electrical assets. The ageing infrastructure also adds to the vulnerability of the network.

## **3.4 WASTE MANAGEMENT**

### **INTRODUCTION TO WASTE MANAGEMENT**

Waste Management is the primary function of the municipality as enshrined in the Constitution of RSA, 1996, Part B Schedule 5. The municipality collects refuse on a weekly basis in the following areas: Fort Beaufort, Alice, Middledrift, Hogsback, Seymour, Adelaide and Bedford. The service is rendered only in urban areas. Refuse in businesses and households is collected as per the municipal refuse schedule which is based on the volume of waste generated. Only a few number of business premises have proper refuse storage facilities and there have been campaigns made to encourage them to construct the said storage facilities. Businesses are also encouraged to call the municipality when they have consumed large volume of waste to avoid refuse being put in front of their shops, but that is still a challenge as some of the are still doing it. The waste that is collected is disposed off to the waste disposal sites namely; Alice, Middledrift and Bedford. All these disposal sites are permitted but need to be reconstructed in

order to comply with the National Environmental Waste Act (NEMWA). However, there are strides that are done by the municipality. The municipality also conducts environmental awareness campaigns quarterly and as when necessary. These campaigns are conducted in collaboration with Higher Institutions of Learning, schools, sector departments, CWP, EPWP, ADM, etc. During the year under Peace Officers have been able to enforce by-laws on problem areas identified within the central business and urban areas. The municipality has appointed a panel of service providers to assist with yellow plant to maintain the sites. The municipality has also entered District Greenest Municipality Awards which was awarded as number 2 in the entire District.

### **Recycling initiative**

Four recycling initiatives have been operational in different towns namely; Bedford, Adelaide, Fort Beaufort and Alice. Business plan have been submitted to DEA and DEDEAT for funding. However, the process has been put on hold due to funding applications cycle that has passed. The municipality has also entered in a partnership with SPRUCE UP to assist in the recycling initiatives. The structure is complete within the Alice disposal site that will serve as an area where recycling will take place.

### **Projects funded by the Department of Forestry, Fisheries and Environment:**

A total of 160 participants have been employed for a period of a year and half of the participants are assisting the municipality with the cleaning and mopping off the areas affected by recent floods. During 2022/23 , Raymond Mhlaba was amongst municipalities which were fortunate to receive a donation of a compactor truck from the Department of Forestry to improve refuse collection.

## **3.5 HOUSING**

The municipality has a mandate to coordinate and ensure the vision of its inhabitants have access to adequate Human Settlements is realized. The municipality merely promotes the process of housing provision by registering applicants on the National Housing Needs Register database which offers households the opportunity to register their need for adequate housing by providing information about their current living conditions, household composition and to indicate the type of housing assistance they require from government.

The provincial government function is to create an enabling environment, meaning that it does everything in its power to facilitate the provision of adequate housing in the province within the framework of national housing policy.

The Housing unit renders support in housing provision through the following administrative functions;

1. Facilitate the transfer of the property ownership.
2. Registration of applicants on the National Housing Needs Register.
3. Facilitate and coordinate registration of beneficiary application forms for housing programs.
4. Liaise with the relevant stakeholders to facilitate housing projects .
5. Provide application outcome to beneficiaries.
6. Facilitate and coordinate the construction of low cost housing, as well as rental housing.

The municipality developed and approved a Housing Sector Plan (2017 – 2022 ) which aims to:

- a. Serves as a planning and measuring instrument for human settlements delivery.
  - b. Identify both overall quantity and quality of human settlements to be delivered and strategic priority.
  - c. Become need oriented and respond to the specific human settlements development challenges of the municipal area.
  - d. Co-ordinate and facilitate alignment between the district and provincial human settlements strategies, policies, delivery systems and other related initiatives.
  - e. Ensure effective allocation of limited resources to the large pool of potential development interventions.
  - f. Provide a formal and practical method of prioritizing housing projects and obtaining political consensus for the sequencing of their implementation.
  - g. Ensure more integrated development in partnership with relevant cross-sectoral role players to co-ordinate their development intervention into one plan.
  - h. Ensure that there is a definite human settlements focus for the IDP of Council and all other relevant sectoral plans, such as: Water Services, Disaster Management, etc.
  - i. Provide greater spatial linkages between the spatial development framework (SDF) and the physical
- b) implementation of projects on the ground.
- a. Provide a critical link between integrated development planning and human settlements projects delivery.
  - b. Align with the Eastern Cape Human Settlement Plan, policies as well the national legislation and policy framework to human settlements in the Republic of South Africa.

- c. Ensure harmony between demand and supply – different state assisted human settlements typologies.

### 3.6 FREE BASIC SERVICES AND INDIGENT SUPPORT

Raymond Mhlaba LM has a free basic services unit which is discharged at ensuring that all indigent households within the jurisdiction of the municipality receive free basic services. The municipality has an indigent policy in place, which was adopted in May 2023. The policy regulates the indigent beneficiary programme. A register of qualifying beneficiaries is updated monthly and only person(s) in the register gets the subsidy. As of June 2023 all qualifying indigent households who registered in the database of the municipality have received the indigent support. The services rendered under this programme are as follows;

1. Subsidised electricity
2. Subsidised refuse removal
3. Alternative energy i.e. paraffin (27 customers)
4. Subsidised property rates

Free Basic Services To Low Income Households										
	Number of households									
	Total	Households earning less than R4,200 per month								
		Free Basic Water		Free Basic Sanitation		Free Basic Electricity		Free Basic Refuse		
		Total	%	Access	%	Access	%	Access	%	
Year 20/21	0	18 000	0	0%	0	0%	17 596	98%	5 625	31%
Year 21/22	0	18 500	0	0%	0	0%	17 596	95%	9 033	49%
Year 22/23	0	19 000	0	0%	0	0%	8 597	45%	2 230	12%

**NB: Water and sanitation are the competency of the district municipality.**

#### COMMENT ON FREE BASIC SERVICES AND INDIGENT SUPPORT:

Raymond Mhlaba LM has a free basic services unit which is dedicated at ensuring that all indigent households within the jurisdiction of the municipality receive free basic services. There is an indigent policy in place which regulates the whole indigent beneficiary programme.

## COMPONENT B: ROADS AND STORMWATER

This component includes: roads and waste water (stormwater drainage).

### 3.7 INTRODUCTION TO ROADS

The role of the Municipality is to provide appropriate, cost effective and affordable roads, storm-water drainage, transport infrastructure and public services in-order to improve the quality of life of the communities. The main role players are the Municipality, Department of Roads and Public works, as well as SANRAL. The Department of Roads and Public Works and SANRAL are responsible for the construction and maintenance of National, Provincial Road networks whereas the Municipality is responsible for the access roads leading to villages and those in urban areas.

All the households have the access to gravel or surfaced roads. The gravel roads are maintained according to the work schedule of the Engineering Department and also immediately after rainstorms. The surfaced roads are maintained from the operating maintenance budget. The quality and standards of the roads are in a poor condition.

<b>Stormwater drainage: 2022/2023</b>			
<b>Outcome Based Indicator</b>	<b>TARGET</b>	<b>ACTUAL PERFORMANCE</b>	
Number of stormwater drainage maintained	100	898	

#### **COMMENT ON THE PERFORMANCE OF ROADS OVERALL:**

All the roads that fall under the jurisdiction of the Municipality are being attended by the Civil Works Unit according to their work schedule. The surface roads are repaired and cleaned after heavy rainfalls including storm-water channels

The storm-water management system is provided for the towns of Adelaide, Alice, Bedford, Fort Beaufort, Middledrift, and Seymour. The municipality has prioritised storm-water and storm-water management needs.



## COMPONENT C: PLANNING AND DEVELOPMENT

This component includes: planning; and local economic development.

### 3.8 INTRODUCTION TO PLANNING AND DEVELOPMENT

Spatial Planning is responsible for ensuring the management of the overall planning activities (Town planning and building control). These include planning, building of physically, socially and economically sustainable communities through spatial planning and development frameworks, service standards and acquisition management of municipal property, planning and plans for approval in order to ensure priorities in the Integrated Development Plan are afforded the necessary attention.

Main objectives of the unit involve:

- ❖ Ensuring efficient and effective Spatial Planning and Land Use Management
- ❖ Managing Spatial Planning (SDFs and other development frameworks)
- ❖ Land Use Management (Development Applications: rezoning, subdivision etc.)
- ❖ Support Unit to Revenue, LED, Technical Services and IDP
- ❖ Ensuring building control and Management (Endorsing Building Plans and Inspections)
- ❖ Land Administration and land related issues.

In the municipalities efforts to ensure compliance with the Spatial Planning and Land Use Management Act 16 of 2013 it has since appointed an Authorised Official to approve all Category 2 land development applications as well as a registered Town Planner in terms of the Planning Professions Act 36 of 2002. The municipality has adopted a Wall-to-Wall Land Use Scheme and currently in the process of being Gazetted. Furthermore, council has approved and Gazetted SPLUMA By-laws that have been customized by Raymond Mhlaba Local Municipality.

### 3.9 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES)

#### 3.9.1 INTRODUCTION TO ECONOMIC DEVELOPMENT

Local economic development is designed to improve the socio-economic status of the local communities. At the heart of the local economic development is to encourage collective and inclusive partnership amongst the local communities in order to achieve the desired outcomes.

It is for this reason that the Raymond Mhlaba Local Municipality regards LED as a cardinal strategy explored in order to address socio-economic problems such as poverty and unemployment facing local communities. In short, LED is a bottom-up socio-economic instrument, within a broader IDP, New Growth Path (NGP) to create conducive business environments to improve community's livelihood

The municipality has established a task team to drive the establishment of LED forum for all stakeholders to participate in local economic development issues within the area. The LED forum is composed of all major stakeholders within the locality inclusive of businesses, economic, social and environmental sectors, sector departments, state institutions such as RMEDA, local businesses, NGOs and Labour. A long term and shared vision on how to develop and drive a robust and inclusive local economy with a view to create job opportunities and eradicate poverty should be realized by the LED forum.

Raymond Mhlaba Municipality in line with its Integrated Development Plan has identified Co-operative development as one of the economic drivers for Local Economic Development. Generally, cooperatives in Raymond Mhlaba are black owned, run by the elderly individuals who barely have any skill capacity, and the legacy still continues to exist and this leaves cooperatives unsustainable even if they are skilled, they suffer from natural attrition due to old age. The LED Unit continues to conduct outreach programs to encourage young people to form cooperatives and be part of cooperative movement. Most cooperatives and group enterprises are started with unemployed people, often with low technical skill capacity levels and no prior business experience in economically marginal areas; hence their chances of success is reduced to the absolute minimum. The Cooperative Act No.14 of 2005 spells out how cooperatives should operate and as such the Municipality has assisted local cooperatives in the form of training and legal registration. However there is new amendment Act No. 6 of 2013 which seeks to address the strengthening of Cooperative governess, adhering to cooperative regulations as per cooperative constitution and also to ensure the effective directorship, leadership and management of the cooperative.

Furthermore, to enhance the effectives and financial viability and stability, Department of Trade and Industry, Eastern Cape Development Corporation, SEDA and DEDEAT, DEFF has funding for SMME development and the municipality has explored these funding opportunities by assisting SMME in developing their business plans for funding. Auditing of SMME's is of essence to ensure that the municipality has statistical information of its SMME's. The municipality is working hand in hand with RMEDA for registration of new SMME's.

The Municipality has started the process of developing a Local Economic Development strategy in order to prioritize the allocation of resources, promote local ownership; community involvement and joint decision making, to date, the Municipality have a draft LED strategy.

Raymond Mhlaba Municipality has identified Tourism as one of the catalyst to drive economic growth and development. Tourism alone cannot be exclusively looked at without considering heritage given the historic endowment of the municipal area. The Tourism sector within Raymond Mhlaba Municipal area is clustered according to accommodation, game reserves, heritage and history, education, outdoor activities, cultural villages, craft and tour guiding. Many studies that have been undertaken in the Raymond Municipal area reveals that the Tourism sector is one of the sectors that seems to possess a strong potential to regenerate the economy of the Raymond Mhlaba Municipal area

In order to strengthen tourism development and marketing, Raymond Mhlaba Municipality is working in partnership with the Community Tourism Organization and Raymond Mhlaba Municipality Local Tourism Organization, the two structures plays a crucial role on driving tourism development. To explore hunting, game farming, eco-tourism and promote adventure tourism in Raymond Mhlaba Municipality. To leverage off existing and potential tourism products in area., Unit has developed a tourism Master plan, the plan will enable the tourism role players to develop a common vision for Raymond Mhlaba Municipality tourism future, enable the municipality to achieve its potential as unique and competitive destination within Amathole District Municipality

Through tourism master plan, the unit has developed and promoted tourism products to stimulate the local economy with a view of creating employment opportunities. The Tourism Unit in partnership with Raymond Mhlaba Crafters Association has converted and refurbished the Arts and Craft Shop in Alice Tourism Offices Complex whereby all the handmade arts and craft items produced in Raymond Mhlaba will be displayed and sold. Raymond Mhlaba Municipality in partnership with the Eastern Cape Parks and Tourism Agency has established a homestays project in Alice. Homestays refers to the experience of tourists or visitors living together with a selected host family while interacting and experiencing the day to day life of the family, including their cultural lifestyle. It is a private residence that accommodates paying guests who enjoys staying in the comfort and security of family home. The homestays are intended to provide visitors with accommodation, a taste of township, village and urban lifestyle attempting to provide authentic cross cultural experience. The tourism unit is supporting the emerging tourism entrepreneurs and facilitating the capacity building programmes in partnership with other relevant stakeholders.

LOCAL ECONOMIC DEVELOPMENT						
REF	PRIORITY AREA	STRATEGIC OBJECTIVE	Outcome Based Indicator	Baseline	2022 - 2023 Annual Target	2022/ 2023 Actual performance
LED 1	Unemployment	To ensure sustainable Local	Number of jobs created	200	100	507

		Economic Development by 2027	through Capital Projects			
<b>LED 2</b>		To ensure sustainable Local Economic Development by 2027	Number of jobs created through EPWP	New Indicator	100	1078
<b>LED 3</b>		To ensure sustainable Local Economic Development by 2027	Number of jobs created through LED initiatives	92	50	100
<b>LED 4</b>		To ensure sustainable Local Economic Development by 2027	Number of economic activities supported	10	10	193 economic activities supported
<b>LED 5</b>	SMMEs	To ensure sustainable Local Economic Development by 2027	Number of SMMEs supported by the Municipality	13	10	SMME's supported

## COMPONENT D: COMMUNITY & SOCIAL SERVICES

### 3.10 INTRODUCTION TO COMMUNITY

A wide range of social services and amenities are provided to promote sustainable communities and ensure that the dignity of the people is restored. The aim is to achieve social empowerment and cohesion by promoting social development and strengthening communities, with a dedicated focus on poor, vulnerable and marginalised residents. The municipality's interventions include establishing and maintaining inclusive community amenities such as municipal halls, parks/ recreational facilities, sport grounds, markets and libraries. These play a critical role in the development of society and in enhancing social cohesion.

#### 3.10.1 Cemeteries

Raymond Mhlaba Municipality has a total of eleven (11) cemeteries that are located in urban areas. All of the cemeteries are almost full to capacity as such the municipality has identified new sites through the assistance of the town planning section in all our towns and as such the Environmental Impact Assessment needs to be conducted in ensuring that the identified sites meets the required standards. The municipality continues to roll out the fencing of rural cemeteries. This is done in consultation with ward councillors. Their responsibility is to identify which cemetery to be fenced. The fence is procured and later erected per identified space

making use of local youth. This is to ensure that the project is owned by the communities while the same youth receives income. The municipality continues to roll out the fencing of rural cemeteries, however during the year in question no rural fencing was done that due to financial constraints. Four urban cemeteries were maintained; Bedford, Adelaide, Fort Beaufort and Alice.

### **1.10.2 Community facilities**

The municipality has 19 halls and 5 municipal parks under its jurisdiction which are rented out to communities as per approved municipal tariffs. All the municipal halls need major renovations and as such the office has been receiving numerous complaints about the conditions of such properties. During 2022/2023 financial year, the municipality managed to renovate the Old Age Hall in Fort Beaufort .

### **3.10.3 Libraries**

Raymond Mhlaba Municipality has eight public libraries in the following areas; Bedford x 1, Adelaide x 2, Alice x 1, Fort Beaufort x 3 and Seymour which the municipality is rendering the service on behalf of the Department of Sport, Recreation, and Arts & Culture (DSRAC). On a yearly basis the municipality is requested to submit a business plan which outlines the activities that will be carried out within these libraries for DSRAC to fund those. The municipality is also required to enter into an MOA with Department which outlines the responsibilities of each party. Challenges relating to the arrangement is that the subsidy received to deliver this service does not cover 100% of the expenses of library services. This impact negatively on the rolling out of programmes of the library services to communities, however there are engagements with the Department and as such the municipality was requested to submit funding template as to how much will cost the municipality to render the service.

The Fort Beaufort Town Library has been renovated and completed. The project was funded by the Department of Public Works. Furthermore, the municipality is experiencing vandalism in these facilities due to the lack of security/caretakers. Continuous community awareness campaigns are conducted to encourage communities to look after municipal properties.

## **3.12 INTRODUCTION TO CHILD CARE, AGED CARE AND SOCIAL PROGRAMMES**

The Department of Social Development is well positioned to empower the poor, as a crucial component of ensuring a sustainable solution to poverty and hunger in the long term. The Department's targeted interventions focus on poverty reduction, food security and developmental initiatives that enable self-sustainability and social inclusivity. These interventions further respond to the conditions of both individual and household poverty by providing a broad variety of programmes and support services. A critical enabling milestone in

addressing the inter-generational poverty confronting many poor households is food and nutrition security. To this end the municipality supports small scale farmers so that they can contribute to the municipality food trade surplus.

## COMPONENT E: HEALTH

This component includes: clinics and hospitals.

### 3.13 INTRODUCTION TO HEALTH

Department of Health is mandated to develop a high quality, efficient, equitable health system that is accessible to all Raymond Mhlaba Municipality's residents. The Department is responsible for the provision of primary health care services in the Raymond Mhlaba through its 38 clinics network. The municipality's clinics operate in conjunction with the six hospitals managed by the Eastern Cape Provincial Department of Health.

## COMPONENT F: DISASTER AND SAFETY

This component includes: fire & disaster management services, Traffic, registration and licencing and control of animals.

### 3.14 FIRE SERVICES INTRODUCTION TO FIRE SERVICES

The Municipality is rendering the firefighting service full time and the main fire base is located in Fort Beaufort. The building does not have all necessary technological equipment / resources as to enable fire fighters to operate effectively and efficiently, however since December 2022, the section operates 24/7 (24hours) . Satellite bases have been established in Adelaide and Alice and are operational. Hogsback satellite has also been established but not yet operational.

#### PERFORMANCE IMPROVEMENT:

- i. Trained staff appointed
- ii. One Rapid Response Vehicle to attend to rescue related incidents,
- iii. One medium pumper with the capacity of 6 000 L of water
- iv. Main Fire base in Fort Beaufort operational,
- v. Adelaide satellite base opened and operational,
- vi. Alice satellite fire station established and operational.

Fire Service Data					
	Details	2021/ 2022	2022/ 2023		2023/2024
		Actual No.	Estimate No.	Actual No.	Estimate No.
1	Total fires <i>attended</i> in the year	80		127	
2	Total of other incidents attended in the year	50		48	
3	Average turnout time - urban areas	30 minutes		30 minutes	3min to 15 minutes
4	Average turnout time - rural areas	60 minutes		60 minutes	60 minutes
5	Fire fighters in post at year end	8		13	12
6	Total fire appliances at year end	2		2	2
7	Average number of appliance off the road during the year	2		1	3

After hours the crew is placed on stand by and responds from home, making turnout time very long. The time between the caller and the departure time from the base is extended by the fact that responders are to be fetched from home.

### 3.15 INTRODUCTION TO TRAFFIC SERVICE

Traffic services unit is responsible to carry the following functions;

- Deliver satisfied service to all citizens.
- Making appointments for learners licence.
- Renewal of driving licence.
- Conducting eye tests
- Renewal of professional driving permits.
- Conducting learners licence class.
- Testing for driving licence.
- Serving residents with queries on certain transactions.
- Registration and licensing of motor vehicles.
- To regulate and control traffic upon any public road within our area of jurisdiction.
- To attend to accidents.
- To do escorts.
- To serve warrants of arrest.
- To conduct external training at schools.
- To visit scholar patrols and conduct traffic safety talks

Traffic Service Data					
	Details	2020/ 21	2021/ 2022		2023/ 2024
		Actual No.	Estimate No.	Actual No.	Estimate No.
1.	Number of road traffic accidents during the year	109	200	100	120
2.	Number of by-law infringements attended	11	14	9	12
3.	Number of traffic officers in the field on an average day	9	9	9	9
4.	Number of traffic officers on duty on an average day	9	9	9	9

### COMPONENT G: SPORT AND RECREATION

This component includes: community parks; sports fields; sports halls and stadiums.

#### 3.16 INTRODUCTION TO SPORT AND RECREATION

Raymond Mhlaba Local Municipality provides access to facilities and encourages recreational activities and other healthy lifestyle activities. It strives for sporting excellence, encouraging the transformation of sporting codes and facilitates various initiatives that reinforce the national sport plan initiatives. The municipality has a total of 7 sports facilities in the following urban areas, Bedford x 3, Adelaide x 1, Fort Beaufort x 2, Alice x1 and Middledrift x1.



## CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE

### INTRODUCTION

The organization is the key transformation agent dealing with the structure of the Municipality to ensure that it remains aligned to its strategy, job evaluation process and change management philosophy. Organizational Development as a function is placed under Corporate service Department. The core functions of the department are as follows.

- i. Organizational design
- ii. Job analysis and evaluations
- iii. Employee assistance programme

### COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

#### 4.1 Employee totals, Vacancies and Turnover rate

Raymond Mhlaba Municipality currently employs 546 (full time =468, part time =74; Section 56 & 57=4) officials, who individually and collectively contribute to the achievement of municipality's objectives. The primary objective of the Human Resources Management is to render an innovative HR service that addresses both skills development and an administrative function. The Municipality is guided by policy and procedures of HR.

##### 4.1.1 EMPLOYEE TOTALS

Description	2022/2023	2021/2022			
	Employees	Approved Posts	Employees	Vacancies	Vacancies
	No.	No.	No.	No.	%
Municipal Manager Office	2	2	2	0	100%
Communications	3	4	3	1	25%
Internal Audit	3	4	3	1	25%
Office of the Speaker	7	9	7	2	22%
Office of the Mayor	4	4	4	4	0%
Strategic Planning and Local Economic Development	18	26	18	6	23%
Local Economic Development	15	20	15	5	25%
IDP & PMS	3	4	3	1	25%
Finance	2	2	2	0	0%

Budget	3	3	4	0	0%
Asset	3	3	3	0	0%
Revenue	29	34	29	5	11%
Expenditure	5	5	5	0	0%
Supply Chain	8	10	10	0	0%
Corporate Services Director & Secretary	0	2	0	2	100%
Council Support and Records Management	18	19	18	1	5.3%
ICT	4	5	4	1	20%
Administration	39	50	40	8	16%
Human Resources	13	14	13	1	7.6%
Fleet	18	36	21	18	20%
Community Services	1	2	2	2	0%
Waste and Social Needs	59	75	96	8	7.7%
Fire and Disaster Management	8	33	8	25	76%
Law Enforcement Manager	1	1	1	1	0%
Peace Officer	10	14	10	4	40%
Traffic & Admin	16	38	18	18	32%
Rangers	12	12	12	0	0%
Pound Master	4	4	4	4	0%
Security	39	43	39	5	11%
Engineering	1	2	2	2	0%
Housing and Landuse	21	38	22	16	42%
PMU	4	6	5	1	20%
Civil Works	31	37	37	6	16%
Roads and Storm water	39	55	53	2	3.6%
Electricity Services	25	40	25	15	32%
<b>Totals</b>	<b>497</b>	<b>652</b>	<b>498</b>	<b>165</b>	

#### 4.1.2 VACANCY RATE

Vacancy Rate: 2022/2023			
Designations	*Total Approved Posts No.	*Vacancies (Total time that vacancies exist using fulltime equivalents) No.	*Vacancies (as a proportion of total posts in each category) %
Municipal Manager	1	0	0%
CFO	1	0	0%
Other S57 Managers (excluding Finance Posts)	4	2	50%
Other S57 Managers (Finance posts)	0	0	0%
Security officers	44	5	8.8%
Fire fighters	33	25	13%
Senior management: Levels 13-15 (excluding Finance Posts)	21	5	26%
Senior management: Levels 13-15 (Finance posts)	0	0	0%
Highly skilled supervision: levels 9-12 (excluding Finance posts)	86	2	43%
Highly skilled supervision: levels 9-12 (Finance posts)	18	7	38.8%
<b>Total</b>	<b>208</b>	<b>46</b>	

#### 4.1.3 TURN-OVER RATE

Turn-over Rate			
Details	Total Appointments as of beginning of Financial Year No.	Terminations during the Financial Year No.	Turn-over Rate*
Year 2021/22	9	11	
Year 2022/23	5	8	

## COMMENT ON VACANCIES AND TURNOVER:

There is a moratorium on appointments and only critical positions have been advertised and filled. During 2022/2023 the following positions were filled; four Satellite Unit Managers, Asset Manager, Expenditure Manager, Electrical Manager, Housing Manager.

Officials who have reached their retirement age are terminated from the system and all other service termination types are implemented on the system guided by the processes and procedures.

## COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

### 4.2 POLICIES

HR Policies and Plans				
	Name of Policy	Completed	Reviewed	Date adopted by council or comment on failure to adopt
		%	%	
1	Whistle Blowing	x	100%	22 May 2022
2	Internal Sport & Recreation	x	100%	22 May 2022
3	Housing& Rental for Staff	x	100%	22 May 2022
4	Imprisonment	x	100%	22 May 2022
5	Councillor Employee Assistant Programs	x	100%	22 May 2022
6	Records Management	x	100%	22 May 2022
7	S & T	x	100%	30 August 2021
8	Employee Assistance / Wellness	x	100%	30 August 2021
9	Employment Equity Plan	x	100%	30 August 2021
10	Exit Management	x	100%	30 August 2021
11	Grievance Procedures	x	100%	30 August 2021
11	HIV/Aids	x	100%	30 August 2021
12	Human Resource and Development	x	100%	30 August 2021
13	Information Technology	x	100%	30 August 2021
14	Job Evaluation	x	100%	30 August 2021
15	Leave	x	100%	30 August 2021
16	Occupational Health and Safety	x	100%	30 August 2021
17	Smoke	x	100%	30 August 2021
18	Substance Abuse	x	100%	30 August 2021
19	Attendance & Punctuality	x	100%	30 August 2021
20	ICT users access Management	x	100%	30 August 2021

21	ICT Security Management	x	100%	30 August 2021
22	ICT Email	x	100%	30 August 2021
23	Telephone	x	100%	30 August 2021
24	Recruitment & Selection	x	100%	30 August 2021
25	Dress code	x	100%	30 August 2021
26	Bursary	x	100%	30 August 2021
27	Sexual Harassment	x	100%	30 August 2021
28	Skills Development	x	100%	30 August 2021
29	Insurance	x	100%	30 August 2021
30	Succession	x	100%	30 August 2021
31	Exit Management	x	100%	30 August 2021
32	Danger Allowance	x	100%	30 August 2021
33	Performance Management and Development	x	100%	30 August 2021

#### 4.3 INJURIES, SICKNESS AND SUSPENSIONS

Number and Cost of Injuries on Duty					
Type of injury	Injury Leave Taken Days	Employees using injury leave No.	Proportion employees using sick leave %	Average Injury Leave per employee Days	Total Estimated Cost R'000
Required basic medical attention only	0	0	0%	0	00.00
Temporary total disablement	0	0	0%	0	
Permanent disablement	0	0	0%	0	
Fatal					
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>00.00</b>

Number of days and Cost of Sick Leave (excluding injuries on duty)						
Salary band	Total sick leave Days	Proportion of sick leave without medical certification %	Employees using sick leave No.	Total employees in post*	*Average sick leave per Employees Days	Estimated cost R' 000
Lower skilled (Levels 1-2)						

Skilled (Levels 3-5)	80	20%	45	173	2	
Highly skilled production (levels 6-8)	10	10%	25	198	1	
Highly skilled supervision (levels 9-12)	12	15%	5	99	1	
Senior management (Levels 13-15)	5	5%	0	21	0	
MM and S57	10	10%	1	4	1	
<b>Total</b>	<b>117</b>	<b>60%</b>	<b>76</b>	<b>495</b>	<b>5</b>	

<b>Number and Period of Suspensions</b>				
<b>Position</b>	<b>Nature of Alleged Misconduct</b>	<b>Date of Suspension</b>	<b>Details of Disciplinary Action taken or Status of Case and Reasons why not Finalised</b>	<b>Date Finalised</b>
Payroll Officer	Financial misconduct	February-2020	The employee is yet to resume duties and is still on suspension.	Hearing held in December 2022 .
Payroll Clerk			The employee won on an unfair dismissal dispute and was re-instated in October 2022. The employer objected to quantum of compensation and took that portion of the award on review in the Labour Court.	30 September 2022
HR Manager	Alleged misconduct- The employee is a HR Manager and was suspended in December 2021 and was affected in an ID scam.	15 December 2021	The investigation will resume after a long wait for a new Manager at Home Affairs and improvement on the rolling load shedding.	In progress

<b>Disciplinary Action Taken on Cases of Financial Misconduct</b>			
<b>Position</b>	<b>Nature of Alleged Misconduct and Rand value of any loss to the municipality</b>	<b>Disciplinary action taken</b>	<b>Date Finalised</b>
Fleet Manager	Gross Negligence	The hearing was set for 9 June 2023 but postponed due to unforeseen commitment	A new date is being arranged with the chairperson
Electrician	Soliciting a bribe	Suspended	Date will be fixed as soon as the panel is constituted
Records clerk		He appeared before a disciplinary hearing on 2 December 2022 and the matter was adjourned as has no representative	

#### **COMMENT ON SUSPENSIONS AND CASES OF FINANCIAL MISCONDUCT:**

All the above suspensions are above four months as the cases are continuing and the extensions were done appropriately.

#### **4.4 PERFORMANCE REWARDS**

No performance rewards were paid under the period under review.

#### **4.5 DISCLOSURES OF FINANCIAL INTERESTS**

Councillors, Senior Management and all employees including those sitting in Bid committees have signed the declaration of interest forms.

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

#### **INTRODUCTION TO WORKFORCE CAPACITY DEVELOPMENT**

The MSA states that a municipality must develop its workforce to a level that enables it to perform its functions and exercise its powers in an economical, effective, efficient and

accountable manner. For this purpose, the HR Capacity of a municipality must comply with the Skills Development Act and Skills Development Levies Act.

One of the key programmes was the implementation of the Workplace Skills Plan wherein employees and previously disadvantaged persons were trained on acquire skills. A plan was developed and submitted to the LGSETA on time. In 2022/2023, employees were assisted with brick laying, plumbing and carpentry.



Skills Matrix														
Management level	Gender	Employees in post as at 30 June Year 0	Number of skilled employees required and actual as at 30 June 2022/23											
			Learnerships			Skills programmes & other short courses			Other forms of training			Total		
			Actual: End of Year -1	Actual: End of Year 0	Year 0 Target	Actual: End of Year -1	Actual: End of Year 0	Year 0 Target	Actual: End of Year -1	Actual: End of Year 0	Year 0 Target	Actual: End of Year -1	Actual: End of Year 0	Year 0 Target
MM and s57	Female	1	0	1	1	1				0	1		1	2
	Male	3	1							1	2		1	2
Councillors, senior officials and managers	Female	25	0						19	3	3		3	3
	Male	40	0						28	4	4		4	4
Technicians and associate professionals *	Female	68	0							2	2		2	2
	Male	38	4							8	9		8	9
Professionals	Female	34	1	11	15					6	6		17	21
	Male	29	4	10	15					2	2		2	2
Sub total	Female	128	1	12	16					11	12		23	28
	Male	110	9	10	15					15	17		15	17
<b>Total</b>		<b>238</b>	<b>10</b>	<b>44</b>	<b>62</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>47</b>	<b>52</b>	<b>58</b>	<b>0</b>	<b>76</b>	<b>90</b>

### Financial Competency Development: Progress Report

Description	A. Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	B. Total number of officials employed by municipal entities (Regulation 14(4)(a) and (c))	Consolidated: Total of A and B	Consolidated: Competency assessments completed for A and B (Regulation 14(4)(b) and (d))	Consolidated: Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Consolidated: Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
<b>Financial Officials</b>						
<i>Accounting officer</i>	1	0	1	0	0	1
<i>Chief financial officer</i>	1	0	1	0	0	1
<i>Senior managers</i>	4	0	4	0	0	4
<i>Any other financial officials</i>	8	0	8	0	0	8
<b>Supply Chain Management Officials</b>						
<i>Heads of supply chain</i>	1	0	1	0	0	1

<i>management units</i>						
<i>Supply chain management senior managers</i>	0	0	0	0	0	0
<b>TOTAL</b>	<b>15</b>	<b>0</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>15</b>

Skills Development Expenditure										
										R'000
Management level	Gender	Employees as at the beginning of the financial year	Original Budget and Actual Expenditure on skills development Year 1							
			Learnerships		Skills programmes & other short courses		Other forms of training		Total	
		No.	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual
MM and S57	Female	1	50000	46000					50000	46000
	Male	3								
Legislators, senior officials and managers	Female	25								
	Male	40								
Professionals	Female	34	300000	252170					300000	252170
	Male	29	350000	717232					350000	717232
Technicians and associate professionals	Female	68								
	Male	38								
Clerks	Female	38								
	Male	32								
Service and sales workers	Female	17								
	Male	12								
Plant and machine operators	Female	0								
	Male	18								

and assemblers										
Elementary occupations	Female	41	100000	42888					100000	42888
	Male	11	100000						100000	
Sub total	Female	224	350000	298170					350000	298170
	Male	183	350000	717232					350000	717232
<b>Total</b>		<b>407</b>	<b>700000</b>	<b>1015402</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>700000</b>	<b>1015402</b>

Skills Development Expenditure										
										R'000
Management level	Gender	Employees as at the beginning of the financial year	Original Budget and Actual Expenditure on skills development Year 1							
			Learnerships		Skills programmes & other short courses		Other forms of training		Total	
		No.	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual
MM and S57	Female	3	50000	46000					50000	46000
	Male	3								
Legislators, senior officials and managers	Female	23								
	Male	52								
Professionals	Female	2	300000	252170					300000	252170
	Male	2	350000	717232					350000	717232
	Female	33								

Technicians and associate professionals	Male	83								
Clerks	Female	43								
	Male	34								
Service and sales workers	Female	38								
	Male	67								
Plant and machine operators and assemblers	Female	38								
	Male	75								
Elementary occupations	Female	96	100000	42888					100000	42888
	Male	116	100000						100000	
Sub total	Female	142	350000	298170					350000	298170
	Male	241	350000	717232					350000	717232
<b>Total</b>		<b>383</b>	<b>700000</b>	<b>1015402</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>700000</b>	<b>1015402</b>

## **COMMENT ON SKILLS DEVELOPMENT AND RELATED EXPENDITURE AND ON THE FINANCIAL COMPETENCY REGULATIONS:**

Councillors and employees who registered or progressing with their studies were given the financial support. The municipality has ensured that the budget for training was put within affordability and prevented over commitment. This was done through ensuring that a plan is in place .

## **COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE**

### **INTRODUCTION TO WORKFORCE EXPENDITURE**

The municipality tried to ensure that the workforce expenditure is kept within the accepted proportion of the equitable share. This was affected by the absorption of more than 100 contract employees in the middle of the financial year. Nevertheless, the municipality did not tap into Grants meant for service delivery. Instead, it enhanced its human capital expenditure through own revenue source.

#### **4.6 DISCLOSURES OF FINANCIAL INTERESTS**

Councillors, Senior Management and employees including those sitting in Bid Committees have signed the declaration of interest forms for the year under review.

## CHAPTER 5 – FINANCIAL PERFORMANCE

### COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

ANNUAL FINANCIAL STATEMENTS ARE ATTACHED.

## CHAPTER 6 – AUDITOR GENERAL AUDIT FINDINGS

### 6.1 INTRODUCTION:

Section 188 (1) (b) of the Constitution states that the functions of the Auditor-General includes the auditing and reporting on the accounts, financial statements and financial management of all municipalities. The responsibility of the Auditor-General is to perform an audit to obtain reasonable assurance whether the financial statements are free from material misstatement and to express an opinion based on the audit conducted in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA).

The Municipal System Act section 45 states that the results of performance measurement must be audited annually by the Auditor-General. The reported performance against predetermined objectives is evaluated against the overall criteria of usefulness and reliability. The usefulness of information relates to whether the reported performance is consistent with the planned



development priorities or objectives and if indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury Framework for managing programme performance information.

**COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS  
YEAR: 2022-2023**

NUMBER	EXCEPTION TITLE	EXCEPTION DETAILS	MANAGEMENT ACTION
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1.	COAF 1: IT Governance - Inadequate IT Governance controls	<p>a) IT spending for the year 2021/2022 information was not monitored to get assurance that the spending that took place in the year under review was in line with the IT strategy that was in place and within the IT budget for the year under review: at a minimum the following was to be accessed:</p> <ul style="list-style-type: none"> <li>• Infrastructure:</li> <li>• Software Licences:</li> <li>• SITA services:</li> <li>• External service providers:</li> <li>• System development:</li> <li>• IT consultants:</li> </ul> <p>- IT Budget: - IT expenditure: - Over/Under:</p>	Management will ensure that the IT budget is aligned to the IT strategic plan and all IT projects are budgeted in line with the IT strategic plan.
2.	COAF 1: Security Management - Inadequate IT Security Management Controls	<p>Information Technology (IT) Management had not ensured that Security Management controls were adequately designed and implemented within the IT environment. As such the following control deficiencies had been identified:</p> <p>a) Assurance could not be provided that patches were installed on all the computers at the municipality.</p>	Management to ensure that that patches are installed on computers so that they are safe against security threats and also new features are installed to improve their functionality

3.	COAF 1: User Access Management - Inadequate User Access Management Controls – Active Directory, Sage and Contour	<p>Information Technology (IT) management had not ensured that user access management controls had been adequately designed and implemented within the IT environment. As a result, the following control deficiencies had been noted:</p> <p>a) System generated list of users who were on the systems could not be obtained to get assurances that users who were on the system were correct users, granted access to the systems and had appropriate access given to them. This affected the auditors ability to also confirm if formal access request documentation was being completed for:</p> <ul style="list-style-type: none"> <li>- registering users,</li> <li>- changing access rights,</li> <li>- password resets and</li> <li>- termination of access on all financial</li> </ul> <p>Unauthorized access to information systems might result in unauthorised request to effect changes/updates to information that could negatively impact data integrity of information systems.</p> <p>b) The review of user access rights to confirm whether the functions allocated to users are still in line with user's job function was not performed at the Municipality during the period under review.</p> <p>Lack of regular review of user access to information systems may result in users with inappropriate access to process unauthorised transactions that could negatively impact the integrity of data generated by these information systems.</p>	<p>a) IT Management will ensure that formal processes are in place to ensure that only authorised users have access to information systems.</p> <p>b) IT management will ensure that the system generates audit logs of dates when users are created, amending user functions/access, changing their password and terminating users profiles on the system. This is to allow those charged with oversight including auditors to monitors and asses the environment of risks that could affect the objectives of the municipality.</p> <p>b) IT management will ensure that access and privileges on all systems is periodically reviewed by the appropriate function, to confirm that such access and privileges are still commensurate with their job title responsibilities.</p> <p>c) IT management will ensure that system administrator activities are monitored on a regular basis and evidence thereof is maintained. At a minimum the following</p>
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		<p>c) The activities of the system administrator were not monitored during the period under review at the Municipality.</p> <p>Lack of monitoring of the activities of the system administrator has the potential of weakening internal controls and allowing the Municipality to be vulnerable to unauthorised access and unauthorised transaction being performed on the systems and the data stored wherein.</p> <p>d) Assurances could not be provided that users created on the municipality's systems that there were no generic users as the system generated list of users was not provided to the auditors for evaluation (Contour).</p> <p>Use of generic user accounts makes it impossible to apportion accountability in the event when unauthorised transactions are processed</p>	<p>will be looked at;</p> <ul style="list-style-type: none"> <li>• User creation</li> <li>• User profile amendments</li> <li>• Termination</li> <li>• Dormant accounts</li> <li>• Generic accounts and</li> <li>• Logon violations.</li> </ul> <p>d) IT management will ensure that user accounts are properly managed by disabling generic/default accounts to avoid unauthorised access.</p>
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4.	COAF 1: Program Change Management - Inadequate Program Change Management Controls	<p>a) System generated change control logs were not maintained; as a result, the auditors could not confirm if changes made to these applications were duly authorised. This resulted in the inability to conclude on the design, implementation, and operating effectiveness of controls:</p> <p>The following controls could not be verified:</p> <ul style="list-style-type: none"> <li>• Authorisation of changes;</li> <li>• Testing of changes;</li> <li>• Go live approval;</li> <li>• Monitoring of changes; and</li> <li>• Segregation of duties.</li> </ul> <p>Without an adequate change management process, unnecessary changes, and unauthorised changes, might be made, not all changes might be documented, approved and tested before being implemented.</p> <p>b) Assurance could not be provided that vendors have access to the production (live) environment and if they have access it is monitored as we were not provided with the system generated list of users of who has access to the systems.</p>	<p>a) IT Management will ensure that program change management policy is approved.</p> <p>b) Management will ensure that program changes to information systems are classified and appropriately documented to indicate the reasons for the change as well as who requested the change and is appropriately monitored by the designated official.</p>
5.	COAF 1: IT Service Continuity - Inadequate IT Service Continuity controls	<p>a) The municipality does not have a disaster recovery plan (DRP) that include all systems (network, financial and performance reporting systems) that should be backup and recovered and furthermore have the DRP tested for its effectiveness.</p> <p>If there is no disaster recovery plan in place that speaks directly to existing systems, the municipality may not be able to recover its information or data in the event of a disaster there may be</p>	<p>a) IT Management will ensure that disaster recovery plan is documented and in line with the municipality's current environment and cater for all the applications found in the Municipality. Additionally, Management will ensure that the plan is tested and that the test results</p>

		<p>lack of awareness of IT continuity plans for key individuals, furthermore weaknesses may not be addressed and the major changes made in the municipality may not be reflected on the plan, which could result in the plan becoming irrelevant.</p> <p>b) There was no assurance that backups were performed as the system generated backup logs for the application systems (Contour) were not maintained with backups performed, verified and checked for successful completion.</p> <p>- Furthermore for the SAGE application, backups were not maintained for the entire financial period under review.</p> <p>If backups are not performed and maintained, in the event of disaster there might be data loss, which would lead to the business not to be able to continue with their operations leading to service delivery delays, lost data, and increased costs to the municipality to recover its data.</p> <p>c) Assurance could not be provided that backups were stored at a secure offsite storage facility as the municipality could not prove and provide evidence that information or data stored in their system was adequately secured and stored at an off-site facility.</p>	<p>are updated on the DRP for the next test.</p> <p>b) IT management will ensure that backups for all their critical data and systems is performed regularly and as per their backup policy and that all backups are verified and checked for successful completion.</p> <p>c) IT management will ensure that all critical backup media, documentation and other IT resources necessary for IT recovery and business continuity plans are stored offsite.</p>
6.	COAF 7: Execution Bulk Purchases - Misstatement	While performing the test of detail for bulk purchases, the municipality could not confirm and provide us with evidence that payments for bulk purchases are made on receipt of actual goods, and that the quantity	1. Management to request TOU reports for bulk meter readings from Eskom for the periods for which the municipality is billed for

		that the municipality is charged for as per the invoice, is reasonable. As such we could not confirm the occurrence assertion of the bulk purchases.	bulk purchase. 2. The Municipality to further compare the consumption from the TOU report for each billing period to the consumption billed by Eskom in their Invoices to confirm that the quantity we were billed for corresponds to the actual consumption as contained in the hourly TOU reports.
7.	COAF 8: Execution - Fuel & Oil- Classification	The Fuel and Oil account has been misallocated to vehicle rentals. The incorrect classification is reflected as per the description and reference of the Oil and Fuel from the general Ledger	1. Preparation and reviewal of Reconciliation on a monthly basis. 2. Budget section to ensure correct vote is used for every transaction incurred.
8.	COAF 9: Execution- Repairs & Maintenance- Authorisation	Upon journal testing, the journal entries submitted had no date for the signature request and authorization, therefore it cannot be ascertained whether the journals were authorized before or after year-end fir the following journals	Management will ensure that all journals are reviewed, signed and dated.
9.	COAF 11: Execution- Supply Chain Management: Bid invitations	During the audit of the below tenders it was noted that the Bid Adjudication Committee (BAC) decided to award a bid other than the one recommended by the Bid Evaluation Committee (BEC). The Accounting officer was not notified, and no reasonable reasons were provided by the BAC	1. BAC to refer back to BEC for Re-evaluation all projects with which they disagree with the recommendation with reasons for disagreement clearly stated. 2. In cases where the recommendation is different to that of BEC due to disagreement

			such will be clearly stated on the BAC report to be submitted to the accounting Officer.
10.	COAF 13: Execution- Employee Related Cost – No shift allowance policy	It was identified that there is no municipal policy on shift allowances. As there is no shift allowance policy for Raymond Mhlaba Local Municipality, there is thus no document or memo which states who is entitled to the shift allowance, as the circular does not state who is entitled to the allowance	1. Management to develop a shift allowance policy and present it to Council for Approval
11.	COAF 13: Execution – Employee Related Cost – Misclassification of Shift Allowance	When testing the Overtime under Employee related cost, it was identified that the shift allowance was not separately disclosed on the AFS or disclosed under other benefits and allowances but was included as part of Overtime. As shift allowance and overtime are not the same and have different characteristics it needs to be disclosed separately from overtime.	1. A breakdown between Overtime and shift allowance will be done when preparing the Interims and Annual Financial Statements. 2. Correct disclosure to be made on the Financial Statements
12.	COAF 13: Execution – Employee Related Cost – Accuracy and Occurrence of shift allowance and overtime could not be confirmed	1. During the audit of overtime and shift allowance differences were identified when recalculating the amount of overtime and shift allowance paid. 2. The timesheets or work attendance registers for some employees were not attached therefore evidence off actual overtime work attendance could not be confirmed	1. Management will review all supporting documents prior to making a payment and overtime or shift allowance amount will be matched with actual hours worked and where there's any differences a follow will be made. 2. Management will ensure that amount paid to employees is accompanied by accurate and complete supporting evidence.



13.	COAF 15: Other expenditure - Misclassification of discount allowed	While testing other expenses, it was noted that the sample included discounts which were granted to the University of FortHare for early payment. This therefore is in contravention to the requirements of the reporting framework (GRAP), as well as the accounting policy of the Municipality.	Management to revisit all discounts allowed and ensure they have been correctly accounted for: a) Early settlement discounts to be debited against the Revenue. B) settlement discounts to be expensed in the year it is realised.
14.	COAF 15: Other expenses - Misclassification of employee related costs	While testing the other expenses component, it was noted that there were expense line items which related to salary payments of ward committee members, and therefore were misclassified as other expenses. This therefore is in contravention to the requirements of the reporting framework (GRAP). Per inspection of the Financial Statements, the following line item was noted and per our discussion with the Municipality, it relates to payment of EPWP employees. > Job creation projects R5,308,840.00	1. Management to align its budget to the nature of the expenditure to be incurred especially Grant funded expenditure (interns stipends and EPWP expenditures to be budgeted under the correct item being employee related costs)
15.	COAF 15: Other Expenses - Disagreement Misstatement (VAT)	While testing other expenses for accuracy, a difference of R57,449.17 was noted. This was due to the fact that the amount recorded in the general ledger was inclusive of VAT, which is incorrect.	1. Management to revisit all payment vouchers and ensure VAT has been appropriately accounted for. 2. Evidence of the exercise to be provided to CFO for Review. 3. Proper reviewal of payment vouchers to ensure correct treatment of VAT for all future payments to be done.

16.	COAF 17: Operating Expenditure- Professional & Consultancy Fees- Cut-off	Whilst performing the audit for the journal testing, an invoice worth R 2 350 000 which was incorrectly misallocated to audit fees and correctly reversed to professional and consultancy fees is dated 03 June 2021 which relates to the previous reporting period; thus, the cut-off assertion has been compromised	<ol style="list-style-type: none"> <li>1. Management to revisit all payment vouchers made in the 2021/22 and 2022/23 FY and ensure that payments were made in the correct FY.</li> <li>2. Evidence of the exercise to be provided to CFO for Review.</li> <li>3. Restatement file to be compiled where necessary with all the supporting information.</li> <li>4. All the restatements to form part of the 3rd Quarter IFS.</li> </ol>
17.	COAF 18: Execution - Prepaid electricity - Completeness	<p>During the audit for completeness of Service charges - Prepaid electricity it was noted that the Contour/Eskom statements do not agree with the amount presented in the current year AFS.</p> <ol style="list-style-type: none"> <li>1. Balance Per Prepaid Electricity Vote &amp; AFS 42 051 274,00</li> <li>2. Total Balance per the Eskom and Contour Reports 2021/22. 41 328 756,49</li> </ol> <p>During the audit of Service charges - prepaid electricity it was noted that the VAT amounts in the General ledger were not exclusive of VAT,</p>	<ol style="list-style-type: none"> <li>1. Management to prepare monthly reconciliations for all revenue streams to ensure correct allocation and recording of the revenue amounts.</li> <li>2. Recons to be submitted to CFO monthly for review and sign-off.</li> </ol>
18.	COAF 18: License & Permits - Cut off	The following transaction was recorded in the incorrect period as the disbursement report shows that the transaction belongs to the prior year.	<ol style="list-style-type: none"> <li>1. Management to prepare monthly reconciliations for all revenue streams to ensure correct allocation and recording of the revenue amounts.</li> <li>2. Recons to be submitted to CFO monthly for review and sign-off.</li> </ol>

19.	COAF 22: Execution - Remuneration of Section 57 Managers – Annual remuneration packages above upper limits determined through government gazette.	During the audit of remuneration of section 57 managers, it was identified that the section 57 managers are remunerated at amounts above the set upper limits as outlined in government gazette 46062 of 2022 read with government gazette 43122 of 2020 issued by the department of Corporative government thus resulting to irregular expenditure amounting to R1,419,061	Management to discuss the matter at senior level and resolve on the matter.
20.	COAF 23: Execution - Debtors in credit - Limitation misstatement	The following debtors in credit could not be traced to the valuation roll to confirm existence thereof. ERF numbers linking these accounts to properties were requested but were not obtained.	<ol style="list-style-type: none"> <li>1. Management to assess all debtors with credit balances and confirm existence thereof.</li> <li>2. A journal be proposed to remove all invalid debtors.</li> <li>3. All supporting information be submitted to CFO for reviewal.</li> <li>4. AFS and IFS restated accordingly.</li> </ol>

21.	COAF 24: Execution - Supply Chain Management - Contract Management	<p>The finding on Extension/ modification reports awarded for tenders are all Irregular because of the following: The director of Zamisanani Projects JV Dalukhanyo Trading is the employee of the municipality. Refer to issue COAF.32 - SCM - CAATS - Suppliers not declaring their interest. No supporting information in place for the variation order value of R28 823 399,65. These amount of variation orders are made up of various appointment letters that were issued as new appointments every time the contract expires. Therefore SCM processes were not followed.</p> <p>The extension of Siyanda Solutions is void as the supply chain management processes were not followed. Therefore this is a non-compliance with SCM regulations and it result to irregular expenditure amount to the value of R2 322 046,50 The contract of Siyanda Solutions was ending on 07 May 2022 and the municipality extended the contract on 28 April 2022, meaning the municipality knew the contract will end but did not plan for the next procurement of the contract through competitive bidding process and this results to a poor planning by the municipality. This contract should have went through competitive bidding process instead of the extension. The extension of this contract happened in May 2021 and May 2022 to August 2022, therefore the contract was extended for in two (2) consecutive years without proper planning.</p>	<ol style="list-style-type: none"> <li>1. Management to ensure all projects are awarded after all the SCM processes have been followed.</li> <li>2. No extension of projects without reasonable reasons will be taken to the accounting officer for Approval.</li> <li>3. No awards to be made to suppliers included in the related party register and to those previously picked by the AGSA</li> </ol>
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22.	COAF 26: 2. Execution - Receivables from Exchange transactions and Non-Exchange Transactions are Incomplete	<p>When performing the completeness testing for the receivables the following was performed:</p> <p>Per our understanding, every property on the valuation roll should be charged service receivables or rates. Therefore, a sample was selected from the valuation roll and traced the account to the debtors age analysis. It was noted that the following accounts on the valuation roll did not have a corresponding account in the debtors age analysis, therefore indicating that the age analysis is incomplete.</p>	<ol style="list-style-type: none"> <li>1. Management to perform a reconciliation between the Valuation roll and the Billing data to ensure that all properties in the valuation roll are included for billing.</li> <li>2. Management to ensure consistency in treating exempt accounts and accounts with Zero balances when producing the Age analyses.</li> </ol>
23	COAF 28: Execution - Operating Expenditure- Professional & Consultancy Fees- Classification	<p>As per the supporting documentation submitted the professional and consultancy fees have been classified incorrectly for the following transactions</p>	<ol style="list-style-type: none"> <li>1. Management to identify all misallocations on a monthly basis and a correcting journal be prepared monthly.</li> <li>2. Budget section to ensure that the correct budget is used during the requisition and order stage.</li> <li>3. Monthly recons to be prepared and reclassification be corrected monthly or during Budget adjustment stage where there is insufficient budget.</li> </ol>

24.	COAF 30: SCM - CAATS - Suppliers not declaring their interest	<p>The following employee of the municipality owns a company that is trading with the municipality, the company is doing work with services related to the employees work duties:</p> <p>Interest Auditee Name of person Position Section/ component Appointment date Supplier name Amount ONKE NELSON SOTYATO ARTISANPLUMBI Community Service 2014/09/01 DALUKHANYO TRADING 11 282 228,96</p> <p>Interest Family Name of person Position Name of spouse/ partner/ associate Relationship to person Supplier name Total rand-value of award (Payment) - current year 1 NZIMENI LOUIS ZWENI ENTERPRISEDEVO NTOMBIZONKE PATRONELA SPOUSE MISA SERVICES AND SUPPLIERS 826 807,34 400 125,67,00</p> <p>Other Interest 1 FUNDISIL</p>	<p>1. Management to compile a register/list whereby the exceptions on suppliers identified by the AGSA on an annual basis will be recorded and this list will be used whenever a supplier is considered to be used by the municipality.</p> <p>2. No contracts will be entered with the suppliers that appear on the records unless they bring sufficient and appropriate evidence to show that they are not connected to the persons or institutions on the records.</p> <p>3. A register of interest must be established and all employees and role players must be required to declare their personal financial interest and those of their close family members, partners and associates as and when it occurs.</p> <p>4. As part of consequence management, disciplinary action should be instituted against officials, suppliers and role players who have failed to comply with the policy of the municipality.</p> <p>These cases should be investigated for possible</p>
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			<p>undue influence in the process and appropriate action taken against the affected official or role player in accordance with the policies and procedures of the department.</p> <p>Other action may include cancelling the contract with the supplier if the official or role player committed a corrupt activity that benefited the supplier (TR16A9.1(f)(ii)).</p>
25.	COAF 31: Employee Benefits - Leave Provision and Leave pay - Accuracy	1. During the recalculation of leave provision, it was noted that the amount raised as a provision for the following employees does not agree with the recalculated provision amount.	<ol style="list-style-type: none"> <li>1. Management to update the Leave register on a monthly basis.</li> <li>2. Leave forms to be captured on the system on a monthly basis and a report to be generated and submitted to the CFO for Leave provision calculation when preparing IFS.</li> <li>3. The updated register to be forwarded to Director Corporate and CFO by the 15th of each month.</li> </ol>
26.	COAF 32: Employee Related Cost – 3RD Party payments made per bank statement do not agree with payments per payroll report	During the audit of 3rd party payments, it was noted that payments made each month during the year under review per bank statement did not agree with the monthly payroll report	<ol style="list-style-type: none"> <li>1. Management to separately account for the commission received from 3rd parties on a monthly basis and provide the amount to BTO for recording on to the GL.</li> <li>2. A breakdown of the amount deducted, the</li> </ol>

			amount paid over and the commission amount to be provided and kept for Audit purposes.
27.	COAF 35: Receivables from Non-Exchange – Property Category and Tariff discrepancies.	<p>When performing the existence, accuracy, valuation and allocation of debtors for services rates testing for the receivables, the following was performed to calculate the expected value of the Rates: Obtained the property category per the valuation roll and used the property category to obtain the corresponding tariff per the approved tariffs listing.</p> <p>The following discrepancies were noted: - The property categories per the valuation roll are incorrect – See Annexure A (Tab A) - The approved tariff listing supplied is incomplete and does not include certain categories included in the valuation roll – See Annexure A (Tab B)</p>	<ol style="list-style-type: none"> <li>1. Ensure Finalization and Gazetting of the Supplementary Valuation Roll</li> <li>2. Thorough review to ensure correct categorization of properties.</li> </ol>
28.	COAF 38: Receivables from Non-Exchange transactions - Misstatement	<p>When performing the existence, accuracy, valuation and allocation of debtors for services rates testing for the receivables, the following was performed: Making use of the market Value of the property per the valuation roll, calculated the expected value of the Rates that should have been charged in the current year. Variances were identified when recalculating the Rates.</p>	<ol style="list-style-type: none"> <li>1. Ensure Finalization and Gazetting of the Supplementary Valuation Roll</li> <li>2. Thorough review to ensure correct categorization of properties.</li> </ol>



29.	COAF 39: Employee Benefits – Payments in Lieu of Leave - Accuracy	<p>During the audit of payments in lieu of leave made in the current year, the following misstatements were identified</p> <ol style="list-style-type: none"> <li>1. Employees paid leave pay beyond 48 cap.</li> <li>2. Difference between the number of days actuals paid and the number of days remaining per leave schedules.</li> <li>3. Employees who were paid leave pays more than once in one financial year.</li> </ol>	<ol style="list-style-type: none"> <li>1. Management to update the Leave register on a monthly basis.</li> <li>2. Leave forms to be captured on the system on a monthly basis and a report to be generated and submitted to the CFO for Leave provision calculation when preparing IFS.</li> <li>3. The updated register to be forwarded to Director Corporate and CFO by the 15th of each month.</li> <li>4. Management to investigate the matter of employees paid leave more than once in one financial year.</li> </ol>
30.	COAF39: Employee Related Cost: Payroll reconciliation.	during the reconciliation of payroll vs general ledger, it was noted that there was an unreconciled amount of R 174 126	<ol style="list-style-type: none"> <li>1. Ensure monthly payroll recons are prepared</li> </ol>
31.	COAF 39: Planning: Employee Related Cost: Internal Control Deficiency – Lack of segregation of duties within the financial system	<p>During the risk assessment and responses (Planning) of employee related cost looking specifically at 3rd party payments, it was identified that there is lack of segregation of duties when it comes to these payments. The person who does an update of details in the system carries this task as a preparer, verifier and an authorizer.</p>	<ol style="list-style-type: none"> <li>1. Management should segregate duties within Payroll so that one official does not prepare, verify and authorize his/her own work.</li> <li>2. SOP to be developed which will outline each individual duties.</li> <li>3. The SOP should inform the process flow on the system.</li> </ol>

32.	COAF 39: HR Compliance Management: No staff performance management tool in place.	During the audit of the employee related cost it was noted that the municipality did not develop and adopt appropriate systems and procedures to monitor, measure and evaluate performance of staff.	<ol style="list-style-type: none"> <li>1. Develop framework/policy for performance management of staff below Senior Managers</li> <li>2. Cascade the performance management framework/policy to all employees by beginning of 2023/24 FY.</li> </ol>
33.	COAF 41: Property plant and equipment - Evidence of Work in progress	<p>During the audit of property plant and equipment, the audit team could not verify the classification of the following assets as work in progress.</p> <p>Description Amount</p> <ol style="list-style-type: none"> <li>1. Supply &amp; delivery of High mast lights R1 925 000</li> <li>2. Supply &amp; installation of meters R3 558 000</li> <li>3. Supply &amp; installation of meters R1 779 000</li> <li>4. Installation of indoor transformer R870 000</li> <li>5. High mast Lights in Mount Pleasant R497 179</li> <li>6. Construction of overhead open wire mink R2 150 000</li> <li>7. Supply &amp; delivery of High mast lights R3 852 553</li> </ol> <p>Total R14 631 732</p>	<ol style="list-style-type: none"> <li>1. Engineering to provide BTO with Project status on a monthly basis on all WIP projects.</li> <li>2. Engineering to provide BTO with Completion certificate on completion of each project.</li> <li>3. BTO to update WIP register monthly.</li> <li>4. Engineering and BTO to verify all completed projects for purposes componentising the project on capitalization.</li> </ol>

34.	COAF 43: Expenditure management - Suppliers not paid within 30 days	The municipality failed to pay the suppliers within 30 days of receiving the invoice	<ol style="list-style-type: none"> <li>1. Management has entered in to payment arrangements with major Creditors including Eskom and AGSA to avoid recurring interest and penalties.</li> <li>2. Management to fastrack payment arrangement with Eskom for Adelaide debt and SALGA.</li> <li>3. Management to ensure SARS is brought and kept up to date and Tax compliance is kept compliant to enable payments by all departments in order to improve cash flows and inable the municipal to meet its financial obligations.</li> <li>4. Management to ensure that payment arrangements are adhered to.</li> </ol>
35.	COAF 44: Differences between balance on AFS and FAR	During the audit of property plant and equipment, the audit team identified differences between the closing balance figure of work in progress as per the fixed asset register and the property plant and equipment note accompanying the annual financial statements as of 30 June 2022.	<ol style="list-style-type: none"> <li>1. Preparation of a GRAP compliant FAR and AFS timeously that is in line with the Accounting Policy</li> <li>2. Review of FAR and AFS by third party before submission to AGSA</li> </ol>

36.	COAF 45: Payables - Retentions not accounted for	During the audit it was noted that the municipality holds back 10% from certain capital project's payments as retentions but does not raise a liability at year end for amounts held back as retentions	<ol style="list-style-type: none"> <li>1. Management to maintain a retention register which will be updated with each payment.</li> <li>2. The retentions to be raised on the system and reconciled to the register on a monthly basis.</li> <li>3. Retentions to be recorded in the IFS and AFS</li> </ol>
37.	COAF 49: Irregular Expenditure register - Incomplete	Through testing done in Expenditure and procurement management, it was noted that the municipality incurred irregular expenditure and has not been disclosed	<ol style="list-style-type: none"> <li>1. Management will go through all procurement contracts awarded during the year to identify and disclose all irregular expenditure noted.</li> </ol>
38.	COAF 50: Sundry Payables - Uncleared salary control accounts	While testing the Sundry Payables account, it was noted that the following salary control accounts were not cleared at year-end:	<ol style="list-style-type: none"> <li>1. Management to inspect all control accounts prior to closing off the month and ensure that the control accounts have been cleared.</li> <li>2. Where a control account is not cleared there should be documented reasons with supporting information, and these should be available for Audit.</li> </ol>

39.	COAF 50: Sundry Payables - Unusual items noted and Unauthorised Debit Orders	<p>While testing the Sundry Payables account, it was noted that the unallocated deposits account, which is used to record all EFT payments which were not cleared at year-end, had transactions with descriptions which were outside the ordinary course of business of the Municipality. These transactions were specifically selected for testing, however, no supporting documentation was submitted for them. A limitation finding was raised for that; however, the following transactions are glaringly unusual and therefore should be investigated.</p> <ul style="list-style-type: none"> <li>- Payments made to The Foschini Group (TFG):- This is a group of clothing retailers and therefore an expense which a Municipality could never incur in its own capacity</li> <li>- Payment to Cell C:- The Municipality confirmed that they had no contract with the mobile operator, yet there are debit orders coming out of the Municipality account paying off cell phone contracts of individuals. This was also picked up during the expenditure testing</li> </ul>	<ol style="list-style-type: none"> <li>1. Monthly Bank reconciliations to be prepared</li> <li>2. Debit Order listing for all approved Debit orders must be maintained and reviewed monthly against the debit orders that have deducted.</li> <li>3. Any unauthorised debit orders including those raised by the AGSA must be investigated and recovered.</li> </ol>
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40.	COAF 50 and 51: Trade Payable sample - Disagreements and Unrecorded Liabilities	<p>While auditing a sample of trade payables, the following disagreements were noted:</p> <p>Differences in amounts between the statement and the creditors listing was noted.</p> <p>While testing trade payables for completeness; tracing transactions from the bank statements to the general ledger to confirm that all the liabilities which should have been raised in the current year under audit, were actually raised. The following unrecorded liabilities were noted</p>	<ol style="list-style-type: none"> <li>1. Management will prepare Monthly Creditors reconciliations</li> <li>2. Invoices will be captured on the system upon receipt as opposed to when payment is made.</li> <li>3. Invoice register will be maintained and compared monthly to the Creditors recon/Age Analyses to ensure completeness of Creditors.</li> <li>4. Management will revisit all payments made in the current year and ensure that they all relate to the current financial year.</li> <li>5. restatements should be proposed and effected in the 3rd Quarter IFS for all payments made in the incorrect financial year.</li> </ol>
41.	COAF 52: Capital Commitments- Difference in amount disclosed	It was noted that amount disclosed for Capital Commitments is understated. It was further noted that the municipality paid expenditure above the contract amount	<ol style="list-style-type: none"> <li>1. Management to update the Contract register monthly and senior SCM official to review and sign off.</li> <li>2. Budget and reporting office to payment schedule for each Infrastructure project to assist to monitor expenditure on each project.</li> <li>3. The above payment schedule to be attached to each payment.</li> </ol>

**COMPONENT B: AUDITOR-GENERAL OPINION YEAR 2022/2023**

Attached as an Annexure.

**APPENDIX A: COUNCILLORS, COMMITTEES ALLOCATED AND COUNCIL ATTENDANCE**

<b>Councillors, Committees Allocated and Council Attendance</b>					
<b>Council Members</b>	<b>Full Time / Part Time</b>	<b>Committees Allocated</b>	<b>*Ward and/ or Party Represented</b>	<b>Percentage Council Meetings Attendance</b>	<b>Percentage Apologies for non-attendance</b>

	FT/PT			%	%
Cllr. NB. Sango	FT	Mayor	PR	75%	25%
Cllr. T. Ngaya	FT	Speaker	PR	100%	
Cllr. NP. Mlamla	FT	Chief Whip	PR	100%	
Cllr. S. Mjakuca	FT	Finance	PR	100%	
Clr. ZM. Rasmeni	FT	Strategic Planning & LED	PR	75%	25%
Cllr. BS. Tyhali	FT	Corporate Services	PR	87%	13%
Cllr S. Zuka	FT	Engineering Services	PR	87%	13%
Cllr. E. Bantam	PT	Community Services	PR	100%	
Cllr. P. Sabane	PT	Sports, Arts & Culture	PR	50%	50%
Cllr. E. Lombard	PT	Engineering Services	PR	62%	38%
Cllr. M. Nombombo	PT	MPAC	PR	62%	38%
Cllr. Z. Tyali	FT	MPAC CHAIR	PR	87%	13%
Cllr. N. Qawu	PT	Women's Caucus Chairperson	PR	100%	
Cllr. AW. Ntsangani	PT	Finance	PR	50%	37%
Cllr. T. Tingo	PT	Sports, Arts & Culture	PR	100%	
Cllr. L. Nqala	PT	Finance	Ward Cllr	100%	
Cllr. S. Magxwalisa	PT	Community Services	Ward Cllr	87%	13%
Cllr. M. Zamo	PT	Strategic Planning & LED	Ward Cllr	87%	13%
Cllr. LF. Matyolo	PT	Engineering Services	Ward Cllr	100%	
Cllr. SC. Tokwe	PT	MPAC	Ward Cllr	87%	13%
Cllr. S. Mashengqana	PT	Finance	Ward Cllr	87%	13%
Cllr. PN. Ruselo	PT	Community Services	Ward Cllr	50%	50%
Cllr. MJ. Tukani	PT	Community Services	Ward Cllr	100%	
Cllr. M. Tsotsa	PT	Sports, Arts & Culture	Ward Cllr	100%	
Cllr. NN. Yanta	PT	MPAC	Ward Cllr	87%	13%



Cllr. N. Quillie	PT	Engineering Services	Ward Cllr	62%	38%
Cllr. T. Mjo	PT	Strategic Planning & LED	Ward Cllr	87%	13%
Cllr. P. Ntengu	PT	Corporate Services	PR	87%	13%
Cllr. U. Ngcume	PT	Finance and Petitions Committee Chairperson	Ward Cllr	100%	
Cllr. M. Mahleza	PT	Strategic Planning & LED	Ward Cllr	75%	25%
Cllr. S. Kley		Sports, Arts & Culture	Ward Cllr	87%	13%
Cllr. X. Dyantyi	PT	Corp Services and Ethics Committee Chairperson	Ward Cllr	87%	13%
Cllr. EN. Zizi	PT	Corporate Services	Ward Cllr	100%	
Cllr. SJ. Xego	PT	Community Services	Ward Cllr	75%	25%
Cllr. N. Klaas	PT	Finance	Ward Cllr	87%	13%
Cllr. M. Matayo	PT	MPAC	Ward Cllr	87%	13%
Cllr. C. Auld	PT	Finance/Strategic	PR	50%	50%
Cllr. K. Baliso	PT	Corporate Services	PR	87%	13%
Cllr. XV. Vusani	PT	Strategic Planning & LED	PR	37%	63%
Cllr. TT. Tito	PT	Sports, Arts & Culture	PR	62%	38%
Cllr. K. Siduli	PT	Engineering Services	Ward Cllr	87%	13%
Cllr. ZN. Lento	PT	Engineering Services	Ward Cllr	87%	13%
Cllr. M. Gqokro	PT	Sports, Arts & Culture	Ward Cllr	100%	
Cllr. LT. Ngetu	PT	Corporate Services	PR	100%	
Cllr. DP. Mandeka	PT	Sports, Arts & Culture	PR	100%	
Cllr. NB. Hans	PT	Community Services	PR	87%	13%

## APPENDIX B – COMMITTEES AND COMMITTEE PURPOSES

<b>Committees (other than Mayoral / Executive Committee) and Purposes of Committees</b>	
<b>Municipal Committees</b>	<b>Purpose of Committee</b>
Finance Committee	<p>Provide political guidance of the fiscal and financial affairs of the municipality, including the budget process and the priorities that must guide the preparation of the budget;</p> <p>Monitor and oversee the exercise of financial responsibilities assigned to the Accounting Officer and Chief Financial Officer in terms of the MFMA;</p> <p>Take reasonable steps to ensure the municipality performs its Constitutional and statutory functions within the limits to the municipality's approved budget;</p>
Strategic planning and Local Economic Development	<p>Identify the social and economic needs of the municipality;</p> <p>Review and evaluate those needs in order of priority;</p> <p>Recommend to Council strategies, programmes and services to address priority needs through the integrated development plan and the estimates of revenue and expenditure involved;</p> <p>Recommend to Council the best way to deliver those strategies, programmes and services to the maximum benefit of the municipality;</p> <p>Identify and develop criteria in terms of which progress in the implementation of the recommended strategies, programmes and services can be evaluated, including the key performance indicators;</p>
Community Services	<p>Oversee the provision of services to communities in a sustainable manner.</p> <p>Areas of Responsibility of the Committee:</p> <p>Solid waste disposal services;</p> <p>Traffic services;</p> <p>Fire Services;</p>
Sports , Arts and Culture	<p>Assist the Mayor to enhance unity in diversity through the provision of sport, arts and culture for sustainable development.</p>
Corporate Services	<p>Assist the Mayor to monitor the management of the municipality's administration in accordance with the directions of Council.</p> <p>Areas of responsibility of the Committee;</p> <p>Personnel Administration;</p> <p>Public Administration;</p> <p>Occupational Health and Safety in respect of Council officials;</p> <p>Conditions of Services and Staff Benefits;</p>
Engineering serves	<p>Oversee the provision of services to communities in a sustainable manner.</p> <p>Areas of Responsibility of the Committee:</p> <p>Electricity;</p> <p>Projects</p> <p>Land and housing,</p>

Whips Committee	To ensure adherence to all council programmes and quorums by all parties serving in council
Petition and Public Participation Committee	To consider every petition with a view to resolve matters, to the satisfactory of the petitioners
Ethics Committee	To ensure compliance with code of conduct as set out in schedule 1 of the Local Government System Act 32 of 2000
Rules Committee	To develop and maintain the implementation of the procedures and rules for the efficient functioning of the council and its committees
Municipal Public Accounts Committee	To exercise oversight over the executive obligations of Council. It also assists Council to hold the executive and municipal entities accountable.

## APPENDIX C –THIRD TIER ADMINISTRATIVE STRUCTURE

THIRD TIER STRUCTURE	
DIRECTORATE	Director (TITLE AND NAME)
<b>Municipal Manager</b>	<b>Ms Unathi Malinzi</b>
Budget and Treasury	Mr Mveleli Ngxowa
Community Services	Ms Nomha Speelman
Acting Director Corporate Services	Dr. Lulamile Donacious Hanabe
Director Engineering Services	Mr Daluxolo Mlenzana
Strategic Planning and LED	Dr. Lulamile Donacious Hanabe

## APPENDIX D – FUNCTIONS OF THE MUNICIPALITY

The municipality is mandated to perform the following powers and functions as enshrined in the Constitution of the Republic of South Africa 1996. The functions and powers between Amathole District Municipality and Raymond Mhlaba Local Municipality are reflected hereunder.

<b>SCHEDULE 4 B</b>	<b>Amathole DM</b>	<b>Raymond Mhlaba LM</b>
Air Pollution		✓
Building Regulations		✓
Child Care Facility		✓
Electricity		✓
Fire Fighting Services		✓
Local Tourism		✓
Municipal Planning		✓
Stormwater management system		✓
Trading Regulations		✓
Water (potable)	✓	
Sanitation	✓	
<b>SCHEDULE 5 B</b>		
Billboards and display of advertisement in public places		✓
Cemeteries		✓
Cleansing		✓
Control of Public nuisance		✓
Control of undertaking that sells liquor to the public		✓
Fencing and Fences		✓
Local Amenities		✓
Local Sport Facilities		✓
Markets		✓

Municipal Parks and Recreation		✓
Municipal Roads		✓
Noise Pollution		✓
Pounds		✓
Licensing and control of undertakings that sell food to the public	✓	
Public Places		✓
Refuse Removal, Refuse Dumps, Solid waste disposal		✓
Street Trading		✓
Street lighting		✓
Traffic and Parking		✓

## APPENDIX E – WARD REPORTING

Functionality of Ward Committees					
Ward Name (Number)	Name of Ward Councillor and elected Ward committee members	Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
<b>1</b>	<b>Cllr Primrose Ruselo</b>	Yes	4		1
	Thandolwethu Primrose Jali				
	Weziwe Tabita Kapo				
	Wandiswa Ntanta				
	Monde Kondile				
	Joshua Mejane				
	Linda Ngwabane				
	Vusumzi Mjovana				
	Xabisa Ngxoweni				
	Veliswa Kosi				
<b>2</b>	<b>Cllr Mzimkhulu Mathayo</b>	Yes	3		1
	Smiso B.S Booï				
	Zikhona Tembani				
	Michael Desewusi				
	Luphumlo Ningi				
	Bambelele Ntoni				
	Mphakamisi Plaatjie				
	Unathi Bom				
	Kholisile Banzi				
	Mphumezi Sgonyela				
	Andisiwe Koboka				
<b>3</b>	<b>Cllr S. Kley</b>	Yes	4		1
	Thulethu Dyantyi				
	Ayanda Mgoqi-Mthana				
	Thobani Gqoloshe				
	Luzuko Mtwebana				
	Anele Mgcuwe				

	Nontwazana Matina			
	Thandiwe Ndulula			
	Vukile Moxhango			
	Noronte Kayi			
	Bukiwe Joubert			
<b>4</b>	<b>Cllr Xolani Dyantyi</b>	Yes	3	1
	Monica Thethwa			
	Sivenathi Ngemntu			
	Prince Baartman			
	maqhayisa Kamase			
	Mandla Mani			
	Nombasa Eunice Mabaso			
	Luvo Mgwali			
	Xolani Keswa			
	Bongela Vanga			
<b>5</b>	<b>Cllr MasixoleTsotsa</b>	Yes	4	1
	Lusindiso Mafu			
	Mzukisi Binqela			
	Vuyokazi Ncukuvana			
	anndiswa Sihluku			
	Philiswa Xabanisa			
	Nosikhumbuze mbema			
	Yandiwa Pearl sintu			
	Xoliswa Nquma			
	Phumelelo Tshona			
	Yandiswa Lozi			
<b>6</b>	<b>Cllr Unathi Ngcume</b>	Yes	3	1
	Lyzette Pitso			
	Ahleli Tshanga			
	Mthuthuzeli Solani			
	Sawa Wellem			
	Siyabonga Nhanha			
	Lindisipho Piteli			
	Phakamle Nohamba			
	Bongiwe Hoyana			
	Martin September			



	Sisandile Ophila			
<b>7</b>	<b>Cllr Kwanele Sduli</b>	Yes	3	1
	Lindisizwe Nikelo			
	Noluvuyi Ganyaza			
	Zuko Hampson Matsha			
	Nombulelo Resman			
	Elijah Manga			
	Yandiswa Yeko			
	Nomkita Madyo			
	Sifiso Fandesi			
	Lieselle			
	Nadipha Mvundlea			
<b>8</b>	<b>Cllr Nompucuko Zizi</b>	Yes	3	1
	Mongezi Kwayinto			
	Laurianne Arends			
	Patricia Ntombekhaya Mgwangqa			
	Monica Monelwa Mafestile			
	Thembeke Feyane			
	Azola Tabalaza			
	Chumani Langa			
	Thanduxolo Ngqoba			
	Ntombozuko Tshikila			
	Willem Alton George Plaatjie			
<b>9</b>	<b>Cllr Nkuthalo Quilie</b>	Yes	4	1
	Ntombise Sylvia Ntsenge			
	Nceba Eric Mene			
	Lwandiso Matya			
	Caroline Nomsa Ndzube			
	Lizo Lovers Ndziweni			
	Zamuxolo Terrance Tyingwa			
	Dumisani Chita			
	Lizeka Gqobana			
	Gcobisa Higa			
<b>10</b>	<b>Cllr Simon Xego</b>	Yes	3	1
	Bongani Bavuma			

	Itumeleng Mama			
	Nomfusi Ngota			
	Khanyiswa Mpete			
	Wandile Nonkonyane			
	Thembela Gogela			
	Fezile Mlanjana			
	Thokoza Sogwazile			
	madoda Mthunzini			
	Thabo matwala			
<b>11</b>	<b>Cllr Luxolo Nqala</b>	Yes	3	1
	Zolani fatyi			
	Ziyanda rautini			
	Mvozethu Mjikeliso			
	Sibusiso Zonke			
	Nkqubela Nqala			
	Siyamthanda Ngquthwana			
	Akhona Manyenyenezana			
	Siyanda Mgidlana			
	Yonela Dube			
<b>12</b>	<b>Cllr Mthetheleli Gqokro</b>	Yes	4	1
	Nobesuthu Matha			
	Noluyolo Mtsiba			
	Nozicelo Gugwini			
	Khanyisa Delinah Mabandla			
	Msingathi Mtobi			
	Awonke Tshetshe			
	Sinethemba Apleni			
	Thobeka Plaatjie			
	Yoliswa Camagu			
<b>13</b>	<b>Cllr Sindiswa Magxwalisa</b>	Yes	4	1
	Nomaza Maluleke			
	Asanda Dayimani			
	Mzwandile Ndohlo			
	Neziswa Ntuli			
	Mrs Ngcivana			
	Noxolisile Nkulana			

	Nyombekhaya Thontsi			
	Mzolisi Meke			
	Hllolokomile Danyela			
	Andile Yoyo			
<b>14</b>	<b>Cllr Songezo Mashengqana</b>	Yes	3	1
	Xolelwa Vandala			
	Miranda Gosani			
	Bongiwe Tsomo			
	Nonkosi Tyelo			
	Nosicelo Vula			
	Lungiswa Cola			
	Nomonde Matanga			
	Nomakhaya Notsatsi			
	Nontobeko Shumi			
<b>15</b>	<b>Cllr Ntombomzi Klaas</b>	Yes	4	1
	Anelisa Tyolo			
	Thina Santi			
	Amanda Nangu			
	Luyolo Qogi			
	Bukelwa Dyakala			
	Zingisa Gxolo			
	Thobile Njamela			
	Thembile Njamela			
	Xoliswa Myoli			
	Mzila Masisi			
	Mozi Mana			
<b>16</b>	<b>Cllr Monwabisi Zamo</b>	Yes	3	1
	Siyabonga Mtima			
	Linda Oliphant			
	Zukile Mncedisi Washington Jende			
	Masibulele Ngwekazi			
	Mayizukiswe Mbila			
	Headman Mbeko Mayekiso			
	Tabisa Kewuti			
	Nwabisa Gila			

	Nomakhwezi Neku				
	Phumeza Maseti				
<b>17</b>	<b>Cllr Liziwe Matyolo</b>				
	Ntombomzi Radoni	Yes	3		
	Vuyolwethu Jack				
	Nomaseko ntlangu				
	Lindiwe Xujwa				
	Nomalizo Stwayi				
	Vusiwe Mapu				
	Melikhaya Mngxa				
	Pheleka Maxhela				
	Kholeka Mlambo				
	Thandela Matshaya				
<b>18</b>	<b>Cllr Thobeka Mjo</b>	Yes	4		1
	Nomathemba Maneli				
	Ntombesipho Nyamezele				
	Phumlani Kilimani				
	Funeka Nkqayi				
	Andiswa Copiso				
	Vuyokazi Otolu				
	Nolufefe Dyan				
	Nomawabo Nduku				
<b>19</b>	<b>Cllr Sindiswa Tokwe</b>	Yes	4		1
	Khaya Baartman				
	Sibabalwe Nabo				
	Sibulele Mnyepa				
	Nomawethu Blou				
	Pjumezo Jack				
	Ntomboxolo Mateyisi				
	Nomphelo Nkumanda				
	Themabazi Khonzani				
	Luyanda January				
<b>20</b>	<b>Cllr Zikhona Lento</b>	Yes	4		1
	Mkhuseli Archibald Matanga				
	Nolusindiso Mgxashe				
	Phumza Ndawo				

	Mzwandile W. Maziko			
	Sebenzile Bejile Marks			
	Mamkeli Goodman Yoli			
	Lindeka Patricia Mtiwane			
	Xoliswa Jayiya			
	Liyema George			
	Litha Mngocoba			
<b>21</b>	<b>Cllr Masixole Tukani</b>	Yes	3	1
	Xolani Nkohla			
	Mandlenkosi Mandlana			
	Simpiwe Mase			
	Sizakele Aubrey Ndyambo			
	Museleli Lamani			
	Benjamin Slatsha			
	Tozamile Haliphax Frans			
	Nomfundo A. Goba-Mhaga			
<b>22</b>	<b>Cllr Nolizwi Yanta</b>	Yes	3	1
	Theoleen January			
	Nicoleen Witbooi			
	Stuart Daniel Jacobs			
	Bendry Charl Peters			
	Nobelu Balangile			
	Phindile Ntengu			
	Xolelwa Mkhethshane			
	Bongani Wani			
	Candy Thandokazi Desi			
	Siphokazi August			
<b>23</b>	<b>Cllr Mpho Mahleza</b>	Yes	3	1
	Thembinkosi Ngxelo			
	Pamela Lungelwa Nawule			
	Noluyolo Mfondini			
	Zoliswa Beauty Mboya			
	Andile Tawule			
	Morien Boucher			
	Johny Leppe Rex			
	Nombulelo Kweta			

	Ntombizandile Lolwana				
	Mzolisi Bana				

**APPENDIX F – RECOMMENDATIONS OF THE MUNICIPAL AUDIT COMMITTEE  
YEAR 2022/2023**

<b>Municipal Audit Committee Recommendations</b>		
<b>Date of Committee</b>	<b>Committee recommendations during Year 2022/2023</b>	<b>Recommendations adopted (enter Yes) If not adopted (provide explanation)</b>
2022/07/07	1st Draft of AFS and Annual Report (RMM) to be submitted on the 15 August 2022 to IAU and Audit committee members.	Yes
2022/07/07	2nd Draft of AFS and Annual Report (RMM) to be submitted on the 22 August 2022 to IAU and Audit committee members.	Yes
2022/07/07	1st Draft of AFS and Annual Report (RMEDA) to be submitted on the 15 August 2022 to IAU and Audit committee members	Yes
2022/07/07	2nd Draft of AFS and Annual Report (RMEDA) to be submitted on the 22 August 2022 to IAU and Audit committee members.	Yes
2022/07/07	CEO should submit RMDA strategic plan.	Yes
2022/07/07	Evidence of the implementation of Financial Recovery plan to be submitted.	Yes
2022/07/07	Collection of University of Fort Hare debt.	Yes
2022/07/07	Feedback on AGSA debt repayment	Yes
2022/07/07	Submission of compliance register.	No- the municipality does not have compliance register
2022/07/07	MPAC Report (Action on Irregular Expenditure).	Yes
2022/07/07	Electricity Distribution Losses Report.	No- distribution losses are only performed at year end .
2022/07/07	Risk Register for 2022/2023.	Yes
2022/07/07	Review of AC TOR (Combine AC &PAC Meeting).	Yes
2022/07/07	IAU to review AFS, APR for the municipality & the entity.	Yes
2022/07/07	Detailed Contingent, Litigation, liabilities register.	Yes

23/08/2022	Audit file and 2020/2021 Audited AFS to be submitted next coming Monday to IAU.	Yes
2022/01/11	Review of AC TOR (Combine AC &PAC Meeting).	Yes
2022/01/11	Detailed Contingent, Litigation, liabilities register.	Yes
2022/11/01	Presentation of Draft Management Report .	Yes
2023/03/14	Debtors age analyses to be submitted to AC.	Yes
2023/03/14	LH to present the calculation score performance to the AC in the next coming meeting.	Yes
2023/03/14	Municipality should request CoGTA or treasury to assess the maturity of risk management functionality.	Yes
2023/03/14	Internal Audit tracking tool register to be submitted to AC.	Yes



**APPENDIX G – MUNICIPAL SERVICE PROVIDER PERFORMANCE SCHEDULE**

Service Provider Performance Schedule						
Name of Entity & Purpose  (i)	(a) Service Indicators	Year 2022/2023		Year 2023/2024		
	(b) Service Targets (ii)	Target	Actual	Target		Actual
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)
<i>Bontinite Construction/Kukho Engineers</i>	Construction of Nonaliti Community Hall	360m <sup>2</sup>	100%	nill	nill	nill
<i>Hlakula Construction/MBSA</i>	Construction of Lenge Community Hall	360m <sup>2</sup>	100%	nill	nill	nill
<i>Paylor and Yandy Construction/Imbawula</i>	Construction of Katvalley Community Hall	360m <sup>2</sup>	100%	nil	nil	nil
<i>Ranoz Construction/Ibhotwe Lezizwe</i>	Construction of Mgxotyeni Day Care Centre	245m <sup>2</sup>	100%	nill	nill	nill
Skeelo Investments/IX Engineers	Construction of Mbizana Day Care Centre	245m <sup>2</sup>	100%	nill	nill	nill
Hlakula Construction	Construction of Funinyaniso Day Care Centre	245m <sup>2</sup>	100%	nill	nill	nill
Chizama Trading/Leko	Construction of Ngqele Day Care Centre	245m <sup>2</sup>	100%	nill	nill	nill

Nkonki Brands	Paving of Red Location	800m	800m	500m	0%	Planning
Altitudes Builders	Paving of Jampa Internal Streets Phase2	800m	1200m	nill	nill	nill
Nkonki Brands/Trivion	Paving of Jacaranda Internal Streets Phase1	800m	1370m	500m	0%	Planning
Indwenathi Construction	Paving of Gomma-goma, Mike Valley and Kuwait Internal Streets Phase 2	800m	1200m	nill	nill	nill
SSK Cleaning Services	Paving of Tyoks, Takalani and Mpolweni Internal Streets Phase 4	800m	1200m	nill	nill	nill
Ilitha Communications JV L Jacobs	Paving of Seymour Internal Streets Phase 3	800m	100%	1000m	0%	under construction
Rosebudd/Bulls and Kings	Paving of Newtown Internal Streets Phase 4	800m	100%	nill	nill	nill
Nkonki Brands	Supply and Installation of Highmast Lights	5	100%	Nill	Nill	Nill

## APPENDIX H: DISCLOSURES OF FINANCIAL INTEREST

Disclosures of Financial Interests		
Period 1 July 2022 to 30 June 2023		
Position	Name	Description of Financial interests* (Nil / Or details)
<b>Mayor/ Speaker</b>		
<b>Members of Exco</b>	Cllr Sabane	Retirement pension
<b>Councillor</b>	Cllr Bantam	Directorship and partnership: Elten Agriculture /Auto Supplier, House in New Town, A plot in Fort Beaufort
	Cllr Mjo	Department of Higher Education : Centre Manager
	Cllr Mashengqana	Zizamele Agriculture Project
	Cllr Mfondini	Pension from ESKOM
	Cllr Sango	Site and House 1486 Maneli Street
	Cllr Auld	Homestead 1436 m2, Libert Life and Old Mutual Pensions
<b>Municipal Manager</b>	Ms U.T Malinzi	nil
<b>Chief Financial Officer</b>	Mr M.Ngxowa	nil
<b>Deputy MM and (Executive) Directors</b>		
<b>Other S56 Officials</b>		
	Mr D. Mlenzana	nil
	Dr L.Hanabe	nil

## APPENDIX I: LONG TERM CONTRACTS

Long Term Contracts (20 Largest Contracts Entered into during Year 2022/2023)					
R' 000					
Name of Service Provider (Entity or Municipal Department)	Description of Services Rendered by the Service Provider	Start Date of Contract	Expiry date of Contract	Project manager	Contract Value
Bubede Multi-services t/a lightboxnet	Procurement of computers	10-Oct-22	22-Oct-24	Dr L Hanabe	Rates
FNB	Banking Services	31-May-23	30-Apr-23	M. Ngxowa	Rates

## VOLUME II: ANNUAL FINANCIAL STATEMENTS



**RAYMOND**  
**MHLABA**  
MUNICIPALITY

Raymond Mhlaba Local Municipality

Annual Financial Statements  
for the year ended 30 June 2023

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Financial Statements for the year ended 30 June 2023

## General Information

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### Legal form of entity

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998). The municipality provides functions as included in Schedule 4B and Schedule 5B of the Constitution. It should however be noted that the Water and Sanitation function, which is generally allocated to Category B municipalities, are performed by the District Municipality.

The Minister of Co-operative Governance and Traditional Affairs has requested the Municipal Demarcation Board to re-determine the boundaries of Nkonkobe and Nxuba Municipalities as per section 21 of the Local Government Municipal Demarcation Board.

The Raymond Mhlaba Local Municipality was subsequently established by the amalgamation of Nkonkobe Local Municipality and Nxuba Local Municipality. Operations in the Raymond Mhlaba Local Municipality commenced on 6 August 2016.

### Nature of business and principal activities

Raymond Mhlaba Local Municipality (EC 129) performs the functions as set out in the Constitution.

### Mayoral committee

Honorable Mayor

Nomhle Beauty Sango

Thozama Ngaye (Speaker)

Nonkazimlo Primrose Mlamla (Chief Whip)

Bukelwa Sharon Tyhali (Portfolio head: Corporate Services)

Sithembele Michael Zuka (Portfolio Head: Engineering)

Sinethemba Mjakuca (Portfolio Head: Finance)

Elton Bantam (Portfolio Head: Community Service)

Portia Sabane (Portfolio Head: Sports, Arts and Culture)

Zingiswa Modelia Rasmeni (Portfolio Head: Strategic Planning & LED)

Ernest Lombard (EXCO (PR Councillor)

Mhlangabezi Nombombo (EXCO (PR Councillor)

Cllr. Zikhona Tyali (MPAC Chairperson)

Cllr Millicent Qawu (Chairperson - Womens Caucus)

Cllr Unathi Ngcume (Chairperson - Petitions)

Cllr Xolani Dyantyi (Chairperson - Ethics Committee)

Cllr Primrose Nosipho Ruselo (Ward 1)

Cllr Mzimkhulu Matayo (Ward 2)

Cllr Sinovuyo Kley (Ward 3)

Cllr Xolani Dyantyi (Ward 4)

Cllr Masixole Tsotsa (Ward 5)

Cllr Unathi Ngcume (Ward 6)

Cllr Kwanele Siduli (Ward 7)

Cllr Evelyn Nompucuko Zizi (Ward 8)

Cllr Nkuthalo Gideon Quilie (Ward 9)

Cllr Simon Justice Xego (Ward 10)

Cllr Luxolo Nqala (Ward 11)

Cllr Mthetheleli Gqokro (Ward 12)

Cllr Sindiswa Magxwalisa (Ward 13)

Cllr Songezo Mashenqana (Ward 14)

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Financial Statements for the year ended 30 June 2023

## General Information

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Cllr Ntombomzi Klaas (Ward 15)  
Cllr Monwabisi Moses Zamo (Ward 16)  
Cllr Liziwe Faith Matyolo (Ward 17)  
Cllr Thobeka Priscilla Mjo (Ward 18)  
Cllr Sindiswa Cynthia Tokwe (Ward 19)  
Cllr Zikhona Nandipa Lento (Ward 20)  
Cllr Masixole Jonathan Tukani (Ward 21)  
Cllr Nolizwi Nomacwerha Yanta (Ward 22)  
Cllr Mpho Mahleza (Ward 23)  
Cllr Zikhona Tyali (PR Councillor)  
Cllr Nolusindiso Brenda Hans (PR Councillor)  
Cllr Cecelia Anne Auld (PR Councillor)  
Cllr Kayaletu Baliso (PR Councillor)  
Cllr Deon Piet Mandeka (PR Councillor)  
Cllr Lindile Theophilus Ntengu (PR Councillor)  
Cllr Patricia Ntengu (PR Councillor)  
Cllr Elton Bantam (PR Councillor)  
Cllr Milicent Nonkoliseko Qawu (PR Councillor)  
Cllr Xoliswa Victoria Vusani (PR Councillor)  
Cllr Theophilus Ngethu (PR Councillor)  
Cllr Kwanele Tito (PR Councillor)

**Accounting Officer**

Ms Unathi Malinzi

**Chief Finance Officer (CFO)**

Mr Mveleli Ngxowa

**Registered office**

8 Somerset Street  
Fort Beaufort  
5720

**Postal address**

P.O Box 36  
Fort Beaufort  
5720

**Bankers**

ABSA

**Auditors**

Office of the Auditor General (EC)  
Registered Auditors

**Attorneys**

Lionel Trichardt & Associates  
A A Solwandle Attorneys Inc.  
NT Vuba Incorporated  
Smith Tabata Attorneys  
Siya Cockile Inc.  
Kirchmanns Inc.  
Gravett Schoeman Inc.  
Ntsiki-Pakade Attorneys

**Preparer**

The annual financial statements were internally compiled by:  
Budget and Treasury Office (BTO)

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Financial Statements for the year ended 30 June 2023

## Index

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

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### Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts



# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Officer's Responsibilities and Approval

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

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

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

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 30 June 2023 and were signed on its behalf by:



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**Ms. Unathi Malinzi**  
Municipal Manager

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Financial Statements for the year ended 30 June 2023

## Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Receivables from exchange transactions	3	181 602 137	133 649 784
Receivables from non-exchange transactions	4	206 251 028	125 631 218
VAT receivable	5	35 994 415	47 214 507
Cash and cash equivalents	6	7 973 419	16 057 681
		<b>431 820 999</b>	<b>322 553 190</b>
<b>Non-Current Assets</b>			
Investment property	7	20 671 700	19 720 850
Property, plant and equipment	8	776 934 321	743 446 421
Intangible assets	9	444 300	961 846
Heritage assets	10	70 000	70 000
		<b>798 120 321</b>	<b>764 199 117</b>
<b>Total Assets</b>		<b>1 229 941 320</b>	<b>1 086 752 307</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from non exchange transactions	11	1 672 174	9 294 024
Payables from exchange transactions	12	466 380 054	456 091 453
Employee benefit obligation	13	25 023 599	23 051 127
Finance lease obligation	14	208 815	444 517
Unspent conditional grants and receipts	15	1 107 038	1 113 375
Provisions	16	23 422 573	14 447 634
		<b>517 814 253</b>	<b>504 442 130</b>
<b>Non-Current Liabilities</b>			
Employee benefit obligation	13	44 459 000	39 803 000
Finance lease obligation	14	-	208 815
Provisions	16	48 893 073	48 893 073
		<b>93 352 073</b>	<b>88 904 888</b>
<b>Total Liabilities</b>		<b>611 166 326</b>	<b>593 347 018</b>
<b>Net Assets</b>		<b>618 774 994</b>	<b>493 405 289</b>
Accumulated surplus		618 774 994	493 405 289
<b>Total Net Assets</b>		<b>618 774 994</b>	<b>493 405 289</b>

\* See Note 44

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Financial Statements for the year ended 30 June 2023

## Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	18	114 546 474	111 699 029
Rental of facilities and equipment	19	806 563	580 288
Interest received - receivables from exchange transactions		16 261 520	11 646 351
Licences and permits	20	709 933	-
Commissions received		4 667 674	4 744 229
Discount received		11 540 891	2 703 701
Other income	22	1 298 919	8 419 010
Interest received - investment	23	2 465 640	1 955 766
<b>Total revenue from exchange transactions</b>		<b>152 297 614</b>	<b>141 748 374</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	24	107 715 326	95 847 291
<b>Transfer revenue</b>			
Government grants & subsidies	25	271 619 803	239 354 285
Public contributions and donations	26	5 183 885	-
Fines, Penalties and Forfeits	27	371 570	140 778
Interest - Property rates	28	20 815 336	25 901 792
<b>Total revenue from non-exchange transactions</b>		<b>405 705 920</b>	<b>361 244 146</b>
<b>Total revenue</b>	17	<b>558 003 534</b>	<b>502 992 520</b>
<b>Expenditure</b>			
Employee related costs	29	(208 967 718)	(204 341 166)
Remuneration of councillors	30	(18 842 244)	(18 311 510)
Depreciation and amortisation	31	(23 356 255)	(29 867 677)
Finance costs	32	(29 338 110)	(21 373 750)
Debt Impairment	33	9 363 307	97 508 351
Bulk purchases	34	(78 604 822)	(81 615 368)
Contracted services	35	(16 161 925)	(54 901 575)
Transfers and Subsidies	36	(2 865 790)	(2 509 425)
General Expenses	37	(65 055 683)	(55 115 378)
<b>Total expenditure</b>		<b>(433 829 240)</b>	<b>(370 527 498)</b>
<b>Operating surplus</b>		<b>124 174 294</b>	<b>132 465 022</b>
Fair value adjustments	38	1 062 150	752 979
Actuarial gains/losses	13	2 887 521	(2 807 311)
Impairment loss	39	(2 584 505)	(643 900)
Loss on non-current assets held for sale or disposal groups		(169 755)	(2 509 069)
		<b>1 195 411</b>	<b>(5 207 301)</b>
<b>Surplus for the year</b>		<b>125 369 705</b>	<b>127 257 721</b>

\* See Note 44

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Financial Statements for the year ended 30 June 2023

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	203 842 935	203 842 935
Adjustments		
Prior year adjustments 44	162 304 633	162 304 633
<b>Balance at 01 July 2021 as restated*</b>	<b>366 147 568</b>	<b>366 147 568</b>
Changes in net assets		
Surplus for the year	127 257 721	127 257 721
Total changes	127 257 721	127 257 721
<b>Restated* Balance at 01 July 2022</b>	<b>493 405 289</b>	<b>493 405 289</b>
Changes in net assets		
Surplus for the year	125 369 705	125 369 705
Total changes	125 369 705	125 369 705
<b>Balance at 30 June 2023</b>	<b>618 774 994</b>	<b>618 774 994</b>

Note(s)

\* See Note 44

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Financial Statements for the year ended 30 June 2023

## Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Taxation		72 937 146	62 764 297
Sale of goods and services		67 161 356	63 069 970
Grants		274 289 382	224 321 756
Interest income		2 465 640	1 955 766
Other receipts		16 485 700	43 543 854
		<u>433 339 224</u>	<u>395 655 643</u>
<b>Payments</b>			
Employee costs		(221 466 243)	(224 091 814)
Suppliers		(139 203 385)	(102 736 966)
Finance costs		(26 165 836)	(17 075 418)
Grants and subsidies		(2 865 791)	(2 509 425)
		<u>(389 701 255)</u>	<u>(346 413 623)</u>
<b>Net cash flows from operating activities</b>	41	<b><u>43 637 969</u></b>	<b><u>49 242 020</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8	(51 277 714)	(50 883 584)
Proceeds from sale of property, plant and equipment	8	-	5 994 020
<b>Net cash flows from investing activities</b>		<b><u>(51 277 714)</u></b>	<b><u>(44 889 564)</u></b>
<b>Cash flows from financing activities</b>			
Finance lease payments		(444 517)	(4 957 964)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>(8 084 262)</u></b>	<b><u>(605 508)</u></b>
Cash and cash equivalents at the beginning of the year		16 057 681	16 663 189
<b>Cash and cash equivalents at the end of the year</b>	6	<b><u>7 973 419</u></b>	<b><u>16 057 681</u></b>

\* See Note 44

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Financial Statements for the year ended 30 June 2023

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	85 008 000	9 618 000	<b>94 626 000</b>	114 546 474	<b>19 920 474</b>	refer to note 59
Rental of facilities and equipment	350 000	-	<b>350 000</b>	806 563	<b>456 563</b>	refer to note 59
Interest received (trading)	8 300 000	6 700 000	<b>15 000 000</b>	16 261 520	<b>1 261 520</b>	refer to note 59
Licences and permits	5 700 000	1 000 000	<b>6 700 000</b>	709 933	<b>(5 990 067)</b>	refer to note 59
Commissions received	-	-	-	4 667 674	<b>4 667 674</b>	refer to note 59
Discount received	-	-	-	11 540 891	<b>11 540 891</b>	
Sale of goods and rendering of services	600 000	-	<b>600 000</b>	-	<b>(600 000)</b>	refer to note 59
Other income - (rollup)	2 380 000	16 200 000	<b>18 580 000</b>	1 298 919	<b>(17 281 081)</b>	refer to note 59
Interest received - investment	-	2 100 000	<b>2 100 000</b>	2 465 640	<b>365 640</b>	refer to note 59
<b>Total revenue from exchange transactions</b>	<b>102 338 000</b>	<b>35 618 000</b>	<b>137 956 000</b>	<b>152 297 614</b>	<b>14 341 614</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	116 761 000	(10 000 000)	<b>106 761 000</b>	107 715 326	<b>954 326</b>	refer to note 59
<b>Transfer revenue</b>						
Government grants & subsidies	258 290 850	11 363 000	<b>269 653 850</b>	271 619 803	<b>1 965 953</b>	refer to note 59
Public contributions and donations	-	-	-	5 183 885	<b>5 183 885</b>	refer to note 59
Fines, Penalties and Forfeits	180 000	-	<b>180 000</b>	371 570	<b>191 570</b>	refer to note 59
Interest - Transfer revenue	15 100 000	4 000 000	<b>19 100 000</b>	20 815 336	<b>1 715 336</b>	refer to note 59
<b>Total revenue from non-exchange transactions</b>	<b>390 331 850</b>	<b>5 363 000</b>	<b>395 694 850</b>	<b>405 705 920</b>	<b>10 011 070</b>	
<b>Total revenue</b>	<b>492 669 850</b>	<b>40 981 000</b>	<b>533 650 850</b>	<b>558 003 534</b>	<b>24 352 684</b>	
<b>Expenditure</b>						
Personnel	(192 002 284)	(14 000)	<b>(192 016 284)</b>	(208 967 718)	<b>(16 951 434)</b>	refer to note 59
Remuneration of councillors	(18 358 570)	(917 927)	<b>(19 276 497)</b>	(18 842 244)	<b>434 253</b>	refer to note 59
Depreciation and amortisation	(26 704 522)	(4 000 000)	<b>(30 704 522)</b>	(23 356 255)	<b>7 348 267</b>	refer to note 59
Impairment loss/ Reversal of impairments	-	-	-	(2 584 505)	<b>(2 584 505)</b>	refer to note 59
Finance costs	(5 420 000)	(18 000 000)	<b>(23 420 000)</b>	(29 338 110)	<b>(5 918 110)</b>	refer to note 59
Debt Impairment	(16 380 589)	(52 379 211)	<b>(68 759 800)</b>	9 363 307	<b>78 123 107</b>	refer to note 59
Bulk purchases	(80 000 000)	(3 000 000)	<b>(83 000 000)</b>	(78 604 822)	<b>4 395 178</b>	refer to note 59
Contracted Services	(18 960 000)	(10 102 563)	<b>(29 062 563)</b>	(16 161 925)	<b>12 900 638</b>	refer to note 59
Transfers and Subsidies	(2 500 000)	-	<b>(2 500 000)</b>	(2 865 790)	<b>(365 790)</b>	refer to note 59
General Expenses	(23 491 534)	(11 224 906)	<b>(34 716 440)</b>	(65 055 683)	<b>(30 339 243)</b>	refer to note 59
<b>Total expenditure</b>	<b>(383 817 499)</b>	<b>(99 638 607)</b>	<b>(483 456 106)</b>	<b>(436 413 745)</b>	<b>47 042 361</b>	
<b>Operating surplus</b>	<b>108 852 351</b>	<b>(58 657 607)</b>	<b>50 194 744</b>	<b>121 589 789</b>	<b>71 395 045</b>	
Fair value adjustments	-	-	-	1 062 150	<b>1 062 150</b>	refer to note 59

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Financial Statements for the year ended 30 June 2023

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actuarial gains/losses	-	-	-	2 887 521	<b>2 887 521</b>	refer to note 59
Loss on non-current assets held for sale or disposal groups	-	-	-	(169 755)	<b>(169 755)</b>	refer to note 59
	-	-	-	<b>3 779 916</b>	<b>3 779 916</b>	
<b>Surplus before taxation</b>	<b>108 852 351</b>	<b>(58 657 607)</b>	<b>50 194 744</b>	<b>125 369 705</b>	<b>75 174 961</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>108 852 351</b>	<b>(58 657 607)</b>	<b>50 194 744</b>	<b>125 369 705</b>	<b>75 174 961</b>	

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Financial Statements for the year ended 30 June 2023

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

### Statement of Financial Position

#### Assets

##### Current Assets

Inventories	-	(156 474)	<b>(156 474)</b>	-	<b>156 474</b>	refer to note 59
Receivables from non-exchange transactions	11 000 000	23 675 097	<b>34 675 097</b>	206 251 028	<b>171 575 931</b>	refer to note 59
VAT receivable	42 233 000	8 001 611	<b>50 234 611</b>	13 917 756	<b>(36 316 855)</b>	refer to note 59
Trade and other receivables from exchange transactions	46 704 522	(33 976 902)	<b>12 727 620</b>	181 602 137	<b>168 874 517</b>	refer to note 59
Cash and cash equivalents	11 242 244	(29 094 006)	<b>(17 851 762)</b>	7 973 419	<b>25 825 181</b>	refer to note 59
	<b>111 179 766</b>	<b>(31 550 674)</b>	<b>79 629 092</b>	<b>409 744 340</b>	<b>330 115 248</b>	

##### Non-Current Assets

Investment property	77 854 848	(58 633 998)	<b>19 220 850</b>	20 671 700	<b>1 450 850</b>	refer to note 59
Property, plant and equipment	717 838 635	80 418 256	<b>798 256 891</b>	776 934 321	<b>(21 322 570)</b>	
Intangible assets	1 642 230	263 093	<b>1 905 323</b>	444 300	<b>(1 461 023)</b>	refer to note 59
Heritage assets	70 000	-	<b>70 000</b>	70 000	-	
	<b>797 405 713</b>	<b>22 047 351</b>	<b>819 453 064</b>	<b>798 120 321</b>	<b>(21 332 743)</b>	

#### Total Assets

**908 585 479 (9 503 323) 899 082 156 1 207 864 661 308 782 505**

#### Liabilities

##### Current Liabilities

Payables from non exchange transactions	-	-	-	1 672 174	<b>1 672 174</b>	
Finance lease obligation	1 550 000	(1 105 483)	<b>444 517</b>	208 815	<b>(235 702)</b>	refer to note 59
Payables from exchange transactions	272 582 787	172 963 483	<b>445 546 270</b>	466 380 054	<b>20 833 784</b>	refer to note 59
VAT payable	-	18 281 367	<b>18 281 367</b>	(22 076 659)	<b>(40 358 026)</b>	refer to note 59
Consumer deposits	3 096 618	(234 161)	<b>2 862 457</b>	-	<b>(2 862 457)</b>	refer to note 59
Employee benefit obligation	-	-	-	25 023 599	<b>25 023 599</b>	refer to note 59
Unspent conditional grants and receipts	(13 500 000)	14 613 375	<b>1 113 375</b>	1 107 038	<b>(6 337)</b>	refer to note 59
Provisions	13 439 070	22 262 691	<b>35 701 761</b>	23 422 573	<b>(12 279 188)</b>	refer to note 59
	<b>277 168 475</b>	<b>226 781 272</b>	<b>503 949 747</b>	<b>495 737 594</b>	<b>(8 212 153)</b>	

##### Non-Current Liabilities

Finance lease obligation	5 169 570	(4 960 755)	<b>208 815</b>	-	<b>(208 815)</b>	refer to note 59
Employee benefit obligation	32 177 000	8 130 000	<b>40 307 000</b>	44 459 000	<b>4 152 000</b>	refer to note 59
Provisions	42 344 977	6 548 096	<b>48 893 073</b>	48 893 073	-	refer to note 59
	<b>79 691 547</b>	<b>9 717 341</b>	<b>89 408 888</b>	<b>93 352 073</b>	<b>3 943 185</b>	

#### Total Liabilities

**356 860 022 236 498 613 593 358 635 589 089 667 (4 268 968)**

#### Net Assets

**551 725 457 (246 001 936) 305 723 521 618 774 994 313 051 473**

#### Net Assets

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



# Raymond Mhlaba Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Reserves</b>						
Accumulated surplus	551 725 457	(246 001 936)	<b>305 723 521</b>	618 774 994	<b>313 051 473</b>	

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Financial Statements for the year ended 30 June 2023

## 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

### Cash Flow Statement

#### Cash flows from operating activities

##### Receipts

Taxation	70 056 782	(12 021 720)	<b>58 035 062</b>	72 937 146	<b>14 902 084</b>	
Sale of goods and services	75 127 881	27 880 324	<b>103 008 205</b>	67 161 356	<b>(35 846 849)</b>	
Grants	258 291 000	(206 236 787)	<b>52 054 213</b>	274 289 382	<b>222 235 169</b>	
Interest income	-	-	-	2 465 640	<b>2 465 640</b>	
Other receipts	9 210 000	(2 360 500)	<b>6 849 500</b>	16 485 700	<b>9 636 200</b>	
	<b>412 685 663</b>	<b>(192 738 683)</b>	<b>219 946 980</b>	<b>433 339 224</b>	<b>213 392 244</b>	

##### Payments

Employee costs and payments to suppliers	(332 742 388)	(54 283 465)	<b>(387 025 853)</b>	(360 669 628)	<b>26 356 225</b>	
Finance costs	(2 000 000)	(21 420 000)	<b>(23 420 000)</b>	(26 165 836)	<b>(2 745 836)</b>	
Transfers and subsidies	(13 500 000)	13 423 000	<b>(77 000)</b>	(2 865 791)	<b>(2 788 791)</b>	
	<b>(348 242 388)</b>	<b>(62 280 465)</b>	<b>(410 522 853)</b>	<b>(389 701 255)</b>	<b>20 821 598</b>	

<b>Net cash flows from operating activities</b>	<b>64 443 275</b>	<b>(255 019 148)</b>	<b>(190 575 873)</b>	<b>43 637 969</b>	<b>234 213 842</b>	
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#### Cash flows from investing activities

Purchase of property, plant and equipment	(44 105 850)	(9 774 386)	<b>(53 880 236)</b>	(51 277 714)	<b>2 602 522</b>	
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#### Cash flows from financing activities

Finance lease payments	-	-	-	(444 517)	<b>(444 517)</b>	
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Net increase/(decrease) in cash and cash equivalents	20 337 425	(264 793 534)	<b>(244 456 109)</b>	(8 084 262)	<b>236 371 847</b>	
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Cash and cash equivalents at the beginning of the year	-	-	-	16 087 714	<b>16 087 714</b>	
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<b>Cash and cash equivalents at the end of the year</b>	<b>20 337 425</b>	<b>(264 793 534)</b>	<b>(244 456 109)</b>	<b>8 003 452</b>	<b>252 459 561</b>	
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#### Reconciliation

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

Figures in Rand	Note(s)	2023	2022
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### 1. Significant account policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

#### 1.1 Basis of preparations

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.

These accounting policies are consistent with the previous period.

#### 1.2 Presentation currency

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

#### 1.3 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.

#### 1.4 Materiality

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.

#### 1.5 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.

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

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

The municipality assesses its trade receivables, 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.

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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

#### Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

#### 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. They are significantly affected by a number of factors i.e. production estimates, supply demand, together with economic factors such as exchange rates inflation interest.

#### 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 16 - Provisions.

#### 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 13.

#### Effective interest rate

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

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.5 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.

#### Recognition and Derecognition of Land

In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are as follow [State key judgements and assumptions made]

Additional information is disclosed in Note .

In some instances the municipality is the legal owner, or the custodian of land appointed in terms of legislation, but concludes that it does not control such land. Key judgements made and assumptions applied to conclude that it does not control such land, are as follow [State key judgements and assumptions made]

Additional information is disclosed in Note .

#### Accounting by principals and agent

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

Additional information is disclosed in Note 55.

#### Impairment of statutory receivables

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

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

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

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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

#### Accounting for adjustments to revenue

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

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

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

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

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

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

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

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

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

### 1.6 Investment property

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

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

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

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

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

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

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

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.6 Investment property (continued)

#### Fair value

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

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

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

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

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

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

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

The nature OR type of properties classified as held for strategic purposes are as follows:

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

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

### 1.7 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.

# Raymond Mhlaba Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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

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

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

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

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

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

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

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

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

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:

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Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	17 - 100
Roads stormwater	Straight-line	7 - 100
Electricity infrastructure	Straight-line	11 - 122
Solid waste infrastructure	Straight-line	8 - 72
Park facilities	Straight-line	24 - 125
Computer equipment - leased	Straight-line	2 - 5
Plant and machinery - leased	Straight-line	3
Motor vehicles - leased	Straight-line	3
Plant and machinery	Straight-line	2 - 23
Motor vehicles	Straight-line	6 - 18
Computer equipment	Straight-line	4 - 18
Furniture and office equipment	Straight-line	4 - 20
Landfill sites	Straight-line	10 - 92

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.



# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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

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

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

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

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

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

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

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

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

### 1.8 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

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### 1.8 Site restoration and dismantling cost (continued)

If the related asset is measured using the revaluation model:

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

### 1.9 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

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

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### 1.9 Intangible assets (continued)

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

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:

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Item	Depreciation method	Average useful life
Computer software, other	Straight-line	3

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

### 1.10 Heritage assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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### 1.10 Heritage assets (continued)

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

#### Recognition

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

#### Initial measurement

Heritage assets are measured at cost.

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

#### Subsequent measurement

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

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

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

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

#### Impairment

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

#### Transfers

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

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

#### Derecognition

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

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

### 1.11 Financial instruments

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

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

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

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### 1.11 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.

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

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

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

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

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.

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### 1.11 Financial instruments (continued)

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

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

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

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

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

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.

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### 1.11 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
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
Payables from exchange transactions	Financial liability measured at amortised cost
Finance lease obligation	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:

Class	Category
Raymond Mhlaba Economic Development Agency	Measured at cost

### 1.12 Statutory receivables

#### Identification

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

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

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

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

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

#### Recognition

The municipality recognises statutory receivables as follows:

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

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

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### 1.12 Statutory receivables (continued)

#### Subsequent measurement

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

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

#### Accrued interest

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

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

#### Other charges

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

#### Impairment losses

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

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

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

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

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

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

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

#### Derecognition

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



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### 1.12 Statutory receivables (continued)

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

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

### 1.13 Leases

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

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

#### Finance leases - lessee

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

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

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

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

#### Operating leases - 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.

### 1.14 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

Some equity investments are included in cash equivalents when they are, in substance, cash equivalents.

Bank overdrafts which are repayable on demand forms an integral part of the entity's cash management activities, and as such are included as a component of cash and cash equivalents.

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### 1.15 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.

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.

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### 1.15 Impairment of non-cash-generating assets (continued)

#### 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.

#### 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 oversized or overcapacity asset. Oversized 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.

#### Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

#### Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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### 1.15 Impairment of non-cash-generating assets (continued)

#### 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.

#### 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.

### 1.16 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.

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### 1.16 Employee benefits (continued)

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.

#### Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

#### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

# Raymond Mhlaba Local Municipality

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### 1.16 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.

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## Accounting Policies

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### 1.16 Employee benefits (continued)

#### Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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### 1.16 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

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



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### 1.16 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.

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## Accounting Policies

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### 1.16 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.

### 1.17 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.

# Raymond Mhlaba Local Municipality

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## Accounting Policies

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### 1.17 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 56.

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.

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## Accounting Policies

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### 1.17 Provisions and contingencies (continued)

#### Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy and 1.15.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

### 1.18 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.

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## Accounting Policies

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### 1.19 Revenue from exchange transactions

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

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

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

#### Measurement

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

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

#### Sale of goods

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

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

#### Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

#### 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.

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## Accounting Policies

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### 1.19 Revenue from exchange transactions (continued)

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.

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### 1.20 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.

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.

# Raymond Mhlaba Local Municipality

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## Accounting Policies

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

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

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

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

#### Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

#### Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

#### 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.

### 1.21 Investment income

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

### 1.22 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.23 Accounting by principals and agents

#### Identification

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# Raymond Mhlaba Local Municipality

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

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

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

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

#### Identifying whether an entity is a principal or an agent

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

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

#### Binding arrangement

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

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

#### Assessing which entity benefits from the transactions with third parties

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

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

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

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

#### Recognition

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

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

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

### 1.24 Comparative figures

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

# Raymond Mhlaba Local Municipality

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## Accounting Policies

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### 1.25 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

Unauthorised expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

### 1.26 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

### 1.27 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy.

Irregular expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

### 1.28 Segment information

A segment is an activity of an entity:

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

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

### Measurement

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

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

### 1.29 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

# Raymond Mhlaba Local Municipality

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## Accounting Policies

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### 1.29 Budget information (continued)

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 an accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2022/07/01 to 2023/06/30.

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.

### 1.30 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

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

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

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

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

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

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

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

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

### 1.31 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.

# Raymond Mhlaba Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.31 Events after reporting date (continued)

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

### 1.32 Payables from non-exchange transactions (Principal - Agent )

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

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).

When the Municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement. The assessment of whether the Municipality is a principal or an agent requires the Municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

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

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

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

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

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

Where the Municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent.

The Municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether an entity is an agent. Where the Municipality acts as a principle, it recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirement of the relevant Standards of GRAP.

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

The Municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of other Standards of GRAP

# Raymond Mhlaba Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

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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 01 July 2023 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2023	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	01 April 2009	Unlikely there will be a material impact
• GRAP 25 (as revised): Employee Benefits	01 April 2023	Unlikely there will be a material impact
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2023	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2009	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact
• GRAP 2020: Improvements to the standards of GRAP 2020	01 April 2023	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Unlikely there will be a material impact

### 3. Receivables from exchange transactions

#### Gross balances

Electricity	58 622 140	43 685 903
Eskom deposits	14 848 552	14 228 565
Eskom trust account	5 000 000	5 000 000
Accrued interest	232 319	35 501
Refuse	165 311 792	125 860 385
Interest on arrears	160 090 024	151 700 549
Sundry receivables	1 201 188	1 693 625
Other receivables	3 735 102	2 846 053
	<b>409 041 117</b>	<b>345 050 581</b>

#### Less: Allowance for impairment

Electricity	(9 989 605)	(10 392 923)
Refuse	(114 728 228)	(105 328 700)
Interest on arrears	(100 369 808)	(93 275 121)
Other receivables	(2 351 339)	(2 404 053)
	<b>(227 438 980)</b>	<b>(211 400 797)</b>

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## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>3. Receivables from exchange transactions (continued)</b>		
<b>Net balance</b>		
Electricity	48 632 535	33 292 980
Eskom deposits	14 848 552	14 228 565
Eskom trust account	5 000 000	5 000 000
Accrued interest	232 319	35 501
Refuse	50 583 564	20 531 685
Interest on Arrears	59 720 216	58 425 428
Sundry debtors	1 201 188	1 693 625
Other receivables	1 383 763	442 000
	<b>181 602 137</b>	<b>133 649 784</b>
<b>Electricity</b>		
Current (0 -30 days)	5 260 673	4 569 385
31 - 60 days	2 286 381	2 488 366
61 - 90 days	3 031 324	1 916 767
> 90 days	41 002 811	34 711 386
	<b>51 581 189</b>	<b>43 685 904</b>
<b>Refuse removal</b>		
Current (0 -30 days)	2 314 462	1 582 161
31 - 60 days	2 174 044	1 439 808
61 - 90 days	2 126 303	1 401 390
> 90 days	113 380 495	105 553 853
	<b>119 995 304</b>	<b>109 977 212</b>
<b>Other services</b>		
Current (0 -30 days)	49 636	55 760
31 - 60 days	43 436	24 663
61 - 90 days	17 459	31 122
> 90 days	2 432 620	2 727 870
	<b>2 543 151</b>	<b>2 839 415</b>
<b>Interest on arrears</b>		
Current (0 -30 days)	5 940 238	3 473 193
31 - 60 days	3 478 868	2 098 538
61 - 90 days	2 098 538	3 255 222
> 90 days	146 647 620	141 511 519
	<b>158 165 264</b>	<b>150 338 472</b>

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## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>3. Receivables from exchange transactions (continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	9 398 179	2 214 923
31 - 60 days	6 085 006	2 313 766
61 - 90 days	5 706 410	2 310 225
> 90 days	355 765 341	167 524 580
	<b>376 954 936</b>	<b>174 363 494</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	2 750 991	2 404 952
31 - 60 days	1 372 256	927 592
61 - 90 days	1 363 712	740 744
> 90 days	47 245 433	28 727 822
	<b>52 732 392</b>	<b>32 801 110</b>
<b>National and provincial government</b>		
Current (0 -30 days)	5 497 815	2 153 487
31 - 60 days	4 189 567	2 158 740
61 - 90 days	3 836 511	1 881 769
91 - 120 days	3 923 684	48 220 503
	<b>17 447 577</b>	<b>54 414 499</b>
<b>Total</b>		
Current (0 -30 days)	17 647 183	9 680 589
31 - 60 days	11 646 830	7 413 452
61 - 90 days	10 906 633	6 604 501
91 - 120 days	10 283 642	4 932 739
121 - 365 days	358 556 829	316 419 300
	409 041 117	345 050 581
Less: Allowance for impairment	(227 438 980)	(211 400 797)
	<b>181 602 137</b>	<b>133 649 784</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	277 810 289	240 406 020
Contributions to allowance	44 515 606	37 404 269
	<b>322 325 895</b>	<b>277 810 289</b>

The carrying value of receivables are in line with their fair value. A credit period of 30 days is granted on initial recognition of the receivable, which is considered to be in line with industry norms. Interest at prime rate +1% is charged on overdue accounts.

The Eskom Deposits relates to connection deposits paid by the municipality to Eskom in areas where electricity services are obtained directly from Eskom (ie igh Mast Lights). The Eskom Trust Account relates to funds paid into a trust account of Ntsiki Pakade Attorneys during 2019/20 as bond security for legal matter against Eskom.

# Raymond Mhlaba Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>4. Receivables from non-exchange transactions</b>		
Sundry debtors	3 754 867	3 408 667
Rates	348 159 252	292 911 936
Accrued Interest	1 700	1 700
Allowance for impairment rates	(145 664 791)	(170 691 085)
	<b>206 251 028</b>	<b>125 631 218</b>
Ageing by customer type		
<b>Consumers</b>		
0-30 days	1 813 808	2 492 650
31-60 days	1 552 368	2 370 274
61-90 days	1 516 752	2 348 717
> 90 days	138 431 186	155 761 054
	<b>143 314 114</b>	<b>162 972 695</b>
<b>Industrial/ Commercial</b>		
0-30 days	713 898	402 917
31- 60 days	400 873	190 250
61-90 days	379 040	175 004
>90 days	22 756 620	10 386 346
	<b>24 250 431</b>	<b>11 154 517</b>
<b>National and Provincial Government</b>		
0-30 days	2 089 991	845 774
31-60 days	1 784 132	844 870
61-90 days	1 783 554	844 870
> 90 days	170 178 561	117 570 405
	<b>175 836 238</b>	<b>120 105 919</b>
<b>Totals</b>		
0-30 days	-	3 741 341
31-60 days	-	3 405 394
61-90 days	-	3 368 591
> 90 days	-	283 717 805
	-	<b>294 233 131</b>
<b>Reconciliation of provision for impairment of receivables from non-exchange transactions</b>		
Opening balance	280 547 458	236 524 413
Provision for impairment	62 527 603	44 023 045
	<b>343 075 061</b>	<b>280 547 458</b>
<b>5. VAT receivable</b>		
VAT	35 994 415	47 214 507
VAT [MFMA 125 (1)(c)]		



# Raymond Mhlaba Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>5. VAT receivable (continued)</b>		
Opening balance	1 997 608	1 371 712
Amounts received during the year	(22 803 543)	(6 709 175)
Amounts claimed - current year	25 149 273	7 335 070
	<b>4 343 338</b>	<b>1 997 607</b>
Vat in suspense due to cash basis of accounting	31 711 860	45 216 900

VAT is accounted for on the cash basis. All VAT returns have been submitted by the due date throughout the year.

### 6. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	926 589	6 920 231
Short-term deposits	7 046 830	9 137 450
	<b>7 973 419</b>	<b>16 057 681</b>

#### Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral	20 569	-
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Account number 62026192336 held with First National Bank has been pledged as security against any amounts owed by the Municipality to the bank. As at 30 June 2023, the municipality owed the bank interest of R237.35 (2022 : R0.00).

#### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
ABSA BANK - Current account - 40 8171 6725	551 685	6 944 944	4 463 411	1 875 528	6 944 944	4 463 411
ABSA BANK - Current account - 23 6000 0012	10 696	69 568	12 896	32 943	69 568	12 896
FIRST NATIONAL BANK - Current account - 620 2619 2336	1 511 893	155 975	31 822	1 514 647	155 975	31 822
FIRST NATIONAL BANK - Current account - 516 4001 1783	902 039	232 728	603 787	904 816	232 728	603 787
ABSA BANK - Call account - 4100 703 849	46 822	45 152	11 518 498	46 822	45 152	11 518 498
ABSA BANK - Call account - 4098 967 806	3 050 438	6 264	-	2 083 750	6 264	-
ABSA BANK - Call account - 4099 150 636	956 611	17 364	-	956 611	17 364	-
ABSA BANK - Call account - 4101 692 679	61 865	3 083 880	-	61 865	3 083 880	-
ABSA BANK - Call account - 4103 567 036	736	5 526 519	-	736	5 526 519	-
ABSA BANK - Call account - 4104615163	495 701	-	-	495 701	-	-
<b>Total</b>	<b>7 588 486</b>	<b>16 082 394</b>	<b>16 630 414</b>	<b>7 973 419</b>	<b>16 082 394</b>	<b>16 630 414</b>

# Raymond Mhlaba Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand

### 7. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	20 671 700	-	20 671 700	19 720 850	-	19 720 850

#### Reconciliation of investment property - 2023

Investment property	Opening balance	Disposals	Fair value adjustments	Total
	19 720 850	(111 300)	1 062 150	20 671 700

#### Reconciliation of investment property - 2022

Investment property	Opening balance	Fair value adjustments	Total
	18 967 871	752 979	19 720 850

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.

There are no restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal.

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

# Raymond Mhlaba Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 7. Investment property (continued)

There are no work in progress balances to be reported on at the end of the period.

The fair value is based on the market value of the relevant property. The value is guided by the International Valuation Standards Committee in their definition of market value, as revised in 2000. This definition, which has been generally accepted by the South African property valuation profession reads as follows:

- Market value is the estimated amount for which a property should exchange, on the date of valuation, between a willing buyer and a willing seller in an arm's length transaction, after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion.

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## Notes to the Annual Financial Statements

Figures in Rand

### 8. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	74 862 381	-	74 862 381	74 862 381	-	74 862 381
Buildings	54 245 267	(10 208 905)	44 036 362	54 245 267	(8 526 047)	45 719 220
Plant and machinery	43 889 135	(30 392 319)	13 496 816	41 367 085	(29 403 226)	11 963 859
Motor vehicles	11 384 902	(4 016 519)	7 368 383	9 134 902	(3 477 187)	5 657 715
Office equipment	4 449 052	(3 815 898)	633 154	4 440 452	(3 582 806)	857 646
IT equipment	5 233 835	(3 248 233)	1 985 602	3 798 475	(2 756 128)	1 042 347
Infrastructure	597 324 047	(173 459 508)	423 864 539	596 441 065	(158 187 966)	438 253 099
Community	151 384 361	(35 350 903)	116 033 458	142 227 422	(30 298 148)	111 929 274
Landfill site restoration asset	43 976 214	(19 501 440)	24 474 774	41 468 245	(18 318 404)	23 149 841
Work in progress	70 178 852	-	70 178 852	30 011 039	-	30 011 039
<b>Total</b>	<b>1 056 928 046</b>	<b>(279 993 725)</b>	<b>776 934 321</b>	<b>997 996 333</b>	<b>(254 549 912)</b>	<b>743 446 421</b>

## Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Figures in Rand

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

##### Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers received	Other changes, movements	Depreciation	Impairment	Total
Land	74 862 381	-	-	-	-	-	-	74 862 381
Buildings	45 719 220	-	-	-	-	(1 207 263)	(475 595)	44 036 362
Plant and machinery	11 963 859	2 522 050	-	-	-	(989 093)	-	13 496 816
Motor vehicles	5 657 715	2 250 000	-	-	-	(539 332)	-	7 368 383
Office equipment	857 646	8 600	-	-	-	(233 092)	-	633 154
IT equipment	1 042 347	1 463 295	(8 901)	-	-	(511 139)	-	1 985 602
Infrastructure	438 253 099	1 018 099	(49 554)	-	-	(13 947 989)	(1 409 116)	423 864 539
Community	111 929 274	-	-	9 156 939	-	(4 352 962)	(699 793)	116 033 458
Landfill site restoration asset	23 149 841	-	-	-	2 507 969	(1 183 036)	-	24 474 774
Work in progress	30 011 039	49 324 752	-	(9 156 939)	-	-	-	70 178 852
	<b>743 446 421</b>	<b>56 586 796</b>	<b>(58 455)</b>	<b>-</b>	<b>2 507 969</b>	<b>(22 963 906)</b>	<b>(2 584 504)</b>	<b>776 934 321</b>

# Raymond Mhlaba Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

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

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

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	74 862 381	-	-	-	-	-	74 862 381
Buildings	46 934 721	-	-	-	(1 215 501)	-	45 719 220
Plant and machinery	16 047 773	-	(2 922 265)	-	(1 161 649)	-	11 963 859
Motor vehicles	7 892 381	-	(1 485 620)	-	(749 046)	-	5 657 715
Office equipment	1 132 716	-	(6 191)	-	(268 879)	-	857 646
IT equipment	1 253 914	30 443	(58 057)	-	(183 953)	-	1 042 347
Infrastructure	348 592 719	10 200 063	(2 251 825)	101 560 169	(19 848 027)	-	438 253 099
Community	110 887 875	-	(1 779 131)	7 442 516	(4 621 986)	-	111 929 274
Landfill site restoration asset	24 713 136	-	-	-	(919 395)	(643 900)	23 149 841
Work in progress	93 752 817	45 260 907	-	(109 002 685)	-	-	30 011 039
	<b>726 070 433</b>	<b>55 491 413</b>	<b>(8 503 089)</b>	<b>-</b>	<b>(28 968 436)</b>	<b>(643 900)</b>	<b>743 446 421</b>

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

IT equipment

	299 041	1 912 976
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#### Expenditure incurred to repair and maintain property, plant and equipment

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

Contracted services

	8 343 868	34 160 944
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# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

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

#### Maintenance of property, plant and equipment

#### Maintenance of property, plant and equipment by condition - 2023

	Preventative	Corrective Maintenance		Total
	Maintenance Total	Emergency	Total	
Buildings	-	271 415	271 415	271 415
Office equipment	-	31 542	31 542	31 542
Infrastructure	-	8 040 911	8 040 911	8 040 911
	-	<b>8 343 868</b>	<b>8 343 868</b>	<b>8 343 868</b>

# Raymond Mhlaba Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand

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

#### Maintenance of property, plant and equipment by condition - 2022

	Preventative	Corrective Maintenance		Total
	Maintenance Total	Emergency	Total	
Buildings	-	1 159 285	1 159 285	1 159 285
Office equipment	-	1 807 272	1 807 272	1 807 272
Infrastructure	-	31 194 387	31 194 387	31 194 387
	-	<b>34 160 944</b>	<b>34 160 944</b>	<b>34 160 944</b>



# Raymond Mhlaba Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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Figures in Rand	2023	2022
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### 8. Property, plant and equipment (continued)

#### Maintenance of property, plant and equipment by nature and type of expenditure - 2023

	Direct Costs Contracted services
Buildings	271 415
Office equipment	31 542
Infrastructure	8 040 911
	<hr/> <b>8 343 868</b> <hr/>

#### Maintenance of property, plant and equipment by nature and type of expenditure - 2022

	Direct Costs Contracted services
Buildings	1 159 285
Office equipment	1 807 272
Infrastructure	31 194 387
	<hr/> <b>34 160 944</b> <hr/>

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.

# Raymond Mhlaba Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 9. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1 869 022	(1 424 722)	444 300	1 869 022	(907 176)	961 846

# Raymond Mhlaba Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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Figures in Rand

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### 9. Intangible assets (continued)

#### Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software, other	961 846	(517 546)	444 300

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# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 9. Intangible assets (continued)

#### Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software, other	1 564 029	(602 183)	961 846

#### Pledged as security

There are no intangible assets pledged as security for liabilities.

#### Restricted title

There are no intangible assets whose title is restricted.

# Raymond Mhlaba Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 10. Heritage assets

	2023			2022		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	70 000	-	70 000	70 000	-	70 000

### Reconciliation of heritage assets 2023

Historical monuments	Opening balance 70 000	Total 70 000
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### Reconciliation of heritage assets 2022

Historical monuments	Opening balance 70 000	Total 70 000
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### 11. Payables from non-exchange transactions

#### Designated at fair value

Department of Roads and Transport - Healdtown

1 672 174	9 294 024
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#### Current liabilities

Designated at fair value

1 672 174	9 294 024
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# Raymond Mhlaba Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>12. Payables from exchange transactions</b>		
Trade payables	403 869 183	384 808 251
Payments received in advanced	17 226 956	31 249 747
Retentions	3 619 082	3 838 424
Deposits received	2 971 429	2 862 457
Unallocated deposits	25 878 930	19 034 804
Other creditors	12 814 474	14 297 770
	<b>466 380 054</b>	<b>456 091 453</b>
<b>13. Employee benefit obligations</b>		
<b>Defined benefit plan</b>		
The plan is a post employment medical benefit plan.		
<b>The amounts recognised in the statement of financial position are as follows:</b>		
<b>Carrying value</b>		
Present value of the defined benefit obligation-wholly unfunded	(69 482 599)	(62 854 127)
<b>Current liabilities</b>		
Leave	18 418 920	16 740 858
Bonus	4 759 679	4 513 269
Long service award	1 297 000	1 293 000
Medical aid	548 000	504 000
	<b>25 023 599</b>	<b>23 051 127</b>
Non-current liabilities	(44 459 000)	(39 803 000)
Current liabilities	(25 023 599)	(23 051 127)
	<b>(69 482 599)</b>	<b>(62 854 127)</b>
<b>Changes in the present value of the defined benefit obligation are as follows:</b>		
Opening balance	32 687 000	25 178 000
Current portion	-	1 441 000
Benefits paid	(301 000)	(498 000)
Acturial loss / (gain)	(3 853 000)	3 970 000
Net expense recognised in the statement of financial performance	6 127 000	2 596 000
	<b>34 660 000</b>	<b>32 687 000</b>

# Raymond Mhlaba Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 13. Employee benefit obligations (continued)

#### Net expense recognised in the statement of financial performance

Medical Benefits		
Current service cost	2 373 000	-
Interest cost	3 754 000	2 596 000
	<b>6 127 000</b>	<b>2 596 000</b>

#### Long Service Awards

Opening balance	9 417 000	8 665 000
Benefits paid	(839 000)	(1 168 000)
Actuarial loss / (gain)	885 000	(55 000)
Net expense recognised	2 181 000	1 975 000
	<b>11 644 000</b>	<b>9 417 000</b>

#### Net expense recognised in Statement of financial Performance - Long service awards

Current service cost	1 245 000	1 230 000
Interest cost	936 000	745 000
	<b>2 181 000</b>	<b>1 975 000</b>

#### Key assumptions used

Assumptions used at the reporting date:

Discount rate	11,57 %	10,41 %
Health care cost inflation rate	8,18 %	7,02 %
Net effective discount rate	3,13 %	3,17 %
Maximum subsidy inflation rate	5,76 %	4,89 %
Net of maximum subsidy inflation discount rate	5,49 %	5,26 %

#### Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	<b>One percentage point increase</b>	<b>One percentage point decrease</b>
Effect on the aggregate of the service cost and interest cost	2 747 000	3 084 000
Effect on defined benefit obligation	11 036 000	12 306 000

Amounts for the current and previous four years are as follows:

	2023	2022	2021	2020	2019
	R	R	R	R	R
Defined benefit obligation	34 660 000	32 687 000	25 178 000	22 674 000	16 828 356

# Raymond Mhlaba Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>14. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	217 877	522 905
- in second to fifth year inclusive	-	217 877
	<u>217 877</u>	<u>740 782</u>
less: future finance charges	(9 061)	(87 450)
<b>Present value of minimum lease payments</b>	<b><u>208 816</u></b>	<b><u>653 332</u></b>
Non-current liabilities	-	208 815
Current liabilities	208 815	444 517
	<b><u>208 815</u></b>	<b><u>653 332</u></b>
<b>15. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
Alien Plant Grant	62 820	69 282
Integrated National Electrification Grant	125	-
Housing Disaster Grant	9 474	9 474
Quarry Mining Grant	102 563	102 563
Greening and Beautification Grant	707 664	707 664
Mining Projects Grant	77 000	77 000
Middledrift Spatial Development Grant	147 392	147 392
	<b><u>1 107 038</u></b>	<b><u>1 113 375</u></b>

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

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

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

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



# Raymond Mhlaba Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 16. Provisions

#### Reconciliation of provisions - 2023

	Opening Balance	Additions	Total
Environmental rehabilitation	63 340 707	8 974 939	72 315 646

#### Reconciliation of provisions - 2022

	Opening Balance	Additions	Interest cost	Total
Environmental rehabilitation	55 144 091	3 868 283	4 328 333	63 340 707
Non-current liabilities			48 893 073	48 893 073
Current liabilities			23 422 573	14 447 634
			<b>72 315 646</b>	<b>63 340 707</b>

#### Environmental rehabilitation provision

The timing of the outflow of resources relating to this provision is uncertain but management expects the timing to be in line with the legal requirements subsequent to the expected closure date of the as indicated below.

Discount rates specific to the nature of the provision is utilised to calculate the effect of time value of money. The discount rate is based on the Earthworks Index as published by Statssa which increased by 7.8% (2021 - 3.32%) during the year.

Environmental Specialists were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.

The total obligation at period-end can be attributed to the following sites:

Alice - expected closure year 2050	30 155 143	25 393 834
Middledrift - expected closure year 2100	21 168 038	6 475 954
Seymour - expected closure year 2028	-	5 474 406
Adelaide - expected closure year 2018	-	14 447 634
Bedford - expected closure year 2031	20 992 466	11 548 880
	<b>72 315 647</b>	<b>63 340 708</b>

### 17. Revenue

Service charges	114 546 474	111 699 029
Rental of facilities and equipment	806 563	580 288
Interest received (trading)	16 261 520	11 646 351
Licences and permits	709 933	-
Commissions received	4 667 674	4 744 229
Discount received	11 540 891	2 703 701
Other income	1 298 919	8 419 010
Interest received - investment	2 465 640	1 955 766
Property rates	107 715 326	95 847 291
Interest - Property rates	20 815 336	25 901 792
Government grants & subsidies	271 619 803	239 354 285
Public contributions and donations	5 183 885	-
Fines, Penalties and Forfeits	371 570	140 778
	<b>558 003 534</b>	<b>502 992 520</b>

# Raymond Mhlaba Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>17. Revenue (continued)</b>		
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	114 546 474	111 699 029
Rental of facilities and equipment	806 563	580 288
Interest received (trading)	16 261 520	11 646 351
Licences and permits	709 933	-
Commissions received	4 667 674	4 744 229
Discount received	11 540 891	2 703 701
Other income	1 298 919	8 419 010
Interest received - investment	2 465 640	1 955 766
	<b>152 297 614</b>	<b>141 748 374</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	107 715 326	95 847 291
Interest - Property rates	20 815 336	25 901 792
<b>Transfer revenue</b>		
Government grants & subsidies	271 619 803	239 354 285
Public contributions and donations	5 183 885	-
Fines, Penalties and Forfeits	371 570	140 778
	<b>405 705 920</b>	<b>361 244 146</b>
<b>18. Service charges</b>		
Sale of electricity	74 875 419	72 142 901
Refuse removal	37 981 281	38 076 306
Availability charge	1 689 774	1 479 822
	<b>114 546 474</b>	<b>111 699 029</b>
<b>19. Rental of facilities and equipment</b>		
<b>Premises</b>		
Venue hire	806 563	580 288
<b>20. Licences and permits</b>		
Road and Transport	709 933	-
<b>21. Other revenue</b>		
Commissions received	4 667 674	4 744 229
Discount received	11 540 891	2 703 701
Other income	1 298 919	8 419 010
	<b>17 507 484</b>	<b>15 866 940</b>

# Raymond Mhlaba Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>22. Other income</b>		
Collection charges	137 087	2 466 296
Skills development levy refund	459 524	261 972
Clearance fees	20 057	74 669
Incidental cash surplus	-	12 469
Insurance refund	(6 637)	6 637
Building plan fees	420 140	241 052
Cemetary and burial	89 750	102 358
Valuation services	42 573	144 963
Tender fees	120 960	99 078
Sale of goods and services	15 465	-
Unallocated deposits recognised as revenue	-	5 009 516
	<b>1 298 919</b>	<b>8 419 010</b>
<b>23. Investment revenue</b>		
<b>Interest revenue</b>		
Bank	2 465 640	1 955 766
<b>24. Property rates</b>		
<b>Rates received</b>		
Residential	12 624 175	12 790 768
Commercial	8 689 241	7 221 808
Small holdings and farms	19 229 832	2 636 804
Industrial	291 980	275 966
Multipurpose	89 819 596	82 062 706
Public service infrastructure	25 423	24 158
Vacant land	909 898	862 747
Rebates	(23 874 819)	(10 027 666)
	<b>107 715 326</b>	<b>95 847 291</b>
<b>Valuations</b>		
Residential	2 946 077 877	2 946 077 877
Commercial	445 845 350	445 845 350
State	784 153 900	784 153 900
Municipal	171 999 300	171 999 300
Public benefit organisations	115 582 700	115 582 700
Agriculture	3 395 220 550	3 395 220 550
Public service infrastructure	66 423 000	66 423 000
Vacant land	149 158 600	149 158 600
Multipurpose	111 219 650	111 219 650
Sectional title	31 888 500	31 888 500
	<b>8 217 569 427</b>	<b>8 217 569 427</b>

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2019.

The first R15 000 of the valuation on properties used only for residential purposes are exempted from property rates in terms of the Property Rates Act.

# Raymond Mhlaba Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 25. Government grants & subsidies

#### Operating grants

Equitable share	204 622 000	189 927 000
Finance Management Grant	2 850 000	2 600 000
Municipal Infrastructure Grant	2 045 742	1 972 207
Expanded Public Works Programme Grant	2 838 000	2 900 000
Library Grant	1 650 000	1 650 000
National Treasury Audit Fees Grant 1%	3 842 466	655 346
Municipal Disaster Relief Grant	6 462	288 939
	<b>217 854 670</b>	<b>199 993 492</b>

#### Capital grants

Municipal Infrastructure Grant	51 937 258	39 360 793
Intergrated National Electrification Programme.	1 827 875	-
	<b>53 765 133</b>	<b>39 360 793</b>
	<b>271 619 803</b>	<b>239 354 285</b>

#### Equitable Share

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

#### Alien Plant Grant

Balance unspent at beginning of year	69 282	162
Current-year receipts	-	20 003 331
Conditions met - transferred to revenue	(6 462)	(19 934 211)
	<b>62 820</b>	<b>69 282</b>

Conditions still to be met - remain liabilities (see note 15).

This is a provincial grant received by the municipality to support the eradication of alien vegetation through the use of the expanded public works program.

#### Municipal Infrastructure Grant

Current-year receipts	54 003 000	-
Conditions met - transferred to revenue	(54 003 000)	-
	-	-

Conditions still to be met - remain liabilities (see note 15).

The grant is intended to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

#### Integrated National Electrification Grant

Current-year receipts	1 828 000	-
Conditions met - transferred to revenue	(1 827 875)	-
	<b>125</b>	-

Conditions still to be met - remain liabilities (see note 15).

# Raymond Mhlaba Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>25. Government grants &amp; subsidies (continued)</b>		
The INEP grant is a conditional grant to provide capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings and the installation of bulk infrastructure.		
<b>Housing Disaster Grant</b>		
Balance unspent at beginning of year	9 474	1 508 737
Conditions met - transferred to revenue	-	(1 499 263)
	<b>9 474</b>	<b>9 474</b>
Conditions still to be met - remain liabilities (see note 15).		
The grant is aimed at providing immediate relief in the event of a disaster.		
<b>Quarry Mining Grant</b>		
Balance unspent at beginning of year	102 563	102 563
Conditions still to be met - remain liabilities (see note 15).		
<b>Greening and Beautification Grant</b>		
Balance unspent at beginning of year	707 664	707 664
Conditions still to be met - remain liabilities (see note 15).		
<b>Mining Projects Grant</b>		
Balance unspent at beginning of year	77 000	77 000
Conditions still to be met - remain liabilities (see note 15).		
<b>Middledrift Spatial Development Grant</b>		
Balance unspent at beginning of year	147 392	147 392
Conditions still to be met - remain liabilities (see note 15).		
<b>26. Public contributions and donations</b>		
Public contributions and donations	5 183 885	-
<b>Reconciliation of conditional contributions</b>		
DEDEAT	2 250 000	-
GIZ	2 933 885	-
	<b>5 183 885</b>	<b>-</b>
The Department of Economic and Environmental Affairs donated a refuse truck to the municipality in the current financial year.		
GIZ from Germany has donated Electrical infrastructure asset in the current year.		
<b>27. Fines, Penalties and Forfeits</b>		
Municipal Traffic Fines	371 570	140 778

# Raymond Mhlaba Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>28. Interest from non-exchange receivables</b>		
Interest - Property rates	20 815 336	25 901 792

# Raymond Mhlaba Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>29. Employee related costs</b>		
Basic	141 631 509	137 326 134
Bonus	11 090 111	9 735 028
Medical aid - company contributions	8 285 601	7 740 303
UIF	1 229 158	1 147 914
SDL	1 776 399	1 853 305
Other payroll levies	46 061	54 698
Leave pay provision charge	2 969 085	3 135 286
Pension contributions	19 754 250	19 135 346
Medical benefit - current service cost	2 373 000	1 441 000
Travel, motor car, accommodation, subsistence and other allowances	7 743 973	8 103 742
Overtime payments	6 781 697	8 948 702
Long-service awards	1 245 000	1 230 000
Acting allowances	2 358 589	2 637 609
Housing benefits and allowances	286 576	401 848
Standby allowance	1 094 228	1 163 630
Insurance	283 281	251 671
Cellphone allowance	19 200	24 950
Uniform allowance	-	10 000
	<b>208 967 718</b>	<b>204 341 166</b>
<b>Remuneration of the Municipal Manager</b>		
Basic salary	1 596 130	1 114 074
Motor vehicle allowance	533 753	663 012
Payments in lieu of leave	-	490 509
UIF	2 125	2 097
	<b>2 132 008</b>	<b>2 269 692</b>
<b>Remuneration of Chief Finance Officer</b>		
Basic salary	741 938	130 952
UIF	2 125	354
Motor vehicle allowance	515 646	73 386
	<b>1 259 709</b>	<b>204 692</b>
The Chief Financial Officer was appointed and started in May 2022.		
<b>Director Corporate Services</b>		
Annual Remuneration	185 691	898 540
Car Allowance	57 980	434 470
Housing allowance	507	-
Contributions to UIF and SDL	5 412	2 097
Medical aid	-	126 736
	<b>249 590</b>	<b>1 461 843</b>
<b>Director Community Services</b>		
Annual Remuneration	-	732 725
Car Allowance	-	336 997
Leave	-	218 315
Contributions to UIF, Medical and Pension Funds	-	1 743
Housing allowance	-	30 046
Other	-	111

# Raymond Mhlaba Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>29. Employee related costs (continued)</b>		
	-	<b>1 319 937</b>
<b>Director Technical Services</b>		
Annual Remuneration	897 075	993 465
Car Allowance	450 637	452 958
Leave	281 319	-
Contributions to UIF and SDL	17 484	2 097
Medical aid	-	126 736
	<b>1 646 515</b>	<b>1 575 256</b>
Director Technical Services was appointed from 01 September 2022 after termination of the old contract on 31 July 2023 due to expiration of the Contract.		
<b>Acting Director Community Services</b>		
Acting allowance	36 000	6 039
<b>Director Strategic Services</b>		
Annual Remuneration	1 207 576	1 033 294
Car Allowance	279 053	423 897
Leave	281 294	-
Contributions to UIF, Medical and Pension Funds	16 194	2 097
	<b>1 784 117</b>	<b>1 459 288</b>
<b>30. Remuneration of councillors</b>		
Executive Major	813 876	908 801
Mayoral Committee Members	3 893 681	4 259 495
Speaker	753 749	751 024
Councillors	13 380 938	12 392 190
	<b>18 842 244</b>	<b>18 311 510</b>
<b>31. Depreciation and amortisation</b>		
Property, plant and equipment	22 838 709	29 265 493
Intangible assets	517 546	602 184
	<b>23 356 255</b>	<b>29 867 677</b>
<b>32. Finance costs</b>		
Post Retirement Medical Benefits	3 754 000	2 596 000
Long Service Awards	936 000	745 000
Trade and other payables	21 397 443	13 300 304
Rehabilitation Provision- Landfill Sites	3 172 274	4 328 333
Fiance Lease Liabilities	78 393	404 113
	<b>29 338 110</b>	<b>21 373 750</b>
<b>33. Debt impairment</b>		
Contributions to debt impairment provision	(9 363 307)	(97 508 351)



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## Notes to the Annual Financial Statements

Figures in Rand	2023	2022		
<b>34. Bulk purchases</b>				
Electricity - Eskom	78 604 822	81 615 368		
<b>Electricity losses</b>				
	Number 2023	Number 2022		
Units purchased	51 802 918	58 103 542	78 604 822	81 615 368
Units sold	(42 982 614)	(46 989 317)	(65 242 002)	(74 269 985)
<b>Total loss</b>	<b>8 820 304</b>	<b>11 114 225</b>	<b>13 362 820</b>	<b>7 345 383</b>
Percentage Loss:				
Non-technical losses	17 %	9 %	17 %	9 %
<b>35. Contracted services</b>				
<b>Outsourced Services</b>				
Burial Services			2 000	25 991
Catering Services			317 806	137 443
Cleaning Services			64 005	-
Litter Picking and Street Cleaning			25 440	275 099
Refuse Removal			2 021 135	2 040 788
Security Services			353 043	1 362 034
Transport Services			295 224	-
<b>Consultants and Professional Services</b>				
Business and Advisory			4 581 868	10 975 939
Infrastructure and Planning			95 525	23 350
Legal Cost			2 950 295	2 338 618
<b>Contractors</b>				
Building			172 108	1 166 634
Employee Wellness			48 168	200 999
Maintenance of Equipment			135 921	1 615 224
Maintenance of Unspecified Assets			5 099 387	34 739 456
			<b>16 161 925</b>	<b>54 901 575</b>
<b>36. Transfer and subsidies</b>				
<b>Grants paid to ME's</b>				
Raymond Mhlaba Economic Development Agency			2 865 790	2 509 425

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## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>37. General expenses</b>		
Advertising	299 772	326 722
Auditors fees	5 222 966	4 211 709
Bank charges	709 312	477 526
Cleaning	195 772	-
Commission paid	875 661	502 323
Consumables	253 011	1 002 516
Discount allowed	158 437	695 458
Entertainment	8 094	-
Fines and penalties	2 061 179	3 334 866
Gifts	386 424	-
Hire	5 892 434	2 537 452
Insurance	1 734 475	3 075 813
Conferences and seminars	331 714	477 544
IT expenses	685 673	-
Motor vehicle expenses	821 350	538 176
Fuel and oil	2 848 856	2 911 574
Postage and courier	787 791	-
Printing and stationery	1 385 367	31 139
Protective clothing	395 974	538 316
Software expenses	938 289	1 259 422
Subscriptions and membership fees	2 403 533	2 825 302
Telephone and fax	5 799 240	3 143 379
Transport and freight	6 200	-
Travel - local	913 603	819 188
Municipal services	17 448 353	6 953 875
Tourism development	92 500	-
Achievements and awards	45 100	-
Indigent relief	8 319 873	14 725 393
Internships	549 489	1 834 562
Ward committees remuneration	3 485 241	2 893 123
	<b>65 055 683</b>	<b>55 115 378</b>
<b>38. Fair value adjustments</b>		
Investment property (Fair value model)	1 062 150	752 979
<b>39. Impairment loss</b>		
<b>Impairments</b>		
Property, plant and equipment	2 584 505	643 900
<b>40. Auditors fees</b>		
Fees	5 222 966	4 211 709

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## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>41. Cash generated from operations</b>		
Surplus	125 369 705	127 257 721
<b>Adjustments for:</b>		
Depreciation and amortisation	23 356 255	29 867 677
Gain on discontinued operations	169 755	2 509 069
Fair value adjustments	(1 062 150)	(752 979)
Finance costs - Finance leases	3 172 274	7 669 333
Impairment deficit	2 584 505	643 900
Debt impairment	(9 363 307)	(97 508 351)
Movements in retirement benefit assets and liabilities	8 974 939	9 564 789
Movement in employee benefits	3 456 198	-
Non-cash donations and other in-kind benefits	375 194	(30 000)
Discounts received	(11 540 891)	(2 703 701)
Donations received	(5 183 885)	-
<b>Changes in working capital:</b>		
Receivables from exchange transactions	(5 274 410)	(8 704 129)
Consumer debtors	(58 716 126)	(54 596 545)
Other receivables from non-exchange transactions	(55 593 516)	(31 796 789)
VAT	11 220 092	(6 025 011)
Taxes and transfers payable (non-exchange)	(7 621 850)	-
Unspent conditional grants and receipts	(6 337)	(15 032 529)
Payables from exchange transactions	21 829 493	82 281 980
Landfill site adjustment	(2 507 969)	6 597 585
	<b>43 637 969</b>	<b>49 242 020</b>

## 42. Financial instruments disclosure

### Categories of financial instruments

#### 2023

##### Financial assets

	At amortised cost	Total
Cash and cash equivalents	7 973 419	7 973 419
Receivables from exchange transactions	181 602 173	181 602 173
	<b>189 575 592</b>	<b>189 575 592</b>

##### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	466 846 054	466 846 054
Current portion of long term liabilities	208 815	208 815
	<b>467 054 869</b>	<b>467 054 869</b>

#### 2022

##### Financial assets

	At amortised cost	Total
Cash and cash equivalents	16 057 681	16 057 681
Receivables from exchange transactions	133 649 784	133 649 784
	<b>149 707 465</b>	<b>149 707 465</b>

# Raymond Mhlaba Local Municipality

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### 42. Financial instruments disclosure (continued)

#### Financial liabilities

	At amortised cost	Total
Current portion of long term liabilities	444 517	444 517
Payables from exchange transactions	456 091 462	456 091 462
Long term liabilities	208 815	208 815
	<b>456 744 794</b>	<b>456 744 794</b>

### 43. Commitments

#### Authorised capital expenditure

##### Already contracted for but not provided for

• Property, plant and equipment	16 747 830	15 361 987
---------------------------------	------------	------------

##### Total capital commitments

Already contracted for but not provided for	16 747 830	15 361 987
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#### Total commitments

##### Total commitments

Authorised capital expenditure	16 747 830	15 361 987
--------------------------------	------------	------------

This committed expenditure relates to property and will be financed by government conditional grants.

### 44. 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

# Raymond Mhlaba Local Municipality

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## Notes to the Annual Financial Statements

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### 44. Prior-year adjustments (continued)

#### 2022

	Note	As previously reported	Correction of error	Re-classification	Restated
Cash and Cash Equivalents		16 087 714	(30 033)	-	16 057 681
Receivables from exchange transactions		51 350 481	82 299 303	-	133 649 784
Receivables from non- exchange transactions		17 096 039	108 535 179	-	125 631 218
VAT		52 083 995	(4 869 488)	-	47 214 507
Investment Property		19 720 850	-	-	19 720 850
Property, Plant and Equipment		738 942 464	(18 645 884)	23 149 841	743 446 421
PPE, Capitalised restoration cost		23 149 841	-	(23 149 841)	-
Heritage Assets		70 000	-	-	70 000
Intangible assets		961 846	-	-	961 846
Current portion of long- term liabilities		(444 517)	-	-	(444 517)
Consumer deposits		(2 862 457)	-	2 862 457	-
Payables from exchange transactions		(447 740 545)	(5 488 451)	(2 862 457)	(456 091 453)
Unspent conditional Government grants		(10 407 400)	-	9 294 024	(1 113 376)
Payables from non exchange transactions		-	-	(9 294 024)	(9 294 024)
Current employee benefits		(23 051 127)	-	-	(23 051 127)
Provisions		(14 447 634)	-	-	(14 447 634)
Long term liabilities		(208 815)	-	-	(208 815)
Employee benefits		(40 307 000)	504 000	-	(39 803 000)
Non Current Provisions		(48 893 073)	-	-	(48 893 073)
Accumulated surplus		(331 100 662)	(162 304 626)	-	(493 405 288)
		-	-	-	-

### Statement of financial performance

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## Notes to the Annual Financial Statements

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### 44. Prior-year adjustments (continued)

#### 2022

	Note	As previously reported	Correction of error	Re-classification	Restated
Property rates		(97 168 484)	1 321 193	-	(95 847 291)
Interest on property rates		-	-	(25 901 792)	(25 901 792)
Government grants and subsidies		(261 065 822)	21 449 566	261 972	(239 354 284)
Fines		(140 778)	-	-	(140 778)
Actuarial Gains		(709 991)	-	709 991	-
Fair Value Adjustments		(752 979)	-	-	(752 979)
Service Charges		(89 926 198)	(13 811 455)	(7 961 376)	(111 699 029)
Rental of facilities		(580 288)	-	-	(580 288)
Interest Earned- External investments		(1 955 766)	-	-	(1 955 766)
Interest earned - outstanding debtors		(37 548 143)	-	25 901 792	(11 646 351)
Licences and Permits		(4 744 713)	-	4 744 713	-
Other income		(10 952 177)	(6 637)	2 539 804	(8 419 010)
Commissions received		-	-	(4 744 232)	(4 744 232)
Discount received		-	-	(2 703 701)	(2 703 701)
Employee related costs		204 341 165	-	-	204 341 165
Remuneration of councillors		18 311 510	-	-	18 311 510
Debt Impairment		78 757 514	(176 265 865)	-	(97 508 351)
Depreciation and Amortisation		29 867 677	-	-	29 867 677
Impairments		643 900	-	-	643 900
Actuarial losses		4 021 302	(503 999)	(709 991)	2 807 312
Finance charges		21 373 751	-	-	21 373 751
Bulk purchases		81 615 368	-	-	81 615 368
Contracted services		-	-	54 901 575	54 901 575
Transfers and Grants		9 371 999	-	(6 862 574)	2 509 425
Other expenditure		89 778 992	5 512 564	(40 176 181)	55 115 375
Loss on sale of fixed assets		2 509 069	-	-	2 509 069
<b>Surplus for the year</b>		<b>35 046 908</b>	<b>(162 304 633)</b>	<b>-</b>	<b>(127 257 725)</b>

#### Errors

# Raymond Mhlaba Local Municipality

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## Notes to the Annual Financial Statements

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### 44. Prior-year adjustments (continued)

#### Property Plant and Equipment

1. The municipality erroneously recognized as Work in Progress under Property Plant and Equipment, capital expenditure on an asset belonging to the department of Roads that the municipality is constructing on behalf of the department. The error has been corrected in the prior year comparative figure.
2. Completed projects in the prior years were not capitalized into PPE from Work in Progress, the error has been corrected in the prior year comparative figures.
3. Property plant and equipment - capitalized restoration cost has been reclassified into PPE

#### Receivables from exchange and non exchange transactions

1. There were customers that were not billed property rates and refuse removal in error, the prior year comparatives have been restated to correct the billing.
2. There was an error in the calculation of debt impairment. The assessment of impairment was not done at individual account level but rather all debtor accounts were grouped by AFS classification and government debtors were also impaired even though the full government debt is recoverable. This has been corrected in the prior year comparatives.

#### Payables from exchange and non exchange transactions

1. The following reclassifications were made into / and out of payables from exchange transactions:  
Consumer debtors were reclassified into payables  
Human Settlements was reclassified out of payables from exchange due to the nature of the contract with the municipality.

#### Statement of Financial Performance

The changes in the prior year figures in the abovementioned statement are as a result of the changes made to the Statement of Financial Position as detailed above.

#### Reclassifications

1. Consumer deposits have been reclassified from Payables from Exchange transactions and the prior year comparatives have been adjusted.
2. Property, Plant and Equipment - Capitalised Restoration Cost has been reclassified to Property plant and equipment and the prior year comparative figure has been adjusted.
3. Contracted services have been reclassified from General Expenditure and the prior year comparative figure has been adjusted.

The following reclassifications adjustment occurred:

### 45. Comparative figures

Certain comparative figures have been reclassified.

### 46. Risk management

#### Financial risk management

# Raymond Mhlaba Local Municipality

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## Notes to the Annual Financial Statements

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### 46. Risk management (continued)

#### Liquidity risk

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.

Liquidity risk is mitigated by approving cash funded budgets at all times to ensure commitments can be settled once due over the long term. The municipality also monitors its cash balances on a daily basis to ensure cash resources are available to settle short term obligations.

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.

The following balances are exposed to liquidity risk:

#### 31 June 2023

	Payable within 1 Year	Payable within 2 - 5 years	Total
Finance lease liabilities	208 815	-	208 815
Payables from exchange transactions	466 846 054	-	466 846 054
	<b>467 054 869</b>	<b>-</b>	<b>467 054 869</b>

#### 30 June 2022

	Payable within 1 Year	Payable with 2 - 5 years	Total
Finance lease liabilities	444 517	217 877	662 394
Payables from exchange transactions	456 091 453	-	456 091 453
	<b>456 535 970</b>	<b>217 877</b>	<b>456 753 847</b>



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## Notes to the Annual Financial Statements

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### 46. Risk management (continued)

#### Credit risk

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.

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.

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

Financial instrument	2023	2022
Cash and cash equivalents	7 973 428	16 087 714
Receivables from exchange transactions	181 602 137	133 643 146

#### Cash and cash equivalents

Deposits of the municipality is only held at reputable banks that are listed on the JSE. The credit quality is regularly monitored through SENS releases by the various banks. The risk pertaining to these deposits are considered to be very low.

#### Receivables from exchange transactions

Receivables comprise of a large number of users, dispersed across different sectors and geographical areas. On-going credit evaluations are performed on the financial condition of these receivables. Credit risk pertaining to receivables are considered to be moderate due to the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to consumers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Receivables are disclosed after taking into account the provision for impairment raised against each class of receivable.

Receivables are payable within 30 days. All receivables outstanding for more than 30 days are considered to be past due. Refer to Note 3 for more information regarding the provision for impairment raised against each service type as well as receivables considered to be past due.

No receivables were pledged as security for liabilities and collateral is held from any consumers (other than consumer deposits).

#### Market risk

##### Interest rate risk

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.

The following balances are exposed to interest rate fluctuations:

##### Financial instrument

Cash and cash equivalents (excluding cash on hand)	7 973 428	16 087 714
Long term liabilities (including current portion)	(208 815)	(632 332)
	<b>7 764 613</b>	<b>15 455 382</b>

Management does not foresee significant interest rate movements in the next 12 months.

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Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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Figures in Rand	2023	2022
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### 46. Risk management (continued)

#### Price risk

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

The municipality recognised the following financial instruments (all balances are recognised at amortised cost):

#### Financial assets

Cash and cash equivalents	7 973 428	16 087 714
Receivables from exchange transactions	181 602 137	133 643 146
	<b>189 575 565</b>	<b>149 730 860</b>

#### Financial liabilities

Current portion of long term liabilities	208 815	444 517
Payables from exchange transactions	466 846 054	456 091 462
Long term liabilities	-	208 815
	<b>467 054 869</b>	<b>456 744 794</b>

### 47. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus of R 618 774 994 and that the municipality's total assets exceed its liabilities by R 618 774 994.

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.

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## Notes to the Annual Financial Statements

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### 47. Going concern (continued)

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

The indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows:

#### Financial indicators

The current liabilities at period end exceeded the current assets and this could result in the municipality being unable to settle all of its liabilities.

Management will continue to put measures in place to ensure that the municipality's current assets are in excess of its current liabilities. Expenditure patterns and budget control measures will be enforced to reduce the expenditure that leads to an increase in current liabilities.

The municipality is experiencing very low payment percentages from consumers which is very indicative of the economic environment in the municipal area.

#### Other indicators

The municipality has incurred unauthorised, irregular and fruitless and wasteful expenditure as shown in the notes above.

There are material contingent liabilities on each respective reporting period. Refer to note 56 below.

#### Assessment

The financial results may indicate that the going concern assumption of the municipality may be in serious doubt. The amounts promulgated in the DORA have a serious impact on the level of services that the municipality can render and it may well raise doubt about the future financial sustainability of the municipality and may cause serious financial health and other risks regarding services delivery to the communities within the jurisdiction of this municipality.

### 48. Events after the reporting date

There were no events after reporting period.

### 49. Unauthorised expenditure

Opening balance as previously reported	3 194 991	234 108 580
Add: Unauthorised expenditure - current	-	3 194 991
Less: Amount written off - current	(3 194 991)	(234 108 580)
<b>Closing balance</b>	<b>-</b>	<b>3 194 991</b>

#### Unauthorised expenditure: Budget overspending – per municipal department:

Community services	-	3 194 991
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#### Recoverability steps taken/criminal proceedings

No disciplinary steps or criminal proceedings were instituted.

#### Disciplinary steps taken/criminal proceedings

No disciplinary steps or criminal proceedings were instituted.

#### Recoverability of unauthorised expenditure

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<b>50. Irregular expenditure</b>		
Opening balance as previously reported	50 579 907	358 022 607
Add: Irregular expenditure - current	40 817 493	51 660 649
Add: Irregular expenditure - prior period	-	40 151 565
Less: Amount written off - current	(78 003 780)	(399 254 914)
<b>Closing balance</b>	<b>13 393 620</b>	<b>50 579 907</b>

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### 50. Irregular expenditure (continued)

Incidents/cases identified/reported in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings		
Non compliance with regards to quotations	None taken	-	74 650
Bidding process not followed	None taken	10 333 775	1 194 002
Rates clearance not obtained	None taken	-	5 778 386
SCM process not followed	None taken	490 000	32 020 786
Non compliance with Section 112(1)(e) of the MFMA (Act 56 of 2003)	None taken	27 998 358	45 336 645
CIDB regulations not adhered to	None taken	757 022	3 785 110
Non compliance with regards to panel appointments	None taken	599 797	1 048 818
Non compliance with Section 29(5)(a) of the SCm regulations	None taken	-	847 136
Non compliance with Government gazette 46062 Remuneration of Upper Limits remuneration of Municipal Managers and Managers directly accountable to the Municipal Manager (Upper limits exceeded)	None taken	638 541	270 725
Unauthorised debit orders	None taken	-	1 187 015
Payments made on contracts where the contract amount was exceeded	None taken	-	268 942
		<b>40 817 493</b>	<b>91 812 215</b>

### Amount written-off

The Irregular expenditure was investigated by the MPAC and a recommendation was mad to Council on completion of the said investigations.

# Raymond Mhlaba Local Municipality

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## Notes to the Annual Financial Statements

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### 51. Fruitless and wasteful expenditure

Opening balance as previously reported	5 751 908	102 808 416
Add: Fruitless and wasteful expenditure identified - current	23 065 148	16 635 170
Add: Fruitless and wasteful expenditure identified - prior period	280 722	-
Less: Amount written off - current	(16 753 432)	(113 691 678)
<b>Closing balance</b>	<b>12 344 346</b>	<b>5 751 908</b>

The Irregular expenditure was investigated by the MPAC and a recommendation was mad to Council on completion of the said investigations.T

# Raymond Mhlaba Local Municipality

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### 51. Fruitless and wasteful expenditure (continued)

#### Details of fruitless and wasteful expenditure

	<b>Disciplinary steps taken/criminal proceedings</b>		
SARS -PAYE, UIF and SDL	None taken	1 861 715	3 931 108
Eskom	None taken	19 624 471	11 626 714
Auditor General	None taken	1 485 389	1 066 409
Other	None taken	374 296	10 939
		<b>23 345 871</b>	<b>16 635 170</b>

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### 51. Fruitless and wasteful expenditure (continued)

#### Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R 16 753 432 from the total fruitless and wasteful expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

	<b>Condoned by (Condoning authority)</b>	
Penalties and Interest - PAYE, UIF and SDL	1 841 097	2 652 461
Penalties and Interest - VAT	8 614	-
Interest on ESKOM Arrear Accounts	13 756 393	7 894 286
Interest on AGSA Arrear Account	1 147 328	563 460
	<b>16 753 432</b>	<b>11 110 207</b>

#### Recoverability steps taken/criminal proceedings

No disciplinary steps or criminal proceedings were instituted.ditional text

#### Disciplinary steps taken/criminal proceedings

No disciplinary steps or criminal proceedings were instituted.



# Raymond Mhlaba Local Municipality

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### 52. Deviation from supply chain management regulations

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.

Approved deviations from Supply Chain Management Regulations were identified on the following categories:

Deviations from the Supply Chain Management Regulations per Directorate:

Accounting Officer	-	91 009
Corporate Services	1 516 128	150 501
Technical Services	3 031 898	1 023 092
Community Services	188 876	35 396
	<b>4 736 902</b>	<b>1 299 998</b>

The reasons for the deviations can be summarised as follows:

	Emergency	Impractical	Sole Supplier	Total
Community services	188 876	-	-	188 876
Corporate services	-	353 963	1 162 166	1 516 129
Engineering services	2 916 323	-	115 575	3 031 898
	<b>3 105 199</b>	<b>353 963</b>	<b>1 277 741</b>	<b>4 736 903</b>

Deviations from the Supply Chain Management Regulations per Supplier:

Supplier	Emergency	Impractical	Sole Supplier	Total
Actom	302 910	-	115 575	418 485
ADC Energy	200 606	-	-	200 606
AM George T/A Akhona George & Associates	-	63 202	-	63 202
Andy Banz Trading (Pty) LTD	-	15 004	-	15 004
Bate Chubb & Associates Inc.	-	4 667	-	4 667
CFAO Motors	-	-	56 606	56 606
CONLOG	545 507	-	-	545 507
Duduzayo Investments	50 075	-	-	50 075
Eyabantu East London	89 310	-	-	89 310
Knicklebein Contractors	5 200	-	-	5 200
Landis and GYR	683 307	-	-	683 307
Lionel Mark Trichardt	-	75 000	-	75 000
M E Sulter and Son	28 900	-	-	28 900
Magula Erasmus Consulting Services	21 758	-	-	21 758
Malcom's Auto Engineering	-	11 131	-	11 131
Microsoft	-	-	1 085 596	1 085 596
Nutitype	988 750	-	-	988 750
Ondondela Trading Enterprise	64 000	-	-	64 000
Rob Pollock Photography & Framing	-	18 255	-	18 255
Tanci General Dealer	124 876	-	-	124 876
TFM Manufacturing	-	-	19 964	19 964
Wesley Pretorious Attorneys	-	166 704	-	166 704
	<b>3 105 199</b>	<b>353 963</b>	<b>1 277 741</b>	<b>4 736 903</b>

### 53. Trading with employees in service of the State

During the period under review, the municipality engaged with the following entities where spouses of suppliers are in service of the state (SCM 45):

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<b>53. Trading with employees in service of the State (continued)</b>		
N Tom - Siduli & Jama (Aunt)	-	78 450
<b>54. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government</b>		
Opening balance	11 681 128	9 404 408
Current year subscription / fee	2 248 759	2 276 720
	<b>13 929 887</b>	<b>11 681 128</b>
<b>Audit fees</b>		
Opening balance	17 551 626	12 713 273
Current year subscription / fee	7 491 800	6 058 027
Amount paid - current year	(10 510 337)	(1 552 014)
National Treasury Grant	(3 842 466)	(655 346)
RMDA Grant	1 365 790	987 686
	<b>12 056 413</b>	<b>17 551 626</b>
<b>PAYE and UIF</b>		
Opening balance	7 705 194	7 483 294
Payments due to SARS	32 430 432	32 756 727
Interest and penalties	1 853 101	3 931 096
Amount paid - previous years	(39 696 826)	(36 465 923)
	<b>2 291 901</b>	<b>7 705 194</b>
<b>Pension and Medical Aid Deductions</b>		
Opening balance	38 542	-
Payments due to pension fund and medical aid	44 186 152	43 122 333
Amount paid - current year	(44 224 694)	(43 083 791)
	-	<b>38 542</b>
<b>VAT</b>		
VAT payable	(22 076 659)	(38 510 378)

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

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

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### 54. 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 30 June 2023:

30 June 2023	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor N N Yanta	1 283	49 262	50 545
Councillor P Ntengu	1 026	22 649	23 675
Councillor M Mahleza	1 450	33 240	34 690
Councillor CA Auld	1 776	9 265	11 041
	<b>5 535</b>	<b>114 416</b>	<b>119 951</b>

30 June 2022	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor CA Auld	-	4 385	4 385
Councillor NS Sango	-	13 936	13 936
Councillor M Mahleza	-	29 825	29 825
Councillor S Mjakuca	-	29 767	29 767
Councillor E Lombard	-	1 690	1 690
Councillor YN Nomaswerha	-	47 403	47 403
Councillor P Ntengu	-	20 306	20 306
	-	<b>147 312</b>	<b>147 312</b>

### 55. Accounting by principals and agents

The Municipality is a party to a principal-agent arrangement.

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### 55. Accounting by principals and agents (continued)

Details of the arrangement are as follows: Details of the arrangement are as follows:

#### Department of Transport

The municipality is the agent for the Department of Transport.

##### 1. Motor Vehicle Registration

The Municipality undertakes to handle Motor Vehicle licence issuing on behalf of the Department of Transport and collects a commission of 19% plus VAT. The municipality collects motor registration fees on behalf of Provincial Administration. Payments are made monthly based on the eNatis reports. Agency fees to the value of 19% plus VAT is withheld from the payment to the Province.

##### 2. Drivers Licence Applications

The municipality undertakes to handle Drivers licence applications on behalf of the Department of Transport. The value of application fees is determined by the Provincial administration. The municipality recognise all fees collected as agency fees.

##### 3. Drivers Licence cards.

The municipality undertakes to issue Drivers licence cards on behalf of the Department of Transport. The municipality collect all application fees on behalf of Provincial Administration behalf of the Department of and recognise the revenue as agency fees. The cost for the production of a drivers licence card, for each successful applicant, is paid by the Municipality to the service provider appointed by Provincial Administration based on an invoice of RTMC (Road Traffic Management Company).

#### Provincial Department of Human Settlements

Administration of the upgrading of informal settlements.

The Human settlements Department has an agreement with the municipality to administer the process for building of houses for third parties in terms of Chapter 3 of the National Housing Code. For the year under review Raymond Mhlaba Municipality was the Agent for the following housing projects: UPGRADING OF INFORMAL SETTLEMENT IN RAYMOND MHLABA MUNICIPALITY.

Raymond Mhlaba Municipality does not have the power to determine the significant terms and conditions of the transactions, Department of Human Settlements is responsible for the construction of houses and is responsible for preparing contracts and project agreements and Appointing contractors for housing development.

Raymond Mhlaba Municipality, is only the fund administrator, therefore Raymond Mhlaba Municipality does not have the ability to use resources from the transactions substantially for its own benefit.

Department of Human Settlement is responsible for fulfilling the rights and obligations under the contractual arrangement entered into with contractors and/or other service providers. Thus, Raymond Mhlaba Municipality is not exposed to variability in the result of the transactions

#### Provincial Department of Roads.

Paving of Healdtown Access Road

The municipality is acting as an implementing agent for the construction of Healdtown Access Road for the Department of Roads. The municipality does not earn any commission from the implementing the abovementioned contract. No Commission is received by the municipality from this arrangement

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### 55. Accounting by principals and agents (continued)

#### Entity as agent

#### Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R5 377 607 (2022: R4 744 229).

#### Liabilities and corresponding rights of reimbursement recognised as assets

Liabilities incurred on behalf of the principal(s) that have been recognised by the entity have a net effect of R 4 143 727 ( 2022: 53 167) that is still owed by the municipality and will be paid over to the Department of Transport in the new financial year.

#### Additional information

#### Revenue and expenses that relate to transactions with third parties undertaken in terms of the principal-agent arrangement

Categories	Additional details
Provincial Department of Human Settlements	R 125 245 971
Provincial Department of Roads	-
Provincial Department of Transport	R 15 550 692

#### Amount of revenue received on behalf of the principal during the reporting period

Provincial Department of Human Settlements	125 245 971	1 579 860
Provincial Department of Roads	-	16 000 000
Provincial Department of Transport	15 550 692	9 636 951
	<b>140 796 663</b>	<b>27 216 811</b>

#### Receivables and/or payables recognised based on the rights and obligations established in the binding arrangement(s)

#### Reconciliation of the carrying amount of payables

#### Provincial Department of Roads

Opening balance	53 167	-
Revenue collected on behalf of the Department	15 550 692	9 636 951
Commissions earned on collections	(5 367 825)	(5 738 779)
Amounts transferred to the principal	(6 092 307)	(3 845 005)
	<b>4 143 727</b>	<b>53 167</b>

The municipality is acting as a collecting agent licensing of motor vehicles for the Department of Roads. The municipality earns a commission of 19% on monies collected.

#### Provincial Department of Roads

Opening balance	9 294 024	14 743 590
Expenses incurred on behalf of the principal	-	16 000 000
Cash paid on behalf of the principal	(7 621 850)	(21 449 566)
	<b>1 672 174</b>	<b>9 294 024</b>

The municipality is acting as an implementing agent for the construction of Healdtown Access Road for the Department of Roads. The municipality does not earn any commission from the implementing the abovementioned contract. No Commission is received by the municipality from this arrangement.

#### Human Settlement

Expenses incurred on behalf of the principal	125 245 971	1 579 860
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### 55. Accounting by principals and agents (continued)

Cash paid on behalf of the principal

(125 245 971)

(1 579 860)

-

-

In March 2021 the department of Human Settlements entered into service level agreement with the Raymond Mhlaba Municipality where the municipality would be implementing agents of the department for the purpose of unblocking historically blocked projects within the Raymond Mhlaba Local Municipality. No Commission is received by the municipality from this arrangement.

### All categories

Opening balance

9 347 191

14 743 590

Expenses incurred on behalf of the principal

140 796 663

27 216 811

Cash paid on behalf of the principal

(138 235 646)

(28 768 205)

Amounts transferred to the principal

(6 092 307)

(3 845 005)

**5 815 901**

**9 347 191**

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### 56. Contingencies

The municipality were exposed to the following contingent liabilities at year end:

#### Contingent Liabilities

Coega Packaging / Raymond Mhlaba Local Municipality	4 800 000	4 000 000
IMATU obo Nomnqa / Raymond Mhlaba Local Municipality	606 485	-
Wayne Channon / Raymond Mhlaba Local Municipality	5 444 764	-
Vivienne Buyiswa obo Vuyisa Mhlana / Raymond Mhlaba Local Municipality	5 700 000	-
Nqagwana Trading (Pty) LTD / Raymond Mhlaba Local municipality	731 739	-
Peugair Border CC / Raymond Mhlaba Local Municipality	483 626	-
	<b>17 766 614</b>	<b>4 000 000</b>

#### Peugair Border CC / Raymond Mhlaba Local Municipality

This is a matter whereby the plaintiff claims that payments of an amount R483 626.09 in respect of repairs to municipality vehicles.

Contingent liability is estimated at R483 626.09 and estimated legal costs are R150 000.00

#### Nqagwana Trading (Pty) LTD / Raymond Mhlaba Local Municipality, Grahamstown High Court Case No.4541 / 2016

This is a matter whereby the Plaintiff's claim an amount of R731 739.00 against the municipality in respect of a service level agreement.

Estimated contingent liability is R731 739.00 and legal fees are estimated at R200 000.00

#### Inzalo Enterprise / Raymond Mhlaba Local Municipality

This is a tender dispute which is ongoing. The likely financial impact cannot be determined at this and the legal fees are estimated at R50 000.00.

#### Coega Packaging / Raymond Mhlaba Local Municipality

Coega packing approached the court for a claim of R4,8 million for a land invaded by the residents of Newtown and used for burial and the applicant obtained a default judgement. An application for the rescission of the judgment was proceeded with, unsuccessfully and the rescission was appealed against.

The appeal was argued on 18 July 2023 and judgment awaited.

#### IMATU obo Nomnqa / Raymond Mhlaba Local Municipality

IMATU obo Nomnqa / Raymond Mhlaba Local Municipality - Labour Court Case. The municipality launched an application to review and set aside the arbitration award.

#### Wayne Channon / Raymond Mhlaba Local Municipality

Wayne Channon / Raymond Mhlaba Local Municipality - Labour court case. The applicant referred a claim for damages to the Labour Court for unfair discrimination.

#### Vivienne Buyiswa obo Vuyisa Mhlana / Raymond Mhlaba Local Municipality

Vivienne Buyiswa obo Vuyisa Mhlana / Raymond Mhlaba Local Municipality - High COurt Case. The plaintiff instituted an action against the municipality on behalf of her minor child for damages resulting from the electrocution of the minor child from an open electricity transformer.

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### 57. Related parties

Relationships

Accounting Officer

Members of key management

Refer to accounting officers' report note

Ms U Malinzi (Municipal Manager)

Mr M Ngxowa (Chief Financial Officer)

Mr D Mlenzana (Director Technical Services)

Dr L Hanabe (Director Strategic Services)

All rates, services and other charges in respect of related parties are in accordance with approved tariffs that were advertised to the public. No impairment charge has been recognised in respect of amounts owed by related parties.

There are no loans outstanding to any related parties. Since 1 July 2004 loans to councillors and senior management employees are not permitted.

Remuneration of related parties are disclosed in notes 28 and 29.

### Raymond Mhlaba Economic Development Agency

The municipality owns a 100% stake in the Raymond Mhlaba Economic Development Agency. The municipality provides grants to the agency to assist with the operations of the entity as well as to settle the audit fees payable to the Auditor General.

The municipality owns the buildings which are occupied and utilised by the entity at no consideration.

### Related party balances

#### Amounts included in Trade Payable regarding related parties

Raymond Mhlaba Economic Development Agency

53 772

-

There were no guarantees given in relation to the above balance.

### Related party transactions

#### Purchases from related parties

Raymond Mhlaba Economic Development Agency

53 772

-

In the current financial year, the municipality bought consumables (building blocks) from REMDA to use in a project. The consumables were bought at cost price to REMDA.

### 58. Segment information

#### General information

#### Identification of segments

The segments were organised based on the type and nature of services delivered by the municipality. These services are delivered in various municipal departments, which for reporting purposes are allocated to a standardised functional area (guided by mSCOA regulations). Budgets are prepared for each functional area and the budget versus actual amounts are reported on a monthly basis. Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.



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### 58. Segment information (continued)

#### Aggregated segments

Although the Municipality operates in a number of geographical areas (i.e towns), the geographical information is not considered relevant to management for decision-making. The goods and services provided to the community throughout the entire municipal area are based on similar tariffs and service standards. Therefore, the Municipality has assessed that it operates in a single geographical area..

#### Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

#### Reportable segment

Public safety

Waste management

Energy sources

#### Goods and/or services

Traffic control and law enforcement

Refuse removal and landfill sites

Electricity services

# Raymond Mhlaba Local Municipality

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### 58. Segment information (continued)

#### Segment surplus or deficit, assets and liabilities

2023

	Energy sources	Solid waste removal	Law enforcement	Eliminations	Total
<b>Revenue</b>					
Service charges	59 582 175	37 981 281	-	16 983 018	114 546 474
Rental of facilities	-	-	-	806 563	806 563
Interest received - receivables from exchange transactions	4 699 646	11 561 874	-	-	16 261 520
Licences and permits	-	-	709 933	-	709 933
Commissions received	-	-	4 667 674	-	4 667 674
Discount received	-	-	-	11 540 891	11 540 891
Other income	-	-	137 087	1 161 832	1 298 919
Interest earned - external investments	-	-	-	2 465 640	2 465 640
Property rates	-	-	-	107 715 326	107 715 326
Government grants and subsidies	1 827 875	-	-	269 791 928	271 619 803
Public contributions and donations	2 933 885	2 250 000	-	-	5 183 885
Fines, penalties and forfeits	-	-	371 570	-	371 570
Interest from property rates	-	-	-	20 815 336	20 815 336
<b>Total segment revenue</b>	<b>69 043 581</b>	<b>51 793 155</b>	<b>5 886 264</b>	<b>431 280 534</b>	<b>558 003 534</b>
<b>Entity's revenue</b>					<b>558 003 534</b>

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	Energy sources	Solid waste removal	Law enforcement	Eliminations	Total
<b>58. Segment information (continued)</b>					
<b>Expenditure</b>					
Employee related costs	(10 408 839)	(19 624 559)	(44 887 608)	(134 046 711)	(208 967 717)
Remuneration of councillors	-	-	-	(18 842 243)	(18 842 243)
Depreciation and amortisation	(3 563 174)	(1 201 462)	-	(18 591 619)	(23 356 255)
Finance costs	(19 624 471)	(3 754 000)	-	(5 959 639)	(29 338 110)
Debt Impairment	-	9 111 552	-	251 755	9 363 307
Bulk purchases	(78 604 822)	-	-	-	(78 604 822)
Contracted services	(3 654 202)	(2 164 525)	-	(10 343 199)	(16 161 926)
Transfers and Subsidies	-	-	-	(2 865 790)	(2 865 790)
General Expenses	(9 772 665)	(611 578)	(1 574 066)	(53 097 369)	(65 055 678)
Fair value adjustments	-	-	-	1 062 150	1 062 150
Actuarial loss	-	-	-	2 887 521	2 887 521
Impairment loss	-	-	-	(2 584 505)	(2 584 505)
Loss on disposal of assets	-	-	-	(169 755)	(169 755)
<b>Total segment expenditure</b>	<b>125 628 173</b>	<b>18 244 572</b>	<b>46 461 674</b>	<b>242 299 404</b>	<b>432 633 823</b>
<b>Total segmental surplus/(deficit)</b>	<b>(56 584 592)</b>	<b>33 548 583</b>	<b>(40 575 410)</b>	<b>188 981 130</b>	<b>125 369 711</b>
<b>Assets</b>					
Cash and cash equivalents	-	-	-	7 973 419	7 973 419
Receivables from exchange transactions	68 481 087	210 673 589	-	(97 552 538)	181 602 138
Receivables from non exchange transactions	-	346 200	-	205 904 828	206 251 028
VAT receivable	(5 003 970)	1 997 608	-	39 000 777	35 994 415
Investment properties	-	-	-	20 671 700	20 671 700
Property plant and equipment	88 019 527	24 543 491	-	664 371 303	776 934 321
Intangible assets	-	-	-	444 300	444 300
Heritage assets	-	-	-	70 000	70 000
<b>Total segment assets</b>	<b>151 496 644</b>	<b>237 560 888</b>	<b>-</b>	<b>840 883 789</b>	<b>1 229 941 321</b>
<b>Total assets as per Statement of financial Position</b>					<b>1 229 941 321</b>

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	Energy sources	Solid waste removal	Law enforcement	Eliminations	Total
<b>58. Segment information (continued)</b>					
<b>Liabilities</b>					
Payables from non exchange transactions	-	-	-	(1 672 174)	(1 672 174)
Payables from exchange transactions	(318 135 509)	(30 686 952)	(2 834 134)	(114 723 461)	(466 380 056)
Financial liabilities	-	-	-	(208 815)	(208 815)
Unspent conditional grants	(125)	-	-	(1 106 913)	(1 107 038)
Current liabilities - Employee benefit obligation	(1 284 835)	(1 839 770)	(5 448 881)	(16 450 113)	(25 023 599)
Current liabilities - Provisions	-	(23 422 573)	-	-	(23 422 573)
Non current liabilities - employee benefits	-	-	-	(44 459 000)	(44 459 000)
Non current liabilities - Provisions	-	(48 893 073)	-	-	(48 893 073)
<b>Total segment liabilities</b>	<b>(319 420 469)</b>	<b>(104 842 368)</b>	<b>(8 283 015)</b>	<b>(178 620 476)</b>	<b>(611 166 328)</b>
<b>Total liabilities as per Statement of financial Position</b>					<b>(611 166 328)</b>

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

#### 2022

	Energy sources	Solid waste removal	Law enforcement	Eliminations	Total
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# Raymond Mhlaba Local Municipality

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### 58. Segment information (continued)

#### Revenue

Service charges	73 622 723	38 076 306	-	-	111 699 029
Rental of facilities and equipment	-	-	-	580 288	580 288
Interest received - receivables from exchange transactions	3 577 525	8 068 826	-	-	11 646 351
Commissions received	-	-	4 744 229	-	4 744 229
Discount received	-	-	-	2 703 701	2 703 701
Other income	-	-	2 466 296	5 952 715	8 419 011
Interest received - investment	-	-	-	1 955 766	1 955 766
Government grants and subsidies	-	-	-	239 354 284	239 354 284
Property rates	-	-	-	95 847 291	95 847 291
Fines, penalties and forfeits	-	-	140 778	-	140 778
Interest received - Property rates	-	-	-	25 901 792	25 901 792
<b>Total segment revenue</b>	<b>77 200 248</b>	<b>46 145 132</b>	<b>7 351 303</b>	<b>372 295 837</b>	<b>502 992 520</b>

#### Entity's revenue

**502 992 520**

#### Expenditure

Employee related costs	(10 293 813)	(20 546 583)	(43 684 082)	(129 816 687)	(204 341 165)
Remuneration of councillors	-	-	-	(18 311 510)	(18 311 510)
Depreciation and amortization	(3 661 297)	(1 077 898)	-	(25 128 482)	(29 867 677)
Finance costs	(11 626 714)	(2 596 000)	-	(7 151 036)	(21 373 750)
Debt impairment	(2 314 691)	165 821 665	-	(65 998 622)	97 508 352
Bulk purchases	(81 615 368)	-	-	-	(81 615 368)
Contracted services	(34 603 647)	(2 093 990)	-	(18 203 937)	(54 901 574)
Transfers and subsidies	-	-	-	(2 509 425)	(2 509 425)
General expenditure	(9 133 229)	(2 138 619)	(467 078)	(43 376 452)	(55 115 378)
Fair value adjustments	-	-	-	752 979	752 979
Actuarial gains / (losses)	-	-	-	(2 807 311)	(2 807 311)
Impairment loss	-	-	-	(643 900)	(643 900)
Loss on sale of assets	-	-	-	(2 509 069)	(2 509 069)
<b>Total segment expenditure</b>	<b>153 248 759</b>	<b>(137 368 575)</b>	<b>44 151 160</b>	<b>315 703 452</b>	<b>375 734 796</b>
<b>Total segmental surplus/(deficit)</b>	<b>(76 048 511)</b>	<b>183 513 707</b>	<b>(36 799 857)</b>	<b>56 592 385</b>	<b>127 257 724</b>

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

	Energy sources	Solid waste removal	Law enforcement	Eliminations	Total
<b>58. Segment information (continued)</b>					
<b>Assets</b>					
Cash and cash equivalents	-	-	-	16 057 681	16 057 681
Receivables from exchange transactions	52 521 544	78 957 113	-	2 171 125	133 649 782
Receivables from non exchange transactions	-	-	-	125 631 218	125 631 218
Vat	1 012 850	1 997 608	-	44 204 051	47 214 509
Investment property	-	-	-	19 720 850	19 720 850
Property plant and equipment	89 648 933	23 274 406	-	630 523 082	743 446 421
Intangible assets	-	-	-	961 846	961 846
Heritage assets	-	-	-	70 000	70 000
<b>Total segment assets</b>	<b>143 183 327</b>	<b>104 229 127</b>	<b>-</b>	<b>839 339 853</b>	<b>1 086 752 307</b>
<b>Total assets as per Statement of financial Position</b>					<b>1 086 752 307</b>
<b>Liabilities</b>					
Payables from non exchange transactions	-	-	-	9 294 024	9 294 024
Payables from exchange transactions	260 971 644	30 686 952	-	164 432 856	456 091 452
Current liabilities - Employee benefits	946 582	1 767 234	5 013 221	15 324 091	23 051 128
Current liabilities - Finance lease obligation	-	-	-	444 517	444 517
Unspent conditional Grants	-	-	-	1 113 375	1 113 375
Current liabilities - provisions	-	14 447 634	-	-	14 447 634
Non current liabilities - Employee benefit obligations	-	-	-	39 803 000	39 803 000
Non current liabilities - Finance lease	-	-	-	208 815	208 815
Non current liabilities - Provisions	-	-	-	48 893 073	48 893 073
<b>Total segment liabilities</b>	<b>261 918 226</b>	<b>46 901 820</b>	<b>5 013 221</b>	<b>279 513 751</b>	<b>593 347 018</b>
<b>Total liabilities as per Statement of financial Position</b>					<b>593 347 018</b>

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 58. Segment information (continued)

	Energy sources	Solid waste removal	Law enforcement	Community and social services	Road transport	Sport and recreation	Energy sources	Waste management
<b>Other information</b>								
Capital expenditure (excluding additions to financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts)	3 306 055	1 481	2 068	609 732	49 961 956	112 296	18 488 136	8 613 429

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

### Measurement of segment surplus or deficit, assets and liabilities

### Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies, except that pension expense for each segment is recognised and measured on the basis of cash payments to the pension plan.

### 59. Budget differences

### Material differences between budget and actual amounts

Budget variances are considered significant when they are above 15% of the budget amount. Below are explanations for the material variances:

#### Statement of Financial Position

##### Inventories

No Inventory was held by the municipality.

##### Receivables from Exchange

Receivables are higher than budget due to change of calculating impairment, the impairment has now decreased.

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

2023

2022

### 59. Budget differences (continued)

VAT Recievable

VAT Recievable is more than the budget as vat claims were lesser than anticipated due to lower expenditure amounts.

Receivables from Non-Exchange

Recievables are higher than budget due to change of calculating impairment, the impairment has now decreased.

Cash and Cash Equivalents

A decrease in cash due to more payments being made to arrear debts and current creditors.

Investment Properties

Difference is due to Fair values attached to these assets as these cannot be known before hand.

Property Plant and Equipment

Movement due to asset additions and depreciation which is difficult to estimate.

Intangibe Assets

Difference is due to no additional Intangibles purchased and the only movement relates to amortization.

Finance Lease Obligation

No additional lease were undertan in the current year.

Payables from Exchange

Amount exceeds budget due to the increase in Eskom debt resulting from interest charges.

VAT Payable

Vat has been explained above.

Consumer Deposits

Consumer deposits has been recorded under payables from exchange

Employee Benefit Obligation

Not budgeted due to the municipality not fully budgeting for balance sheet budget.

Unspent Conditional Grants

Varaince normal as there were no unspent National Grants.

Provisions



# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

2023

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### 59. Budget differences (continued)

Budget was based on prior year AFS and the difference is therefore acceptable.

#### Statement of Financial Performance

##### Services Charges

There were new refuse accounts that were picked up and billed in the current year that were not previously billed and budgeted.

##### Rental of Facilities

More revenue was generated as a result of increased in rentals of municipal properties.

##### Interest received

variance considered as reasonable

##### Licence and Permits

The Agency amount as well as licence and fees revenue were budgeted under one budget in the MTREF hence the under collection under licence and permits and over collection under commission received below.

##### Commission received

This line item was budgeted under licences and permits see explanation above.

##### Discount Received

Discount received relates to ADM accounts that have been written off/discounted by ADM.

##### Sale of Goods and rendering of Services

This line item transactions have been recorded under Other Income

##### Other Income

The overbudget is due to the VAT refunds being budgeted under this line in the MTREF budget.

##### Interest Investment

variance considered as reasonable

##### Property Rates

variance considered as reasonable

##### Government grants

Difference immaterial and is due to the Provincial grants not being fully spent as planned and budgeted for.

##### Public Contributions and donations

These were donated assets from other organs of state that were not planned and therefore not budgeted for.

##### Fines

Amount exceeds the budget due to more operations being held by law enforcement.

##### Employee related Costs

# Raymond Mhlaba Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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2023

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### 59. Budget differences (continued)

Amount underbudgeted due to not aligning the employee costs budget to the mSCOA budgeting (nature of expenditure)

Remuneration of Councillors

Amount considered reasonable and due to changes in councillors due to District deployment of other councillors.

Depreciation and Amortization

Budget was based on prior year audited figures, however impairment of assets and most additions being still under WIP resulted in the lower spending.

Impairment Loss

Impairment Loss was not budgeted as it was not incurred in the prior year.

Finance Costs

More finance costs were incurred due to the growing Eskom debt and not arrangement being in place currently.

Debt Impairment

Lesser debt impairment was calculated due to change in the accounting policy being used for calculation of debt impairment.

Bulk purchases

Lesser amount incurred due to ongoing electricity cuts

Contracted Services

Lesser amount incurred in current year due to cost containment measures and prioritization of old debt settlement.

Transfer and Subsidy

Difference considered reasonable and based on operational needs of the Agency (RMEDA)

General Expenses

The overspending due to reclassification of expenditures between other expenditure line items, for which the budget was appropriated.

Fair value adjustment

The Fair value adjustment was budgeted under other income.

Actuarial gains/losses

Budgeted under other income

Loss on sale of assets

Not budgeted as the sale was not planned.

### Statement of Cash Flows

Taxation (Rates)

Higher than budgeted due to Government departments making payments towards current and arrear debts.

Sale of Goods and services

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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Figures in Rand

2023

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### 59. Budget differences (continued)

Lesser amount collected due to low collection rates on Refuse than expected.

#### Grants

Amount budgeted was lower than the actual grants payments due to incorrect budgeting.

#### Interest Income

Interest was not budgeted for as all revenue was budgeted under sale of other receipts

#### Other Receipts

Amount collected exceeded the budget as other line items are reported under this line item.

#### Employee Costs and Payments to Suppliers

Differences are due to savings realised from some of the expenditure line items.

#### Finance Costs

Savings due to lower paid interest for late payments.

#### Transfer and Subsidies

Amount transferred was lower than budgeted due to limited activity at the Development Agency.

#### Property Plant and Equipment

Variance Immaterial as additions are funded by Grants

#### Finance Lease Payments

Payments are budgeted for under payments to suppliers.

# RAYMOND MHLABA LOCAL MUNICIPALITY

## APPENDIX B (UNAUDITED)

### DISCLOSURE OF GRANTS AND SUBSIDIES FOR THE YEAR ENDING 30 JUNE 2022

	OPENING BALANCE	APPROVED ROLL-OVER	GRANTS RECEIVED	TRANSFERRED TO REVENUE (OPERATING)	TRANSFERRED TO REVENUE (CAPITAL)	CLOSING BALANCE
	R		R	R	R	R
<b>NATIONAL GOVERNMENT</b>						
Equitable Share	-		204 622 000,00	204 622 000,00		-
Municipal Finance Management Grant	-		2 850 000,00	2 850 000,00		-
Municipal Infrastructure Grant	-		54 003 000,00	2 045 741,79	51 957 258,21	-
Expanded Public Works Program	-		2 838 000,00	2 838 000,00		-
Integrated National Electrification Programme (INEP)		-	1 828 000,00	-	1 827 875,46	124,54
LG-SETA	-		225 269,80	225 269,80		-
National Treasury Audit Fees Grant	-		3 842 466,37	3 842 466,37		-
<b>Total National Government Grants</b>	<b>-</b>	<b>-</b>	<b>270 208 736,17</b>	<b>216 423 477,96</b>	<b>53 785 133,67</b>	<b>124,54</b>
<b>PROVINCIAL GOVERNMENT</b>						
Housing Disaster Grant	9 474,00		-			9 474,00
Library Grant	-		1 650 000,00	1 650 000,00		-
OTP Alice Revitalisation	162,00		-			162,00
DDEAT - Mining Projects	77 000,00		-			77 000,00
ECDLGTA - Greening and Beautification	707 664,00		-			707 664,00
LSDf - Middledrift Spatial Development	147 392,00		-			147 392,00
Allien plant removal - EPWP	69 120,00			6 461,84		62 658,16
Quarry Mining Grant	102 563,00		-			102 563,00
<b>Total Provincial Government Grants</b>	<b>1 113 375</b>	<b>-</b>	<b>1 650 000</b>	<b>1 656 462</b>	<b>-</b>	<b>1 106 913</b>
<b>ALL SPHERES GOVERNMENT</b>	<b>1 113 375</b>		<b>271 858 736</b>	<b>218 079 940</b>	<b>53 785 134</b>	<b>1 107 038</b>



# RAYMOND MHLABA LOCAL MUNICIPALITY (Cons.)

Audit Report

*For the year ended 30 June 2023*



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

# Report of the auditor-general to Eastern Cape Provincial Legislature and Council on Raymond Mhlaba Local Municipality

## Report on the audit of the consolidated and separate financial statements

### Qualified opinion

1. I have audited the consolidated and separate financial statements of the Raymond Mhlaba Local Municipality set out on pages xx to xx, which comprise the consolidated and separate statement of financial position as at 30 June 2023, consolidated and separate statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the consolidated and separate financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects and possible effects of matters described in the basis for qualified opinion section of this auditor's report, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the Raymond Mhlaba Local Municipality as at 30 June 2023 and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and Division of Revenue Act 5 of 2022 (Dora).

### Basis for qualified opinion

#### Receivables from exchange transaction

3. I was unable to obtain sufficient appropriate audit evidence that management had properly accounted for receivables from exchange transaction and related allowance for impairment, due to the status of the accounting records and unreconciled differences between the general ledger and the age analysis. I was unable to confirm these receivables by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to gross balance for receivables from exchange transaction and allowance for impairment stated at R409 million and R227,4 million, respectively, in note 5 to the consolidated and separate financial statements.

#### Payables from exchange transaction – payment received in advanced

4. I was unable to obtain sufficient appropriate audit evidence that payments received in advanced for the current year had been properly accounted for, due to the status of the accounting records. I was unable to confirm whether all the payments received in advanced were recorded by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to payment received in advanced stated at R17,2 (2022: R31,3 million) in note 15 to the consolidated and separate financial statements, respectively.



## Revenue from exchange transaction – service charges

5. Service charges revenue was not recognised as required by GRAP 9, *Revenue from exchange transactions*. Properties were identified for which service charges were incorrectly billed and recorded. I was unable to determine the full extent of the overstatement of service charges, stated at R114,5 million in note 23 to the consolidated and separate financial statements, and the related receivable from exchange transactions, stated at R409 million in note 5 to the consolidated and separate financial statements, as it was impracticable to do so.

## Irregular expenditure

6. The municipality did not properly account for the write-off of irregular expenditure. The amount written off in the financial statements does not agree with the amount in the investigation report and amount approved by the council, which resulted in irregular expenditure written off being understated by R36,3 million, as disclosed in note 56 to the consolidated and separate financial statements.
7. Furthermore, not all the irregular expenditure incurred during the current financial year under audit and related information on irregular expenditure were not included in the notes to the financial statements, as required by section 125(2)(d) of the MFMA. Expenditure was incurred in contravention of the supply chain management requirements, resulting in irregular expenditure. I was unable to determine the full extent of the irregular expenditure amount of R17,7 million (2022: R54,9 million) disclosed in note 56 to the consolidated and separate financial statements.

## Net cash flows from operating activities

8. Net cash flows from operating activities was not correctly prepared and disclosed, as required by GRAP 2, *Cash flow statements*. This was due to multiple errors in determining cash flows from operating activities. I was not able to determine the full extent of the errors in the net cash flows from operating activities, as it was impracticable to do so. Consequently, I was unable to determine whether any adjustments were necessary to cash flows from operating activities as stated at R43,6 million in the financial statements.

## Context for opinion

9. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the consolidated and separate financial statements section of my report.
10. 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.

11. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **Material uncertainty relating to going concern**

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

13. I draw attention to note 53 in the consolidated and separate financial statements, which indicates that the municipality's current liabilities at the end of the period end exceeded the current assets, which could result in the municipality being unable to settle all of its liabilities. This situation, along with other matters as set forth in note 53, indicates the existence of a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern.

### **Emphasis of matters**

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

#### **Electricity losses**

15. As disclosed in note 40 to the consolidated and separate financial statements, material electricity losses of R11,6 million (2022 R11,1 million) were incurred, which represent 17% (2022: 9%) of total electricity purchased. This was due to non-technical losses.

#### **Restatement of corresponding figures**

16. As disclosed in note 50 to the consolidated and separate financial statements, the corresponding figures for 30 June 2022 were restated as a result of errors in the financial statements of the municipality at, and for the year ended, 30 June 2023.

### **Other matter**

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

#### **Unaudited disclosure note**

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 consolidated and separate 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 consolidated and separate financial statements**

18. The accounting officer is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with the GRAP and the requirements of the MFMA; and for such internal control as the accounting officer determines is



necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

19. In preparing the consolidated and separate financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

### **Responsibilities of the auditor-general for the audit of the consolidated and separate financial statements**

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

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

22. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected development priorities presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.
23. I selected the following development priority presented in the annual performance report for the year ended 30 June 2023 for auditing. I selected a development priority that measures the municipality's performance on its primary mandated functions and that are of significant national, community or public interest.

<b>Development priority</b>	<b>Page numbers</b>	<b>Purpose</b>
Basic service delivery	XX	Service delivery

24. I evaluated the reported performance information for the selected development priority against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it

provides useful and reliable information and insights to users on the municipality's planning and delivery on its mandate and objectives.

25. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the municipality's mandate and the achievement of its planned objectives
- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner
- there is adequate supporting evidence for the achievements reported and for the reasons provided for any measures taken to improve performance.

26. I performed the procedures for the purpose of reporting material findings only and not to express an assurance opinion or conclusion.

27. I did not identify any material findings on the reported performance information for the development priority.

### **Other matter**

28. I draw attention to the matters below.

#### **Achievement of planned targets**

29. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- and underachievement's/measures taken to improve performance.

#### **Material misstatements**

30. I identified material misstatements in the annual performance report submitted for auditing. Management subsequently corrected all the misstatements and I did not include any material findings in this report.



## Report on the audit of compliance with legislation

31. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting officer is responsible for the municipality's compliance with legislation.
32. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
33. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the municipality, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
34. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

### Annual financial statements and annual reports

35. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of non-current assets, liabilities, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and/or the supporting records were provided subsequently, but the uncorrected material misstatements and/or supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

### Revenue management

36. An effective system of internal control for debtors was not in place, as required by section 64(2)(f) of the MFMA.

### Expenditure management

37. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
38. An adequate management, accounting and information system was not in place which recognised expenditure when it was incurred and accounted for, as required by section 65(2)(b) of the MFMA.
39. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The expenditure disclosed does not reflect the full extent of the irregular expenditure incurred, as indicated in the basis for qualification paragraph. The majority of the disclosed irregular expenditure was caused by non-compliance with SCM regulations.

Reasonable steps were not taken to prevent fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA. The expenditure disclosed does not reflect the full extent of the fruitless and wasteful expenditure incurred as indicated in the basis for qualification paragraph. The majority of the disclosed fruitless and wasteful expenditure was caused by interest and penalties.

### **Consequences management**

40. Unauthorised expenditure incurred by the municipality was not investigated to determine if any person was liable for the expenditure, as required by section 32(2)(a) of the MFMA.
41. Unauthorised expenditure were certified by the council as irrecoverable without having conducted an investigation to determine the recoverability of the expenditure, in contravention of section 32(2)(a)(ii) of the MFMA.

### **Assets management**

42. An adequate management, accounting and information system, which accounts for assets, was not in place, as required by section 63(2)(a) of the MFMA.

### **Strategic planning and performance management**

43. The performance management system and related controls were not maintained or were inadequate as it did not describe how the performance planning, monitoring, measurement, review and reporting processes should be conducted and managed, as required by municipal planning and performance management regulation 7(1).

### **Procurement and contract management**

44. Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of SCM regulation 17(1)(a) and (c).
45. Some of the goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM regulation 36(1).
46. Some of the quotations were awarded to bidders based on preference points that were not allocated and calculated in accordance with the requirements of section 2(1)(a) of the Preferential Procurement Policy Framework Act and its regulations.
47. Some of the construction contracts were awarded to contractors that were not registered with the CIDB and/or did not qualify for the contract in accordance with section 18(1) of the CIDB Act and CIDB regulations 17 and 25(7A).
48. Invitation to tender for procurement of commodities designated for local content and production, did not stipulated the minimum threshold for local production and content as required by the 2017 Preferential Procurement Regulation 8(2).



49. Commodities designated for local content and production, were procured from suppliers who did not submit a declaration on local production and content as required by the 2017 preferential procurement regulation 8(5).

#### Other information in the annual report

50. The accounting officer is responsible for the other information included in the annual report. The other information referred to does not include the consolidated and separate financial statements, the auditor's report and those selected development priorities presented in the annual performance report that have been specifically reported on in this auditor's report.
51. My opinion on the consolidated and separate financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
52. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the consolidated and separate financial statements and the selected development priorities presented in the annual performance report or my knowledge obtained in the audit or otherwise appears to be materially misstated.
53. If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report this. I have nothing to report in this regard.

#### Internal control deficiencies

54. I considered internal control relevant to my audit of the consolidated and separate financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
55. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion and the material findings on compliance with legislation included in this report.
56. A lack of performing in-year reporting and monitoring, which resulted in additional significant material misstatements in the financial statements when compared to the prior year.
57. Inadequate monitoring of compliance with legislation applicable to the municipality in relation to irregular expenditure.
58. Inadequate reviews and performing timely and accurate year-end reporting and monitoring resulted to significant material misstatements in the financial statements.
59. Inadequate proper record keeping and document control.
60. A lack of independent reviews and reconciling of accounting records.

## Material irregularities

61. 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 material irregularities as previously reported in the auditor's report.

### Status of previously reported material irregularities

#### Interest incurred on Eskom account not paid within 30 days

62. The municipality incurred interest on Eskom invoices from 1 July 2019 to 30 March 2020 that were not paid within 30 days. This constitutes non-compliance with section 65(2)(e) of the MFMA, which requires the accounting officer to take all reasonable steps to ensure that all money owing by the municipality must be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure.

63. This non-compliance resulted in material financial losses of R19,6 million, as disclosed in the note 57 to the financial statements.

64. I notified the accounting officer of the material irregularity on 14 January 2022 and invited her to make a written submission on the actions that had been, or would be, taken to address the matter. The accounting officer made written submissions and I considered the representations made and the documents submitted. I concluded that appropriate actions were not being taken to address the material irregularity.

65. I recommended that the accounting officer should take the following actions to address the material irregularity, which should be implemented by 30 June 2023 with progress reports every two months:

- Negotiate a reasonable payment arrangement with Eskom and properly budget for the amounts to be paid.
- Take appropriate action to implement the existing financial plan to address the municipality's financial problems that are preventing it from paying Eskom within 30 days, as required by section 65(2)(e) of the MFMA. The financial plan should include realistic time frames and milestones to be achieved and include, as a minimum, strategies to:
  - implement the revenue enhancement interventions with the intention of increasing revenue collection
  - efficiently manage the municipality's available resources to optimise and reduce costs by eliminating wastage while obtaining value in respect of all costs incurred.

66. On 5 April 2023 and 8 June 2023, the accounting officer provided progress reports on the actions taken to implement the recommendations. I evaluated the progress reports and substantiating documentation received. As some of the actions taken to address the material irregularity are still in progress and not yet completed, I granted the accounting officer an additional six months up to 1 July 2024 to implement the recommendations. A progress report must be provided on 1 April 2024 on the implementation of the recommendations.

67. I will follow up on the implementation of actions during my next audit.

### Penalties paid due to late payment of third-party payments

68. The municipality did not pay employees' tax, deducted from employees' salaries and wages, to the South African Revenue Service (SARS) within seven days after the end of the month during which the amount was deducted. This was in contravention of section 2(1) of the fourth schedule of the Income Tax Act 58 of 1962 (Income Tax Act) and section 210 of the Tax Administration Act 28 of 2011. The municipality was required to pay penalties to SARS due to the non-compliance with the Income Tax Act. This non-compliance resulted in a material financial loss to the municipality of R1,8 million, as disclosed in the annual financial statements.

69. I notified the accounting officer of the material irregularity on 14 January 2022 and invited them to make a written submission on the actions that had been, or would be, taken to address the matter. The accounting officer investigated and instituted consequence management against the officials identified. The accounting officer further concluded that it was impractical to recover the loss and referred the matter to the Municipal Public Accounts Committee (MPAC).

70. MPAC concluded its investigation on the penalties paid to SARS as disclosed in note 57 to the financial statements on 31 May 2023, and recommended it for write off by the council, which was then subsequently written-off. However the municipality continued to incur interest and penalties from SARS during the year under review.

71. I will follow up on the implementation of the actions during my next audit.

*Auditor - General*

East London

13 December 2023



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*



## **Annexure to the auditor's report**

The annexure includes the following:

- The auditor-general's responsibility for the audit
- The selected legislative requirements for compliance testing

### **Auditor-general's responsibility for the audit**

#### **Professional judgement and professional scepticism**

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the consolidated and separate financial statements and the procedures performed on reported performance information for development priorities and on the municipality's compliance with selected requirements in key legislation.

#### **Financial statements**

In addition to my responsibility for the audit of the consolidated and separate financial statements as described in this auditor's report, I also:

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



and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

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

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

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

## Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003	Section 1 - Paragraph (a), (b) & (d) of the definition: irregular expenditure, Section 1 - Definition: service delivery and budget implementation plan, Sections 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 29(1) Sections 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), 32(2)(b) Sections 32(6)(a), 32(7), 53(1)(c)(ii), 54(1)(c), 62(1)(d), 62(1)(f)(i) Sections 62(1)(f)(ii), 62(1)(f)(iii), 63(1)(a), 63(2)(a), 63(2)(c), 64(2)(b) Sections 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e) Sections 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1) Sections 122(2), 126(1)(a), 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii) Sections 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 170 Sections 171(4)(a), 171(4)(b)
MFMA: Municipal Budget and Reporting Regulations, 2009	Regulations 71(1), 71(2), 72
MFMA: Municipal Investment Regulations, 2005	Regulations 3(1)(a), 3(3), 6, 7, 12(2), 12(3)
MFMA: Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014	Regulations 5(4), 6(8)(a), 6(8)(b), 10(1)
MFMA: Municipal Supply Chain Management Regulations, 2017	Regulations 5, 12(1)(c), 12(3), 13(b), 13(c), 13(c)(i), 16(a), 17(1)(a) Regulations 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a) Regulations 27(2)(e), 28(1)(a)(i), 28(1)(a)(ii), 29(1)(a), 29(1)(b) Regulations 29(5)(a)(ii), 29(5)(b)(ii), 32, 36(1), 36(1)(a), 38(1)(c) Regulations 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43 Regulations 44, 46(2)(e), 46(2)(f)

Legislation	Sections or regulations
Municipal Systems Act 32 of 2000	<p>Sections 25(1), 26(a), 26(c), 26(h), 26(i), 29(1)(b)(ii), 29(3)(b), 34(a), 34(b)  Sections 38(a), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, 43(2), 56(a), 57(2)(a)  Sections 57(4B), 57(6)(a), 66(1)(a), 66(1)(b), 67(1)(d), 74(1), 93J(1), 96(b)</p> <p><b>Parent municipality with ME:</b>  Sections 93B(a), 93B(b)</p> <p><b>Parent municipality with shared control of ME:</b>  Sections 93C(a)(iv), 93C(a)(v)</p>
MSA: Municipal Planning and performance Management Regulations, 2001	<p>Regulations 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 3(6)(a), 7(1), 8, 9(1)(a), 10(a)  Regulations 12(1), 15(1)(a)(i), 15(1)(a)(ii)</p>
MSA: Municipal Performance Regulations for Municipal Managers and Managers directly Accountable to Municipal Managers, 2006	<p>Regulations 2(3)(a), 4(4)(b), 8(1), 8(2), 8(3)</p>
MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014	<p>Regulations 17(2), 36(1)(a)</p>
MSA: Disciplinary Regulations for Senior Managers, 2011	<p>Regulations 5(2), 5(3), 5(6), 8(4)</p>
Annual Division of Revenue Act	<p>Section 11(6)(b), 12(5), 16(1), 16(3)</p>
Construction Industry Development Board Act 38 of 2000	<p>Section 18(1)</p>
Construction Industry Development Board Regulations	<p>Regulations 17, 25(7A)</p>
Municipal Property Rates Act 6 of 2004	<p>Section 3(1)</p>
Preferential Procurement Policy Framework Act 5 of 2000	<p>Sections 2(1)(a), 2(1)(f)</p>
Preferential Procurement Regulations, 2017	<p>Regulations 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), 6(8)  Regulations 7(1), 7(2), 7(3), 7(6), 7(8), 8(2), 8(5)  9(1), 10(1), 10(2)  Regulations 11(1), 11(2)</p>
Preferential Procurement Regulations, 2022	<p>Regulations 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)</p>
Prevention and Combating of Corrupt Activities Act 12 of 2004	<p>Section 34(1)</p>



**RAYMOND  
MHLABA**  
MUNICIPALITY  
.....  
UMANYANO KUPHULISO

**2022/ 2023**

**ANNUAL PERFORMANCE REPORT**

**CONTACT DETAILS:**

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## **AFFIRMATION BY THE MUNICIPAL MANAGER**

I am pleased to submit the Annual Performance Report for Raymond Mhlaba Local Municipality for the 2022/ 2023 financial year.

The contents of the report are consistent with the disclosure principle contained in the guide for the preparation of Annual Performance Report as well as in terms of section 46 of the Local Government Municipal Systems Act 32 of 2000. This report seeks to outline Raymond Mhlaba Local Municipality's activities during the financial year under review.

In presenting this report, I acknowledge progress made by the municipality during the 2022/ 2023 financial year, as well as the challenges and opportunities that lie ahead for the remainder of the outer financial year.



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Ms. U.T. Malinzi

Municipal Manager

Date: 31/08/2023

**QUALITY CERTIFICATE**

I, U.T. MALINZI (Full Names), the Municipal Manager of Raymond Mhlaba Municipality hereby certify that the **Annual Performance Report** of Raymond Mhlaba Local Municipality, for the full-year period ended 30 June 2023 has been prepared in accordance with the Local Government: Municipal Finance Management Act 56 of 2003 and regulations made under the Act, and in terms of section 46 of Local Government: Municipal Systems Act 32 of 2000).

  
\_\_\_\_\_  
MS. U.T. MALINZI

**MUNICIPAL MANAGER**

31/08/2023  
DATE

## **SECTION 1**

### **1.1 OVERVIEW**

This Annual Performance Report is submitted by the Municipal Manager in terms of section 121 of the Municipal Finance Management Act 56 of 2003, read with the Municipal Systems Act 32 of 2000, section 46 (1) and (2), as well as the Municipal Finance Management Act Circular 11 on annual reporting.

Performance management is a process which measures the implementation of the organisation's strategy. It is also a management tool to plan, monitor, and measure and review performance indicators to ensure efficiency and effectiveness and the impact of service delivery by the municipality. Therefore, performance management provides the mechanism to measure whether targets to meet its strategic goals, set by the organization and its employees, are met. At local government level performance management is institutionalised through legislative requirements on the performance management process for Local government.

This report reflects performance information for the period 01 July 2022 to 30 June 2023 with specific focus on implementation of the Service Delivery and Budget Implementation Plan (SDBIP), linked to the objectives entrenched in the Municipality's Integrated Development Plan (IDP) for the year under review. The report reflects the actual performance of the Municipality as measured against the performance indicators and targets set in the Integrated Development Plan (IDP) and Service Delivery and Budget Implementation Plan (SDBIP) for 2022/2023. Furthermore, this report not only reflects on milestones and challenges experienced, but also on-going commitment to progressively strengthen accountability to citizens of the whole Raymond Mhlaba Municipal Area.

In view of the foregoing, Section 46 (1) of the Local Government: Municipal Systems Act 32 of 2000, a municipality must prepare for each financial year an annual report consisting of –

- (a) A performance report reflecting -
  - (i) the municipality's, and any service providers, performance during that financial year, also in comparison with targets of and with performance in the previous financial year.



- (ii) the development and service delivery priorities and the performance targets set by the municipality for the following financial year; and measures that were or are to be taken to improve performance.

## **1.2 LEGISLATIVE REQUIREMENTS**

- 1.2.1 The SDBIP is defined in terms of Section 1 of the Local Government: Municipal Finance Management Act 56 of 2003, and the format of the SDBIP is prescribed by the MFMA Circular 13 from National Treasury.
- 1.2.2 Section 41 (1) (e) of the Local Government: Municipal Systems Act 32 of 2000, prescribes that a process must be established for regular reporting to Council. This process is detailed in the Performance Management Policy of the Municipality.
- 1.2.3 Section 46 (1) of the Local Government: Municipal Systems Act 32 of 2000 dictates that at the end of each financial year that a municipality must prepare an annual report that will be inclusive of an annual performance reporting – reflecting how a municipality performed in the previous financial year.
- 1.2.4 The Annual Report is [also] defined in terms of Section 121, 127 of the Local Government: Municipal Finance Management Act 56 of 2003.

## **1.3 INSTITUTIONAL PERFORMANCE MANAGEMENT PROCESS OVERVIEW**

During 2022/ 2023 financial year, the municipality made every attempt to ensure that it adheres with legislation concerning the development, operation and maintenance of a performance management system that is commensurate to the institutional service delivery objectives captured in the IDP. Raymond Mhlaba Local Municipality has continued to maintain the effective operation of the following mechanisms:

- 1.3.1 the current Integrated Development Plan included strategic objectives, strategies and outcome based key performance indicators as required by the Municipal Systems Act 32 of 2000;
- 1.3.2 the 2022/ 2023 budget for implementation of the IDP was approved within the prescribed timelines in the Municipal Finance Management Act 56 of 2003;

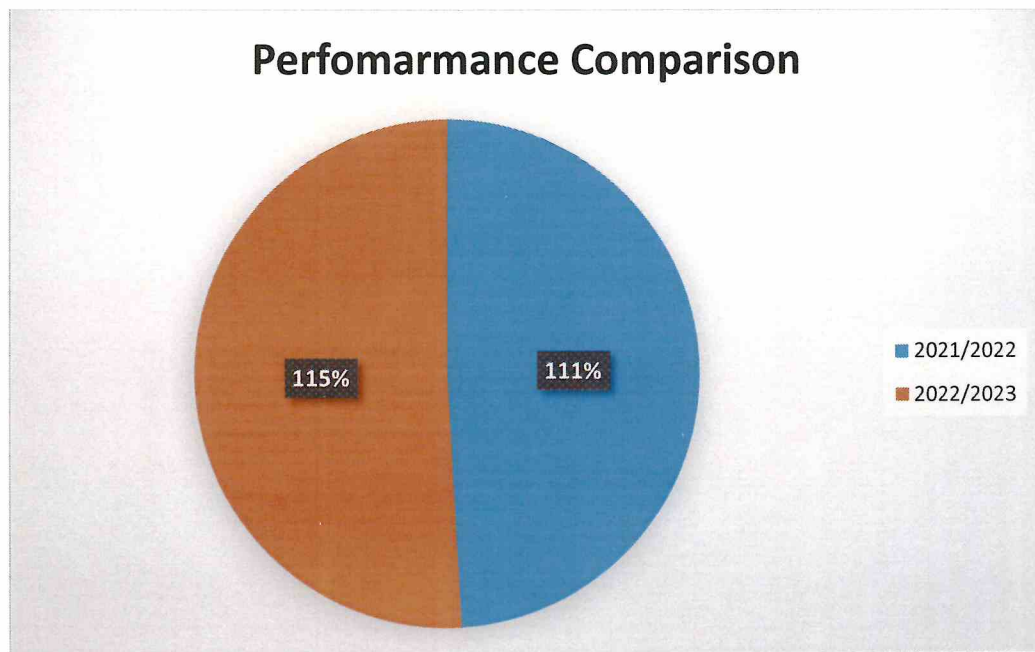
- 1.3.3 after approval of the budget, the SDBIP was developed to integrate the IDP and the budget to ensure effective implementation of the institutional strategies;
- 1.3.4 performance agreements with performance plans were developed, signed and approved by the Mayor as required by the Municipal Planning and Performance Regulations (2001 and 2006);
- 1.3.5 quarterly performance reports with supporting evidence were prepared by managers directly reporting to the Municipal Manager
- 1.3.6 quarterly performance reports were objectively and independently audited by the Internal Audit Unit to verify and to confirm performance information as reflected in the reports, the unit also confirmed the credibility of evidence that was submitted quarterly;
- 1.3.7 the performance audit committee functioned optimally in the year, in line with the committee's approved terms of reference.
- 1.3.8 Lastly, performance assessments for managers directly accountable to the Municipal Manager, were conducted on quarterly basis

## **SECTION 2**

# **COMPARISON SUMMARY OF 2021/ 2022 AND 2022/ 2023 FINANCIAL YEAR'S**

## COMPARISON OF 2021/ 2022 AND 2022/ 2023 FINANCIAL YEARS

The following graph indicate the Municipality's performance in terms of the National Key Performance Indicators required in accordance with the Local Government: Municipal Planning and the Performance Management Regulations of 2001 and section 43 of the MSA. These Key Performance Indicators are linked to the National Key Performance Areas.



Section 46 (1) (b) of the Local Government: Municipal Systems Act 2000 (Act 32 of 2000) requires that at the end of each financial year, a municipality must prepare an annual report that will be inclusive of an annual performance reporting – reflecting how a municipality performed in the previous financial year in contrast with the year under review. Performance comparison is detailed as follows;

- **The municipality managed to improve its performance rating from 111% to 115 % in the 2022/ 2023 financial year.**

# Section 3

## OVERALL MUNICIPAL PERFORMANCE ON THE IMPLEMENTATION OF THE SDBIP 2022/2023

## **Planned targets vs actual performance results for the 2022/ 2023 financial year**

This section of the Annual Performance Report will report on the Municipality's actual performance against the planned targets as derived from the Municipality's IDP. Due to the fact that the Municipality is reporting based on the five (5) local government Key Performance Areas (KPA's) the Raymond Mhlaba Local Municipality will report as such.

For the 2022/ 2023 financial year, Raymond Mhlaba Local Municipality set itself 85 predetermined targets to ensure realisation of a broader vision of the Municipality. The performance of the institution on the implementation of KPA is summarised as follows;

Of the 85 indicators set,

- The municipality achieved 57 whilst 28 were not achieved.
- The challenges experienced by the respective key performance areas are attributed in the detailed scorecard
- the municipal performance as at end of the year under review was 115%

### **2022/ 2023 Actual Performance with CCR's**

**Overalls score is calculated as presented below**

80% that constitutes KPA weight and 20% that constitute Core Competence Requirement (CCR) weight. For 2022/ 2023 financial year, RMLM has scored 115% (score with CCR's) against the overall performance.

$$(103.92 \times 80\% = 83\%) + (157.7 \times 20\% = 32\%) = 115\%$$

**The table below presents each KPA performance and actual weight assessment scores**

**KPA 1: INSTITUTIONAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT**

REF	PRIORITY AREA	STRATEGIC OBJECTIVE	KEY PERFORMANCE INDICATOR	BASELINE	MEANS OF VERIFICATION	2021/2022 Annual Target	2021/2022 Actual Performance	2022-2023	2022/2023 Actual Performance	Rating	Reasons for Variances	Remedial Actions
IT 1	Human Resources	To ensure effective and efficient workforce by aligning institutional arrangements to the overall strategy to deliver quality services by 2027.	Number of female representatives from employment equity groups employed submitted to the Municipal Manager	95%	Quarterly report reflecting the number of female recruited. Appointment letters. Employment Equity Plan	25%	<b>Achieved:</b> (females appointed/ total appointments*100) 3/3*100= 100%	8	Achieved: 12 females appointed	4	No action required	
IT 2						3%	Quarterly report reflecting number of people living with disability recruited. Appointment Letters. Employment equity	1%	<b>Achieved:</b> (number of employees with disability/ total employees*100) 19/ 509*100= 3,73%	2	Not Achieved: 0 people living with disability recruited	1

IT 3	To ensure effective and efficient workforce by aligning institutional arrangements to the overall strategy to deliver quality services by 2027.	Number of workstudy exercises conducted	Quarterly report. Outcomes report approved by Council and implementation of recommendations	New Indicator	1	Not Achieved: 0 workstudy conducted	1	There is no budget to conduct the study.	The municipality will partner with external stakeholders (UFH, SALGA ) and conduct the work study in 2023/2024 FY.
IT 4	To ensure implementation, monitoring and evaluation of the Integrated Development Plan by 2027.	Number of organizational structure reviewed	Reviewed organisational structure approved by Council	1 New Indicator <u>Not Achieved:</u> 0	1	Achieved: 1 Reviewed organogram	3	No action required	
IT 5	To ensure implementation, monitoring and evaluation of the Integrated Development Plan by 2027	Number of Workplace skills Plans (WSP) implemented	Quarterly report on the implementation of WSP	New Indicator	4	Achieved: 4 reports on the implementation of WSP	3	No action required	
IT 6	To ensure implementation, monitoring and evaluation of the Integrated Development Plan by 2027.	Number of councillor trainings coordinated	Report reflecting councillor trainings	New Indicator	9	Not Achieved: 5 councillor trainings were coordinated	2	The municipality was unable to achieve the target due to the financial position of the municipality.	The municipality will partner with external stakeholders and coordinate trainings for Councilors in 2023/2024.
IT 7	To ensure implementation, monitoring and evaluation of the Integrated	Number of wellness programmes facilitated	Quarterly reports on wellness programmes	New Indicator	4	Achieved: There were 8 wellness programmes facilitated	5	No action required	



		Development Plan by 2027.																		
IT 8	Policies	To ensure implementation, monitoring and evaluation of the Integrated Development Plan by 2027	Number of policy workshops facilitated	1	Approved policies by Council. Council Resolution	New Indicator	1	34	Achieved: 1 policy workshop facilitated	3	No action required									
IT 9	Fleet Management	To ensure implementation, monitoring and evaluation of the Integrated Development Plan by 2027.	Number of individual vehicle maintenance report	4	Quarterly comprehensive fleet report on a Fuel use, accidents, controls and break downs	New Indicator	4	34	Achieved: 51 vehicle maintenance report submitted	4	No action required									
IT 10	Information Communication	To enhance technological advancement that ensures the implementation of the IDP by 2027.	Number of ICT programmes implemented and the functionality of the website and municipal systems	4	Progress Reports Functional ICT steering committee with signed minutes. Committee resolution Matrix	New Indicator	4	4	Achieved: 4 progress reports and minutes on the functionality of the ICT committee submitted.	3	No action required									
IT 11	Performance Management	To ensure effective and efficient workforce by 2027.	Number of organizational performance assessments conducted	4	Quarterly organizational performance reports	Achieved: 4 organizational performance reports and 4 performance assessments	4	4	Achieved: 4 organizational performance reports submitted and 4 individual assessments conducted.	5	No action required									
IT 12	Township Economy	To ensure a safe, friendly and sustainable environment by 2027.	Number of Developed Township Economy Strategy	0	Concept documents. Report on roll out plans	Not Achieved: 0	1		Not Achieved: 0, no township economy strategy developed	1	Lack of resources.									The Township Economy Strategy will be developed in the next financial year.

IT 13	Waste Management	To ensure a safe, friendly and sustainable environment by 2027.	Number of Developed Integrated Waste Management Plan (IWMP)	0	Approved IWMP	New Indicator	1	Not Achieved: 0, no IWMP developed	1	There were delays in the appointment of a service provider.	The service provider has been appointed and has commenced with the development of the IWMP.
IT 14	Environmental Management	To ensure a safe, friendly and sustainable environment by 2027.	Number of Developed Environmental Management Plan (EMP)	0	Approved EMP	New Indicator	1	Not Achieved: 0 EMP developed. State of the environment within the area submitted	2	Delays with stakeholders engagements.	The draft state of the environmental report has been partially developed which will be used as a source document during the development of the EMP. The EMP will be developed in 2023/24 through the assistance of ADM.
IT 15	Safety and Security	To ensure effective and efficient workforce by 2027.	Number of Developed Security Risk Plan	0	Approved Security risk plan	New Indicator	1	Achieved: 1 Security Risk Plan developed	3	No action required	
IT 16		To ensure effective and efficient workforce by 2027.	Number of security programmes implemented	New Indicator	Quarterly Report on security risk assessment.	New Indicator	4	Achieved: 4 security programmes implemented.	3	No action required	
IT 17	Advertisement	To ensure effective and efficient workforce by 2027	Number of Developed Billboard Policy	New indicator	Approved Billboard policy	New Indicator	1	Achieved: 1 Billboard Policy developed	3	No action required	

REF	PRIORITY AREA	STRATEGIC OBJECTIVE	KEY PERFORMANCE INDICATOR	BASELINE	MEANS OF VERIFICATION	2021/2022 Annual Target	2021/2022 Actual Performance	2022-2023	2022/2023 Actual Performance	Rating	Reasons for Variances	Remedial Actions										
IT 18	Land and Human Settlements	To ensure effective and efficient workforce by 2027	Number of Developed Cemetery Policy	New indicator	Approved Cemetery Policy	New Indicator		1	Achieved: 1 Cemetery Policy developed	3	No action required											
IT 19													Number of Reviewed Spatial Development Framework (SDF)	0	Approved SDF	1	<b>Not Achieved:</b> 0	1	Not Achieved: 0, SDF not reviewed	2	Lack of resources.	The municipality will request assistance from COGTA in the next financial year (2023/2024).
IT 20													Number of Developed Land Use Scheme	0	Approved Land Use Scheme	1	<b>Achieved:</b> 1	1	Achieved: 1 Land Use Scheme Developed	3	No action required	
IT 21													Number of Developed Encroachment Plan	New indicator	Approved Encroachment Plan		New Indicator		Achieved: 1 policy and encroachment plan developed	3	No action required	
IT 22		To ensure effective and efficient workforce by 2027	Number of Developed Housing Sector Plan	0	Approved Housing Sector Plan		New Indicator	1	Achieved: 1 housing sector plan developed	3	No action required											
<b>KPA 2: BASIC SERVICE DELIVERY</b>																						

BSD 1	To ensure accessible and safe municipal facilities by 2027	Number of Community halls renovated	4	Approved maintenance plan, Expenditure report, maintenance report, completion report	2	<u>Achieved:</u> 3 (Fort Beaufort, Alice, Adelaide)	1	Achieved: 1 community renovated – Old age community hall	3	No action required	
BSD 2	To ensure a safe, friendly and sustainable environment by 2027	Number of Municipal Office buildings renovated	New indicator	Report on the renovated building, expenditure report, pictures		New Indicator	1	Not Achieved: 0 municipal buildings renovated	1	The municipality was unable to renovate the municipality building due to the financial position of the municipality.	Allocate budget for the renovation of municipal buildings.
BSD 3	To ensure the provision and standardization of fire services by 2027	Number of renovated fire base	2	progress report, expenditure report, pictures,	1	<u>Achieved:</u> 1 (Alice)	1	Achieved: 1 fire base renovated (Hogsback)	3	No action required	
BSD 4	To ensure the provision and standardization of fire services by 2027	Number of pound facilities renovated in Adelaide and Fort Beaufort	New indicator	Approved renovation plan, Expenditure report, renovation report, completion report , Pictures (before and after )		New Indicator	1	Not Achieved: 0 pound facility renovated	1	Budgetary constraints	Source funding for the renovation of the pound facility in the 2023/2024 financial year.
BSD 5	To ensure a safe, friendly and sustainable environment by 2027	Number of clean up campaigns conducted	New indicator	Clean up reports, Before and after photos		New Indicator	28	Achieved: There were 32 clean up campaigns conducted.	4	No action required	
	Waste Management										
	Facilities										

BSD 7	Law enforcement	To ensure a safe, friendly and sustainable environment by 2027	Number of reports on provision of refuse removal services and waste disposal to formal households	14 932	12 Monthly reports to the Director on the number of formal households where refuse is collected 2. List of formal households charged for the service.	16 673	<u>Achieved:</u> 16 673	12	Achieved, 12 monthly reports on the provision of refuse removal	3	No action required	
		To ensure a safe, friendly and sustainable environment by 2027	Number of Functional Vehicle testing stations	New indicator	Function report, expenditure report, pictures, Roadworthy certificates produced, Systems generated reports	New Indicator	1	Not Achieved: 0 functional vehicle testing station	2	In order for the vehicles testing station to be functional the requirement is that the municipality should appoint a qualified examiner.	The recruitment process for the examiner have commenced and will be concluded in the first quarter of 2023/2024 FY.	
BSD 8	Law enforcement	To ensure a safe, friendly and sustainable environment by 2027	Number of traffic enforcement operations to ensure orderly road traffic control	144	Detailed Report on Roadblock Conducted. Register (encapsulating car registration and drive names). Report on any fines issued.	144	<u>Achieved:</u> 216	144	Achieved: 144 traffic enforcement operations conducted.	3	No action required	
		To ensure a safe, friendly and sustainable environment by 2027	Number of traffic enforcement operations to ensure orderly road traffic control	144	Detailed Report on Roadblock Conducted. Register (encapsulating car registration and drive names). Report on any fines issued.	144	<u>Achieved:</u> 144	144	Achieved: 144 traffic enforcement operations conducted.	3	No action required	

BSD 9	Cemeteries	To ensure a safe, friendly and sustainable environment by 2027	Number of fully functional cemeteries		Environmental Impact assessment (EIA) approval letters from DEDEAT. Expenditure report. Pictures	3	<u>Not Achieved</u> : 0	1	Not Achieved: 0 fully functional cemeteries	1	Lack of resources.	The municipality will solicit assistance from DEDEAT for the environmental impact assessment in the next financial year (2023/24).
		To ensure adequate, efficient, sustainable energy supply and infrastructure by 2027	Percentage of INEP projects implemented	New indicator	Quarterly reports. Progress reports. Expenditure report. verification reports. Pictures		New Indicator	100%	Achieved: 100 % INEP project implemented (implemented projects/ total projects*100) 1/1*100= 100%	3	No action required.	
BSD 10		To ensure adequate, efficient, sustainable energy supply and infrastructure by 2027	Number of illegal connection audits conducted	100%	Quarterly reports. Job cards. Signed List of household audited	4	<u>Achieved</u> : 4	4	Achieved: 4 meter audits conducted	3	No action required.	
		To ensure adequate, efficient, sustainable energy supply and infrastructure by 2027	Percentage of new connections within 21 days of application	12	Quarterly reports. Job cards. Listing of new connections conducted	100%	<u>Achieved</u> : (applications/ connections*100) 33/ 33*100= 100%	100%	Achieved: (Connected/ applications received*100) 21/21*100= 100%	3	No action required	
BSD 11		To ensure adequate, efficient, sustainable energy supply and infrastructure by 2027	Percentage of reconconnections completed within 7 days after settlement of municipal account	New indicator	Quarterly reports. Job cards. Listing of reconconnections conducted		New Indicator	100%	Achieved: Reconconnections/ total reconconnections*100) 17/17*100=100%	3	No action required	
		To ensure adequate, efficient, sustainable energy supply and infrastructure by 2027	Percentage of reconconnections completed within 7 days after settlement of municipal account	New indicator	Quarterly reports. Job cards. Listing of reconconnections conducted		New Indicator	100%	Achieved: Reconconnections/ total reconconnections*100) 17/17*100=100%	3	No action required	
BSD 12		To ensure adequate, efficient, sustainable energy supply and infrastructure by 2027	Percentage of reconconnections completed within 7 days after settlement of municipal account	New indicator	Quarterly reports. Job cards. Listing of reconconnections conducted		New Indicator	100%	Achieved: Reconconnections/ total reconconnections*100) 17/17*100=100%	3	No action required	
		To ensure adequate, efficient, sustainable energy supply and infrastructure by 2027	Percentage of reconconnections completed within 7 days after settlement of municipal account	New indicator	Quarterly reports. Job cards. Listing of reconconnections conducted		New Indicator	100%	Achieved: Reconconnections/ total reconconnections*100) 17/17*100=100%	3	No action required	
BSD 13	Electricity	To ensure adequate, efficient, sustainable energy supply and infrastructure by 2027	Percentage of reconconnections completed within 7 days after settlement of municipal account	New indicator	Quarterly reports. Job cards. Listing of reconconnections conducted		New Indicator	100%	Achieved: Reconconnections/ total reconconnections*100) 17/17*100=100%	3	No action required	
		To ensure adequate, efficient, sustainable energy supply and infrastructure by 2027	Percentage of reconconnections completed within 7 days after settlement of municipal account	New indicator	Quarterly reports. Job cards. Listing of reconconnections conducted		New Indicator	100%	Achieved: Reconconnections/ total reconconnections*100) 17/17*100=100%	3	No action required	

BSD 14	To ensure adequate, efficient, sustainable energy supply and infrastructure by 2027	Number of house connections conducted	Quarterly reports, progress reports, Pictures, Expenditure report, Signed list of house connections	New Indicator	200	Not Achieved: 0, house connections conducted	1	No new RDP houses were constructed	The target has been revised since there are no plans to construct new RDP houses in 2023/24 financial year. Electricity connections will be conducted on the house applications received.
BSD 15	To ensure adequate, efficient, sustainable energy supply and infrastructure by 2027	Percentage of unplanned outages restored within 4 hours	Outage report highlighting cause of outage and restoration	New Indicator	70%	Achieved: (Restored within 4 hours/ total outages*100) 19/24*100= 79,16%	3	No action required.	
BSD 16	To ensure adequate, efficient, sustainable energy supply and infrastructure by 2027	Actual number of maintenance jobs' for planned or preventative maintenance	Maintenance report highlighting repair contents	New Indicator	2	Achieved: there were 3 maintenance 'jobs' for planned or preventative maintenance done	4	No action required.	
BSD 17	To ensure adequate, efficient, sustainable energy supply and infrastructure by 2027	Number of kilometres (km) regavelled	Quarterly reports, progress reports, pictures, listing of municipal roads regavelled	New Indicator	300	Not Achieved: 34,262 km regavelled	2	Constant breakdown of the yellow plant.	Request Dept. of Roads to assist with the yellow plant in 2023/24 financial year.
Roads									

BSD 18		To ensure adequate, efficient, sustainable energy supply and infrastructure by 2027	Number of stormwater drainage maintained	300	Quarterly reports, progress reports, pictures, listing of stormwater drains maintained	300	<u>Achieved:</u> 898	300	Achieved: 333 stormwater drainage maintained	4	No action required	
		To ensure adequate, efficient, sustainable energy supply and infrastructure by 2027	Number of road markings maintained	New Indicator	Report on marked roads inclusive of street names and areas	New Indicator	50	Achieved: 50 road markings maintained	3	No action required		
BSD 19		To ensure adequate, efficient, sustainable environment by 2027	Number of updated Land Audit Report	0	Approved Land Audit Document	New Indicator	1	Not Achieved: 0, no updated land audit conducted	1	Financial constraints have a direct impact on the achievability of the task.	The municipality will request assistance from COGTA for Land Audit in the upcoming year.	
		To ensure adequate, efficient, sustainable environment by 2027	Percentage of Approved Compliant Building Plans	Quarterly report, list of building plans received	New Indicator	100%	Achieved: (approved application/ total applications*100) 25/ 25*100= 100%	3	No action required			
BSD 20	Land and Human Settlements	To ensure adequate, efficient, sustainable environment by 2027	Percentage of Approved Compliant Land Use Applications	50%	Quarterly report, list of land use applications received	<u>Not Achieved:</u> (approved/ received*100) 1/8*100= 12,5%	100%	Not Achieved: (approved application/ total applications*100) 7/ 7*100= 100%	3	No action required.		
		To ensure adequate, efficient, sustainable environment by 2027	Percentage MIG Capital projects implemented	100%	Quarterly reports, progress reports, expenditure report, verification reports, pictures	<u>Not Achieved:</u> (total sum/ count=average) 1547%/ 16= 96,68%	100%	Achieved: (implemented projects/ total projects*100) 17/ 17*100= 100%	3	No action required.		
BSD 21	Project Management	To ensure adequate, efficient, sustainable energy supply		100%								
BSD 22		To ensure adequate, efficient, sustainable environment by 2027										
BSD 23		To ensure adequate, efficient, sustainable energy supply										



		and infrastructure by 2027																	
		To ensure adequate, efficient, sustainable energy supply and infrastructure by 2027	Percentage of qualifying indigents benefiting		Updated indigent register		New Indicator	90%	Achieved: 100% of qualifying indigents benefiting	3	No action required								
<b>BSD</b>	<b>24</b>	Free Basic Services		90%															
<b>KPA 3: LOCAL ECONOMIC DEVELOPMENT</b>																			
<b>REF</b>	<b>PRIORITY AREA</b>	<b>STRATEGIC OBJECTIVE</b>	<b>KEY PERFORMANCE INDICATOR</b>	<b>BASELINE</b>	<b>MEANS OF VERIFICATION</b>	<b>2021/2022 Annual Target</b>	<b>2021/2022 Actual Performance</b>	<b>2022 -2023</b>	<b>2022/2023 Actual Performance</b>	<b>Rating</b>	<b>Reasons for Variances</b>	<b>Remedial Actions</b>							
<b>LED</b>	<b>1</b>	To ensure sustainable Local Economic Development by 2027	Number of jobs created through LED initiatives	500	Quarterly report. Contracts of people employed	100	<u>Not Achieved</u> : 0	50	Achieved: 100 jobs created through LED initiatives	5	No action required								
<b>LED</b>	<b>2</b>	To ensure sustainable Local Economic Development by 2027	Number of jobs created through Capital Projects	700	Quarterly reports. Contracts of people employed	200	<u>Achieved</u> : 439	100	Achieved: 507 jobs created through capital projects	5	No action required								
<b>LED</b>	<b>3</b>	To ensure sustainable Local Economic Development by 2027	Number of jobs created through Expanded Public Works Programme	251	Quarterly reports. Contracts of people employed	200	<u>Achieved</u> : 691	100	Achieved: 1078 jobs created through EPWP	5	No action required.								

LED 4		To ensure sustainable Local Economic Development by 2027	Number of economic activities supported	4	<u>Not Achieved</u> : 3	10	Not Achieved: 7 economic activities supported	2	Budgetary constraints	The municipality will partner with external stakeholder and support economic activities.
LED 5	SMMEs	To ensure sustainable Local Economic Development by 2027	Number of SMMEs supported by the Municipality	23	<u>Achieved</u> : 44	10	Achieved: 193 SMMEs supported	5	No action required	
LED 6	Tourism	To ensure sustainable Local Economic Development by 2027	Number of tourism products/ programmes supported	2	<u>Not Achieved</u> : 1	2	Not Achieved: 1 tourism /programmes supported	2	Non-availability of stakeholders to input on the tourism brochure.	The municipality will set a meeting with the stakeholders in the first quarter of 2023/24 financial year.
LED 8	Small Towns Revitalization	To ensure sustainable Local Economic Development by 2027	Number of plans to roll over small towns revitalization programmes to other towns	2	1. Concept documents. 2. Report on roll out plans	1	Not Achieved: 0 plans to roll over small towns revitalization programmes to other towns	1	No resources.	The plan will be done in the next financial year (2023/24)
LED 9	Agriculture	To ensure sustainable Local Economic Development by 2027	Number of functional Fresh produce markets	1	Terms of reference	1	Not Achieved: 0 functional produce market	1	No resources.	The fresh produce market will be resuscitated in the next financial year.
<b>KPA 4: MUNICIPAL FINANCIAL VIABILITY</b>										

REF	PRIORITY AREA	STRATEGIC OBJECTIVE	KEY PERFORMANCE INDICATOR	BASELINE	MEANS OF VERIFICATION	2021/2022 Annual Target	2021/2022 Actual Performance	2022 -2023	2022/2023 Actual Performance	Rating	Reasons for Variances	Remedial Actions
MFV 1	Revenue Management	To ensure the financial sustainability in order to fulfil the statutory requirements by 2027	Percentage of total collection on outstanding debts	80%	80%	60%	<b>Achieved</b>	70%	Not Achieved; 59%	2	The target could not be met due to government departments not committing to the arrear part of their debt	Discussion and reconciliations are continuing to improve the situation including writing off interest where possible
MFV 2		To ensure the financial sustainability in order to fulfil the statutory requirements by 2027	Percentage spent on FMG operating grant	100%	1. Quarterly reports 2. System Generated Report	100%	<b>Achieved;</b> (expenditure/ budget*100) R2 600 000/ R2 600 000*100= 100%	100%	Achieved; (expenditure/ budget) R2 650 000/ R2 650 000* 100= 100%	3	No action required	
MFV 3	Expenditure Management	To ensure the financial sustainability in order to fulfil the statutory requirements by 2027	Percentage spent on MIG Capital grant	100%	1. Quarterly reports 2. System Generated Report	100%	<b>Not Achieved;</b> (expenditure/ budget*100) R37 470 380,65/ R41 333 000 * 100= 90,65%	100%	Achieved; (expenditure/ budget*100) R54 003 000/ R54 003 000*100= 100%	3	No action required	
MFV 4		To ensure the financial sustainability in order to fulfil the statutory requirements by 2027	Percentage spent on INEP Capital grant	100%	1. Quarterly reports 2. System Generated Report	New Indicator	New Indicator	100%	Achieved; (expenditure/budget*100) 1 828 000/1 828 00 = 100%	3	No action required	

MFV 5	To ensure the financial sustainability in order to fulfil the statutory requirements by 2027	Percentage spent of EPWP grant	100%	1. Quarterly reports 2. System Generated Report	100%	<b>Achieved.</b> (expenditure/ budget*100) R2 900 000/ R2 900 000*100= 100%	100%	Achieved: (expenditure/ budget*100) R2 900 000/ R2 900 000*100= 100%	3	No action required
MFV 6	To ensure the financial sustainability in order to fulfil the statutory requirements by 2027	Percentage of valid invoices paid within 30 days of invoice date	90%	Quarterly report. Creditors Age Analyses	100%	<b>Achieved</b>	100%	Not Achieved;	2	Due financial position of the institution. Implement revenue enhancement strategies
MFV 7	To ensure the financial sustainability in order to fulfil the statutory requirements by 2027	Number of procurement plans developed	New Indicator	Developed procurement. Implementation reports	1	New Indicator	1	Achieved; 1 procurement plan developed	3	No action required
MFV 8	To ensure the financial sustainability in order to fulfil the statutory requirements by 2027	Percentage of cost containment measures implemented	50%	Quarterly reports with supporting evidence (Base line PY vs CY)	50%	<b>Achieved</b>	50%	Achieved; 68% cost containment implemented	4	No action required
MFV 9	To ensure the sustainable Local Economic Development by 2027	Percentage of tenders below R200 000 awarded to local SMME's and Vulnerable groups	90%	Quarterly reports. List of tenders awarded to local SMME's and Vulnerable groups	70%	<b>Achieved.</b> (awarded/ total tenders*100) 84/ 114*100= 73,68%	70%	Achieved; (awarded/ total tenders*100) 41/57*100= 71% of tenders below R200 000 awarded to local SMME's and Vulnerable groups	3	No action required
	Supply Chain Management		50%							
	Financial Management		New Indicator							

MFV 10	To ensure the financial sustainability in order to fulfil the statutory requirements by 2027	Percentage of tenders above R200 000 awarded to local SMME's and Vulnerable groups	70%	Quarterly reports. List of tenders awarded to local SMME's and Vulnerable groups	30%	<b>Achieved:</b> (awarded/ total tenders*100) 69/115*100= 60%	30%	Achieved; (awarded/ total tenders*100) 49/131*100= 37% of tenders above R200 000 awarded to local SMME's and Vulnerable groups	3	No action required
MFV 11	To ensure the financial sustainability in order to fulfil the statutory requirements by 2027	Number of approved Annual Asset Management Plan	New indicator	Approved Annual Asset Management Plan. Quarterly progress report on the implementation of asset plan	New Indicator		1	Achieved; 1 approved asset management plan	3	No action required
MFV 12	To ensure the financial sustainability in order to fulfil the statutory requirements by 2027	Number of GRAP Compliant Asset Register	New indicator	Quarterly Reports on management of institutional assets (Loss register and new acquisitions register). Updated Assets register	New Indicator		1	Achieved; 1compliant register	3	No action required
MFV 13	To ensure the financial sustainability in order to fulfil the statutory requirements by 2027	Number of skip bin acquired	New indicator	Expenditure. Reports. Pictures. Delivery note	New Indicator		4	Achieved; 5 Skip bins acquired	4	No action required

**KPA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION**

REF	PRIORITY AREA	STRATEGIC OBJECTIVE	KEY PERFORMANCE INDICATOR	BASE FLI	MEANS OF VERIFICATION	2021/2022 Annual Target	2021/2022 Actual Performance	2022-2023	2022/2023 Actual Performance	Rating	Reasons for Variances	Remedial Actions
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GGP 1	To entrench the culture of good governance by 2027	Percentage of recurring findings reduced since 2021	2020/2021 Management letter	Management report and audit action plan. Internal Audit assessment report.	100%	<u>Not Achieved</u>	100%	Not Achieved; 10% implemented	2	30 days: Due to budgetary constraints of the municipality. Contracts that were irregularly appointed will continue to incur irregular expenditure until they have lapsed.	Full implementation of the audit action plan.		
	To entrench the culture of good governance by 2027	Number of unqualified audit opinions obtained from the Auditor General	New indicator	Audit report issued by Auditor General. Progress report on the Implementation of Audit Action Plan verified by Internal Audit.	Unqualified audit opinion with matters of emphasis addressed	<u>Not Achieved</u> ; Qualified audit opinion	1	Not Achieved; the municipality received a qualification audit opinion	2	Few findings by AG	2021/2022 findings were attended in 2022/2023.		
GGP 2	To entrench the culture of good governance by 2027	Number of councillors who have declared their financial interests	New indicator	Signed declaration forms	New Indicator	45	Achieved; 45 councillors who have declared their financial interests	3	No action required				
	To entrench the culture of good governance by 2027	Percentage of internal audit recommendations implemented	100%	Quarterly Report. Internal Audit Report Matrix. Internal Audit Assessment Report	New Indicator	100%	Not Achieved; (total sum/count*100) 150/4*100= 37,5%	2	Some recommendations can only be implemented in the long term	Develop an Internal Audit Action Plan – similar to that of AGSA..			
GGP 3													
GGP 4													

GGP	Objective	Key Performance Indicator	Target	Actual Performance	Notes	Score	Action Required
GGP 5	To entrench the culture of good governance by 2027	Percentage of AC resolutions implemented	100%	100%	Quarterly Report. AC resolution matrix. Assessment Report from IA	3	Achieved; 100% recommendations implemented
GGP 6	To ensure proper governance, accountability and public participation by 2027	Number of risk assessment conducted	New Indicator	1	Risk assessment report. Attendance Register	3	Achieved; 1 risk assessment conducted
GGP 7	To improve the municipal responsiveness to service delivery breakdowns by 2027	Percentage of official complaints responded to through the municipal complaint management system	New Indicator	100%	Quarterly reports. Reconciliation of complaints received and attended to	3	Achieved; 100%
GGP 8	To improve the municipal responsiveness to service delivery breakdowns by 2027	Number of average days in responding to complaints received	3	Achieved; 3 days	Quarterly Report. System Generated report on number of days taken to respond	3	Achieved; average 3 days in responding to complaints received
GGP 9	To improve community participation by 2027	Number of community consultations conducted	4	Achieved; 4	Quarterly reports. Attendance Register. (Delivery Note or order for digital platforms)	3	Achieved; 4 community consultations conducted

Public Participation

GGP	Objective	Indicator	Target	Actual	Notes	Comments
GGP 10	To improve community participation by 2027	Percentage of wards that have held at least one councillor-convened community meeting	100%	2	Not Achieved; (total sum/count*100) 156,63/4*100= 39%	Issue a notice on time and use social media platforms to invite community members.
GGP 11	To improve information sharing to communities to the people RMM by 2027	Number of communication plans developed	1	3	Achieved; 1 communication plan developed	No action required
GGP 12	To improve information sharing to communities to the people RMM by 2027	Number of communication programs implement as per the Communication Plan	4	5	Achieved; 24 communication programs implement as per the Communication Plan	No action required
GGP 13	To maintain healthy trusted brand by 2027	Number of Municipal profiles developed	1	1	Not Achieved; 1	Lack of resources.
GGP 14	To ensure proper governance and accountability by 2027	Number of IGR meetings convened	4	2	Not Achieved; 1	Unavailability of stakeholders. The municipality will allocate a budget for the profiling of the municipality. The municipality will share the council calendar to all stakeholders so that they can incorporate the IGR to their plans.



GGP 15	Sport	To entrench social cohesion through vulnerable groups by 2027	Number of sport programmes implemented	Quarterly reports. Expenditure Report. Feed back forms on training.	3	<b>Not Achieved:</b> 0	4	Not Achieved; 1 sport programme implemented	2	The municipality was unable to support due to financial constraints.	Partner with external stakeholders and implement sport programmes.
		To entrench social cohesion through vulnerable groups by 2027	Number Special programmes (SP) model developed	Quarterly Report. Developed SP Model	New indicators	1	New Indicator	1	Not Achieved; 1	1	The municipality used SALGA proposals on the model
GGP 16	Special Programmes	To entrench social cohesion through vulnerable groups by 2027	Number of vulnerable groups programme implemented	Quarterly reports. Attendance Register. Expenditure report	5	<b>Not Achieved:</b> 4	5	Achieved; 6	4	No action required	
		To ensure proper governance, accountability and public participation by 2027	Number of by-laws developed and promulgated	Quarterly reports with supporting evidence	New indicators	2	New Indicator	2	Not Achieved; 0 by-laws developed	1	No resources
GGP 17	Law enforcement				14						

## **CONCLUSION**

The Raymond Mhlaba Municipality is proud to present this Annual Performance Report 2022/2023 to the Raymond Mhlaba community. The Municipality remains committed to be “**A service excellence driven municipality**” which responds to the expectations of the residents and local business fraternity by providing access to quality and affordable basic services whilst doing utmost to maintain and improve on the existing levels of infrastructure investment. The Raymond Mhlaba Municipality is a well-functioning local government institution because of the effective, efficient, but most importantly, responsible use of its resources.

Yours in Good Governance



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**MS. U.T MALINZI**  
**MUNICIPAL MANAGER**  
**RAYMOND MHLABA LOCAL MUNICIPALITY**

**ANNEXURE 1: 2022/2023 MUNICIPAL SERVICE PROVIDER PERFORMANCE**

Name of Entity & Purpose		Service Provider Performance Schedule						
		(a) Service Indicators			Year 2022/2023		Year 2023/2024	
		(b) Service Targets (ii)	Target	Actual	*Previous Year (v)	*Current Year (vi)	Actual	
			*Previous Year (iii)	(iv)			(vii)	
Bontinite Construction/Kukho Engineers	Construction of Nonaliti Community Hall	360m <sup>^2</sup>	100%	nil	nil	nil		
Hlakula Construction/MBSA	Construction of Lenge Community Hall	360m <sup>^2</sup>	100%	nil	nil	nil		
Paylor and Yandy Construction/Imbawula	Construction of Katvalley Community Hall	360m <sup>^2</sup>	100%	nil	nil	nil		
Ranoz Construction/Ibhotwe Lezizwe	Construction of Mgxotyeni Day Care Centre	245m <sup>^2</sup>	100%	nil	nil	nil		
Skeelo Investments/IX Engineers	Construction of Mbizana Day Care Centre	245m <sup>^2</sup>	100%	nil	nil	nil		
Hlakula Construction	Construction of Funinyaniso Day Care Centre	245m <sup>^2</sup>	100%	nil	nil	nil		
Chizama Trading/Leko	Construction of Ngqele Day Care Centre	245m <sup>^2</sup>	100%	nil	nil	nil		

Nkonki Brands	Paving of Red Location	800m	800m	500m	0%	Planning
Altitudes Builders	Paving of Jampa Internal Streets Phase2	800m	1200m	nill	nill	nill
Nkonki Brands/Trivion	Paving of Jacaranda Internal Streets Phase1	800m	1370m	500m	0%	Planning
Indwenathi Construction	Paving of Gomma-goma, Mike Valley and Kuwait Internal Streets Phase 2	800m	1200m	nill	nill	nill
SSK Cleaning Services	Paving of Tyoks, Takalani and Mpolweni Internal Streets Phase 4	800m	1200m	nill	nill	nill
Ilitha Communications JV L Jacobs	Paving of Seymour Internal Streets Phase 3	800m	100%	1000m	0%	under construction
Rosebudd/Bulls and Kings	Paving of Newtown Internal Streets Phase 4	800m	100%	nill	nill	nill
Nkonki Brands	Supply and Installation of Highmast Lights	5	100%	Nill	Nill	Nill