

2021/2022

Draft Annual Report



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CHAPTER 1

MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

COMPONENT A: MAYOR'S FOREWORD

It gives me great pleasure to present this annual Report for Sakhisizwe Municipality, for the 2021/2022 Financial Year. It is a legal requirement that annually the municipality must compile an annual report on the performance of its approved Integrated Development Plan for the year under review. This report is therefore a reflection on the performance of Sakhisizwe Municipality over the past financial year. This report comes on the backdrop of a changeover of tenure or terms of Council. In November 2021, we witnessed the successful conclusion of democratic local government elections which marked the beginning of a new term of Council.

Local government in South Africa has traversed a long way since post-apartheid. A series of changes within local government has taken place, which had an effect on local government capacity. Notably, local government in South Africa has a packed set of responsibilities conferred unto them by the constitution of RSA and various pieces of legislation. A transformed and developmental system of local government will ultimately need to function as a truly accountable, effective and efficient sphere of government. It should play a key role in the war against poverty and in the active promotion of social and economic upliftment of our communities. These objectives require that local government has the requisite capabilities to perform its powers and functions effectively.

POLITICAL ENVIRONMENT

In March 2020 South Africa experience a huge Disaster of Covid -19 pandemic that spread to the entire country. South Africa is the country with the fifth-highest number of cases COVID-19 in the world, and the highest number of cases on the African continent. The study further observes that economic sectors most disadvantaged by the COVID-19 outbreak include textiles, education services, catering and accommodations (including tourism), beverages, tobacco, glass products, and footwear. South Africa also experience high stages of loud shedding and network problems in FY 202/122. Small and medium enterprises are most negatively impacted

The study focuses on how COVID-19 will drive temporary and long-term changes in poverty levels in South Africa. The number of households below the poverty line increases as households fall from the lower middle class. Fifty-four percent of households that have been pushed out of permanent jobs to informal or temporary contracts as a coping mechanism for businesses affected by COVID-19, are likely to fall into poverty after the 6-months stimulus package is over. Thirty-four percent of households are likely to exit the middle class into vulnerability.

"Inequalities within and among nations are being exposed and exacerbated by COVID-19, as the poor and vulnerable are unable to protect themselves," said UN Resident Coordinator Nardos Bekele-Tomas. "While Government social protection grants tend to target the poorest, this study posits that care and support needs to be provided to those

at the borderline of the poverty line, such as the vulnerable middle class, to reduce their likelihood of slipping into poverty.”

Populations hit especially hard are already-impooverished female-headed households, persons with only primary education, persons without social assistance, black populations, and heads of households who have been pushed from permanent to informal employment.

The launch of “The Socio-Economic Impact Assessment of COVID-19 in South Africa” report brought together representatives from government, civil society, private sector and academia. South Africa’s Minister of Cooperative Governance and Traditional Affairs Dr. Dlamini-Zuma urged that the study should find its way into every district and municipality. She called for a skills revolution complemented by the adoption of a technology strategy and the delivery of a district developing model by promoting gender-responsive budgeting

OPERATING ENVIRONMENT

The 2021/2022 annual report is the first in this five year term to be tabled to the new leadership as mandated by the people of our municipality who voted for the ANC to lead. Our obligation is to make sure that we deliver services to our people and execute our mandates democratically.

Lastly, our municipality is guided by our strategic document, the IDP, which must be reviewed annually to be in line with the aspirations and wishes of our communities. We must elevate our council, our administration and our workforce to a level of achieving goals by promoting participation and transformation. Our strategic focus should be to develop and acquire the art of doing more with less that is in our disposal.

CHALLENGES

The municipality is continuously endeavouring to tackle its challenges, whilst the municipality has recorded successes in the reporting year, challenges hereunder still persists;

- On the electricity roll out the farms have not yet been completed.
- Housing development at Elliot Old Location and Polar Park still remains halted.
- Mud schools are still in existence in **Hota, Mgwalana, Gubenxa and Lusindiso Junior Secondary Schools.**
- The development of farms and rural roads is another hot spot for the municipality.
- Revenue collection is a major challenge, we are mostly a rural municipality.

PUBLIC PARTICIPATION

Public participation is ensured through the following methods in line with legislation:

- IDP road shows
- Ward Committee Meetings, Community meetings and 9 ward based meetings
- Radio talk shows

- Inter-governmental forums
- Petitions response through Community Meetings
- War rooms: dealing directly with issues raised by other sector departments to address them

Together with Sakhisizwe Communities we strongly believe that we can build a better and prosperous municipality through the involvement of a range of stakeholders that stand to benefit the future generation. Those stakeholders range from but not limited to private sector, non-governmental organizations, community based organization, labour and other interested parties.

COUNCILLOR B.E. PONOSHE
MAYOR

COMPONENT B: EXECUTIVE SUMMARY

1.1 MUNICIPAL MANAGER'S OVERVIEW

The annual report for the 2020/2021 financial year has been compiled in accordance with section 46 of the Local Government Municipal Systems Act, No. 32 of 2000 (as amended), section 127 (2) of the Local Government Municipal Finance Management Act, No. 56 of 2003 as well as accompanying circulars, templates and guidelines.

The report records the performance and progress made by Sakhisizwe Municipality in fulfilling its strategic objectives contained in the Integrated Development Plan (IDP), Institutional Scorecard and Service Delivery and Budget Implementation Plan (SDBIP) approved by Council for the year under review.

In the year under review, the municipality intensified its basic services delivery programmes and rolled out a number of high impact projects. The financial position of the municipality remains stable, despite the global impact of slowing economies.

These key performance areas are a way of responding to key issues confronting the municipality and are aligned to the national 5 year Local Government Strategic Agenda.

KEY PERFORMANCE AREAS- KPA

- Governance and Stakeholder Participation
- Environmental safety
- Social Community Development
- Institutional Transformation
- Financial Stability
- Physical Infrastructure and Energy Efficiency
- Community Services and Customer Care
- Economic Growth and Development
- Spatial Efficiency

This report covers the performance information of the Municipality from 1st July 2021 to 30 June 2022 and focuses on the implementation of the Service Delivery Budget and Implementation Plan (SDBIP), in relation to the Integrated Development Plan (IDP). It also provides an overview of improvements made to the performance management system and shortcomings that still need to be addressed; progress made in the implementation of the establishment plan and an overview of financial performance.

To the best of my knowledge and belief, I confirm the following:

- All information disclosed throughout the annual performance report is consistent;
- The annual performance report is complete, accurate and is free from any omissions;
- The annual performance report has been prepared in accordance with the guidelines on the annual performance report as issued by National Treasury; and
- The Accounting Officer is responsible for establishing, and implementing a system of internal controls that have been designed to provide reasonable assurance as to the integrity and reliability of the performance information.

In my opinion, the annual report fairly reflects the operations and the performance information of the Municipality for the financial year ended 2021/2022.

NC MAZWAYI
MUNICIPAL MANAGER

1.2 MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

1.2.1 Municipal functions

The primary role of the municipal council is that of political oversight of the municipality's functions, programmes and the management of the administration. All of the powers of local government are vested in the municipal council. It has the power to make by-laws (legislative authority) and the powers to put those laws into effect (executive authority). The municipal council has executive and legislative authority over the matters set out in Part B of schedule 4 and Schedule 5 of the Constitution. The municipality may also administer any other matter assigned to it by national or provincial legislation. In administering the matters assigned to local government, the municipal council must strive within its capacity to achieve the Constitutional objectives of local government. The roles and responsibilities within Local Government of these constitutional objectives are:

- To provide democratic and accountable government for local communities
- To ensure the provision of services to communities in a sustainable manner
- To promote social and economic development
- To promote a safe and healthy environment
- To encourage the involvement of communities and community organisations in the matters of local government.

The Constitution also assigns developmental duties to municipalities. Section 153 provides that a municipality must:

- Structure and manage its administration, budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community.
- Participate in national and provincial development programmes. In terms of the Local Government: Municipal Structures Act, No. 117 of 1998, the municipal council must meet at least quarterly.

The Municipal Structures Act also requires the council to annually review:

- The needs of the community
- Its priorities to meet those needs
- Its processes for involving the community
- Its organisational and delivery mechanisms for meeting the needs of the community
- Its overall performance in achieving the constitutional objectives outlined above.

The Constitution confines the performance of certain functions to the municipal council alone. These functions may not be delegated by the council under any circumstances;

- Approval of Budgets
- Passing of By-laws
- Imposition of rates, other taxes, levies, and duties
- Raising of loans

Some functions may be delegated, however responsibility and liability remains with the Municipality. These are:

- Electricity delivery
- Water for household use
- Sewage and sanitation

- Storm water systems
- Refuse removal
- Fire-fighting services
- Municipal health services
- Decisions around land use
- Municipal roads
- Municipal public transport
- Street trading
- Abattoirs and fresh food markets
- Parks and recreational areas
- Libraries, halls, cemeteries and other facilities
- Local tourism

1.2.2 INTRODUCTION TO BACKGROUND DATA

Provincial Locality: Eastern Cape



The recent statistical report issued in November 2012 by the Statistics South Africa estimates the total population of Sakhisizwe Municipality to be approximately 63582 people and 16151 households. This indicates a slight population growth of 0, 44% between 2001 and 2011. About 51.9% of households are female headed.

It is to be noted that ward 1, 3 and 5 have the highest population concentration when compared to the rest of the other six wards. It is also noted that the Sakhisizwe population is evenly distributed across the rest of the wards. In terms of gender and age dynamics females are more than men and therefore, it is important that development programmes concentrate more on women empowerment. The report seeks to reflect on the current socio-economic developments in Sakhisizwe Municipality with the view of providing a strong conceptual and empirical basis for policy-making, especially in turbulent times such as these. It provides the demographic patterns, labour dynamics, economic developments, and other socio economic indices related to the triple challenge of poverty, inequality and unemployment. These indices highlight performance and trends of selected development indicators and set the basis for planning, action prioritization to improve the lives of people in the local municipality. The report can serve as a diagnostic document that articulates key questions which should be addressed by a long-term plan and strategy for the development

of Sakhisizwe Municipality. Trend analysis in this report shows the extent to which the District has recovered from the economic meltdown in 2009.

This report draw heavily from the analysis compiled by IHS Global Insight. It uses both the data provided by the IHS Regional Explorer and the analysis provided in the Rex Publisher. Additional information was drawn from the International Monetary Funds (IMF) for global economic outlook and Statistics South Africa (Census 2011 Census and 2016 Community Survey) for demographic data. Statistics South Africa, the official data provider does not provide labour and economic statistics at local and districts levels. Therefore, the document drew labour and economic data from IHS Global Insight (IHS, 2017).

1.2.3 SAKHISIZWE DEMOGRAPHIC PROFILE

Sakhisizwe Local Municipality is a Category B municipality (area: 2355km²) situated within the Chris Hani District in the Eastern Cape Province. It is bordered by the Joe Gqabi District to the north, Intsika Yethu to the south, Engcobo to the east, and Emalahleni to the west. The municipality is the smallest of six in the district, making up 6% of its geographical area. Sakhisizwe is an isiXhosa name meaning 'we are building the nation'.

Sakhisizwe is a category B4 type with largely rural (61%) and low revenue base, the municipality is situated within the Chris Hani District of the Eastern Cape Province. It is made up of the main town of Cala and Khowa as well as the surrounding rural villages and farms.

1.2.4 GLOBAL ECONOMIC OUTLOOK

Global economic activity is picking up with a long-awaited cyclical recovery in investment, manufacturing, and trade. According to the IMF report, world economic growth is expected to rise from 3.1 percent in 2016 to 3.5 percent in 2017 and 3.6 percent in 2018. Stronger activity, expectations of more robust global demand, reduced deflationary pressures, and optimistic financial markets are all upside developments. But structural impediments to a stronger recovery and a balance of risks that remains tilted to the downside, especially over the medium term, remain important challenges. While growth is still expected to pick up notably for the emerging market and developing economies group, weaker than-expected activity in some large countries has led to small downward revisions to the group's growth prospects for 2017.

For advanced economies, projected growth has been revised upward in the United States, reflecting the assumed fiscal policy easing and an uptick in confidence, which, if it persists, will reinforce the cyclical momentum. The outlook has also improved for Europe and Japan based on a cyclical recovery in global manufacturing and trade that started in the second half of 2016.

1.2.5 SOUTH AFRICA AND EASTERN CAPE OUTLOOK

According to the IMF, South Africa's economic growth is projected to increase by 1 percent in 2017. This is a 0.2 of a percentage point more than an earlier projection of 0.8 percent. However, South Africa's National Treasury expects growth of 1.3 percent in 2017. During the first quarter of 2017 Statistics South Africa reported a decrease of 0.7 percent in the GDP, following a 0.3 percent contraction in the fourth quarter of 2016. In 2008–2009 there was a recession over three quarters when the country became caught up in the global financial crisis. In total, South Africa has experienced three recessions since 1997.

During the first quarter of 2017, both the secondary and tertiary sectors recorded negative growth rates. The trade and manufacturing industries were the major heavyweights that stifled production, with trade falling by 5.9% and manufacturing by 3.7%. On the positive side; the agriculture and mining industry contributed positively to growth, but not enough to avoid the recession. Trade experienced production decline across the board, particularly in catering, accommodation and wholesale trade. Manufacturing found itself hamstrung by lower production levels primarily in food and beverages and petroleum and chemical products. The current economic meltdown necessitates a radical reprioritisation and refocus on catalytic projects.

1.2.6 SAKHISIZWE POPULATION

With 67 100 people, the Sakhisizwe Local Municipality housed 0.1% of South Africa's total population in 2021. Between 2011 and 2021 the population growth averaged 0.59% per annum which is more than half than the growth rate of South Africa as a whole (1.50%). Compared to Chris Hani's average annual growth rate (0.73%), the growth rate in Sakhisizwe's population at 0.59% was very similar than that of the district municipality.

	Sakhisizwe	Chris Hani	Eastern Cape	National Total	Sakhisizwe as % of district municipality	Sakhisizwe as % of province	Sakhisizwe as % of national
2011	63,300	817,000	6,690,000	52,000,000	7.7%	0.95%	0.12%
2012	63,400	820,000	6,750,000	52,800,000	7.7%	0.94%	0.12%
2013	63,500	824,000	6,810,000	53,700,000	7.7%	0.93%	0.12%
2014	63,800	829,000	6,880,000	54,500,000	7.7%	0.93%	0.12%
2015	64,100	835,000	6,950,000	55,300,000	7.7%	0.92%	0.12%
2016	64,600	841,000	7,020,000	56,200,000	7.7%	0.92%	0.11%
2017	65,000	848,000	7,100,000	57,000,000	7.7%	0.92%	0.11%
2018	65,600	856,000	7,180,000	57,900,000	7.7%	0.91%	0.11%
2019	66,100	864,000	7,250,000	58,800,000	7.6%	0.91%	0.11%
2020	66,700	872,000	7,330,000	59,600,000	7.6%	0.91%	0.11%
2021	67,100	879,000	7,400,000	60,300,000	7.6%	0.91%	0.11%
Average Annual growth 2011-2021	0.59%	0.73%	1.01%	1.50%			

Source: IHS Markit Regional Explorer version 2236

1.3 SERVICE DELIVERY OVERVIEW

Service delivery is the top ranked priority for the current council. A need was identified to develop a comprehensive Electricity Master Plan which will give framework for long term planning in terms of:

- Electricity Maintenance Plans
- Electricity Expansion plans
- Electricity Funding mechanisms
- Electricity Operational and Institutional Management plans

The Electricity Master Plan has been developed and it is now in its final stages of completion.

1.3.1 ACCESS TO MUNICIPAL SERVICES

As a developing local municipality, we are expected to ensure sustainable delivery of services through our direct channels and in collaboration with and by facilitation of contributions from various other stakeholders and development agencies operating in our jurisdiction.

Chapter 3 of the report deeply engages the accessibility of the community to municipal services.

1.4 FINANCIAL HEALTH OVERVIEW

The year under review has presented budgetary challenges to the Sakhisizwe Local Municipality, resultant of the global economic meltdown.

These challenges include coping with revenue shortfall, the collection of arrear debt, and creating a balance between increasing demand for services and limited financial resources. The Municipality has developed a Financial Strategy to mitigate against these pressures. Several options were considered, which include:

- Maximising revenue generation
- Debt collection
- Increasing indigent support
- Tariff increases above the projected inflation in some services
- Curtailing of expenditure.

In general usage, this financial plan is a budget outlining spending and saving of future income. The plan allocates future income to various types of expenses, such as salaries, insurances and also reserves some income for short term and long term savings. The focus will also be to increase investment income through interest earned through funds not immediately in demand, which allocates savings to various assets and/or projects expected to produce more revenue.

One of the key issues identified for the sustainability of Sakhisizwe Local Municipality is expanding its revenue base whilst remaining financially viable and sustainable. The objectives are therefore to provide effective, efficient and coordinated financial management and financial accounting. This financial plan includes the assumptions used when compiling the operating and capital budget, financial strategies as well as the accounting policies and includes national and provincial priorities.

The 2021/2022 Budget Review emphasised that, while the global economic growth outlook has continued to decline, it is clouded by the prevailing policy uncertainty due to the increasing pressure within the world trading system, resulting from the pandemic that has lasted for the past two years. These factors may jeopardise South Africa's prudent macroeconomic and fiscal policies, which include inflation targeting and a flexible exchange rate, the local economy's ability to adjust to global volatility and the stable investment platform.

The Local Government Budget and Expenditure Review document highlights the following areas as requiring particular attention while preparing municipal budgets:

- Revenue management - To ensure the collection of revenue, municipalities need to ensure that billing systems are accurate, send out accounts to residents and follow up to collect revenue owed.
- Collecting outstanding debts - This requires political commitment, sufficient administrative capacity, and pricing policies that ensure that bills are accurate and affordable, especially for poor households.
- Pricing services correctly – The full cost of services should be reflected in the price charged to residents who can afford to pay. Many municipalities offer overly generous subsidies and rebates that result in services being run at a loss, resulting in funds being diverted away from other priorities.
- Under spending on repairs and maintenance – Often seen as a way to reduce spending in the short term, under spending on maintenance can shorten the lifespan of assets, increase long-term maintenance and refurbishment costs, and cause a deterioration in the reliability of services.
- Spending on non-priorities – Many municipalities spend significant amounts on non-priority items including unnecessary travel, luxury furnishings, excessive catering and unwarranted public relations projects. Consultants are often used to perform routine tasks.

In drafting their budgets, all municipalities are urged to continue to explore opportunities to mainstream labour intensive approaches to delivering services and more particularly to participate fully in the Extended Public Works Programme.

Municipalities must focus on maximizing its contribution to job creation by:

- Ensuring that service delivery and capital projects use labour intensive methods wherever appropriate
- Ensuring that service providers use labour intensive approaches
- Supporting labour intensive LED projects
- Participating fully in the Extended Public Works Programme
- Implementing internship programmes to provide young people with on-the-job training

1.5 ORGANISATIONAL DEVELOPMENT OVERVIEW

Census 2011 does point to the fact that the municipality is doing all possible in providing basic services to the citizens, e.g. water, electricity, etc. while backlogs continue to loom large. To deal with such challenges, (as reported in the previous financial year already) the following are some of the key priorities to be attended to in the next financial year: Finalizing the audit of all municipal properties and reduction of backlogs of RDP housing and the list of commonages.

Issues with SARS in respect of VAT reconciliations and outstanding refunds are to be resolved; Improvements in record keeping and accuracy levels of leave data; Improving systems and controls (in all departments); Improving Service Providers performance reporting and the provision of a capital commitments register.

Improvements in reporting data, specifically the accuracy of statistical data is required; The improvement of the manner in which the Service Delivery and Budget Implementation Plan is constructed.

This is required to be aligned to both IDP and Budget, and presented with well-constructed targets; Departmental SDBIP reporting; Performance is required to be effectively assessed at both an individual and at an institutional level; and a re-written IDP is required, that accurately reflects the required data and targets with the required clear financial plans.

In pursuing our endeavours – services delivery to the communities - the municipality will continue to implement the system of performance assessment. It must however be noted that while a system for performance assessment and management is provided for, others may simply treat it as an issue of compliance rather than treat it as a very necessary part of our day-to-day functioning. Moving forward it is hoped that this will become part of the municipality's day-to-day operational focus.

As it is noted in our previous Audit Report, the municipality still needs to entrench the culture of observing generally accepted accounting principles and procedures. Going forward, it will be one of the key priorities to ensure that we obtain a clean audit (while continuing to improve services to our people).

These successes are what the municipality should build on in dealing with financial challenges

1.6 AUDITOR GENERAL REPORT

The Auditor General has completed the 2021-2022 Audit Report, and it has reflected an improvement from the prior year adverse opinion to a qualified opinion in the year under review. The final report is available... chapter 6

1.7 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 year 0 Annual Report to Internal Audit and Auditor-General	
5	Municipal entities submit draft Annual reports to MM	
6	Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant)	August
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	
11	Auditor General audits Annual Report including consolidated Annual Financial Statements and Performance data	September - October
12	Municipalities receive and start to address the Auditor General's comments	November
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	December
16	Council adopts Oversight report	
17	Oversight report is made public	
18	Oversight report is submitted to relevant provincial councils	January
19	Commencement of draft Budget/ IDP finalization for next financial year. Annual Report and Oversight Reports to be used as input	

The process for preparing the annual report commenced rather late due to lack of capacity within the institution, particularly in the IPED department. As a result, existing officials had to be assigned the task of completing the document. Notwithstanding the above, the municipality has attempted to comply with the requirements from National Treasury in terms presentation of the annual report, and this is expected to improve in due course towards the build-up wherein the final draft will be presented to council for adoption and public comment.

CHAPTER 2. GOVERNANCE

COMPONENT 1. POLITICAL AND ADMINISTRATIVE GOVERNANCE

The governance system of Sakhisizwe municipality and its operation is predominantly based on the legislative framework of local government, i.e. Municipal Structures Act, Municipal Systems Act, Municipal Finance Management Act, and other laws pertinent to the local government sector. Sakhisizwe municipality has always endeavoured that the governance system, comprising of the political and administrative arms of the municipality, is operated effectively and is in compliance with laws, regulations and related policies which are compiled to by all stakeholders, at all levels.

This concerted attitude on governance has in fact resulted in improved service delivery, financial management and audit opinion over the years. The municipality is conscious that there is still room for improvement regarding its governance system in an effort to ascertain that enduring returns are realized, in the form of, for example, a clean administration or unqualified audit opinion without matters.

2.1 POLITICAL GOVERNANCE

The Mayor of the municipality, Cllr. B. E. Ponoshe assisted by the executive committee, is entrusted with an overarching strategic and political responsibility. The mayor is the nucleus of the governance system and its effectiveness in ensuring efficient, economical and effective financial management. The executive powers are vested in her to oversee the day-to-day affairs of the municipality assisted by the municipal manager.

2.1.1 EXECUTIVE MANAGEMENT

In the table below is the reflection of the executive management of Sakhisizwe LM for the year in review

NAME	POSITION
Councillor B. E. Ponoshe	Hon. Mayor
Councillor N. Mkati	Speaker
Councillor M. Ngqayimbana	Portfolio Head: Finance and Administration
Councillor M. Mxhonywa	Portfolio Head: Infrastructure & Integrated planning
Councillor M. Malungisa	Portfolio Head: Social needs and community service
Mrs N C Mazwayi	Municipal Manager

2.1.2 FULL LIST OF SAKHISIZWE MUNICIPALITY COUNCILLORS

	NAMES	DESIGNATION	WARD	CONTACT NO'S
1.	Cllr B. E. Ponoshe	Mayor	PR	082 474 9675
2.	Cllr N. Mkati	Speaker	PR	060 551 1502
3.	Cllr M. Mxhonywa	Councillor	PR	063 437 3473
4.	Cllr M. Ngqayimbana	Councillor	PR	083 585 9302
5.	Cllr M. Malungisa	Councillor	PR	061 549 3314

6.	Cllr A. Mpakane	Councillor	PR	064 177 0925
7.	Cllr W. M. Kumsha	Councillor	PR	083 861 0634
8.	Cllr A. Mbebe	Councillor	PR	073 318 7319
9.	Cllr Z. J. Phonoshe	Ward 1: Councillor	1	072 841 9333
10.	Cllr V. Filani	Ward 2: Councillor	2	060 723 4997
11.	Cllr N. S. Nopote	Ward 3: Councillor	3	083 505 7819
12.	Cllr N. Miso	Ward 4: Councillor	4	072 143 6581
13.	Cllr L. Thulelo	Ward 5: Councillor	5	061 581 0589
14.	Cllr N. Stofile	Ward 6: Councillor	6	071 397 9025
15.	Cllr T. Mayongo	Ward 7: Councillor	7	083 883 9263
16.	Cllr P. Mahlombe	Ward 8: Councillor	8	079 030 8384
17.	Cllr T. Tasana	Ward 9: Councillor	9	083 984 8261

2.2 ADMINISTRATIVE GOVERNANCE

Good governance, as embraced by the municipality, has eight major characteristics, namely;

- Participatory
- Consensus oriented
- Accountable
- Transparent
- Responsive
- Effective
- Efficient
- Equitable

These characteristics assure that corruption is minimized, the views of minorities are taken into account and the voices of the most vulnerable in society are heard in decision-making. It is also responsive to the present and future needs of society. In giving effect to good governance, the municipality has configured the following administrative structure to effectively, economically and efficiently advance the mission of council.

2.2.1 MUNICIPAL MANAGER

The Municipal Manager (MM) is the head of administration, and in terms of the MFMA, is referred to as "the Accounting Officer", with a primary responsibility to serve as chief custodian of services delivery and implementation of political priorities. The Municipal manager was appointed for the institution in October 2020 for a period two years.

2.2.2 DIRECTORS

At the beginning of this financial year 2021/2022 all positions of directors were filled as reflected below but towards the end of the year Corporate Services director became vacant. The municipality in June 2022 was in a final stages to appoint a new director Corporate Service.

NAME	POSITION
Mr L. Fathuse	Corporate Services Director
Mrs P. Mngcita	Community Services Director
Mrs. B. Lubelwana	Chief Financial Officer
Mr M. Pamla	Director IPED
Mr S. Tunzi	Director Technical services

COMPONENT B: INTERGOVERNMENTAL RELATIONS

2.3 INTERGOVERNMENTAL RELATIONS

Co-operative governance pertains to structured relationships among various stakeholders involved in the pursuit of ultimate service delivery. This important mechanism encourages integrated and synergized efforts towards planning and implementation of service delivery plans. This is important because government operates a three-tier system, constituting National and Provincial government, District municipality and local municipalities, and all these levels of government are targeting or servicing the same communities, which therefore requires cutting-edge integration and synergy.

Sakhisizwe Local Municipality is represented in various intergovernmental platforms and forums such as the MUNIMEC, DIMAFO at provincial and district levels of governance through the leadership of the Mayor and the Municipal Manager respectively.

Local Intergovernmental Forum is on the Council Calendar as adopted but faces a challenge of not sitting as legislated as only two meeting was conducted in the 2021/2022 financial year.

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

2.4 PUBLIC MEETINGS

The department of local government has a legal and political responsibility to ensure regular and effective communication with the community, as enshrined in the Constitution of the RSA Act 1996 and other statutory enactments. This obligation requires high levels of transparency, accountability, participatory democracy and direct two-way communication with communities to improve the lives of all.

On the other hand the communities have a right and a responsibility to participate in local government affairs and decision making processes of Sakhisizwe municipality. Sakhisizwe municipality therefore subscribes to the principles of Batho Pele, and this, in simple terms, means that those who are elected to represent the communities (Councillors at municipal level) and those who are employed to serve it (the municipal officials at municipal level) must always put the people first in what they do.

ISSUE	PARTICIPATION MECHANISM & PLANNING EVENTS
Planning participation	<ul style="list-style-type: none"> Use of workshops & Community Based Plans
Attendance at meetings, workshops etc.	<ul style="list-style-type: none"> Interchanging of venue logistics between Khowa and Cala to ensure convenience Support with transportation where it is financially feasible Issuing of invitations via popular media and local institutions like ward committees, public announcements in community radio, newspapers and social events etc.
Effective communication	<ul style="list-style-type: none"> Meetings shall largely run in IsiXhosa and this is done to allow the majority of participants to input meaningfully without restrictions of language
Approval & Comments on the document	<ul style="list-style-type: none"> Use of social media and community radio station

2.5 IDP PARTICIPATION AND ALIGNMENT

The following table illustrates the 2021/2022 IDP review action programme which gives an indication to the planning activities that will be undertaken in a calendar format. This action plan incorporates the IDP, Budget and PMS programmes. This plan entails all the activities that the municipality is conducting, it is shared with the public and other stakeholders in order to promote public participation especially that of the communities.

SAKHISIZWE LOCAL MUNICIPALITY 2022/2027 IDP/ BUDGET-PM PROCESS PLAN				
Planning Phase				
1)	Performance Review	PMS	12-13 July 2021	MM/PEP
2)	IDP/PMS and Budget Steering consider proposed amendment to IDP- Annual Budget	IDP/PMS/BTO	16 July 2021	MM/PEP/CFO
3)	IGR Meeting	STRATEGIC MANAGER	22 July 2021	MM
4)	Start preparing Medium Forecast and determine Budget Assumption	BTO	August 2021	CFO
5)	Draft Process Plan alignment with district	IDP	5 August 2021	IPED
6)	EXCO: Considers and note the Draft IDP/Budget Process Plan	IDP	August 2021	IPED
7)	COUNCIL: Considers and adopt Final IDP/PMS and Budget Process Plan	IDP/PMS	26 August 2021	MM
8)	Submit Annual Performance Report/AFS to the Auditor General	PMS/BTO	31 August 2021	IPED/CFO
9)	DIMAFO	MM	19 September 2021	MAYOR

Analysis Phase / Monitoring and evaluation				
10)	IGR Meeting -inputs by Sector Departments and progress on Implementation of projects	STRATEGIC MANAGER	29 September 2021	MM
11)	IDP/Budget/PMS Rep Forum Meeting	IDP	22 September 2021	IPED/Mayor
Strategies Phase / Refined objectives, strategies, programmes and projects phase				
12)	Performance Reviews	PMS	15-18 October 2021	MM/IPED/All Directorates
13)	Commencement of Ward Base Planning Engagement, Collection and Prioritisation of Community Needs per ward	IDP	25, 26 & -29 October 2021	IPED/MM/COUNCIL
14)	IDP Steering Committee	IDP	09 November 2021	IPED
15)	Budget Steering Committee	BTO	11 November 2021	CFO
16)	IDP/PMS/Budget Rep Forum	IDP	17 November 2021	IPED
17)	DIMAFO	MM	25 November 2021	MAYOR
18)	COUNCIL: Report on Community needs	IDP	14 December 2021	MM/IPED
Reviewed IDP document (Integration/programme Implementation and operational plan)				
19)	Performance Review	PMS	11-12 January 2022	MM/IPED/All directors
20)	Technical IDP Steering Committee	IDP	17 January 2022	IPED
21)	COUNCIL: Consider Mid-Year Assessment, Second Quarter Report and Adjustment Budget	PMS/BTO	26 January 2022	MM/IPED/CFO/MAYOR
22)	Institutional Strategic Planning Review of the Developmental Strategies	STRATEGIC MANAGER	7-11 February 2022	All Directorates
23)	IDP/PMS and Budget Steering	IDP/PMS/BTO	17 February 2022	MM/IPED/CFO/All Directors
24)	IGR Meeting	STRATEGIC MANAGER	22 February 2022	MM
25)	DIMAFO	MM	24 February 2022	MAYOR
Project/ Approval phase				
26)	IDP/PMS and Budget Steering Committee: Alignment of IDP with Budget	IDP/BTO	09 March 2022	MM/IPED/CFO
27)	Performance Reviews	PMS	12-13 March	MM
28)	IDP Rep forum: Alignment of Sector Plans	IDP	15 March 2022	MM/IPED
29)	COUNCIL: Consider proposed Draft IDP and Budget	IDP/BTO	31 March 2022	MM/IPED/MAYOR
30)	Advertise Draft IDP on Website, Local newspaper and Public Amenities	IDP	01 April 2022	IPED
31)	Commencement of IDP Roadshows per ward	IDP	6-8 April 2022	IPED/MM/COUNCIL
Approval Phase				
33)	IDP/PMS and Budget Steering: consider IDP/Budget Roadshows Report, Draft Final IDP and Budget Report	IDP/PMS/BTO	4 May 2022	MM
34)	IGR Meeting	STRATEGIC MANAGER	10 May 2022	MM/IPED/CFO
35)	IDP Rep. Forum table final IDP	IDP	11 May 2021	MM/IPED
36)	DIMAFO	MM	26 May 2022	Mayor
37)	COUNCIL: Consider and adopt Final IDP and Budget	IDP/BTO	26 May 2022	MM/IPED/MAYOR
38)				

Sakhisizwe municipality consists of nine wards, and each ward has a ward committee that supports Ward Councillors charged with a responsibility to be the link between the municipality and communities. Ward committees participate in the development planning process and they facilitate wider community participation in the affairs and decision making processes of Sakhisizwe municipality. To this end, the municipality constantly strives to ensure that all ward committees function optimally and are held accountable for

seamless community information dissemination, convening of and attendance of meetings, ward planning (especially with the introduction of the Ward-Based Planning), service delivery, IDP formulation and performance feedback to communities.

In the main, effective attendance and participation in ward committee meetings has drastically improved over the years, issues seeking clarity from the municipality and feedback thereof is monitored. The ward committee reporting to the municipality has also improved noticeably.

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

COMPONENT D: CORPORATE GOVERNANCE

2.6 RISK MANAGEMENT

In terms of section 62 (1) (c) (i) "the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of risk management and internal controls. To this end, a risk assessment was commissioned by the municipality with a view to identify key strategic risks threatening the achievement of the municipality's mission, and the following were considered major risks in the municipality:

- Supply Chain Management.
- Performance Management/performance information.
- Revenue Collection.
- Information Communication Technology.

2.6.1 Measures taken for Improvement

- Recommended the capacitation of the SCM unit.
- Recommended employment of ICT personnel in the next financial year.
- Changing from the conventional system of electricity to prepaid electricity.
- The oversight responsibility of risk management is entrusted on the audit committee, and includes ensuring that the risk management culture is cultivated and maintained across Sakhisizwe municipality's business.

2.7 ANTI-CORRUPTION AND FRAUD

Section 83(c) of the MSA refers to the implementation of effective bidding structures to minimize the possibility of fraud and corruption. The Municipal Finance Management Act (MFMA), section 112(1) (m) (i) identifies supply chain measures to be enforced in order to combat fraud and corruption, favouritism, unfair and irregular practices. Section 115(1) of the MFMA states that the accounting officer must take steps to ensure mechanisms and separation of duties in a supply chain management system to minimize the likelihood of corruption and fraud. In attempting not to simply comply with legislation, Sakhisizwe municipality has begun to institute strategies geared towards reducing the possibility of fraud, and these include the following:

Anti-Fraud and Corruption Risk Assessment	2021/2022 financial year	Office of MM
Development and Implementation of the Anti-Fraud and Corruption Prevention Strategy, Policy and Response Plan	2021/2022 financial year	Office of MM

2.8 SUPPLY CHAIN MANAGEMENT

The Supply Chain Management unit of Sakhisizwe municipality is located within the office of Finance and Treasury, it is established and operated in terms of the MFMA, SCM Regulations and municipal Supply Chain Policy. The unit has tremendously improved on its performance in terms of the turnaround time to procure service providers, and this has assisted in improved service delivery. However, the challenges such as accumulating irregular expenditure and inadequate capacity still persist, and plans are afoot to address these in the 2021/2022 financial year.

2.9 BY-LAWS

The responsibility for by-laws is two-fold in Sakhisizwe, in that, Corporate Services champions the development of municipal by-laws, whilst Community Services, IPED and Finance department are responsible for the ultimate implementation. Strict implementation of by-laws is one of the strategic focal points of leadership as this is perceived to be one of the potential contributors to internal revenue generation. Primarily, strict implementation also ensures that public order is restored in all areas around town. The main challenge that management is still grappling with is capacity. Most of the municipal bylaws are due for revision.

2.10 WEBSITES

The municipal website is outdated and does not function properly the template needs to be changed into a more advanced modern template and we are busy engaging Chris Hani District Municipality to aid us in acquiring a new template. Thus far, the request has received a positive response and is at RFQ stage. The municipality is currently being assisted by CHDM with regard to revamping the website; the district is a process of purchasing a new template for us.

Municipal Website: Content and Currency of Material		
Documents published on the Municipality's / Entity's Website	Yes / No	Publishing Date
Current Annual and adjustments budgets and all budget-related documents	No	
All current budget-related policies	No	
The previous Annual report (Year -1)	No	
The Annual report (Year 0) published/to be published	No	
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (Year 0) and resulting scorecards	No	
All service delivery agreements (Year 0)	No	
All long-term borrowing contracts (Year 0)	N/A	
All supply chain management contracts above a prescribed value (give value) for Year 0	No	
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during Year 1	No	
Contracts agreed in Year 0 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	No	
Public-private partnership agreements referred to in section 120 made in Year 0	No	
All quarterly reports tabled in the council in terms of section 52 (d) during Year 0	No	

2.11 PUBLIC SATISFACTION ON MUNICIPAL SERVICES

The Municipality has been lacking in this area, however, a community satisfaction survey is scheduled for 2021/2022 financial year.

CHAPTER 3: SERVICE DELIVERY PERFORMANCE - PERFORMANCE REPORT

PART 1

COMPONENT A: BASIC SERVICES

3.1 WATER PROVISION

Provision and governance of water and sanitation services in all our areas is a competence of the district municipality. We only play a facilitating role as Sakhisizwe municipality.

The figure below gives a comparison of household access to different levels of service for water. It draws its analysis from the community survey of 2016.

Table showing households by type of water access Sakhisizwe Local Municipality

Local Municipality	Piped water inside dwelling	Piped water in yard	Communal piped water: less than 200m from dwelling (At RDP-level)	Communal piped water: more than 200m from dwelling (Below RDP)	No formal piped water	Total
Sakhisizwe	2680	5230	5640	1720	2170	17440

Source Chris Hani District Municipality IDP 2021/2022

Provision and governance of water services in all our areas is a competence of the district municipality. We only play a facilitating role as Sakhisizwe municipality. The backlog for basic water supply has been 22.3% which is an improvement as compared to previous years.

3.2 SANITATION PROVISION

Provision and governance of sanitation services in all our areas is a competence of the district municipality. We only play a facilitating role as Sakhisizwe municipality.

Sanitation backlogs remain at 33.2% and our municipality has not been able to meet the goal of wiping backlog for household access to basic level of sanitation (VIP Toilet). There is a growing need for VIP toilets due to new developments and the fact that the old ones have reached their capacity especially in the rural wards.

Table showing households by type of sanitation – Sakhisizwe Local Municipality

Local Municipality	Flush toilet	Ventilation Improved Pit (VIP)	Pit toilet	No toilet	Total
Sakhisizwe	5890	5760	3070	2720	17440

Source Chris Hani District Municipality IDP 2021/2022

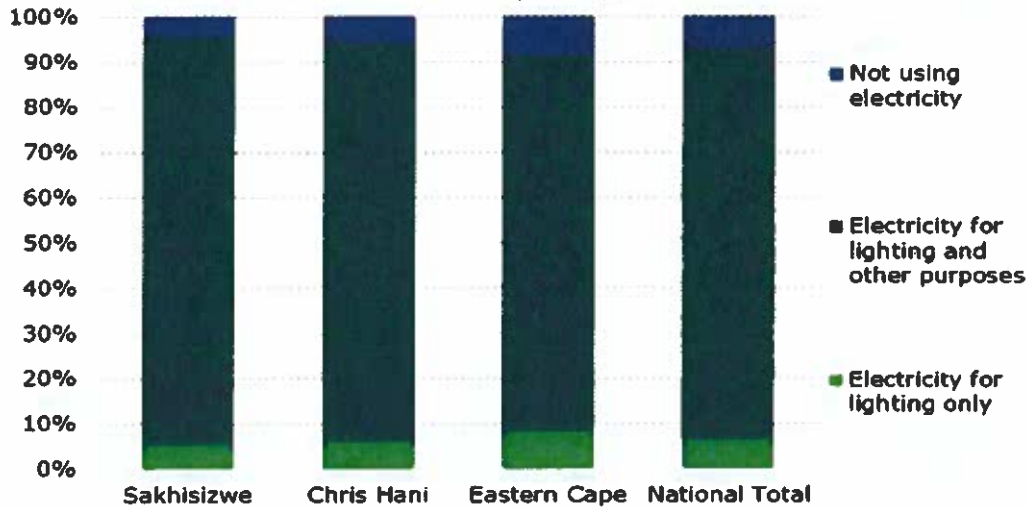
3.3 ELECTRICITY

Households are distributed into three electricity usage categories:

- Households using electricity for cooking
- Households using electricity for heating
- Households using electricity for lighting

Household using solar power are included as part of households with an electrical connection. This time series categorises households in a region according to their access to electricity (electrical connection).

Households by electricity usage Sakhisizwe, 2011-2021



Source: IHS Markit Regional eXplorer version 2236

3.4 WASTE MANAGEMENT

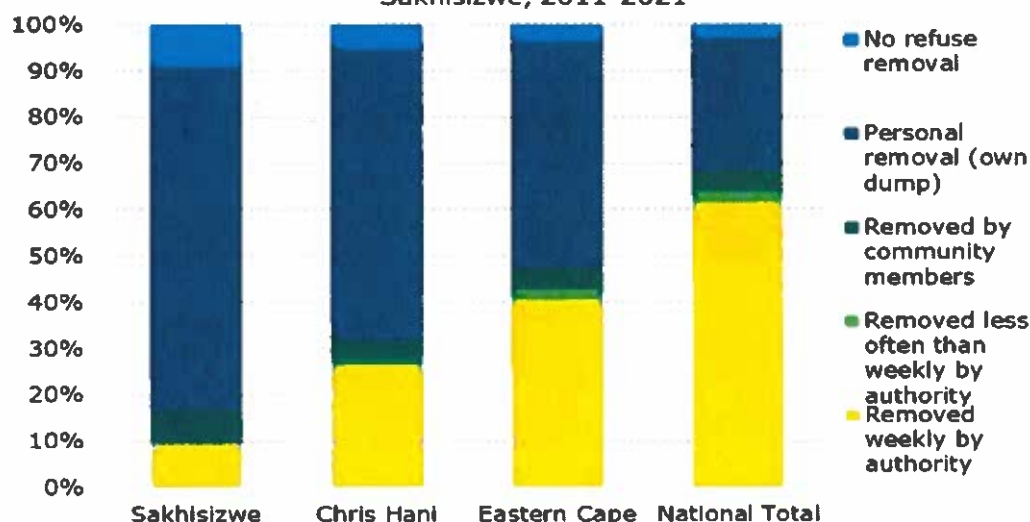
Initially refuse was collected within the Central Business District (CBD) only. The service has been extended to all townships in Cala. In the CBD refuse is collected seven days in a week and in townships, it is collected during week days. The refuse is not collected in the rural areas.

Sakhisizwe Local Municipality had a total number of 2 310 (15.00%) households which had their refuse removed weekly by the authority, a total of 128 (0.83%) households had their refuse removed less often than weekly by the authority and a total number of 9 300 (60.35%) households which had to remove their refuse personally (own dump).

We are currently utilising two trucks at Cala and one truck at Khowa for refuse collection purposes in both the CBD and townships. We have managed to appoint two permanent drivers at Khowa and two at Cala for refuse collection. We have further appointed a supervisor for the Khowa unit. We have been assisted by the YCOP to clean up and clear illegal dumpsites.

Cala landfill site licence has been expired and the request for Extension of Validity period has been submitted to relevant authorities for approval. The Khowa Buy-Back Centre has been handed over to SLM by DEFF. The Buy-Back Centre will assist in reducing and minimization of waste within the Sakhisizwe Local Municipality.

Households by access to refuse removal
Sakhisizwe, 2011-2021



Source: IHS Markit Regional eXplorer version 22.36

Despite extreme aforementioned challenges, it is worth noting that street cleaning and refuse collection have improved compared to previous years. Integrated Waste Management Plan is in its final stages. Finalisation of the IWMP will assist in applying for funding to be able to procure yellow fleet for the waste management units. Efforts are currently underway to manage the illegal dumpsites in the townships. Two tractors have been purchased to collect refuse in the townships. Council has designated the Community Services Director to serve as Waste Management Officer.

3.5 HOUSING

The Department of Human Settlement is the Developer of human settlements within the Municipality. Sakhisizwe Municipality is not accredited to be a developer as it does not adhere to the requirements as outlined by the accreditation framework for municipalities to administer housing programmes.

Sakhisizwe Municipality had two housing officials that are responsible to handle housing for the municipality, with one that since pass on. They are detailed below as follows:

Name	Position	Status	Location
Nomgqibelo Ninzi	Housing clerk	Active	Cala
Zama Sithetho	Housing clerk	Active	Howa (Elliot)

It is important to indicate that in 2018 Sakhisizwe Municipality was assisted by Chris Hani District Municipality with the development of Sakhisizwe Housing Sector Plan 2018-2022. The housing Sector Plan indicates that progress in the provision of adequate housing has been made in the Sakhisizwe LM. In 2016, formal houses which made of bricks on separate stand account for 69.9% and inadequate housing which made up of traditional dwelling, house / room in backyard, Informal dwelling (shack; in backyard) and Informal

dwelling (shack; not in backyard; e.g. in an informal / squatter settlement or on a farm) accounts for 30.4%.

The comparison among census 2001 & 2011 and community survey 2016 indicates that formal houses in the municipality have increased from 45.9% in 2001 to 61.5% in 2011 and then increased again from 61.5% to 69.6% in 2016 although the number of households decreased to 14 848 in 2016. The housing backlog in Sakhisizwe LM amounts to 30.4%.

Table Error! No text of specified style in document.-1: Housing type or Dwelling type

Dwelling	2001		2011		2016	
	No	%	No	%	No	%
Formal House	7 177	45.9	10 233	61.5	11 120	65.6
Traditional dwelling	7 585	48.5	4858	29.2	5,120	30.2
House/Room in backyard	57	0.4	613	3.7	-	-
Informal dwelling (shack; in backyard)	201	1.3	299	1.8	-	-
Informal dwelling (shack; not in backyard; e.g. in an informal / squatter settlement)	605	3.9	489	2.9	621	3.7
Other	0	0	145	0.9	99	0.6
Total	15 625	100.0	16 637	100.0	16,960	100.0

Source: Census, 2011 and Community Survey, 2016

This plan is aligned and implemented together with the provisions of our adopted spatial development framework (SDF).

The SDF proposed that the initially focus should be on densification programmes in Phola Park, Old Location in Khowa, Ndondo Square, Phakamisani, Manzindaka, and Cala Reserve. In 2013/2014 the department of Human Settlements has budgeted to rehabilitate and rectify about 65 houses as part of its disaster and emergency programme. These programmes were not completed by March 2014 and will continue.

The delivery of houses is a multi-year programme, with projects being implemented over a number of year before being completed. Housing Projects for Sakhisizwe Municipality are detailed as follows:

Project Area	Ward	No. of Units	Project
Cala	8 & 9	1409	Turnkey
Cala	7, 8 & 9	1284	EPHP
Cala	1, 3 & 6	1269	EPHP
Cala	1, 3 & 6	1393	Turnkey

Cala & Elliot (town)	1, 2, 4, & 5	514	Urban
Cala	TBC	841	Rural
Sakhisizwe Disaster Housing	All wards	100	-

There are projects that are on the planning phase but blocked which are:

Project Name	No. of Unit	Units Delivered to date	Affected Scope	Status
Elliot Old Location	1000	0	0	Blocked on planning due to land issues to be resolved. There municipality needs assistance to purchase land where houses would be developed. There is also a challenge with regards to provision of bulk infrastructure.
Phola Park & Ekuphumleni	854	0	0	There is a need to provide a list of endorsed beneficiaries, confirmation of existing bulk infrastructure and internal services (water, sewer, roads and electricity)
Cala Ext 13 & 14	1545	1528	259	This is one of the old projects that are planned for unblocking. However it is affected by bulk infrastructure issues
Cala Ext 15	1070	991	334	This is one of the old projects that are planned for unblocking. However it is affected by bulk infrastructure issues
Khowa (Elliot)	800	790	28	This is one of the old projects that are planned for unblocking. However it is affected by bulk infrastructure issues

The tables above provides the status of housing development in Sakhisizwe. It should be noted that the Department of Human Settlements still has a huge backlog in providing housing for the community of Sakhisizwe Municipality. This is attributed by a number of issues which amongst many includes the provision of bulk infrastructure and land availability.

3.6 FREE BASIC SERVICES AND INDIGENT SUPPORT

Council renders free basic services (FBS) to residents, and services grants based on certain conditions. FBS imply the service is rendered for free to residents. The cost of FBS is regarded as "Income Forgone" and the cost is deducted from the income of the relevant service. In other words, it would have been income but Council opted not to charge residents for the service rendered.

Various grants or rebates are allocated to residents based on their specific socio-economic circumstances. Such grants and rebates are only supplied if the terms and conditions are adhered to. As these grants or rebates are not applicable to all residents, it is not treated like FBS (and subsequently deducted from the income budget), but is recorded in the budget as a grant expenditure item in the expenditure of the budget. The total cost of FBS and grants and subsidies as budgeted in 2021/2022 amounts to R2.244.000 million.

Electricity supply to all Tariff users is heavily subsidized and sold below cost to residents. The Council's Indigent Policy will also be reviewed like all other budget related policies in April and May as per our budget process plan.

COMPONENT B: ROADS & TRANSPORT

3.7 ROADS

The Project Management Unit of the municipality is responsible for the construction, maintenance, tarring and upgrading of roads. The statistical performance information is presented below

Gravel Road Infrastructure				
	Kilometres			
	Total gravel roads	New gravel roads constructed	Gravel roads upgraded to tar/paved	Gravel roads graded/maintained
Year -2	16,5	16,5	2,12	0
Year -1	0	0	4,78	0
Year 0	93,5	5	1,260	88,5

Tarred Road Infrastructure					
	Kilometres				
	Total tarred roads	New tar roads	Existing roads re-tarred	Existing roads tar sheeted	Tar roads maintained
Year -2	0	0	0	0	0
Year -1	0	0	0	0	0
Year 0	0	0	0	0	0

Cost of Construction/Maintenance R' 000						
	Gravel			Tar		
	New	Gravel – Tar	Maintained	New	Re-worked	Maintained
Year -2	0	0	2 500 000	0	0	0
Year -1	0	0	2 540 000	0	0	0
Year 0	0	0	3 000 000	0	0	0

Road Service Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	Year -1		Year 0		Year 1		Year 3	
		Target	Actual	Target	Actual	Target	Actual	Target	Actual
		Previous Year (iii)	(iv)	Previous Year (v)	(vi)	Current Year (viii)	(ix)	Current Year (ix)	Following Year (x)
Service Objective xxx									
<i>Elimination of Kilometres of gravel roads in gravel roads tarred (Kilometres of gravel road remaining)</i>									
	1,5	1,4	1,2	1,6	1,358	1,4	1,6	1,6	1,6
<i>Development of kms of municipal roads/municipal roads as required developed</i>									
	1,5	1,4	1,2	1,6	1,358	1,4	1,6	1,6	1,6

Financial Performance Year 0: Road Services					
Details	Year -1	Year 0		Year 1	
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue					
Expenditure:					
Employees					
Repairs and Maintenance	2 540 000,00	3 000 000,00		148 450	2 540 000,00
Other					
Total Operational Expenditure					
Net Operational Expenditure	0				

Capital Expenditure Year 0: Road Services						
R' 000						
Capital Projects	Year 0					
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value	
QOKOLO KOPITJIE ACCESS ROAD	2 500 000,00	1 146 588,68	3 646 588,68	Variance (45%)	22 985 110,42	
CONSTRUCTION OF CALIFORNIA ROADS AND STORMWATER INFRASTRUCTURE	7 500 000,00	0	4 566 512,41	69%	20 492 360,00	
PAVING OF ELLIOT STREET	6 000 000,00	0	4 647 289,69	77,4%	23 225 268,74	

3.8 TRANSPORT (INCLUDING VEHICLE LICENSING & PUBLIC BUS OPERATION)

The Municipality has a traffic control unit with 4 patrol Traffic officers and 3 patrol cars. All the components of the unit are in full operation. The agreement with DoT is in place and we receive support from the DoT. To enhance security, the traffic control building has been fenced and guard house installed. To avoid corruption and to ensure proper cash management, the speed points machines have been installed. The station is no longer using manual system for learner's license, the station has upgraded to electronic system.

3.9 STORMWATER DRAINAGE

Storm water infrastructure			
Kilometres			
Total Storm water measures	New storm water measures	Storm water measures upgraded	Storm water measures maintained
Year -2	0	0	0
Year -1	0	0	0
Year 0	2720km	2720km	0

Cost of Construction/Maintenance			
R' 000	Storm water Measures		
	New	Upgraded	Maintained
Year -2	0	0	0
Year -1	0	0	0
Year 0	0	2720	0

Capital Expenditure Year 0: Storm water Services				
Capital Projects	Year 0			
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget
Total All	2 370 000	0	1 620 000	750 000

COMPONENT C: PLANNING & DEVELOPMENT

3.10 PLANNING

The municipality has adopted its reviewed Spatial Development Framework (SDF) in March 2012. The Municipality effectively and continuously implementing the Spatial Planning and Land Use Management Act 16 of 2013 (Act 16 of 2013), as it successfully completed, approved the Spatial Planning and Land Use Management By-Law and gazetted in March 2016. Currently, the focusing at ensuring that the Land Use Management Scheme is developed and effectively implemented as required by the Spatial Planning and Land Use Management Act 16 of 2013.

It is important to indicate that in March 2016, Sakhisizwe Local Municipality entered and signed a Service Level Agreement with Chris Hani District Municipality Municipal Planning Tribunal (DMPT) and became a member of the DMPT. The agreement lapsed in March 2021 and the agreement was extended for one (1) year so as to ensure that a new agreement was signed for another five (5) years.

This SDF is based on the following set of objectives and principles.

- restructure spatially inefficient settlements;
- promote the sustainable use of the land resources in the country;
- channel resources to areas of greatest need and development potential, thereby redressing the inequitable historical treatment of marginalized areas;
- take into account the fiscal, institutional and administrative capacities of role players, the needs of communities and the environment;
- stimulate economic development opportunities in rural and urban areas; and
- support an equitable protection of rights to and in land

Applications for Land Use Development								
Detail	Formalisation of Townships		Rezoning and sub division		Consent Uses and Departures		Building Plans	
	Year -1	Year 0	Year -1	Year 0	Year -1	Year 0	Year -1	Year 0
Planning application received	0	0	05	0	03	0	08	07
Determination made in year of receipt	0	0	0	0	0	0	01	01
Determination made in following year	0	0	0	0	0	0	01	01
Applications withdrawn	0	0	0	01	0	0	0	0

Applications outstanding at year end	0	0	05	0	03	0	07	07
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T3.10.2

Applications for Land Use Development						
Detail	Formalisation of Townships		Rezoning, Subdivisions & Consent Applications		Built Environment	
	Year -1	Year 0	Year -1	Year 0	Year -1	Year 0
	Planning application received	0	0	08	0	08
Determination made in year of receipt	0	0	0	0	01	01
Determination made in following year	0	0	0	0	0	0
Applications withdrawn	0	0	1	0	0	0
Applications outstanding at year end	0	0	08	08	07	07

T 3.10.2

Planning Policy Objectives Taken From IDP									
Service Objectives Service Indicators (i)	Outline Service Targets (ii)	Year -1		Year 0			Year 1	Year 3	
		Target	Actual	Target		Actual	Target		
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
Service Objective: NONE IDENTIFIED									
Determine planning application within a reasonable timescale	Approval or rejection of all build environment applications within a x weeks	Determination within x weeks	Determination within x weeks	Determination on within 12 weeks	Determination within 12 weeks	Determination on within x weeks	Determination on within 11 weeks	Determination on within 8 weeks	Determination within 8 weeks
	Reduction in planning decisions overturned	X planning decisions overturned	X planning decisions overturned	5% planning decisions overturned	5% planning decisions overturned	X planning decisions overturned	4% planning decisions overturned	No planning decisions overturned	No planning decisions overturned
<p><i>Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. * 'Previous Year' refers to the targets that were set in the Year -1 Budget/IDP round; 'Current Year' refers to the targets set in the Year 0 Budget/IDP round. 'Following Year' refers to the targets set in the Year 1 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Integrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in which IDPs play a key role.</i></p>									

T 3.10.3

Employees: Planning Services					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0%
4 - 6	0	0	0	0	0%
7 - 9	0	0	0	0	0%
10 - 12	3	0	0	0	0%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	0	0	0	0	0%

*Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.*

T3.10.4

The Municipal Planning Services is composed four units, which are: Integrated Development Planning (IDP) unit, town planning unit, building services and housing unit. The IDP, Town Planning, Building Units all has one individual each.

Whilst wherein at town planning there is a town planner and building services has a building control officer.

Financial Performance Year 0: Planning Services						R'000
Details	Year -1	Year 0			Variance to Budget	
	Actual	Original Budget	Adjustment Budget	Actual		
Total Operational Revenue	120	125	100	95	-32%	
Expenditure:						
Employees	125	244	250	248	2%	
Repairs and Maintenance	25	244	250	248	2%	
Other	45	244	250	248	2%	
Total Operational Expenditure	195	732	750	744	2%	
Net Operational Expenditure	75	607	650	649	6%	

Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.

T 3.10.5

Capital Expenditure Year 0: Planning Services					R' 000
Capital Projects	Year 0				Total Project Value
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	
Total All	280	326	378	31%	
Project A	100	130	128	22%	280
Project B	80	91	90	11%	150
Project C	45	50	80	44%	320
Project D	35	55	80	56%	90
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.</i>					T 3.10.6

3.11 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES)

3.11.1 OVERVIEW

The performance of the LED in the Municipality has been poor for a number of years. The Municipality has an LED strategy that was developed in 2011 and needs to be reviewed to take into consideration and realise the current trends, initiatives, strategies and policy frameworks.

The LED unit was under capacitated as it has one personnel who is the LED Officer. The LED unit is responsible for a number of aspects which amongst many includes SMME, agriculture and forestry, tourism and creation of job opportunities and more initiatives and programmes that are intended to promote economic growth and participation of our local communities into various economic streams.

Most of the LED programmes are mainly dependent on financial support from Chris Hani District Municipality, Chris Hani Development Agency, and the Department of Economic Development, Environmental Affairs and Tourism, Department Rural Development and Agrarian Reform and private investors.

There is no tourism growth though there are existing and untapped existing tourism ventures and destination within the municipality. The Sakhisizwe Local Municipality is mainly assisted by Chris Hani District Municipality in all tourism related aspects. Chris Hani District Municipality is working closely with Chris Hani Regional Tourism Organisation (CHARTO) in ensuring effective implementation of basic tourism initiatives and programmes within Sakhisizwe Local Municipality.

Sakhisizwe Local Municipality has a Local Tourism Office wherein Chris Hani District Municipality has placed an intern that is attending to all tourism matters. It is important to indicate that there is a need to look into the revival of the Local Tourism Board, so that it effectively performs its operations.

Sakhisizwe Local Municipality has a tourism potential, as it has many tourism destinations and tourism facilities, physical features and activities that could be tapped into. These

could bring tourism growth of the Municipality and create employment opportunities for the local communities. The potential tourism ventures, amongst many include:

- existing hiking trails;
- existing Khoi-San artworks and carves;
- the historic liberation struggle with apartheid heroes that hail from Sakhisizwe and the identified struggle sites;
- the beautiful mountains of both Cala and Khowa that could be an advantage for the development of a zip-line that connects with the historic stone prison of Cala or mountain climbing in Khowa;
- the seasonal snow in Khowa and potential for rural horse racing;
- The history of King Stokhwe, Bathandwa Ndongdo, the Elliot Four plus one and many more other tourism ventures.

All these need to be formally documented and promoted for the benefit and growth of the Sakhisizwe tourism sector.

The Tourism Office needs to be resourced and capacitated with personnel that has relevant qualifications and that knowledgeable to market and ensure that it contributes to the economic growth of Sakhisizwe Local Municipality.

Economic Activity by Sector			
	R '000		
Sector	Year -2	Year -1	Year 0
Agric, forestry and fishing	2	1,5	1,5
Mining and quarrying	6	5	2
Manufacturing	56	58	63
Wholesale and retail trade	45	51	52
Finance, property, etc.	51	48	52
Govt, community and social services	23	25	25
Infrastructure services	34	38	41
Total	217	226,5	236,5
<i>T 3.11.2</i>			

Economic Employment by Sector			
	Jobs		
Sector	Year 1 No.	Year -1 No.	Year 0 No.
Agric, forestry and fishing	20 000	25 000	30 000
Mining and quarrying	400 000	435 000	372 000
Manufacturing	320 000	300 000	270 000
Wholesale and retail trade	190 000	200 000	210 000
Finance, property, etc.	275 000	255 000	235 000
Govt, community and social services	300 000	310 000	320 000
Infrastructure services	400 000	430 000	450 000
Total	1905000	1955000	1887000
<i>T 3.11.3</i>			

Jobs Created during Year 0 by LED Initiatives (Excluding EPWP projects)				
Total Jobs created / Top 3 Initiatives	Jobs created	Jobs lost/displaced by other initiatives	Net total jobs created in year	Method of validating jobs created/lost
	No.	No.	No.	
Total (all initiatives)				
Year -2				
Year -1				
Year 0				
Initiative A (Year 0)				
Initiative B (Year 0)				
Initiative C (Year 0)				
				T 3.11.5

Job creation through EPWP* projects		
Details	EPWP Projects	Jobs created through EPWP projects
	No.	No.
Year -2	40	2 000
Year -1	50	2 900
Year 0	68	4 500
* - Extended Public Works Programme		T 3.11.6

Local Economic Development Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	Year -1		Year 0			Year 1	Year 3	
		Target	Actual	Target		Actual	Target		
		*Previous Year		*Previous Year	*Current Year		*Current Year	*Current Year	*Following Year
Service Indicators		(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
Service Objective xxx									
Training of people in essential skills: x, y, z	Number of people trained (including retrained up skilled)	x people trained	x people trained	x people trained	x people trained	x people trained	x people trained	x people trained	x people trained

Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. * 'Previous Year' refers to the targets that were set in the Year -1 Budget/IDP round; 'Current Year' refers to the targets set in the Year 0 Budget/IDP round. 'Following Year' refers to the targets set in the Year 1 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Intergrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in which IDPs play a key role.

T 3.11.7

Employees: Local Economic Development Services					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	3	3	3	0	0%
7 - 9	6	8	6	2	25%
10 - 12	7	15	7	8	53%
13 - 15	9	15	9	6	40%
16 - 18	11	21	11	10	48%
19 - 20	18	30	18	12	40%
Total	55	93	55	38	41%

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

T 3.11.8

Financial Performance Year 0: Local Economic Development Services					R'000
Details	Year -1	Year 0			Variance to Budget
	Actual	Original Budget	Adjustment Budget	Actual	
Total Operational Revenue	120	125	100	95	-32%
Expenditure:					
Employees	125	244	250	248	2%
Repairs and Maintenance	25	244	250	248	2%
Other	45	244	250	248	2%
Total Operational Expenditure	195	732	750	744	2%
Net Operational Expenditure	75	607	650	649	6%

Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.

T 3.11.9

Capital Expenditure Year 0: Economic Development Services						R' 000
Capital Projects	Year 0				Total Project Value	
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget		
Total All	0.00	0.00	0.00	0%		
Project A (Review LED Strategy)	0.00	0.00	0.00	0%	0.00	
Project B	0.00	0.00	0.00	0%	0.00	
Project C	0.00	0.00	80	0%	0.00	
Project D	0.00	0.00	0.00	0%	0.00	
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.</i>						T 3.11.10

3.11.3 JOB CREATION THROUGH LED PROGRAMMES

PROGRAMME	TOTAL JOB CREATED	MALE	FEMALE	YOUTH		People with disabilities
				Male	Female	
Capital projects (MIG)	126	33	18	31	42	2
Expanded Public Works Program	113	-	-	-	-	-
Community Works Program	1100	-	-	-	-	-
Total	1339	-	-	-	-	-

3.11.4 SMM DEVELOPMENT

Below is the list of SMMs that were used by the institution during the 2021-2022 Financial Year

This needs a serious attention of the institution; the lack of funding for the LED has made it difficult to capacitate the local businesses. The only support that is being provided is that of coordinating programs that are initiated by the district municipality and other development agencies...see *Appendix I*

COMPONENT D: COMMUNITY & SOCIAL SERVICE

3.12 LIBRARIES; ARCHIVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES CEMETRIES

3.12.1 LIBRARIES

SLM has 3 libraries, Cala library, Khowa Library and Askeaton Library. All libraries have qualified librarians. Wi-Fi has been installed in all libraries to ensure connection to internet for the library users. The libraries are funded by DSRAC.

3.12.2 COMMUNITY HALLS

SLM has 9 wards. Each ward has a community hall, 3 halls have been renovated, Masibambane Community Hall at Ward 1 Town Hall at Ward 2 and Old Location Community Hall at Ward 2. There is a total of 12 community Halls.

3.13 CEMETRIES

Two cemeteries in Cala town and 3 at Khowa town are managed, still using the manual system. Due to financial constraints we were unable to get the service provider to develop an electronic system. The appointment of IT Technician that is underway will greatly assist in developing the system.

In rural areas they still utilise household gardens for burial purposes and such approach has negative environmental impacts.

3.14 CHILD CARE, AGED CARE, SOCIAL PROGRAMMES

Social care services are provided through the Department of social development. Councillors and ward committee members assist them.

COMPONENT E: ENVIRONMENTAL PROTECTION

3.15 POLLUTION CONTROL

Pollution is management through our solid waste management plan. Air Quality Management is the mandate of the District Municipality.

COMPONENT F: HEALTH

All wards have clinics and are run and managed by the provincial department of health.

3.16 AMBULANCE SERVICES

Ambulance services are available to all wards and are managed by the provincial Emergency Medical services (EMS).

3.17 HEALTH INSPECTION, FOOD AND ABBATTOIR LICENSING AND INSPECTION

These services are provided through the District Health Services. Environmental Health Practitioners are responsible for ensuring food safety in respect of acceptable microbiological and chemical Standards. This is implemented by taking food samples for testing on a month-to-month basis to ensure quality of all food for human consumption and optimal hygiene control throughout the food supply chain.

During period under review, no food samples collected for analysis. Health and hygiene awareness campaigns and training programmes were conducted in the affected food premises in an attempt to deal with this health problem by raising levels of awareness and also promote good health and hygiene practices. These campaigns are on-going and the positive impact of these efforts is yielding results as there are no incidents of food poisoning cases that have been reported.

3.18 HEALTH SURVEILLANCE OF PREMISES

This function is performed to ensure urban and rural land use, planning and practices that are conducive with sustainable development. This is done through environmental health impact and other assessments in a manner that ensures the prevention and abatement of any condition on any premises, which is likely to constitute a health hazard. No premises were evaluated during this financial year in line with the standards as set out in prescripts of law.

COMPONENT G: SAFETY AND SECURITY

3.19 TRAFFIC LAW ENFORCEMENT

The Municipality has a traffic control unit with 4 patrol Traffic officers and 3 patrol cars. All the components of the unit are in full operation. The agreement with DoT is in place and we receive support from the DoT. To enhance security, the traffic control building has been fenced and guard house installed. To avoid corruption and to ensure proper cash management, the speed points machines have been installed. The station is no longer using manual system for learner's license, the station has upgraded to electronic system.

3.20 FIRE

The Municipality has 2 fire engines and further support from the District. The priorities of the Chris Hani District Municipality Fire Services are:

- Fire prevention and fire safety inspections: A total of 13 inspections were completed during 2021/2022
- Fire awareness programmes: a total of 22 awareness campaigns were conducted during 2021/2022
- Incidents: 17
- Basic training: 01

SLM has appointed 3 fire fighters through EPWP. The posts were included in the institutional organogram from year 2023.

3.21 OTHER (DISASTER MANAGEMENT, ANIMAL CONTROL, CONTROL OF PUBLIC NUISANCES AND OTHER)

Disaster Management is a function of both the District Municipality and Provincial governments. Sakhisizwe area is vulnerable to disasters. The government has appointed a service provider to assist us towards the establishment of a Disaster Management Unit and ward based satellites. An office space has been identified in Khowa. One Disaster Management Officer and one Field Worker has been placed by Chris Hani District Municipality and based at Sakhisizwe on permanent basis. We fully participate in the District and Provincial Disaster Forum.

COMPONENT H: SPORTS & RECREATION

3.22 SPORT AND RECREATION

Parks are cleaned on daily basis and there are employees appointed to maintain these parks on daily basis. We have established a grass cutting team that maintains the parks during rainy seasons.

Our parks deserve some improvements as fencing and toilet facilities are aging and non-existing in other parks. Major maintenance programmes can assist to improve and better the service rendered. Due to financial constraints SLM had to halt the fencing of our parks for another financial year.

We have three lawn sports fields that are maintained during rainy seasons through a grass cutting programme. Land sports fields are graded upon community request. We also collaborate with Sakhisizwe Sports Council towards monitoring of sports facilities as they are currently using them free of charge.

We have nine wards in Sakhisizwe Local Municipality. To date we have managed to erect all ward based community halls. The intention is to maximise public participation as these ward based public halls will accommodate the ward councillor and secretary of the ward committee. Ward based community halls have no dedicated employees to serve as care-takers.

COMPONENT I: CORPORATE POLICY OFFICES AND OTHER SERVICES

3.23 EXECUTIVE AND COUNCIL

Provide brief introductory comments. Set out your top 3 service delivery priorities and the impact you have had on them during the year. Explain the measures taken to improve performance and the major efficiencies achieved by your service during the year (2021-2022)

Highlights	Description
Design service delivery booklet for community	This comprise of delivery to most if not all of the municipal wards

Attempted to decrease unemployment	Started with wattle removal and waste removal projects, EPWP and CWP to increase employment rate
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Service statistics for the executive and council

3.23.1 CHALLENGES: EXECUTIVE AND COUNCIL

Description	Actions to address
Service delivery- road maintenance and construction	Compile a strategy to source additional funding to maintain and upgrade roads
Unemployment	The strategy to maintain and upgrade roads will create work opportunities for the unemployed

3.24 FINANCIAL SERVICES

Sound financial management practices are essential to the long-term sustainability of municipalities. They underpin the process of democratic accountability. Weak or opaque financial management results in the misdirection of resources and increase the risk of corruption. The key objective of the Municipal Finance Management Act (2003) is to modernise municipal financial management in South Africa so as to lay a sound financial base for the sustainable delivery of services.

Municipal financial management involves managing a range of interrelated components: planning and budgeting, revenue, cash and expenditure management, procurement, asset management, reporting and oversight. Each component contributes to ensuring that expenditure is developmental, effective and efficient and that municipalities can be held accountable.

The management of key financial and governance areas is achieved by focusing on:

- Reducing the levels of outstanding debt owed to the Municipality, to assist with service delivery spending and maintaining a healthy cash flow;
- Improving from adverse audit opinion by resolving audit findings and improving financial governance; and
- Maintaining a good credit rating to ensure favourable lending rates and terms.

Spending budgets to maximise delivery

The Municipality's Annual budget comprises an operating budget and a capital budget. The operating budget funds employee salaries, operating costs, purchases and assistance for the poor, such as free basic electricity and alternative energy. The capital budget is set aside for spending on infrastructure and services, such as roads, water and electricity as well as the many other utilities and services that needs in order to function, grow and offer opportunities to its residents.

The entire budget amount per annum is based on the income that the Municipality expects to derive from rates, service charges, and grants and subsidies.

3.24.1 DEBT RECOVERY

R' 000							
Details of the types of account raised and recovered	Year -1		Year 0		Year 1		
	Actual for accounts billed in year	Proportion of accounts value billed that were collected in the year %	Billed in Year	Actual for accounts billed in year	Proportion of accounts value billed that were collected %	Estimated outturn for accounts billed in year	Estimated Proportion of accounts billed that were collected %
Property Rates							
Electricity - B							
Electricity - C							
Water - B							
Water - C							
Sanitation							
Refuse							
Other							

3.25 HUMAN RESOURCE SERVICES

The Municipality has a fully established Department of human resources covering human resource management, human resource development and labour relations.

The following policies relating to Human Resources Services have been adopted by the Council:

Leave Policy, Recruitment and selection Policy, HIV/AIDS Policy, Employment Equity Policy, Disciplinary, Grievance and Procedure Policy, Overtime Policy, Policy Regulating Absenteeism, Subsistence Policy Transport Policy, Induction Policy Training and Development Policy, Acting Policy, Bereavement Policy, Long Service Policy, Public Participation Policy, Rules of Order, Sexual Harassment Policy, Customer Care Policy.

The Sakhisizwe Municipal Council HR Plan not adopted yet, Employment Equity Plan, Training and Development Plan and Staff Retention Strategy

3.26 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

The Sakhisizwe LM ICT is battling with an outdated Microsoft license, connectivity issues, uninterrupted power supply that has reached end of life, the absence of backup system, non-functionality of institutional email services, poor network and internet connectivity as well a service provider who is not delivering as per contractual obligations.

ICT			
Job Level	Posts	Employees	Vacancies
T3			
T4-T6			
T7-T9			
T10-T12	IT Technician	1	0
T13-T15			
T16-T18			
T19-T20			
TOTAL	1	1	1

3.27 PROPERTY, LEGAL, RISK

MANAGEMENT AND PROCUREMENT SERVICES

3.27.1 PROPERTY

The Director IPED is responsible for all leases of municipal property as well as the leasing of buildings for the municipality

3.27.2 LEGAL

Sakhisizwe Local Municipality outsource all legal work through the Director Corporate Services. No major litigation occurred during the 2021/2022 financial year. The municipality outsourced a pool of two Legal Advisors as we experience number of litigations.

3.27.2 RISK MANAGEMENT

Financial risks are managed as follows:

- **Interest Rate Risk**

Sakhisizwe did not hedge against any interest rate risks during the current financial year as it was not regarded as a substantial risk, which proved to be the case

- **Credit Risk**

Interest is charged on overdue balances and provision is made for bad debts in order to mitigate against credit risks

- **Liquidity Risk**

Ongoing review of future commitments and credit facilities are taking place to mitigate against liquidity risks

3.27.3 PROCUREMENT SERVICES

The objective of this policy is to provide a policy framework within which the municipal manager and chief financial officer can institute and maintain a supply chain management system which is transparent, efficient, equitable, competitive, which ensures best value for money for the municipality, applies the highest possible ethical standards, and promotes local economic development.

By adopting this policy the council further pledges itself and the municipal administration, to the full support of the Proudly SA campaign and to the observance of all applicable national legislation, including specifically the:

Preferential Procurement Policy Framework Act No. 5 of 2000 and its regulations;

Broad Based Black Economic Empowerment Act No. 53 of 2003 and any applicable code of practice promulgated in terms of that Act; and

LG Municipal Finance Management Act No. 56 of 2003, including the regulations relating to the prescribed framework for supply chain management.

A paraphrase of the relevant provisions of the foregoing statutes is annexed to this policy.

Where applicable, the council also pledges itself to observe the requirements of the Construction Industry Development Board Act No. 38 of 2000 and its regulations.

The following committees exist for the execution of supply chain:

Bid specification committee

Bid evaluation committee

Bid Adjudication committee

COMPONENT K: ORGANISATIONAL PERFORMANCE SCORECARD

OFFICE OF THE MUNICIPAL MANAGER

RESPONSIBLE PERSON: NOMTHANDAZO C. MAZWAYI

STRATEGIC OBJECTIVE: Ensure that the municipal governance is fully functional by 2022

KPA	IDP Ref.	Key Performance Indicator	Annual Target	Actual Performance	Reasons for Non-performance	Budget	Correctives Measures
Good Governance & Public Participation	MM01	Number of Ordinary Council meetings to be held as per the approved Council Calendar by 30 June 2021 to 30 June 2022	4 Ordinary Council meetings to be held as per the approved council calendar by 30 June 2022		N/A	R 80 000	N/A
	MM02	Number of Executive Committee Meetings as per the approved Council Calendar by 30 June 2021/2022	4 Executive Committee Meetings held		N/A	R0	N/A
	MM03	Number of Standing Committee Meetings held as per the approved Council Calendar by 30 June 2021/2022	12 Standing Committee Meetings held		Standing Committee of Community never sat due non availability of Portfolio Head	R0	Adherence to council calendar
	MM04	Number of MPAC Meetings held as per the approved Plan 2021/2022	4 MPAC Meetings held		Non availability of MPAC committee members	R0	Adherence to council calendar
	MM05	Number of Management Meetings held as per the approved Council Calendar by 30 June 2021/2022	12 Management meetings held		N/A	R0	N/A
	MM06	Number of Implemented Council Resolutions as per approved Council Calendar by 30 June 2022.	100% Implementation of council resolutions by 30 June 2022		Poor circulation of council resolutions	R0	Council resolutions to be circulated to staff within seven days

KPA	IDP Ref.	Key Performance Indicator	Annual Target	Actual Performance	Reasons for Non-performance	Budget	Correctives Measures
Good Governance & Public Participation	MM07	Number of reviewed and adopted Council Calendar by 30 June 2022.	1 approved Council Calendar for 2021/2022		N/A	RO	N/A
	MM08	No. Of programmes implemented as per the SPU Mainstreaming Plan by June 2022	4 SPU Programmes implemented as per the SPU annual plan by 30 June 2022	3 SPU Programmes implemented as per the SPU annual plan by 30 June 2022	Numerous postponement of SPU programmes due to poor budgeting	RO	Improve budgeting processes through inclusivity of relevant employees
	MM09	Number of Audit Action Plan reports submitted to Audit Committee by June 2022	4 Audit Action Plan Reports submitted to Audit Committee by 30 June 2022		N/A	RO	N/A
	MM10	Number of Audit Committee Meetings held by June 2021.	04 Audit Committee Meetings held by 30 June 2022		N/A	RO	N/A
	MM11	Number of Risk Committee Meetings held	04 Risk Committee Meetings held by 30 June 2022		N/A	RO	N/A
	MM12	Number of Internal Audit Plan projects implemented by June 2022.	8 Internal Audit Plan projects implemented by 30 June 2022	7 Internal Audit Plan projects implemented by 30 June 2022		RO	Appointment of interns through MFG
	MM13	Number of Risk Register Developed	1 Annual Risk register Developed and implemented by 30 June 2022	1 Annual Risk register Developed during the period		RO	Appointment of interns
	MM14	Number of Risk Management reports Submitted to the RMC by June 2022	4 Risk Management Implementation Reports submitted to the RMC by 30 June 2022	3 Risk Management Implementation reports submitted during the period		RO	Appointment of interns

KPA	IDP Ref.	Key Performance Indicator	Annual Target	Actual Performance	Reasons for Non-performance	Budget	Correctives Measures
Good Governance & Public Participation	MM15	Number of programmes implemented as per the annual communication plan by 30 June 2022.	2 programmes implemented as per the annual communication plan by 30 June 2022.		N/A	R0	N/A
	MM16	% of Petitions registered and responded to by 30 June 2022.	% Petitions registered and responded to by 30 June 2022.		Did not register the petitions accurately due to not having a well-developed register	R0	Develop a petitions register
	MM17	Public Participation Forums Convened by 30 June 2022.	2 Public Participation Forums Convened by 30 June 2022.		N/A	R0	N/A
	MM18	Number of external communication outreaches / engagements with media and through Public Participation by 30 June 2022.	12 external communication outreaches / engagements by 30 June 2022.		Communication officer went on maternity leave	R0	N/A
	MM19	No. of internal communication platforms created by 30 June 2022.	8 internal Awareness Campaign s implemented by 30 June 2022.		Communication officer went on maternity leave	R0	N/A
	MM20	No. of internal staff communication measures implemented by 30 June 2022.	12 departmental meetings to be held by 30 June 2022		Instability towards the end of council term and delays in council inauguration.	R0	N/A
	MM21	No of litigation matters handled by 30 June 2022	4 Litigation register updated by 30 June 2022		N/A	R0	N/A

Municipal Transformation & Multinational Development	CORP 6	Number of fuel usage reports to submitted by June 2021.	4 reports of Fuel usage by 30 June 2021	Non adherence to the set targets	Adhe adof and Imple
	CORP 7	Number of reports on vehicle maintenance submitted by June 2021	4 reports of vehicle maintenance submitted by 30 June 2021	Non adherence to the set targets	Adhe adof and Imple
	1	Number of leave reports	4 leave reports submitted to	Achieved	Target

CORPORATE SERVICES DIRECTORATE

RESPONSIBLE PERSON: THANDIWE MALANGABI

STRATEGIC OBJECTIVE: Ensure capacitation of Municipal Official & Councillors to effectively perform their functions by 2022

KPA	IDP Ref.	Key Performance Indicator	Annual Target	Actual Performance	Reasons for Non-performance	Budget	Correctives Measures
Municipal Transformation and Institutional Development	CORP01	Number of Work Skills Plans submitted to LGSETA by 30 June 2022	1 Work Skills Plans submitted to LGSETA by 30 June 2022		N/A	R0	N/A
	CORP02	Number of trainings attended by 30 June 2022.	3 trainings conducted by 30 June 2022			R1 097 420	
	CORP03	Number of LLF meetings held by 30 June 2022	04 LLF meetings by 30 June 2022	1 LLF meetings held against 4	Instability within the institution	R0	N/A
	CORP04	Reviewed and adopted Organizational structure by June 2022	Adopted Organizational Structure by 30 June 2022	Organizations reviewed and adopted	N/A	R0	N/A
	CORP05	Number of days taken to fill vacant positions by June 2022	90 days taken to fill vacant budgeted prioritized positions by June 2022		Unavailability of panel members	R0	Development of process plan on filling of vacancies
	CORP06	Number of reports to be submitted by June 2022	4 reports of fleet management (Fuel consumption) by June 2022	2 reports of fleet management	Non adherence to the set targets	R0	Regular maintenance of the system Tools of trade must be supplied
	CORP 07	Number of reports to be submitted by June 2022	4 reports of fleet management (maintenance costs report) by June 2022	2 reports of fleet management	The internet was not working therefore could not download the auto fuel report	R0	Regular maintenance of the system Tools of trade must be supplied

CORP 08	Number of reports submitted by June 2022	4 leave monitoring reports submitted to user departments regarding compliance with accumulative 48 leave days maximum 30 June 2022	Non-compliance by Departments	Conduct leave audits monthly
CORP 09	Number of municipal bylaws reviewed, developed and/or updating of municipal bylaws	Council Approval of bylaws	N/A	Facilitation of approval of the draft bylaws
CORP 10	Number of policies reviewed, developed and/or updating of municipal policies	Council Approval of policies	N/A	N/A

BUDGET & TREASURY OFFICE/CHIEF FINANCIAL OFFICE

RESPONSIBLE PERSON: BUSISIME LUBHELWANA

STRATEGIC OBJECTIVE: to ensure the sustainability and growth of municipal revenue by 2022

KPA	IDP Ref.	Key Performance Indicator	Annual Target	Actual Performance	Reasons for Non-performance	Budget	Correctives Measures
Municipal Financial Viability	CFO 01	Number of MSCOA Steering committee meetings held by June 2022	4 MSCOA Steering committee sittings by 30 June 2022.	3 MSCOA Steering committee sittings held by 30 June 2022	The 4 th meeting was scheduled however there was no attendance from members, stating to be committed with Councils activities.	R 0	The Measure is to have MSCOA Steering Committee meetings incorporated in the Council calendar.
	CFO 02	Ensuring institution is transacting on four additional MSCOA modules by end 30 June 2022	Transacting 4 additional modules on MSCOA system by 30 June 2022	Transacting 3 additional modules on MSCOA system by 30 June 2022	The System Vendor has not rolled out the payroll module to be live they still under testing stage.	R 0	Municipality is in the process of running parallel with the two system and the Module will be implemented live from March 2023.
	CFO 03	Competitive bids outcomes achieved within 90 days after the closing of bids by 30 June 2022	Signed report for period July 2021 - June 2022	Achieved	N/A	R 0	N/A

CFO 04	Filling of the position of SCM Manager By End June 2022	Employment of SCM manager by 30 June 2022	Not Achieved	Prioritising of Revenue section due to critical findings by the office of the Auditor General which had serious implication in the institutional performance	2022	The SCM Manager vacancy is planned to be filled in the following financial year
CFO 05	Number of BTO findings / actions implemented by June 2022.	Implementation of the Audit Action Plan by 30 June 2022	Not Achieved	This is due to late finalisation of Audit for 2020-21 financial year which resulted to having limited time to address audit findings.	2022	Timeous implementation of the Audit Plan with closer proper planning and monitoring for Proof of evidence.
CFO 06	Updated municipal asset register by end June 2022.	Updated Municipal asset register by 30 June 2022	Not Achieved	N/A	2022	N/A

KPA	IDP Ref.	Key Performance Indicator	Annual Target	Actual Performance	Reasons for Non-performance	Correctives Measures
Municipal Financial Viability	CFO 07	Submitted AFS by 31 August 2021 or as amended deadline by National Treasury (Covid-19)	Set of annual financial statements submitted to the AG by 31 August 2021.	Not Achieved	N/A	N/A
	CFO 08	Adoption and implementation of Revenue enhancement Strategy with Council resolution by 30 June 2022.	Adopted revenue enhancement Strategy and implementation by 30 June 2022.	Not Achieved	The municipality did not have sufficient capacity to formulate a Revenue enhancement Strategy	Appointment of Revenue Manager
	CFO 09	% of billed revenue collected by 30 June 2022	50 % of billed revenue collected by 30 June 2022	Not Achieved	N/A	N/A
	CFO 10	% spend of Actual operational expenditure versus Budgeted operational expenditure by June 2022	Signed Reports 90% spending of actual operational expenditure versus budgeted operational expenditure by 30 June 2022	Not Achieved	Reports are not prepared on time therefore late submission.	Prepare reports and submit on time

7	Number of fuel usage reports to submitted by June 2021	4 reports of Fuel usage by 30 June 2021	Not Achieved	Not Achieved	Non adherence to the set targets	Adherence to the set targets and implementation
7	Number of reports on vehicle	4 reports of vehicle	Not Achieved	Not Achieved	Non adherence to the set targets	Adherence to the set targets and implementation

CFO 11	Number of subsidized indigents households versus total number of indigent households by 30 June 2022	Indigent register updated with a 100 % of forms submitted by councillors for the Quarter by 30 June 2022	N/A	N/A	R0	N/A
CFO 12	Implementation of the ICT Governance Framework by 30 June 2022	1 report at year end (June 2022) submitted on the implementation of the ICT Governance Framework by 30 June 2022	Redacted	Lack of prioritisation for ICT unit;	R0	Prioritising ICT unit at a strategic level; Appointment of ICT Technician
CFO 13	Functional ICT forums established and meetings held by 30 June 2022	4 ICT Steering Committee meetings held by 30 June 2022	Green	N/A	R0	N/A

INTEGRATED PLANNING & ECONOMIC DEVELOPMENT

RESPONSIBLE PERSON: MAHLUBI PAMLA

STRATEGIC OBJECTIVE: To promote sustainable economic development within Sakhizwe by 2022

KPA	IDP Ref.	Key Performance Indicator	Annual Target	Actual Performance	Reasons for Non-performance	Budget	Correctives Measures
Basic Service Delivery	IPED1	Number of Municipal buildings renovated in Khowa and Cala by 30 June 2022	4 Municipal buildings renovated by 30 June 2022	Redacted	Identified unfunded budget.	R 1 000 000	To budget for one project in the 2022/2023 financial year.
	PED 2	Number of Township establishment (layout plans) for Khowa and Cala by 30 June 2022.	2 Township establishment layout plans for Khowa and Cala by 30 June 2022	Redacted	Identified unfunded budget	R300 000	To be budgeted for during 2022/2023 financial year
Local Economic Development	IPED 03	Adopted LED Strategy by 30 June 2022	Adopted LED Strategy by 30 June 2022	Redacted	Identified unfunded budget	R400 000	Request for assistance from CoGTA to develop the strategy in 2022/2023 financial year

IPED 04	Monitoring the Implementation of the Community Works Program by end June 2022	4 Monitoring reports of the implementation of the Community Works Program by end June 2022	2022 Monitoring Report submitted under IPED 04	2 meetings could not be held due to elections and induction and availability of Councilors	R0	To ensure that all CWP meetings are part of the Council Calendar
IPED 05	Land Audit Report and operational Municipal GIS by 31 December 2021	Land Audit Report and operational Municipal GIS by 31 December 2021	Land audit report and GIS project submitted	Council requested for workshop to be conducted for all Councilors before endorsement by Council	R800 000	That projects of this matter include all activities (workshop)
	An Adopted SPLUMA compliant Land Use Management Scheme (LUMS) by 30 June 2022	Adopted SPLUMA compliant Land Use Management Scheme (LUMS) by 30 June 2022	Project is currently being implemented and is of financial benefit	Delayed due to inaccessibility to information and records need to execute the project	R500 000	Request assistance from both Chris Hani DMA & Provincial CoGTA – Spatial Planning Units
IPED 07	Number of awareness campaigns on submission of building plans in Khowna and Cala by 31 March 2022	4 awareness campaigns on submission of building plans by 30 June 2022	That work will be completed and reports filed	Could not be conducted due to elections, induction and availability of Councilors	R0	To be included
IPD Ref.	Key Performance Indicator	Annual Target	Actual Performance	Reasons for Non-performance	Budget	Correctives Measures
IPED08	Adopted Land invasion policy by 30 June 2022	Adopted Land invasion policy by 30 June 2022	Local Land invasion policy presented to Council for adoption	The policy has not been gazetted	R0	Gazetting of Municipal By-Laws
IPED09	Number of installation of land invasion and illegal building signs on 31 December 2022	5 Installation signs for land invasion and illegal building by 30 June 2022		N/A	R0	N/A
IPED 10	Adopted 2022/2023 IDP by 30 June 2022	Adopted 2022/2023 IDP by 30 June 2022		N/A	R50 000	N/A
IPED 11	Number of formal Performance reports submitted to the office of the Mayor by June 2022	2 Formal Performance Assessments (Midterm and Annual) by 30 June 2022		Assessment could not be performed due to a busy schedule.	R0	Such assessment to be performed under municipal manager's office

	IPED 12	Number of informal Performance reports submitted to the office of the Mayor by June 2022	4 Informal Performance Assessments by 30 June 2022	Assessment could not be performed due to a busy schedule.	Such assessment to be performed under municipal manager's office
GP	IPED 13	Number of awareness for Beneficiary registration of Low cost housing by end June 2022	2 awareness for Beneficiary registration of Low cost housing by end June 2022	Due to lack human capacity	To request for assistance from the Department of Human Settlements

COMMUNITY SERVICES DIRECTORATE

RESPONSIBLE PERSON: MRS. PUJMEZA MINGCITA

STRATEGIC OBJECTIVE: To promote a health and safe environment through the protection of natural resources by 2022

KPA	IDP Ref.	Key Performance Indicator	Annual Target	Actual Performance	Reasons for Non-performance	Budget	Correctives Measures
Basic Service Delivery	COMS01	Develop Integrated Waste Management Plan by June 2022	Integrated Waste Management Plan approved by Council by 30 June 2022	1 Report submitted by the Council	Experienced delays from the service provider, the service provider did not adhere to the process timeframes.	R75 440,00	The Final draft of the IWMP will be presented to Council on the 1 st Quarter of financial year 2022/2023
	COMS02	Number of reports on waste collection from Cala and Khowa Business sector by 30 June 2022	12 Reports on waste collection from Cala and Khowa Business sector by 30 June 2022	2 Reports submitted by the Council	During Q1 & Q2 only 2 HOD reports submitted. Reports were not submitted as per SDBIP due to misunderstanding the KPI.	R0	Reports will be submitted as per SDBIP.
	COMS03	Number of reports on waste collection from Cala and Khowa households by 30 June 2022	8 Reports on waste collection for Cala and Khowa households by 30 June 2022		N/A	R0	N/A
	COMS04	Number of Waste Awareness Campaigns by 30 June 2022	1 Report on Waste Management campaign at Cala		There was insufficient capacity on management staff on the last quarter of the financial year due to that the Director was on sick leave.	R200 000	To improve in planning for 2022/2023 financial year and involve the Ward Councilors for coordination of the Awareness Campaigns.

	Renovation of the landfill site at Cala by 30 June 2022	Renovated Landfill site by 30 June 2022	The project was not implemented for this financial year due to announcement of unfunded budget by treasury, and we had to cut some projects	The project to be implemented in 2022/2023 financial year
COMS05				R 1 500 000
	Licensing of landfill site at Cala by 30 June 2022	Licensed landfill site by 30 June 2022	The project was halted due to announcement of unfunded budget by treasury. The alternative plan of applying for Extension of validity period was rejected due to prior arrangement between Sekhizwe Local Municipality and DEDEAT.	The project to be implemented in 2022/2023 financial year.
COMS6				R500 000

KPA	IDP Ref.	Key Performance Indicator	Annual Target	Actual Performance	Reasons for Non-performance	Budget	Corrective Measures
Basic Service Delivery	COMS7	Number of illegal dumpsites cleaned at Cala and Khowa by 30 June 2022	20 illegal dumpsites cleared by 30 June 2022		N/A	R0	N/A
	COMS8	% Construction completed of Animal Pounds for Khowa and Cala	10% construction completed of Animal pounds for Khowa and Cala by 30 June 2022		The project was delayed due to waiting for funding from Department of Transport..	R8 300 000	Not to include projects that are not funded by SLM in future
	COMS9	Number of road safety awareness campaigns at Cala and Khowa by 30 June 2021	4 Road safety awareness campaigns by 30 June 2022		N/A	R20 000	N/A
	COMS10	Number of tickets fines issued by traffic section by 30 June 2022	660 Traffic Tickets fines issued by traffic section by 30 June 2022		N/A	R0	N/A

KPA	IDP Ref.	Actual Performance	Reasons for Non-performance	Budget	Correctives Measures
Basic Service Delivery	COMS15	Number of waste collection tractors with trailers purchased by 30 June 2022	Annual Target 2 waste collection tractors with trailers purchased by 30 June 2022	R1 600 000	N/A
	COMS16	Fenced DLTC with security gate house by 30 June 2022	Fenced DLTC with Security Gate House by 30 June 2022	R300 000	N/A
KPA	COMS11	Erecting of traffic signs and drawing road markings	Marked traffic lines in both Cala and Khowa main streets by June 2022.	N/A	N/A
	COMS12	Renovation and of the DLTC building and installation of surveillance cameras	Renovated of DLTC building and surveillance cameras installed by 30 June 2022	R650 000	The project was not implemented due to announcement of unfunded budget by treasury. The project was not implemented for this financial year due to announcement of unfunded budget by treasury, and we had to cut some projects
	COMS13	Number of Reports from sales of graves by June 2022	04 Reports on sales of graves by June 2022	R0	N/A
	COMS14	Fencing of Cala cemetery by 30 June 2022	Fenced Cala cemetery by 30 June 2022	R1 000 000	The project was not implemented for this financial year due to announcement of unfunded budget by treasury, and we had to cut some projects.

COMS17	Renovation of Khowa Library by 30 June 2022	Renovated Khowa library by 30 June 2022	The project was not implemented for this financial year due to announcement of unfunded budget by treasury, and we had to cut some projects	R100 000	The project to be implemented in 2022/2023 financial year.
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TECHNICAL SERVICES DIRECTORATE

RESPONSIBLE PERSON: MR. SIFUNDO TUNZI

STRATEGIC OBJECTIVE: To ensure Salihisizwe LM road and infrastructure network is up to an acceptable standard by 2022

KPA	IDP Ref.	Key Performance Indicator	Annual Target	Actual Performance	Reasons for Non-performance	Budget	Correctives Measures
Basic Service Delivery	TECH. 1	Number of Km's of Gravel Road Caba and Khowa maintained by end of June 2022	Ten (10) Km's of gravel road maintained by 30 June 2022	2.5 Km of gravel road maintained instead of 10 Km	The Municipality has challenges with yellow fleet (plant breakdowns)	R2 900 000	Disposal of the current fleet and purchase a new plant.
	TECH. 2	Number of Km's paved road in Ward 4 and 5 by 30 June 2022	1.6 km of road paved by 30 June 2022	1.5km of paved road instead of 1.6 km	We have managed to achieve 1.5km instead of 1.6km due to budget constraints.	R2 500 000	The project scope of works must be equivalent to the allocated budget.
	TECH.3	Number of Km's of storm water and Paved Road in Khowa by 30 June 2022	1.2 km of road paved by 30 June 2022	0.9 km of paved road instead of 1.2 km	The Contractor is way behind the construction programme of works due to heavy rains, blocked storm water and water services in the middle of the road. The Contractor is also having cash flow challenges. As per SDBIP quarter 4 we planned to do 1.2km of kerbing and paving by the 30 June 2022, but we could not achieve as planned due to challenges as explained above.	R2 000 000	Their remedial plan is to work on weekends and public holidays to fast-track their progress and covering up the time lost. They have a dedicated water cart pumping out the dammed water on site

TECH. 4	Number of Km's of storm water and Paved Road in Cala (Caffornia) by 30 June 2022	820m of paving and related storm water by 30 June 2022	As per the 2021/22FY SDBIP QUARTER 4 target, we planned to do 410m of kerbing and 410m of paving but (800m of kerbing and paving was achieved), they failed to do as planned due to cash flow challenges as a result the Contractor is now on penalties.	R7 588 000	Poor performing contractors should be terminated following the GCC contract.
TECH. 5	Number of Km's of storm water and Paved Road in Cala (Pakamisani) by 30 June 2022	820m of paving and related storm water by 30 June 2022	There were delays on site due to abnormal heavy rainfalls, vandalism and cash flow challenges.	R4 824 990	Poor performing contractors should be terminated following the GCC contract.
TECH. 6	Electrification of households ward 3, 5, 6, 7, 8, & 9 by June 2022	228 Electrified households by 30 June 2022	There were delays caused by the late delivery of metres by Eskom. Other villages were done by Eskom hence there are 110 instead of 228 household	R508 000	The project will be completed in 2022/2023 FY

KPA	IDP Ref.	Key Performance Indicator	Annual Target	Actual Performance	Reasons for Non-performance	Budget	Correctives Measures
Basic Service Delivery	TECH. 7	Maintenance of households in Takalani, Khowa Town and Allington by June 2022	Installation of electricity meters and related services by 30 June 2022		N/A	R1 500 000	N/A

	TECH	Number of High Mast Lights Maintained in Cala and Khowa by 30 June 2022	Maintenance of 17 High Mast Lights by 30 June 2022	Other high mast lights could not be maintained due to budget cuts	R155	The municipality had unfunded budget that resulted change in the scope of maintenance
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	Achieved
	Not Achieved
	Not Applicable

CHAPTER 4 ORGANISATIONAL DEVELOPMENT PERFORMANCE

Performance report Part III

COMPONENT A. INTRODUCTION TO MUNICIPAL PERSONNEL

Organizational development is the use of organizational resources to improve efficiency and expand productivity. It can be used to solve problems within the organization or as a way to analyze a process and find alternative and efficient ways of doing it. Implementing organizational development requires an investment of time and money. Employee empowerment is a cornerstone of organizational development in Sakhisizwe municipality, and this is evidenced by the development and implementation of training and development mechanisms such as Work-Place Skills Plan.

4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Employees					
Description	Year -1	Year 0			
	Employees	Approved Posts	Employees	Vacancies	Vacancies
	No.	No.	No.	No.	%
Electricity	4	nil	4	2	%
Housing	2	nil	2	1	%
Roads	15	nil	15	nil	%
Planning	3	nil	3	nil	%
Local Economic Development	1	nil	1	1	%
Planning (Strategic & Regulatory)	1	nil	1	nil	%
Community & Social Services	63	nil	63	nil	%
Special Programs Unit	1	nil	1	nil	%

Turn-over Rate			
Details	Total Appointments as of beginning of Financial Year	Terminations during the Financial Year	Turn-over Rate*
	No.	No.	
Year -1		17	
Year 0	1	3	

All Section 56 positions are filled. To attract and retain employees the municipality adopted an attraction and retention policy.

Vacancy Rate: Year 0			
Designations	Total Approved Posts	Vacancies (Total time that vacancies exist using fulltime equivalents)	Vacancies (as a proportion of total posts in each category)
	No.	No.	%
Municipal Manager	1	0	0.00
CFO	1	0	0.00
Other S57 Managers (excluding Finance Posts)	4	0	33.33
Other S57 Managers (Finance posts)	0	0	0.00
Traffic officers	4	2	0.00
Senior management: Levels 13-15 (excluding Finance Posts)	4	0	0.00
Senior management: Levels 13-15 (Finance posts)	1sa	0	0.00
Highly skilled supervision: levels 9-12 (excluding Finance posts)	0	0	0.00
Highly skilled supervision: levels 9-12 (Finance posts)	0	0	0.00
Total	16	3	7.14

Workforce management encompasses all the activities needed to maintain a productive workforce. Workforce management within Sakhisizwe local municipality includes but not limited the following:

- Payroll and benefits
- HR administration
- Time and attendance
- Career and succession planning
- Performance management
- Absence and leave management.

The emphasis of Workforce management is on improving operational efficiency, compliance with a wide range of relevant legislation and solving business problems related to staff.

COMPONENT 8. 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	Affirmative Action			31 May 2022
2	Attraction and Retention	100.00	0	31 May 2022
3	Code of Conduct for employees	100.00	0	31 MAY 2022
4	Delegations, Authorisation & Responsibility	100.00	0	31 May 2022
5	Disciplinary Code and Procedures	100.00	0	31 May 2022
6	Essential Services		0	31 May 2022
7	Employee Assistance / Wellness		0	31 May 2022
8	Employment Equity	100.00	0	31 May 2022
9	Exit Management		0	31 May 2022
10	Grievance Procedures	100	0	31 May 2022
11	HIV/Aids	100	0	31 May 2022
12	Human Resource and Development	100.00	0	31 May 2022
13	Information Technology	100.00	0	31 May 2022
14	Job Evaluation		0	31 May 2022
15	Leave	100.00	0	31 May 2022
16	Occupational Health and Safety	100	0	31 May 2022
17	Official Housing		0	31 May 2022
18	S&T	100.00	0	31 May 2022
19	Official transport to attend Funerals	100	0	31 May 2022
20	Official Working Hours and Overtime	100.00	0	31 May 2022
21	Organisational Rights		0	31 May 2022
22	Payroll Deductions	100.00	0	31 May 2022
23	Performance Management and Development	100.00	0	31 May 2022

24	Recruitment, Selection and Appointments	100.00	0	31 May 2022
25	Remuneration Scales and Allowances	100	0	31 May 2022
26	Resettlement		0	31 May 2022
27	Sexual Harassment	100	0	31 May 2022
28	Skills Development	100	0	31 May 2022
29	Smoking	100.00	0	31 May 2022
30	Special Skills		0	31 May 2022
31	Work Organisation		0	31 May 2022
32	Uniforms and Protective Clothing	100	0	31 May 2022
33	Other:		0	

During the year under review a range of activities have been undertaken, and to complete the work the municipality is planning a policy review - cum development workshop in collaboration with COGTA-EC Province.

4.3 INJURIES, SICKNESS AND SUSPENSIONS

Number and Cost of Injuries on Duty					
Type of Injury	Injury Leave Taken	Employees using Injury leave	Proportion employees using sick leave	Average Injury Leave per employee	Total Estimated Cost
	Days	No.	%	Days	R'000
Required basic medical attention only	0	0	0%	0	
Temporary total disablement	0	0	0%	0	
Permanent disablement	0	0	0%	0	
Fatal		2			
Total	0	0	0%	0	0

Number of days and Cost of Sick Leave (excluding injuries on duty)						
Salary band	Total sick leave	Proportion of sick leave without medical certification	Employees using sick leave	Total employees in post*	Average sick leave per Employees	Estimated cost
	Days	%	No.	No.	Days	R' 000
Lower skilled (Levels 1-2)	80	2%	7	47	1.7	30
Skilled (Levels 3-5)	80	2%	0	12	6.6	
Highly skilled production (levels 6-8)	80	2%	1	18	4.4	

Highly skilled supervision (levels 9-12)	80	2%	1	11	7.2	31
Senior management (Levels 13-15)	0	0	0	0	0	0
MM and S56	80	2%	2	2	16	
Total	480	2%	12	94	3.10	61

The municipality still needs to develop an OHS Policy. Notable is the high rate of abuse of leave by lower skilled, semiskilled and skilled employees respectively, but this trend is being address with the controls recently instituted by management.

DISCIPLINARY CASES

Sakhisizwe municipality in term disciplinary case has got three pending cases

4.4 PERFORMANCE REWARDS

Performance Rewards By Gender					
Designations	Beneficiary profile				
	Gender	Total number of employees in group	Number of beneficiaries	Expenditure on rewards Year 1 R' 000	Proportion of beneficiaries within group %
Lower skilled (Levels 1-2)	Female	n/a	n/a	n/a	n/a
	Male	n/a	n/a	n/a	n/a
Skilled (Levels 3-5)	Female	n/a	n/a	n/a	n/a
	Male	n/a	n/a	n/a	n/a
Highly skilled production (levels 6-8)	Female	n/a	n/a	n/a	n/a
	Male	n/a	n/a	n/a	n/a
Highly skilled supervision (levels 9-12)	Female	n/a	n/a	n/a	n/a
	Male	n/a	n/a	n/a	n/a
Senior management (Levels 13-15)	Female	n/a	n/a	n/a	n/a
	Male	n/a	n/a	n/a	n/a
MM and S57	Female	n/a	n/a	n/a	n/a
	Male	n/a	n/a	n/a	n/a
Total		0	0	0	0

4.5 SKILLS DEVELOPMENT AND TRAINING

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 Year 0													
			Learner ships				Skills programmes & other short courses				Other forms of training				Total	
			Actual: End of Year -1	Actual: End of Year 0	Year 0 Target	Year 0 No.	Actual: End of Year -1	Actual: End of Year 0	Year 0 Target	Year 0 No.	Actual: End of Year -1	Actual: End of Year 0	Year 0 Target	Year 0 No.		
MM and s57	Female	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Male	1	0	0	0	0	0	5	0	0	0	0	0	0	0	0
Councillors	Female	3	0	0	0	0	0	5	0	0	0	0	0	0	0	0
	Male	2						8								
Technicians and associate professionals*	Female	0	0	0	0	0	0	9	0	0	0	0	0	0	0	0
	Male	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0
Professionals	Female	0	0	0	0	0	0	6	0	0	0	0	0	0	0	0
	Male	0	0	0	0	0	0	5	0	0	0	0	0	0	0	0
Sub total	Female	19	0	0	0	0	0	20	0	0	0	0	0	0	0	0
	Male	32	0	0	0	0	0	20	0	0	0	0	0	0	0	0
Total		51	0	0	0	0	0	48	0	0	0	0	0	0	0	0

Financial Competency Development: Progress Report						
	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))
Financial Officials						
Accounting officer	1	0	0	0	0	0
Chief financial officer	1	0	1	0	1	1
Senior managers	1	0	0	0	0	0
Any other financial officials	20	0	20	0	0	17
Supply Chain Management Officials						
Heads of supply chain management units	0	0	0	0	0	0
Supply chain management senior managers	0	0	0	0	0	0
TOTAL	23	0	23	0	1	18

Skills Development Expenditure		Original Budget and Actual Expenditure on skills development Year 1											
Management level	Gender	Employees as at the beginning of the financial year	Learner ships		Skills programmes & other short courses		Other forms of training		Total				
			Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual			
MM and S57	Female							0	0				
	Male	4	113458					0	0				
Legislators, senior officials and managers	Female	4											
	Male	2	42118		157500		42118		42118				
Professionals	Female	5	86288		121000		86288		86288		207288		
	Male	5	74430				74430		74430		74430		
Technicians and associate professionals	Female												
	Male												
Clerks	Female	11	152475					152475	152475		152475		
	Male												
Service and sales workers	Female												
	Male	2	18208					18208	18208		18208		
Sub total	Female	20	238763		121000		238763		238763		359763		
	Male	13	248214		157500		248214		248214		405714		
Total		33	486977.34	0	278500	0	486977.34	486977.34	486977.34	4	765477		

COMPONENT D. MANAGING WORKFORCE EXPENDITURE

4.6 EMPLOYEE EXPENDITURE

Number Of Employees Whose Salaries Were Increased Due To Their Positions Being Upgraded		
Beneficiaries	Gender	Total
Lower skilled (Levels 1-2)	Female	n/a
	Male	n/a
Skilled (Levels 3-5)	Female	n/a
	Male	n/a
Highly skilled production (Levels 6-8)	Female	n/a
	Male	n/a
Highly skilled supervision (Levels9-12)	Female	n/a
	Male	n/a
Senior management (Levels13-16)	Female	n/a
	Male	n/a
MM and S 57	Female	n/a
	Male	n/a
Total		0

CHAPTER 5: FINANCIAL PERFORMANCE

INTRODUCTION

The Annual Financial Statements reflect the continued progress being made by the Municipality to ensure a financially viable institution, which can withstand a certain degree of financial volatility and continue to operate for the benefit of its inhabitants. Government grants and subsidies have contributed to the significant increase in revenue, resulting in improved capital spend occurring within the municipality

Sakhisizwe is exposed to continued inflationary pressures and continues to attempt to manage these pressures through cost containment initiatives. These ongoing initiatives attempt to alleviate any undue pressure being placed on the community

An area of concern is the need to increase spending on the maintenance of assets so as to enable them to achieve their full estimated useful lives. The municipality has recognised that it is imperative for additional funding to be provided within the repairs and maintenance budget to address this need.

Chapter 5 contains information regarding financial performance and highlights specific accomplishments. The chapter comprises three components:

Component A: Statement of Financial Performance

Component B: Spending Against Capital Budget

Component C: Other Financial Matters

COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

5.1 STATEMENT OF FINANCIAL POSITION

The table below indicates the summary of financial performance for the 2021/22 financial year.

Description R thousands	Final Budget - 2020/21	2021/22					
		Original Budget	Budget Adjustments (To 328 and 331 of the MFMA)	Final adjustments budget	Final Budget	Actual Outcome	Variance
		1	2	3	6	7	9
Financial Performance							
Property rates	8 786	9 160	-	9 159 832	9 160	6 964	-24%
Service charges	16 730	17 744	-	17 744 030	17 744	18 953	7%
Investment revenue	-	7 355	-	7 355	7 355	8 059	10%
Transfers recognised - operational	92 087	79 102	-	79 102	79 102	76 017	-4%
Other own revenue	11 751	4 855	-	4 855	4 855	3 443	-29%
Total Revenue (excluding capital transfers and contributions)	129 354	118 216	-	118 216	118 216	113 437	-4%
Employee costs	33 166	35 196	(3 625)	31 571	31 571	42 854	36%
Remuneration of councillors	4 334	4 427	(750)	3 677	3 677	7 047	92%
Debt impairment	-	3 980	-	3 980	3 980	13 765	246%
Depreciation & asset impairment	8 500	10 832	-	10 832	10 832	10 332	-5%
Finance charges	541	562	91	652	652	2 393	267%
Materials and bulk purchases	13 850	33 758	2 224	35 982	35 982	32 024	-11%
Transfers and grants	-	-	-	-	-	-	0%
Other expenditure	45 490	16 738	2 714	19 452	19 452	14 916	-23%
Total Expenditure	105 881	105 492	654	106 148	106 148	123 331	16%
Surplus/(Deficit)	23 473	12 724	(654)	12 070	12 070	(9 895)	
Transfers recognised - capital	60 134	49 435	-	49 435	49 435	34 615	-30%
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	
Surplus/(Deficit) after capital transfers & contributions	83 607	62 159	(654)	61 505	61 505	24 720	-64%
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	
Surplus/(Deficit) for the year	83 607	62 159	(654)	61 505	61 505	24 720	-64%

5.2 ASSET MANAGEMENT

BAKHISIZWE LOCAL MUNICIPALITY			
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2022			
	Note	Accumulated Surplus/ Deficit R	Total R
Balance at 30 JUNE 2016		179,449,844	179,449,848
Net Surplus for the year: 2017		9,986,430	9,986,430
Balance at 30 JUNE 2017		189,436,274	189,436,278

Net Surplus for the year: 2018		13,411,475	13,411,475
Balance at 30 JUNE 2017		202,847,749	202,847,753

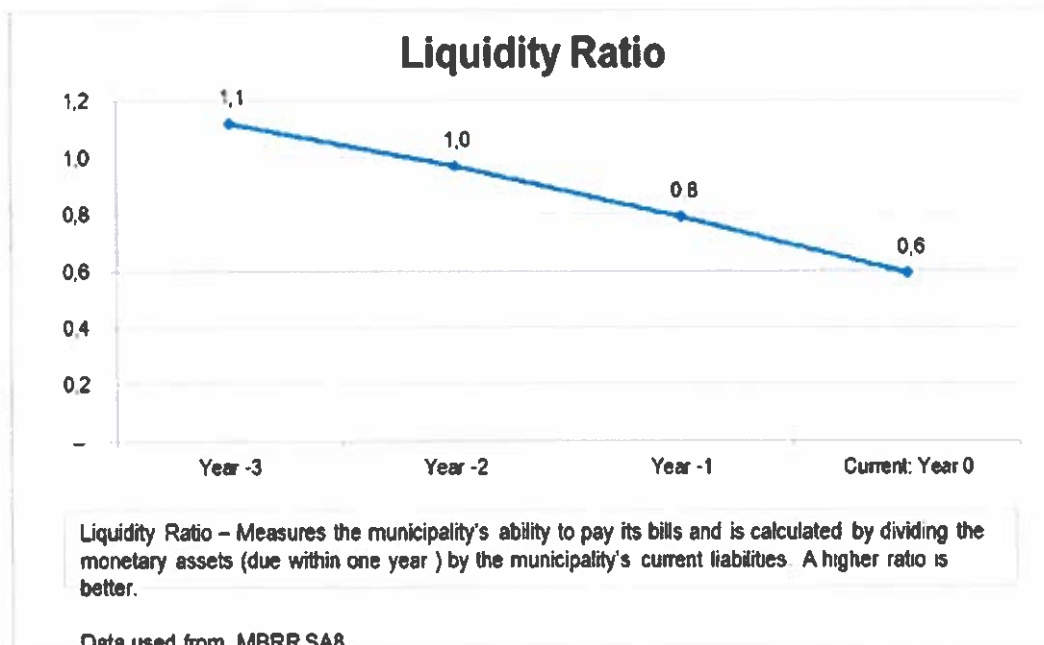
TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED YEAR 0				
Asset 1				
Name	Dokolo Koptji ward 4 Elliot internal streets ward 1 and 2 Carlifonia ward 5 Kuthula access road ward 2 Ward 2 sports field			
Description	Phase 2 Phase3 Paving and stormwater Paving of Access road			
Asset Type	Paving of street			
Key Staff Involved	EPWP			
Staff Responsibilities	All			
Asset Value	Year -3	Year -2	Year -1	Year 0
				6.025 521.29
				8 593511.31
				• 004245.04 (outsourced)
				• 47 082 7.85
				Outsourced
	2663226.45			847 130 3.02 (out)

Capital Implications				
Future Purpose of Asset				
Describe Key Issues				
Policies in Place to Manage Asset				
Asset 2				
Name	Ward 7 Community Hall			
Description	Community Centres			
Asset Type				
Key Staff Involved				
Staff Responsibilities				
	Year -3	Year -2	Year -1	Year 0
Asset Value	1390307.01			
Capital Implications				

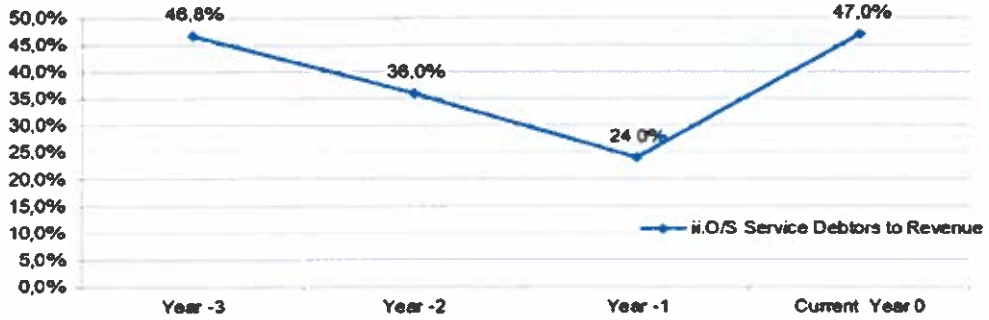
Future Purpose of Asset				
Describe Key Issues				
Policies in Place to Manage Asset				
Asset 3				
Name	Ward 6 Community Hall			
Description				
Asset Type	Community Centres			
Key Staff Involved				
Staff Responsibilities				
Asset Value	Year -3	Year -2	Year -1	Year 0
	1500384.6			
Capital Implications	Ford Everest 3.2 x 2 = R MAYOR = R 629 094 ,80 FORD EVEREST 2.2PEAKER = R547 639.21 ISUZU DOUBLE CAB = SKILLS CENTRE LAND			
Future Purpose of Asset				
Describe Key Issues				
Policies in Place to Manage Asset				

Repair and Maintenance Expenditure: Year 0				
R' 000				
	Original Budget	Adjustment Budget	Actual	Budget variance
Repairs and Maintenance Expenditure	4069000	0	5165892	-27%

5.3 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

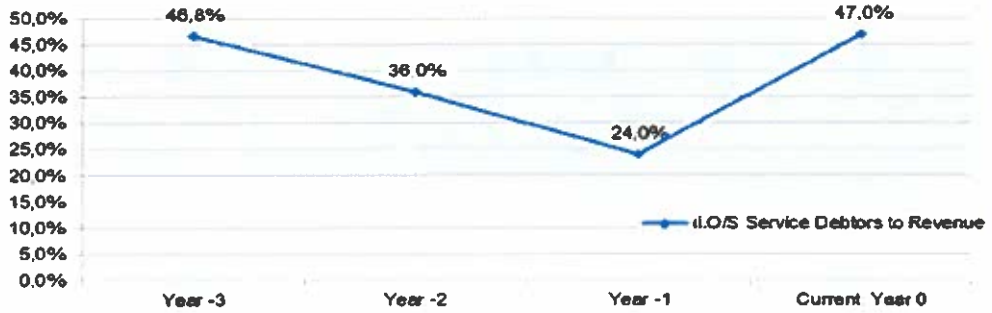


Total Outstanding Service Debtors



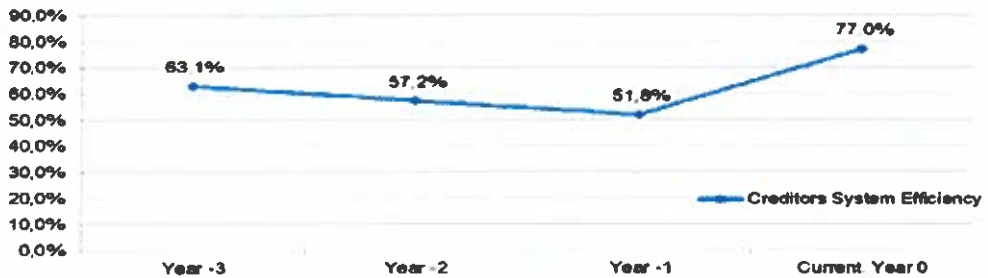
Total Outstanding Service Debtors – Measures how much money is still owed by the community for electricity and waste removal compared to how much money has been paid for these services. It is calculated by dividing the total outstanding debtors by the total annual revenue. A lower score is better.

Total Outstanding Service Debtors



Total Outstanding Service Debtors – Measures how much money is still owed by the community for electricity and waste removal compared to how much money has been paid for these services. It is calculated by dividing the total outstanding debtors by the total annual revenue. A lower score is better.

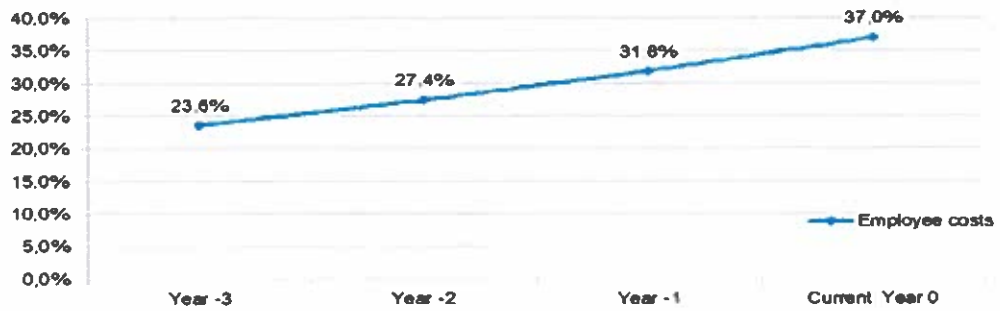
Creditors System Efficiency



Creditor System Efficiency – The proportion of creditors paid within terms (i.e. 30 days). This ratio is calculated by outstanding trade creditors divided by credit purchases.

Data used from MBRR SA8

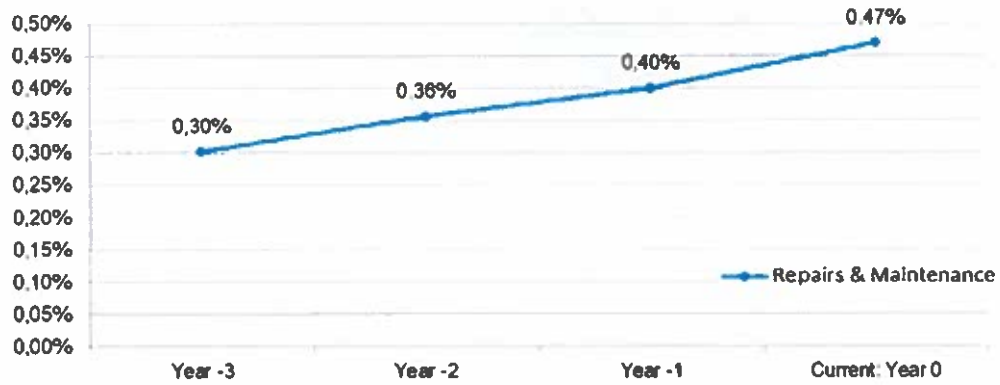
Employee Costs



Employee cost – Measures what portion of the revenue was spent on paying employee costs. It is calculated by dividing the total employee cost by the difference between total revenue and capital revenue

Data used from MBRR SA8

Repairs & Maintenance

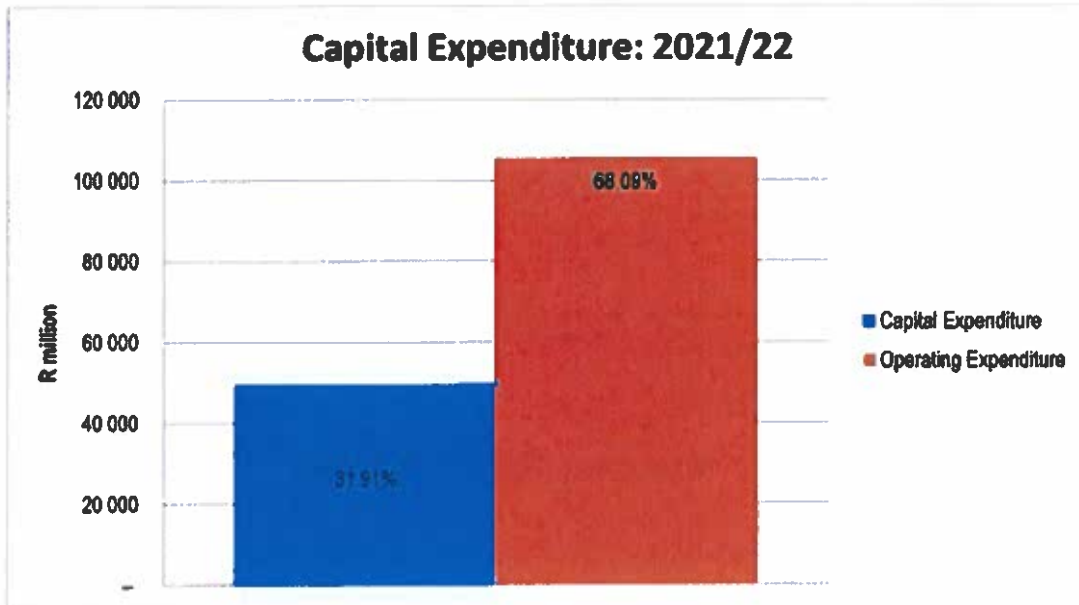


Repairs and Maintenance – This represents the proportion of operating expenditure spent and is calculated by dividing the total repairs and maintenance

Data used from MBRR SA8

COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

5.4 CAPITAL EXPENDITURE



5.5 SOURCES OF FINANCE

The table below indicates the funding sources for operational and capital expenditure for the 2021/22 financial year:

Grant Performance				
Description	R' 000			
	2020/2021	2021/2022		
	Actual	Budget	Adjustments Budget	Actual
Operating and capital transfers and grants				
National Government:	111 825	96 582	96 582	96 582
Local Government Equitable Share	84 483	74 331	74 331	74 331
Finance Management	1 700	1 700	1 700	1 700
EPWP Incentive	1 560	1 542	1 542	1 542
Municipal Infrastructure Grant	23 882	19 009	19 009	19 009
Total Operating Transfers and Grants	111 825	96 582	96 582	96 582

Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual. Full list of provincial and national grants available from published gazettes

5.6 CAPITAL SPENDING ON 5 LARGEST PROJECTS

Capital Expenditure of 5 largest projects*						R' 000
Name of Project	Current: Year 2021/22			Variance: Current Year 0		
	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance (%)	Adjustment variance (%)	
A - Construction of paving of Phakamisani road	6 000 000	6 000 000	5 448 739	9%	0%	
B - Qokolo Koppotjie	3 756 869	3 756 869	3 646 589	3%	0%	
C - Construction of California Access Roads	6 413 569	6 413 569	4 809 075	25%	0%	
D - Construction of Elliot interal roads	8 058 550	8 058 550	4 728 660	41%	0%	
E - Construction of Elliot and Cala taxi ranks	13 075 000	13 075 000	11 898 250	9%	0%	

5.7 BASIC SERVICE AND INFRASTRUCTURE BACKLOGS- OVERVIEW

Service Backlogs as at 30 June Year 0				
Households (HHs)				
	*Service level above minimum standard		**Service level below minimum standard	
	No. HHs	% HHs	No. HHs	% HHs
Water	None	%		%
Sanitation	None	%		%
Electricity	495 Households	%		%
Waste management	None	%		%
Housing	81 Waiting list	%		%

Municipal Infrastructure Grant (MIG)* Expenditure Year 0 on Service backlogs						
R' 000						
Details	Budget	Adjustments	Actual	Variance		Major conditions applied by donor (continue below if necessary)
				Budget	Adjustments	
Infrastructure - Road transport	N/A			%	%	
Roads, Pavements & Bridges	N/A			%	%	
Storm water	N/A			%	%	
Infrastructure - Electricity	N/A			%	%	
Generation	N/A			%	%	
Transmission & Reticulation	N/A			%	%	
Street Lighting	N/A			%	%	
Infrastructure - Water	N/A			%	%	
Dams & Reservoirs	N/A			%	%	
Water purification	N/A			%	%	

<i>Reticulation</i>	N/A			%	%	
Infrastructure - Sanitation	N/A			%	%	
<i>Reticulation</i>	N/A			%	%	
<i>Sewerage purification</i>	N/A			%	%	
Infrastructure - Other	N/A			%	%	
<i>Waste Management</i>	N/A			%	%	
<i>Transportation</i>	N/A			%	%	
<i>Gas</i>	N/A			%	%	
Other Specify:	N/A			%	%	
Total	N/A			%	%	

COMPONENT C: CASHFLOW MANAGEMENT AND INVESTEMENTS

5.8 CASH FLOW

SAKHISIZWE MUNICIPALITY			
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2022			
	Notes	2022 R	2021 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts			
Taxation		(778 931)	-
Service Charges		26 544 230	15 112 149
Other Revenue		3 124 909	-
Government - Operating		75 355 389	112 763 066
Government - Capital		23 886 400	-
Interest		810 640	4 721 176
Cash payments			
Suppliers and Employees		-108 277 809	(97 787 746)
Finance Charges		(395 287)	(328 145)
Net Cash from Operating Activities	39	20 269 539	34 480 500
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(29 004 223)	(18 720 820)
Proceeds on Disposal of Fixed Assets		-	-
Purchase of Intangible Assets		-	-
Net Cash from Investing Activities		(29 004 223)	(18 720 820)
CASH FLOW FROM FINANCING ACTIVITIES			
Increase/(Decrease) in Consumer Deposits		-	-
Repayment of Borrowing		(283 247)	(303 201)
Net Cash from Financing Activities		(283 247)	(303 201)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		(9 017 931)	15 456 479
Cash and Cash Equivalents at the beginning of the year		19 083 395	3 626 916
Cash and Cash Equivalents at the end of the year	40	10 138 803	19 083 395
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		(8 944 592)	15 456 479

5.9 BORROWING AND INVESTMENTS

SAKHISIWE MUNICIPALITY		
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2022		
	2022 R	2021 R
ASSETS		
Non-Current Assets	254 201 932	235 588 566
Property, Plant and Equipment	241 934 091	223 315 905
Agricultural		-
Investment Property	12 267 841	12 272 661
Intangible Assets		
Heritage Assets		
Current Assets	49 139 574	54 513 731
Inventory	894 019	574 830
Receivables from Exchange Transactions	17 910 621	7 590 078
Receivables from Non-exchange Transactions	13 296 948	17 831 944
Unpaid Transfers and Subsidies		
Bond Security	4 500 000	4 500 000
Taxes	1 896 206	1 321 638
Current Portion of Non-Current Receivables		
Cash and Cash Equivalents	10 138 803	19 083 395
Other receivables	502 977	3 611 846
Total Assets	303 341 506	290 102 297
NET ASSETS AND LIABILITIES		
Non-Current Liabilities	18 803 640	15 666 825
Long-term Borrowings	-	-
Non-current Provisions	16 105 640	12 991 825
Non-current Employee Benefits	2 698 000	2 675 000
Operating Lease Liability	-	-
Current Liabilities	20 114 946	34 811 123
Consumer Deposits	83 665	83 665
Provisions	-	-
Current Employee Benefits	461 000	462 000
Trade and Other Payables from Exchange Transactions	17 409 514	20 304 581
Unspent Transfers and Subsidies	160 787	11 677 630
Transfers and Subsidies Payable	-	-
Taxes	-	-
Short-term Borrowings	-	283 247
Operating Lease Liability	-	-
Chris Hanl District Loan	2 000 000	2 000 000
Current Portion of Long-term Borrowings	-	-
Total Liabilities	38 918 586	50 477 948
Net Assets	264 422 920	239 624 349
Accumulated Surplus/(Deficit)	264 422 920	239 624 349
Total Net Assets and Liabilities	303 341 506	290 102 297

5.10 PUBLIC PRIVATE PARTNERSHIPS

The Municipality had not entered into any partnerships.

COMPONENT D: OTHER FINANCIAL MATTERS

5.11 SUPPLY CHAIN MANAGEMENT

Sakhisizwe Local Municipality has a Supply Chain Management Policy in place. The objective of this policy is to provide a policy framework within which the municipal manager and chief financial officer can institute and maintain a supply chain management system which is transparent, efficient, equitable, competitive, that ensures best value for money for the municipality, applies the highest possible ethical standards, and promotes local economic development.

By adopting this policy the council further pledges itself and the municipal administration, to the full support of the Proudly SA campaign and to the observance of all applicable national legislation, including specifically the:

- Preferential Procurement Policy Framework Act No. 5 of 2000 and its regulations;
- Broad Based Black Economic Empowerment Act No. 53 of 2003 and any applicable code of practice promulgated in terms of that Act; and
- LG Municipal Finance Management Act No. 56 of 2003, including the regulations relating to the prescribed framework for supply chain management.

A paraphrase of the relevant provisions of the foregoing statutes is annexed to this policy. Where applicable, the council also pledges itself to observe the requirements of the Construction Industry Development Board Act No. 38 of 2000 and its regulations.

The following committees and systems exist for the execution of supply chain:

- Bid specification committee
- Bid evaluation committee
- Bid Adjudication committee
- Supply Chain Management Policy
- By adopting this policy the council further pledges itself and the municipal administration, to the full support of the Proudly SA campaign and to the observance of all applicable national legislation, including specifically the:
 - Preferential Procurement Policy Framework Act No. 5 of 2000 and its regulations;
 - Broad Based Black Economic Empowerment Act No. 53 of 2003 and any applicable code of practice promulgated in terms of that Act; and
 - LG Municipal Finance Management Act No. 56 of 2003, including the regulations relating to the prescribed framework for supply chain management. A paraphrase of the relevant provisions of the foregoing statutes is annexed to this policy.
- Where applicable, the council also pledges itself to observe the requirements of the Construction Industry Development Board Act No. 38 of 2000 and its regulations.

5.12 GRAP COMPLIANCE

The municipal accounting systems are found compliant to the GRAP

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
GRAP 18 (Original – Feb 2011)	<p>Segment Reporting The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>No significant impact is expected as information to a large extent is already included in the appendices to the financial statements which do not form part of the audited financial statements.</p>	1 April 2015
GRAP 20 (Original – June 2011)	<p>Related Party Disclosure The objective of this Standard is to ensure that a Municipality's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	Unknown
GRAP 32 (Original – Aug 2013)	<p>Service Concession Arrangements – Grantor The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	Unknown
GRAP 105 (Original – Nov 2010)	<p>Transfer of Functions Between Entities Under Common Control The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2015
GRAP 106 (Original – Nov 2010)	<p>Transfer of Functions Between Entities Not Under Common Control The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2015

Standard	Description	Effective Date
GRAP 107 (Original – Nov 2010)	<p>Mergers The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2015
GRAP 108 (Original – Sept 2013)	<p>Statutory Receivables The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	Unknown
IGRAP 17	<p>Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of Service Concession Arrangements.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	Unknown

CHAPTER 4

AUDITOR GENERAL AUDIT FINDINGS

COMPONENT A: AG OPINION OF FINANCIAL STATEMENTS 2021/2022

Auditor-General Report on Financial Performance: 2020/2021 Financial Year	
Audit Report Status*:	Qualified Audit Opinion
Non-Compliance Issues	Remedial Action Taken
1. Revenue from exchange services	Adjustments made to AFS based on investigations performed on eligibility of accounts to be billed
2. Payables from exchange transactions	Adjustments made to AFS based on investigation performed of all leave accrued, taken and balance remaining thereof.
3. Material losses	Adjustment made to the underlying information feeding the AFS.
4. Receivables from exchange transactions	Adjustments made to AFS based on investigations performed on eligibility of accounts to be billed
5. Receivables from non-exchange transactions	
6. Value Added Tax	Adjustment made to the AFS.
<i>Note: *The report status is supplied by the Auditor General and ranges from unqualified (at best); to unqualified with other matters specified; qualified; adverse; and disclaimed (at worse)</i>	

COMPONENT B: OPINION ON THE 2020/2021 SERVICE DELIVERY PERFORMANCE

Auditor-General Report on Service Delivery Performance: 2020/2021 Financial Year	
Audit Report Status:	Disclaimer
Non-Compliance Issues	Remedial Action Taken
1. Construction of community hall by 30 June 2021 - <i>Limitation of scope</i>	Sufficient and appropriate information provided to the AGSA for reported achievements
2. Electrification of 150 households by 30 June 2021 - <i>Limitation of scope</i>	Sufficient and appropriate information provided to the AGSA for reported achievements

COMPONENT C: OPINION ON THE 2021/2022 ANNUAL FINANCIAL STATEMENTS

Auditor-General Report on Financial Performance 2021/2022 Financial Year	
Status of audit report:	Qualified
Non-Compliance Issues	Remedial Action Taken
1. Revenue from exchange transactions - <i>Properties not completely billed</i>	Actions in progress - Refer to Audit Action Plan - 2021/22
2. Property plant and equipment - <i>Assets not verified</i>	Actions in progress - Refer to Audit Action Plan - 2021/22
3. Bond Security - <i>Limitation of scope</i>	Actions in progress - Refer to Audit Action Plan - 2021/22

COMPONENT D: OPINION ON THE 2021/2022 SERVICE DELIVERY PERFORMANCE

Auditor-General Report on Service Delivery Performance: 2021/2022 Financial Year	
Status of audit report¹:	
Non-Compliance Issues	Remedial Action Taken
1.Number of KM's of storm water and paved road in Khowa by 30 June 2022 - <i>Indicators not well defined</i>	Actions in progress - Refer to Audit Action Plan - 2021/22
2 Number of gravel road in Cala and Khowa maintained before the end of 30 June 2022 - <i>Reported achievement misstated:</i>	Actions in progress - Refer to Audit Action Plan - 2021/22

AUDITOR GENERAL REPORT 2021/22

**Report of the auditor-general to the Eastern Cape Provincial Legislature
and the council of the Sakhisizwe Local Municipality**

Report on the audit of the financial statements

Opinion opinion

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

Basis for qualified opinion

Revenue from exchange

3. The municipality did not account for revenue from exchange in accordance with GRAP 9 *Revenue from exchange transactions*, due to incorrect billing for electricity and did not bill some properties for refuse collection, as a result revenue from exchange transactions disclosed in note 20 to the financial statements, it was impractical to determine the misstatement. Consequently, the receivable from exchange transactions is misstated by the same amount.

Property plant and equipment

4. The municipality did not account for property plant and equipment in accordance with GRAP 17, *Property, plant and equipment*, certain infrastructure assets could not be located during the physical verification of assets, as a result property plant and equipment disclosed in note 11 to the financial statements was overstated and it was impractical to determine the misstatement.

Bond security

5. Supporting documentation to confirm existence, accuracy and valuation of bond security was not provided as such I was unable to obtain sufficient appropriate audit evidence. I was unable

Context for the opinion

6. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
7. 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.
8. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of matters

9. I draw attention to the matters below. My opinion is not modified in respect of these matters

Unauthorised expenditure

10. As disclosed in note 40 to the financial statements, the municipality accumulated unauthorised expenditure of R71,6 million (2021: R67,8 million) as a result of expenditure exceeding the total approved budget.

Restatement of corresponding figures

11. As disclosed in note 38 to the financial statements, the corresponding figures for 30 June 2021 were restated as a result of an error in the financial statements of the municipality and for the year ended, 30 June 2022.

Material impairment

12. As disclosed in note 29 to the financial statements, the municipality incurred material debt impairment of R13,8 million (2021: R8,2 million) as a result of a movement in the impairment provision of irrecoverable trade debtors.

Other matter

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

Unaudited disclosure notes

14. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement did

not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

Responsibilities of the accounting officer for the financial statements

15. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
16. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

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

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

Report on the audit of the annual performance report

Introduction and scope

19. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected development priorities presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
20. My procedures address the usefulness and reliability of the reported performance information, which must be based on the municipality's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the municipality enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the

current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

21. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected development priorities presented in the municipality's annual performance report for the year ended 30 June 2022:

Development priorities	Pages in the annual performance report
Development priority – basic services and infrastructure	x – x

22. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
23. The material findings on the usefulness and reliability of the performance information of the selected development priorities are as follows:

Basic services and infrastructure

Usefulness and reliability of the reported performance

Number of Km's of storm water and Paved Road in Khowa by 30 June 2022

24. I was unable to obtain sufficient appropriate audit evidence that related systems and processes were established to enable consistent measurement and reliable reporting of the actual achievement for the indicator. This was due to insufficient measurement definitions and processes. I was unable to test whether the indicator was well-defined and verifiable by alternative means. As a result, I was unable to audit the reliability of the achievement of 45% reported in the progress report against target of 1.2 km of road paved by 30 June 2022 in the annual performance report.

Number of Km's of gravel road in Cala and Khowa maintained by end of June 2022

25. The achievement of 2.5km was reported against target 10km in the annual performance report. However, the supporting evidence provided did not agree to the reported achievement and indicated an achievement of 4.7km materially differed from the reported achievement.

Various indicators

26 Performance indicators were not well-defined and/or targets were not specific for the following indicators:

Indicator description	Reported achievement
Number of reports on waste collection from Cala and Khowa Business sector by 30 June 2022	8 Reports submitted for this period
Number of reports on waste collection from Cala and Khowa households by 30 June 2022	8 Reports submitted for this financial year

Other matters

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

Achievement of planned targets

28 Refer to the annual performance report on pages xx to xx for information on the achievement of planned targets for the year. This information should be considered in the context of the qualified of opinions expressed on the usefulness and reliability of the reported performance information in paragraphs xx to xx of this report.

Adjustment of material misstatements

29 I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of basic services and infrastructure. As management subsequently corrected only some of the misstatements, we raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are included in the basis for qualified of opinion paragraphs

Report on the audit of compliance with legislation

Introduction and scope

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

31 The material findings on compliance with specific matters in key legislation are as follows:

Expenditure management

32 Money owed by the municipality was not always paid within 30 days as required by section 65(2)(e) of the MFMA

- 33. Reasonable steps were not taken to prevent irregular expenditure amounting to R10.1 million as disclosed in note 42 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the disclosed irregular expenditure was caused by non-compliance with SCM regulations.
- 34. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R3.8 million, as disclosed in note 41 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest incurred for late payment of invoices.

Annual financial statements, annual performance report and annual report

- 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 disclosures identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, but the uncorrected material misstatements of non-current assets, revenue, current assets resulted in the financial statements receiving a qualified audit opinion.
- 36. The 2020/21 annual report was not made public after being tabled in council, as required by section 127(5)(a)(i) of the MFMA.
- 37. The local community was not invited to submit representations in connection with the 2020/21 annual report, as required by section 127(5)(a)(ii) of the MFMA.
- 38. The council did not adopt an oversight report containing the council's comments on the 2020/21 annual report, as required by section 129(1) of the MFMA.

Strategic and performance management

- 39. The Service Delivery and Budget Implementation Plan (SDBIP) was revised during the year without approval of the council following approval of an adjustments budget, as required by section 54(1)(c) of the MFMA.
- 40. The performance management system and related controls were inadequate as they did not describe how the performance planning and monitoring processes should be managed, as required by municipal planning and performance management regulation 7(1).
- 41. The SDBIP for the year under review did not include monthly revenue projections by source of collection, and the monthly operational and capital expenditure by vote as required by section 1 of the MFMA.

Revenue management

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

Conditional grants

44. Performance in respect of programmes funded by the Municipal Infrastructure Grant was not evaluated within two months after the end of the financial year, as required by section 12(5) of the Dora.
45. Performance in respect of programmes funded by the INEP was not evaluated within two months after the end of the financial year, as required by section 12(5) of the Dora.
46. Performance in respect of programmes funded by the Expanded Public works Programme was not evaluated within two months after the end of the financial year, as required by section 12(5) of the Dora.

Consequence management

47. Unauthorised expenditure incurred by the municipality was not investigated to determine whether any person was liable for the expenditure, as required by section 32(2)(a) of the MFMA.
48. Authorisation of unauthorised expenditure of R9 127 217 was not done through an adjustment budget, as required by section 32(2)(a)(i) of the MFMA.
49. Irregular expenditure incurred by the municipality were not investigated to determine whether person was liable for the expenditure, as required by section 32(2)(b) of the MFMA.
50. Fruitless and wasteful expenditure incurred by the municipality was not investigated to determine whether any person was liable for the expenditure, as required by section 32(2)(b) of the MFMA.

Other information

51. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report, which includes the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected development priorities presented in the annual performance report that have been specifically reported in this auditor's report.
52. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
53. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected development priorities presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

54. I did not receive the other information prior to the date of the auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

55. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the performance report and the findings on compliance with legislation included in this report.
56. The municipality did not develop documented and approved internal policies and procedures to address the recording, processing, monitoring and reporting of financial and performance information.
57. Management did not implement daily and monthly controls as designed for the municipality's business processes and did not have a proper system of record management that provides for the maintenance of information to be reported in the financial statements and performance report.
58. Review and supervision processes were inadequate to monitor compliance with all applicable legislation within the municipality. As a result, non-compliance with legislation was not effectively identified or prevented and municipal officials were not held accountable for transgressions.
59. The internal audit unit did not exercise their roles in strengthening the control environment within the municipality as numerous material misstatements were identified during the audit. The internal audit unit lacked capacity as it did not have a senior management post and remained ineffective in identifying key matters and addressing the previous year's control deficiencies. The internal audit recommendations were also not adequately addressed by the municipality. This resulted in recurring findings on internal controls, financial statements and compliance matters.

AUDITOR - GENERAL

East London

30 November 2022



AUDITOR GENERAL
SOUTH AFRICA

Auditing to build public confidence

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC) REPORT

Municipal Public Accounts committee (MPAC) was established at the beginning of the current term towards the end of the year 2021.

GLOSSARY

Accessibility indicators	Explore whether the intended beneficiaries are able to access services or outputs.
Accountability documents	Documents used by executive authorities to give "full and regular" reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and Annual Reports.
Activities	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe "what we do".
Adequacy indicators	The quantity of input or output relative to the need or demand.
Annual Report	A report to be prepared and submitted Annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include Annual financial statements as submitted to and approved by the Auditor-General.
Approved Budget	The Annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive.
Baseline	Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.
Basic municipal service	A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment.
Budget year	The financial year for which an Annual budget is to be approved – means a year ending on 30 June.
Cost indicators	The overall cost or expenditure of producing a specified quantity of outputs.
Distribution indicators	The distribution of capacity to deliver services.
Financial Statements	includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed.
General performance indicators	Key After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
Impact	The results of achieving specific outcomes, such as reducing poverty and creating jobs.
Inputs	All the resources that contribute to the production and delivery of outputs. Inputs are "what we use to do the work". They include finances, personnel, equipment and buildings.
Integrated Development Plan (IDP)	Set out municipal goals and development plans.
National performance areas	Key <ul style="list-style-type: none"> • Service delivery & infrastructure • Economic development • Municipal transformation and institutional development

	<ul style="list-style-type: none"> • Financial viability and management • Good governance and community participation
Outcomes	The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are "what we wish to achieve".
Outputs	The final products, or goods and services produced for delivery. Outputs may be defined as "what we produce or deliver". An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application) that contributes to the achievement of a Key Result Area.
Performance Indicator	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered)
Performance Information	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
Performance Standards:	The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPMS performance standards are divided into indicators and the time factor.
Performance Targets:	The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a specific level of performance that a municipality aims to achieve within a given time period.
Service Delivery Budget Implementation Plan	Detailed plan approved by the mayor for implementing the municipality's delivery of services; including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included.
Vote:	<p>One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area.</p> <p>Section 1 of the MFMA defines a "vote" as:</p> <p>(a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and</p>

b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned

11.2.7 APPENDICES

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VOLUME II: ANNUAL FINANCIAL STATEMENT

APPENDIX A

COUNCILLORS, COMMITTEE ALLOCATION, AND COUNCIL ATTENDANCE



ANNUAL REPORT 2021/22

NAMES & SURNAMES		WARD	Capacity	Political Party	NO OF COUNCIL MEETINGS	Number of Council meeting attended	Number of apologies for non-attendance	
1.	Cllr B. Ponoshe	PR	Mayor	ANC	9	9	0	
2.	Cllr N. Mkati	PR	Speaker	ANC	9	9	0	
3.	Cllr M. Mxhonywa	PR	Chief Whip Portfolio Head Technical Services	ANC	4	4	0	0
4.	Cllr Z.J Ponoshe	1	Ward Councillor	ANC	9	4	3	2
5.	Cllr M. Ngqayimbana	PR	Portfolio Head Finance & Admin.	ANC	9	9	0	
6.	Cllr V. Fitana	2	Chairperson MPAC	ANC	9	9	0	
7.	Cllr N.S Nopote	3	Ward Councillor	ANC	9	9	0	
8.	Cllr N. Miso	4	Ward Councillor	ANC	9	9	0	
9.	Cllr L. Thutelo	5	Ward Councillor	ANC	9	9	0	
10.	Cllr N. Stoffle	6	Ward Councillor	ANC	9	9	0	
11.	Cllr M. Malungisa	PR	Portfolio Head Social needs & Community Services	DA	9	9	0	
12.	Cllr T. Mayongo	7	Ward Councillor	ANC	9	9	0	
13.	Cllr P. Mahlombe	8	Ward Councillor	ANC	9	9	0	
14.	Cllr T. Tasana	9	Ward Councillor	ANC	9	9	0	
15.	Cllr A. Mpakane	PR	PR Councillor	DA	9	9	0	
16.	Cllr W,M Kumsha	PR	PR Councillor	ATM	9	9	0	

NAMES & SURNAMES	WARD	Capacity	Political Party	NO OF COUNCIL MEETINGS	Number of Council meeting attended	Number of apologies for non-attendance	
17. Cllr A. Mbebe	PR	PR Councillor	EFF	9	9	0	

EXECUTIVE COMMITTEE

NAME	DESIGNATION
CLLR B.E. Ponoshe	Mayor
CLLR M. Nggayimbana	Portfolio Head Finance & Administration Standing Committee
CLLR M. Mxhonywa	Portfolio Head – Technical Service Standing Committee
CLLR M. MALUNGISA	Portfolio Head – Community Services & Social Need Standing COMMITTEE

COMMUNITY SERVICES & SOCIAL NEEDS STANDING COMMITTEE

NAME	DESIGNATION
• Cllr. M Malungisa	Chairperson
• Cllr. Stofle	Member
• Cllr. T. Tasana	Member
• Cllr. N Nopote	Member
• Cllr. W Kumsha	Member

INFRASTRUCTURE STANDING COMMITTEE

NAME	DESIGNATION
1. Cllr. M. Mxhonywa	Chairperson
2. Cllr. J. Ponoshe	Member
3. Cllr. Filana	Member
4. Cllr. Mpakane	Member
5. Cllr. Mayongo	Member
• Cllr. Nopote	Member

FINANCE & ADMINISTRATION STANDING COMMITTEE

NAME	DESIGNATION
• Cllr. Ngqayimbana	Chairperson
• Cllr. Mayongo	Member
• Cllr. Mahlombe	Member
• Cllr. Mpakane	Member
• Cllr. Mbebe	Member
• Cllr. Miso	Member

MPAC STANDING COMMITTEE

NAME	MEMBER
Cllr. Thulelo	Chairperson
Cllr. Mayongo	Member
Cllr. Nopote	Member
Cllr. Kumsha	Member
Cllr. Mpakane	Member
Cllr. Mbebe	Member
Cllr. Mahlombe	Member

APPENDIX B

COMMITTEES AND COMMITTEE PURPOSES



ANNUAL REPORT 2021/22

SECTION 79 COMMITTEES

- Infrastructure Portfolio Committee
- Social Needs and Community Services Portfolio Committee
- Finance and Administration Portfolio Committee

OVERSIGHT COMMITTEES

- Municipal Public Accounts Committee
- Audit Committee

APPENDIX C

THIRD TIER ADMINISTRATIVE STRUCTURE



ANNUAL REPORT 2021/2022

Municipal Manager:

- Strategic Management
- Internal Audit
- Audit Committee
- Communications
- Public Participation
- Special Programmes
- Legal Services

Director: Corporate Services

- Human Resource Management
- Organisational Support
- Information Technology
- Records management
- Fleet Management
- Admin and Council Support
- Labour Relations

Director: Community Services

- Libraries
- Community Facilities
- Sports fields
- Community Halls
- Cemeteries
- Waste Management
- Traffic Services

Director: Integrated Planning, and Economic Development (IPED)

- Integrated Development Planning
- Local Economic Development

Chief Financial Officer

- Budget and Treasury
- Revenue Management
- Expenditure Management
- Asset Management
- Supply Chain
- Reporting

Director: Technical Services

- ISD
- PMU
- EPWP
- Electricity
- Roads and Storm water management

APPENDIX E
WARD REPORTING



ANNUAL REPORT 2021/22

Ward No.	Name of Ward Councillor & Elected Ward Committee Members	Committee Established	No. of monthly meetings held during the year	No. of reports submitted to the Office of the Speaker	No. of quarterly public ward meetings held during the year
1	Cllr Ponoshe	Yes	4	1	2
2	Cllr V Filana	Yes	4	0	2
3	Cllr Nopote	Yes	4	2	1
4	Cllr Miso	Yes	4	2	2
5	Cllr Thulelo	Yes	3	2	2
6	Cllr Stofile	Yes			
7	Cllr Mayongo	Yes	4	1	1
8	Cllr Mahlombe	Yes			
9	Cllr Tasana	Yes	4	1	4

APPENDIX F

WARD INFORMATION



ANNUAL REPORT 2021/22

WARD	PROJECT
1	Gubenxa Community Hall, Taxi Rank
2	Sports Field
3	
4	Qokolo to Koppitjie paving, Taxi Rank, California paving
5	Qokolo to Koppitjie paving
6	Manzana Access Road
7	N/A
8	N/A
9	Mbenge Acces Road

APPENDIX I

MUNICIPAL ENTITY / SERVICE PROVIDER PERFORMANCE SCHEDULE



ANNUAL REPORT 2021/22

PERFORMANCE OF SERVICE PROVIDERS FOR THE YEAR ENDING 30 JUNE 2022

REPORT ON SERVICE PROVIDER PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2022				
BID NUMBER	NAME OF SERVICE PROVIDER	SERVICES RENDERED	RATING	COMMENT AND CORRECTIVE ACTION
BIDS ABOVE R200 000.00				
ST/EC/01388/ 10/11	LUKHOZI CONSULTING ENGINEER	PROFESSIONAL SERVICES: CALIFORNIA CONSTRUCTION AND STORMWATER INFRASTRUCTURE	4/5	High Quality Performance
SLM/SCM/05/ 2018/19	Indwe Risk Services	PROVISION FOR SHORT TERM INSURANCE FOR A PERIOD OF 3 YEARS	4/5	High Quality Performance
SLM/SCM/25/ 2017/18	KONICA MINOLTA	PROVISION OF PHOTO COPIER MACHINES	3/5	Services Rendered is good enough for the Municipality
R/EC/14011/1 6/18	PE QWESHA BUSINESS ENTERPRISES	CALIFORNIA ROADS AND STORMWATER INFRASTRUCTURE	4/5	High Quality Performance
CS/EC/15590/ 17/19	THALAMI CIVILS(PTY)LTD	UPGRADING OF SAKHISIZWE WARD 2 SPORTSFIELD PHASE 2	3/5	Services Rendered is good enough for the Municipality
SLM/SCM/02/ 2019/20	HLUMUKHANYE SECURITIES	PROVISION OF SECURITY SERVICES	3/5	
R/EC/6367/09 /09	BEACON CONSULTING ENGINEERS JV GATYENI CONSULTING	PROFESSIONAL SERVICES FOR MANZANA ACCESS ROAD	2/5	Poor performance
R/EC/5087/08 /09	BLACKMOUNTAIN JV ZIINZAME	PROFESSIONAL SERVICES FOR ELECTRIFICATION OF HOUSEHOLDS	4/5	High Quality Performance
R/EC/5087/08 /09	ZEZETHU CONSULTING	PROFESSIONAL SERVICES FOR MBENGE ACCESS ROAD	3/5	Services Rendered is good enough for the Municipality
CS/EC/15819/ 18/19	ZIDISCAN TRADING	PROFESSIONAL SERVICES OF GUBENXA COMMUNITY HALL	3/5	Services Rendered is good enough for the Municipality
R/EC/6367/09 /09	DESTINY INVESTMENTS JV ZAMANKOSI	CONSTRUCTION OF MANZANA ACCESS ROAD	2/5	Poor performance

	DEVELOPMENT(PTY)L TD				
R/EC/5087/08/09	BOBOSHE TRADING ENTERPRISE	CONSTRUCTION OF MBENGE ACCESS ROAD	3/5		Services Rendered is good enough for the Municipality
SJM/SCM/22/2017/18	CIGICELL(PTY)LTD	VENDING STATION	4/5		High Quality Performance
CS/EC/15819/18/19	PROCONSE JV FARCI TRADING	REFURBISHMENT OF GUBENXA COMMUNITY HALL	3/5		Services Rendered is good enough for the Municipality
SJM/SCM/07/2019/20	LEKO ENGINEERS	PROFESSIONAL SERVICES OF CALA AND ELUOT RANKS	4/5		High Quality Performance
SJM/SCM/03/2019/20	MBATANE 047(PTY)LTD	SUPPLY AND DELIVERY OF ALTERNATIVE ENERGY(PARAFFIN) CLUSTER 1	4/5		High Quality Performance
SJM/SCM/03/2019/20	MAKHESONKE M.TRADING ENTERPRISE	SUPPLY AND DELIVERY OF ALTERNATIVE ENERGY(PARAFFIN) CLUSTER 2	4/5		High Quality Performance
SJM/SCM/03/2019/20	KUMILITHA CIVILS(PTY)LTD	SUPPLY AND DELIVERY OF ALTERNATIVE ENERGY(PARAFFIN) CLUSTER 3	4/5		High Quality Performance
SJM/SCM/07/2019/20	SNZN CONSTRUCTION	CONSTRUCTION OF CALA AND KHOWA RANKS	3/5		Services Rendered is good enough for the Municipality
	SEBATA MUNICIPAL SOLUTIONS T/A INZALO EMS	EMS SUPPORT	3/5		Services Rendered is good enough for the Municipality
	MUBESKO AFRICA	AFS SUPPORT	2/5		Poor performance
INEP/EC/01/20/21	MINUNE INVESTMENTS CC	ELECTRIFICATION OF XHONYA,POLAR PARK,NXOJENI AND THEM BENI INFILLS	4/5		High Quality Performance
SJM/SCM/08/2021/2022	AMENDED RECLINE TRADING	SUPPLY AND DELIVERY OF PROTECTIVE CLOTHING	4/5		High Quality Performance
SJM/SCM/09/2021/2022	ACCESS TECHNOLOGY CONSULTANTS(PTY)L TD	PROVISION OF VIRTUAL PRIVATE NETWORK FOR A PERIOD OF	4/5		High Quality Performance
R/EC/07/20/20/21	BLACKMOUNTAIN JV ZINZAME	PROFESSIONAL SERVICES FOR ELECTRIFICATION OF HOUSEHOLDS	4/5		High Quality Performance
SJM/SCM/07/2021/2022	NISIKI PAKADE ATTORNEYS	PANEL FOR THE PROVISION OF LEGAL SERVICES	3/5		Services Rendered is good enough for the Municipality
SJM/SCM/07/2021/2022	DM LUKHOZI ATTORNEYS	PANEL FOR THE PROVISION OF LEGAL SERVICES	3/5		Services Rendered is good enough for the Municipality

SLM/SCM/18/2021/2022	GINTI CC	SUPPLY AND DELIVERY OF PALASIDE SLIDING GATE AND SECURITY GUARDHOUSE AT TRAFFIC DEPARTMENT.	3/5	Services Rendered is good enough for the Municipality
SLM/SCM/07/2021/2022	GIOLOCATE CC	DEVELOPMENT OF GIS LAND AUDIT AND LAND USE SCHEMES	4/5	High Quality Performance
R/EC/17972/20/23	BLACKMOUNTAIN JV ZIINZAME	PROVISION OF PROFESSIONAL CIVIL ENGINEERING SERVICES FOR THE CONSTRUCTION OF ELLIOT INTERNAL STREET	4/5	High Quality Performance
R/EC/17970/21/24	BLACKMOUNTAIN JV ZIINZAME	PROVISION OF PROFESSIONAL CIVIL ENGINEERING SERVICES FOR THE CONSTRUCTION OF PHAKAMISANI INTERNAL STREETS(CALA)	4/5	High Quality Performance
R/EC/14011/16/18	GOOD AIMS TRADING	CALIFORNIA ROADS AND STORMWATER INFRASTRUCTURE	3/5	Services Rendered is good enough for the Municipality
SLM/SCM/35/2021/2022	SOPHOLA GENERAL TRADING	SUPPLY AND DELIVERY OF GOKOLO KOPPIJTJIE PAVING BLOCKS	4/5	High Quality Performance
SLM/SCM/25/2021/2022	UMHLABA CONSULTING GROUP	DEVELOP A SPLUMA COMPLIANT INCREMENTAL LAND USE SCHEME FOR THE SAKHIZWE LOCAL MUNICIPALITY	4/5	High Quality Performance
Quotations Register				
SLM/SCM/15/2021/2022	SISASETHU TRADING AND PROJECTS	SUPPLY AND DELIVERY OF PPE FOR COVID-19	4/5	High Quality Performance
SLM/SCM/12/2021/2022	EBUSHA GENERAL TRADING (PTY)LTD	SUPPLY AND DELIVERY OF REFUSE BAGS	4/5	High Quality Performance
SLM/SCM/14/2021/2022	KEEN'S OFFICE EQUIPMENT	SUPPLY AND DELIVERY OF LAPTOPS	4/5	High Quality Performance
SLM/SCM/06/2019/20	MAQHINEBE TRADING	SUPPLY AND DELIVERY OF REFUSE BAGS	4/5	High Quality Performance
SLM/SCM/02/2021/2022	IKAMVALETHU SERVICES	SUPPLY AND DELIVERY OF STATIONERY	4/5	High Quality Performance
SLM/SCM/06/2021/2022	DEKATSHE CONSULTING CC	SUPPLY AND DELIVERY OF LAPTOPS	4/5	High Quality Performance
SLM/SCM/05/2021/2022	DYNAMED TRADING AND PROJECTS	SUPPLY AND DELIVERY OF SURGICAL MASK	4/5	High Quality Performance
SLM/SCM/13/2021/2022	AGRIA TRADING	RENOVATIONS OF INDOOR SPORTS CENTRE	4/5	High Quality Performance
SLM/SCM/19/2021/2022	RESILIENT SERVER AND NETWORK	PROVISION OF E-SET ANTIVIRUS BUSINESS SECURE LICENSE RENEWAL FOR 2 YEARS	4/5	High Quality Performance

SJM/SCM/33/ 2021/2022	MILA FARMING	RENOVATIONS OF MM'S HOUSE	3/5	Services Rendered is good enough for the Municipality
SJM/SCM/34/ 2021/2022	MILA FARMING	MM'S BOUNDRY WALL CONSTRUCTION	3/5	Services Rendered is good enough for the Municipality
SJM/SCM/21/ 2021/2022	YAKHUYUYO CONSTRUCTION AND PROJECTS(PTY)LTD	SUPPLY AND DELIVERY OF TRAFFIC SIGNS	3/5	Services Rendered is good enough for the Municipality
SJM/SCM/36/ 2021/2022	BRIGHT IDEA PROJECTS	RENOVATIONS OF KHOWA TOWN HALL	4/5	High Quality Performance
SJM/SCM/15/ 2021/2022	SISASETHU TRADING AND PROJECTS	SUPPLY AND DELIVERY OF PPE FOR COVID-19	2/5	Poor performance

APPENDIX I

CONDITIONAL GRANTS RECEIVED EXCLUDING MIG



ANNUAL REPORT 2021/22

Conditional grants received by Sakhisizwe local municipality except the Municipal Infrastructure Grant are as follow below

- INEP
- EPWP
- Provincial Department of transport



VOLUME II

ANNUAL FINANCIAL STATEMENTS



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

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

General Information

Legal form of entity	The entity functions as a local Municipality in terms of section 1 of the Local Government Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	Sakhisizwe Local Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (No 117 of 1998). The municipality's operations are governed by: <ul style="list-style-type: none">- Municipal Finance Management Act (No 56 of 2003)- Municipal Structures Act (No 117 of 1998)- Municipal Systems Act (No 32 of 2000) and various other acts and regulations
The following is included in the scope of operations	The principal activities of the municipality are: <ul style="list-style-type: none">Provide democratic activities and accountable governmentEnsure sustainable service delivery to communitiesProvide social and economic developmentProvide basic service to the community
Mayoral committee Executive Mayor	Clr :B Ntsere - Mayor(term ended 8/11/21) Clr B. Ponoshe Mayor from 26/11/21 Clr: K Faku (term ended 8/11/2021) Clr N Mkati Speaker (from 23/11/2021)

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

General Information

Councillors

Clr A Mpakane

Clr V Filana

Clr Z J Phonoshe

Clr W M Kumsha

Clr T Tasana

Clr: P Mahlombe

Clr A Mbebe

Clr M. J. Malungisa: PR (DA)

Clr Z. Mbasane: (ANC) (term ended 8/11/2021)

Clr M. Ngqayimbana: (ANC)(6/12/21)

Clr T. Hoza: (ANC)(council term ended 8/11/2021)

Clr M. Mxhonywa: (ANC)

Clr A. Sondlo: (ANC)

Clr: N Miso

Clr:L Thulelo

Clr: N Nopote

Clr: Mayongo

Clr: ZA Mose - (council term ended 8/11/2021)Clr: N Stofile – (9/11/2021)

Clr: TT Doda - (council term ended 8/11/2021)

Clr: A Lande (term ended 8/11/2021)

Clr: M Ngqayimbana (from 6/12/21)

Clr: N Stofile – (9/11/2021)

Clr: Y Ndiki –(term ended 8/11/2021)

Grading of local authority

Category B

Grade 1

Accounting Officer

Nomthandazo Mazwayi

(Appointed 1 October 2020)

Chief Finance Officer (CFO)

Busisiwe Lubelwana

(Appointed 14 June 2021)

Registered office

Erf 5556

Umtata Road

Cala

5455

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

General Information

Business address	Erf 5556 Umtata Road Cala 5455
Bankers	First National Bank
Auditors	Auditor-General of South Africa
Attorneys	Ntsiki Pakade Attorneys DM Lukhozi Attorneys
Relevant Legislation	Constitution of the Republic of South Africa (Act No. 108 of 1996) Municipal Finance Management Act (Act 56 of 2003) Division of Revenue Act The Income Tax Act (Act No. 58 of 1962) Value Added Tax Act (Act No. 117 of 1998) Municipal Structures Act (Act No. 32 of 2000) Water Service Act (Act No.108 of 1997) Housing Act (Act No. 107 of 1997) Municipal Property Rates Act (Act No. 6 of 2004) Electricity Act (Act No. 41 of 1987) Skills Development Levies Act (Act No. 9 of 1999) Employment Equity Act (Act No. 55 of 1998) Unemployment Insurance Act (Act No. 30 of 1966) Basic Conditions of Employment Act (Act No. 75 of 1997) Municipal System Amendment Act (Act No. 7 of 2011) Municipal Planning and Performance Management Regulations Municipal Supply Chain Management Regulations Municipal Collective Agreements Municipal Budget and Reporting Regulations MFMA Circulars and Regulations

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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

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GRAP	Generally Recognised Accounting Practice
FMG	Financial Management Grant
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
EPWP	Expanded Public Works Programme

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

The Accounting Officer acknowledges that 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 ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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


The Accounting Officer has reviewed the municipality's cash flow forecast for the year to 30 June 2023 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

Although the Accounting Officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

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


Accounting Officer
NC Mazway

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Cash and cash equivalents	9	10 138 803	19 083 395
Inventories	3	894 019	574 830
Other receivables	6	502 977	3 611 846
Receivables from non-exchange transactions	5	13 296 948	17 831 944
VAT receivable	7	1 896 206	1 321 638
Receivables from exchange transactions	4	17 910 621	7 590 078
Deposit: Bond Security	8	4 500 000	4 500 000
		<u>49 139 574</u>	<u>54 513 731</u>
Non-Current Assets			
Investment property	10	12 267 841	12 272 661
Property, plant and equipment	11	241 934 091	223 315 905
		<u>254 201 932</u>	<u>235 588 566</u>
Total Assets		<u>303 341 506</u>	<u>290 102 297</u>
Liabilities			
Current Liabilities			
Finance lease obligation	12	-	283 247
Payables from exchange transactions	13	17 409 515	20 304 581
Consumer deposits	14	83 665	83 665
Employee benefit obligation	15	461 000	462 000
Unspent conditional grants and receipts	16	160 767	11 677 630
Chris Hani District Municipality loan	18	2 000 000	2 000 000
		<u>20 114 947</u>	<u>34 811 123</u>
Non-Current Liabilities			
Employee benefit obligation	15	2 698 000	2 675 000
Provisions	17	16 105 640	12 991 825
		<u>18 803 640</u>	<u>15 666 825</u>
Total Liabilities		<u>38 918 587</u>	<u>50 477 948</u>
Net Assets		<u>264 422 919</u>	<u>239 624 349</u>
Accumulated surplus		264 422 919	239 624 349
Total Net Assets		<u>264 422 919</u>	<u>239 624 349</u>

* See Note 38

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	18 953 434	11 406 249
Other income	21	3 036 835	9 744 828
Interest received - investment	22	8 058 818	4 721 176
Actuarial gains		390 000	358 000
Total revenue from exchange transactions		30 439 087	26 230 253
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	6 964 476	5 493 710
Transfer revenue			
Government grants & subsidies	24	110 631 635	116 656 571
Fines, Penalties and Forfeits	46	16 040	53 790
Total revenue from non-exchange transactions		117 612 151	122 204 071
Total revenue	19	148 051 238	148 434 324
Expenditure			
Employee related costs	25	(42 853 546)	(40 718 316)
Remuneration of councillors	26	(7 046 867)	(7 098 523)
Depreciation and amortisation	27	(8 824 066)	(8 939 438)
Finance costs	28	(2 393 282)	(359 883)
Impairment loss	29	(15 272 804)	(8 170 419)
Bulk purchases	30	(15 839 634)	(13 429 890)
Contracted services	31	(16 184 689)	(14 451 482)
General Expenses	32	(14 916 446)	(17 900 434)
Total expenditure		(123 331 334)	(111 068 385)
Surplus for the year		24 719 904	37 365 939

* See Note 38

2022

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	193 404 352	193 404 352
Adjustments		
Prior year adjustments	8 854 058	8 854 058
Balance at 01 July 2020 as restated*	202 258 410	202 258 410
Changes in net assets		
Surplus for the year	37 365 939	37 365 939
Total changes	37 365 939	37 365 939
Opening balance as previously reported	228 070 303	228 070 303
Adjustments		
Prior year adjustments	11 554 046	11 554 046
Restated* Balance at 01 July 2021 as restated*	239 703 015	239 703 015
Changes in net assets		
Surplus for the year	24 719 904	24 719 904
Total changes	24 719 904	24 719 904
Balance at 30 June 2022	264 422 919	264 422 919
Note(s)		

* See Note 38

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		28 890 207	15 112 149
Government grants		99 241 769	112 763 066
Interest income		810 640	4 721 176
		<u>128 942 616</u>	<u>132 596 391</u>
Payments			
Employee costs		(49 907 413)	(47 219 312)
Suppliers		(58 370 396)	(50 568 434)
Finance costs		(401 118)	(328 140)
		<u>(108 678 927)</u>	<u>(98 115 891)</u>
Net cash flows from operating activities	34	<u>20 263 689</u>	<u>34 480 500</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	11	<u>(29 004 223)</u>	<u>(18 720 820)</u>
Cash flows from financing activities			
Finance lease payments		<u>(283 247)</u>	<u>(303 201)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(9 023 781)</u>	<u>15 456 479</u>
Cash and cash equivalents at the beginning of the year		<u>19 083 395</u>	<u>3 626 916</u>
Cash and cash equivalents at the end of the year	9	<u>10 059 614</u>	<u>19 083 395</u>

* See Note 38

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	14 032 759	-	14 032 759	18 953 434	4 920 675	A
Other income	4 741 214	-	4 741 214	3 036 835	(1 704 379)	B
Interest received - investment	5 956 050	-	5 956 050	8 058 818	2 102 768	C
Total revenue from exchange transactions	24 730 023	-	24 730 023	30 049 087	5 319 064	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	12 871 082	-	12 871 082	6 964 476	(5 906 606)	D
Transfer revenue						
Government grants & subsidies	128 536 643	-	128 536 643	110 631 635	(17 905 008)	E
Fines, Penalties and Forfeits	1 512 743	-	1 512 743	16 040	(1 496 703)	
Total revenue from non-exchange transactions	142 920 468	-	142 920 468	117 612 151	(25 308 317)	
Total revenue	167 650 491	-	167 650 491	147 661 238	(19 989 253)	
Expenditure						
Employee costs	(37 295 887)	-	(37 295 887)	(42 853 546)	(5 557 659)	F
Remuneration of councillors	(5 126 939)	-	(5 126 939)	(7 046 867)	(1 919 928)	G
Depreciation and amortisation	(10 831 500)	-	(10 831 500)	(8 824 066)	2 007 434	H
Finance costs	(561 589)	-	(561 589)	(2 393 282)	(1 831 693)	I
Debt Impairment	(3 980 262)	-	(3 980 262)	(15 272 804)	(11 292 542)	J
Bulk purchases	(15 552 710)	100 001	(15 452 709)	(15 839 634)	(386 925)	K
Contracted Services	(17 860 891)	(530 028)	(18 390 919)	(16 184 689)	2 206 230	L
General Expenses	(18 532 074)	(4 056 601)	(22 588 675)	(14 916 446)	7 672 229	M
Total expenditure	(109 741 852)	(4 486 628)	(114 228 480)	(123 331 334)	(9 102 854)	
Operating surplus	57 908 639	(4 486 628)	53 422 011	24 329 904	(29 092 107)	
Actuarial gains/losses	-	-	-	390 000	390 000	N
Surplus for the year	57 908 639	(4 486 628)	53 422 011	24 719 904	(28 702 107)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	57 908 639	(4 486 628)	53 422 011	24 719 904	(28 702 107)	

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	639 094	-	639 094	894 019	254 925	
Other receivables	-	-	-	2 121 366	2 121 366	
Receivables from non-exchange transactions	125 180 276	4	125 180 280	13 296 948	(111 883 332)	
VAT receivable	-	-	-	1 896 206	1 896 206	
Consumer debtors	(418 952)	837 922	418 970	17 910 621	17 491 651	
Deposit: Bond Security	-	-	-	4 500 000	4 500 000	
Cash and cash equivalents	26 300 888	4	26 300 892	10 138 803	(16 162 089)	
	151 701 306	837 930	152 539 236	50 757 963	(101 781 273)	
Non-Current Assets						
Investment property	13 541 084	-	13 541 084	12 267 841	(1 273 243)	
Property, plant and equipment	242 618 000	4 587 324	247 205 324	241 934 091	(5 271 233)	
	256 159 084	4 587 324	260 746 408	254 201 932	(6 544 476)	
Total Assets	407 860 390	5 425 254	413 285 644	304 959 895	(108 325 749)	
Liabilities						
Current Liabilities						
Payables from exchange transactions	(72 941 196)	91 864 466	18 923 270	24 346 916	5 423 646	
Consumer deposits	822 814	2	822 816	83 665	(739 151)	
Employee benefit obligation	-	-	-	461 000	461 000	
Unspent conditional grants and receipts	-	-	-	160 767	160 767	
Provisions	23 609 569	3	23 609 572	-	(23 609 572)	
Chris Hani District Municipality loan	548 330	-	548 330	2 000 000	1 451 670	
	(47 960 483)	91 864 471	43 903 988	27 052 348	(16 851 640)	
Non-Current Liabilities						
Employee benefit obligation	-	-	-	2 698 000	2 698 000	
Provisions	23 856 970	6	23 856 976	16 105 640	(7 751 336)	
Chris Hani District Municipality Loan	604 509	(15)	604 494	-	(604 494)	
	24 461 479	(9)	24 461 470	18 803 640	(5 657 830)	
Total Liabilities	(23 499 004)	91 864 462	68 365 458	45 855 988	(22 509 470)	
Net Assets	431 359 394	(86 439 208)	344 920 186	259 103 907	(85 816 279)	
Reserves						
Accumulated surplus	431 359 394	(86 439 208)	344 920 186	264 422 922	(80 497 264)	

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	20 490 402	-	20 490 402	1 140 478	(19 349 924)	
Grants	117 033 909	-	117 033 909	81 295 102	(35 738 807)	
Interest income	6 042 039	-	6 042 039	6 883 264	841 225	
Other receipts	6 264 558	-	6 264 558	-	(6 264 558)	
	149 830 908	-	149 830 908	89 318 844	(60 512 064)	
Payments						
Employee costs and Suppliers	(186 085 977)	75 047 644	(111 038 333)	(73 029 806)	38 008 527	
Finance costs	(708 567)	146 976	(561 591)	(479 533)	82 058	
	(186 794 544)	75 194 620	(111 599 924)	(73 509 339)	38 090 585	
Net cash flows from operating activities	(36 963 636)	75 194 620	38 230 984	15 809 505	(22 421 479)	
Cash flows from investing activities						
Purchase of property, plant and equipment	(35 292 443)	-	(35 292 443)	(23 167 785)	12 124 658	
Proceeds from sale of property, plant and equipment	-	-	-	253 994	253 994	
Net cash flows from investing activities	(35 292 443)	-	(35 292 443)	(22 913 791)	12 378 652	
Net increase/(decrease) in cash and cash equivalents	(72 256 079)	75 194 620	2 938 541	(7 104 286)	(10 042 827)	
Cash and cash equivalents at the beginning of the year	3 626 899	41	3 626 940	19 083 395	15 456 455	
Cash and cash equivalents at the end of the year	(68 629 180)	75 194 661	6 585 481	11 979 109	5 413 628	

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
a	Service charges	Increase in customer base				
c	Other income	Direct income- less revenue	collected during the financial			
d	Interest received - investment	Interest received - investment - increase in bank balance				
e	Property rates	General valuation incompleteness				
f	Government grants & subsidies	Denied rollover application				
g	Fines, Penalties and Forfeits	Classification of income				
h	Employee costs	Annual increment and increase	new appointees			
i	Remuneration of councillors	Implementation of upperlimits and backpay	which was not budgeted for			
j	Depreciation and amortisation	Disposal of assets				
k	Finance costs	This is due intersert paid in an capital assets due to penalties				
l	Debt Impairment	Due historical lesson bases a debt impairment calculation were derived				
m	Bulk purchases	less than 10%				
n	Contracted Services	Due CPI increased and implementation of municipalmoperations				
o	General Expenses	Cashflow limitations				
p	Inventories	Purchase made during the year				
q	Other receivables	Not budgeted for				
	Receivables from non-exchange	Payments correctly allocated				
	VAT receivable	Not budgeted for				
	Consumer debtors	Reluctance in payment result in increase				
	Cash and cash equivalents	Cashflow limitations				
	Investment property	Less than 10%				
	Property, plant and equipment	Ipartment of assets due	assets condition			
	Payables from exchange transaction	Due to cashflow limitation				
	Consumer deposits	Few convetional prepaid and Hall refunds paid				
	Employee benefit obligation	statistics in employee movemet				
	Unspent conditional grants and receipts	Not budgeted , grants revenue conditions met				
	Provisions	Increase due to change in calculated provision liability				
	Chris Hanl District Municipality loan	Cashflow limitation				
	Employee benefit obligation -	statistics in amployee movemet				
	Chris Hanl District Municipality Loan					

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

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

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

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

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

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

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

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

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

1.2 Materiality

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

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

Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.3 Significant judgements and sources of estimation uncertainty

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

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 surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

Provision for Landfill Sites:

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.

Provision for Staff leave:

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

Provision for Performance bonuses:

The provision for performance bonuses represents the best estimate of the obligation at yearend and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

Componentisation of Infrastructure assets:

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

Contingent liabilities and Contingent assets:

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of property, plant and equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets. The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

Post retirement benefits

The present value of the post retirement obligations and long service awards depend 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 expected rates of return on assets, future salary increases, mortality rates and future pension increases. 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 5. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Pre-paid electricity estimation:

Pre-paid electricity is recognised as income when the electricity is sold.

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 15.

Investment property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

Revenue Recognition

Accounting Policy 1.23.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.23.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions, specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.4 Investment property

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

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

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

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

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.4 Investment property (continued)

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.

The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Cost model

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

Item	Useful life
Land:	indefinite
Buildings:	30 years

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

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

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

Where an 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, its 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.

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

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

Item	Depreciation method	Average useful life
Buildings	Straight-line	30
Plant and machinery	Straight-line	5 - 10
Furniture and fixtures	Straight-line	5 - 7
Motor vehicles	Straight-line	5
Office equipment	Straight-line	5 - 7
IT equipment	Straight-line	5 - 7
Infrastructure	Straight-line	25 - 50
Community	Straight-line	30
Community assets - Recreational Facilities	Straight-line	20 - 30
Community assets - Security	Straight-line	5
Electricity Infrastructure	Straight-line	15 - 50

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

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

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

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

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

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

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

1.6 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.

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.

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.6 Financial instruments (continued)

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 municipality's statement of financial position.

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

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 municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

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 municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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

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

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

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

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

Accounting Policies

1.6 Financial instruments (continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the municipality 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 municipality 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;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The municipality 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
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
VAT receivable	Financial asset measured at amortised cost
Long-term receivables	Financial asset measured at amortised cost
Non-current investments	Financial asset measured at amortised cost

The municipality 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
Borrowings	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost
Accrued leave pay	Financial liability measured at amortised cost
Payments received in advance	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Other deposits	Financial liability measured at amortised cost

The municipality 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:

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.6 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.6 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the municipality cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the municipality reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.6 Financial Instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

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1.6 Financial Instruments (continued)

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality does not offset the transferred asset and the associated liability.

1.7 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.

Statutory receivables can arise from both exchange and non-exchange transactions.

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.

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

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.

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.

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Accounting Policies

1.7 Statutory receivables (continued)

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

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

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

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

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

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

Derecognition

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

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

1.8 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.

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Accounting Policies

1.8 Leases (continued)

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

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.

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. The interest rate used is the interest rate implicit in the lease or the bank prime interest rate.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

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.

1.9 Inventories

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

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

Sakhisizwe Local Municipality

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Accounting Policies

1.9 Inventories (continued)

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

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

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

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

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

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

Redundant and slow-moving inventories are identified and written down.

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

1.10 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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

[Specify judgements made]

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Designation

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

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

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

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

Identification

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

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

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

Value in use

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

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence.

Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Discount rate

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

Sakhisizwe Local Municipality

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Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

Cash-generating units

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

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

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

Reversal of Impairment loss

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

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

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.

1.11 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.

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.

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1.11 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.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss and is recognised in the Statement of Financial Performance.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be significantly worse than expected.

Sakhisizwe Local Municipality

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

Value in use

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

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

Depreciated replacement cost approach

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

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.

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.

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.

1.12 Employee benefits

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

Provision for Staff Leave:

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Accounting Policies

1.12 Employee benefits (continued)

- Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.
- Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term:
- Accumulated leave is vesting.

Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

Provision for Performance Bonuses.

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

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 municipality 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 municipality 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 municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality 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 municipality provides post-employment benefits for one or more employees.

Sakhisizwe Local Municipality

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Accounting Policies

1.12 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an municipality pays fixed contributions into a separate municipality (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.

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 municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Post Retirement Defined Benefit Medical Obligations:

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – "Employee Benefits" (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution.

The interest cost of the defined benefit obligation is recognised as finance cost in the Statement of Financial Performance, as it meets the definition of Interest Cost in GRAP 25.

The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at 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 requirements.

Post Retirement Defined Benefit Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.13 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.

Sakhisizwe Local Municipality

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Accounting Policies

1.13 Provisions and contingencies (continued)

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

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

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

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

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.

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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 37.

1.14 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.15 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.

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.15 Revenue from exchange transactions (continued)

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 .

1.16 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.

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.

Sakhisizwe Local Municipality

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Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

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.

1.17 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.

1.18 Comparative figures

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

When the presentation or classification of items in the financial statements are amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatement of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as practicable, and the prior year comparatives are restated accordingly.

1.19 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.

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

1.20 Fruitless and wasteful expenditure

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

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

1.21 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 excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 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

Sakhisizwe Local Municipality

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Accounting Policies

1.22 Segment information (continued)

- 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.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Aggregated segments

The municipality operates in the Eastern Cape Province in two towns. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Sakhisizwe Local Municipality were sufficiently similar to warrant aggregation.

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:

- Segment 1 - Electricity services
- Segment 2 - Refuse services

1.23 Budget information

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

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2021/07/01 to 2022/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Explanations for differences between the approved and final budget are included in the Statements of Comparison of Budget and Actual Amounts for all differences exceeding 10% or R1'000'000

Explanations for material differences between the final budget amounts and actual amounts are included the Statements of Comparison of Budget and Actual Amounts for all differences exceeding 10% or R1'000'000.

The presentation of budget information is prepared in accordance with GRAP 24 and based on the Municipal Budget and Reporting Regulations format. The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

1.24 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.

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.

Sakhisizwe Local Municipality

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1.24 Related parties (continued)

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

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

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

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

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.25 Events after reporting date

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

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

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

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

1.26 Unspent conditional government grants and receipts

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.

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Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
4. Receivables from exchange transactions (continued)		
<u>Electricity</u>		
Current (0 -30 days)	1 358 337	687 819
31 - 60 days	257 258	599 945
61 - 90 days	378 726	499 087
+ 90 days	4 201 331	2 296 384
	<u>6 195 652</u>	<u>4 083 235</u>
<u>Refuse</u>		
Current (0 -30 days)	246 741	620 441
31 - 60 days	118 480	616 194
61 - 90 days	316 459	604 390
+ 90 days	10 771 640	1 457 970
	<u>11 453 320</u>	<u>3 298 995</u>
<u>Summary of debtors by customer classification</u>		
<u>Reconciliation of allowance for impairment</u>		
Balance at beginning of the year	(57 655 589)	(49 599 481)
Debt impairment written off against allowance	(3 126 938)	(8 056 108)
	<u>(60 782 527)</u>	<u>(57 655 589)</u>

Sakhisizwe Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
5. Receivables from non-exchange transactions		
Consumer debtors - Rates	13 296 948	17 831 944
Trade and Other Receivables from non-exchange transactions:		
Rates	62 096 748	54 623 341
Less: Provision for doubtful debts	(48 799 800)	(36 791 397)
	<u>13 296 948</u>	<u>17 831 944</u>
Rates: Ageing		
Current (0 - 30 days)	162 273	593 144
30 - 60 days	149 060	559 539
60 - 90 days	374 388	547 372
+ 90 days	12 611 227	16 131 889
	<u>13 296 948</u>	<u>17 831 944</u>
	-	-
Total receivables from non-exchange transactions	<u>13 296 948</u>	<u>17 831 944</u>
6. Other receivables		
Other receivables	-	60 388
Property Rental Debtors	260 903	409 931
Other receivables	242 074	3 141 527
	<u>502 977</u>	<u>3 611 846</u>
Other receivables : Ageing		
Current (0 - 30 days)	242 074	242 074
Other trade debtors: Ageing		
Current (0 - 30 days)	260 903	470 319
	-	-
Total receivables from exchange transactions	<u>502 977</u>	<u>3 611 846</u>
There were no Trade and other receivables pledged as security.		
Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.		
7. VAT receivable		
VAT	1 896 206	1 321 638
8. Deposit: Bond Security		
The deposit relates to a security bond payment made to Ntsiki Pakade Attorneys for the case of Mrs Zoliswa Cynthia Morose vs Sakhisizwe Local Municipality.		

MEM

Sakhisizwe Local Municipality

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9. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	4 305 543	418 027
Short-term deposits	5 833 260	18 665 368
	10 138 803	19 083 395

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
First National Bank - Primary Bank Account 6207-652-3135	3 305 924	407 995	572 820	3 341 111	418 027	557 213
First National Bank MIG 6207-657-7091	2 265 406	8 639 376	728 783	2 265 406	8 639 376	728 783
First National Bank Elliot Housing 6207-745-0056	5 203	861 034	1 126	5 203	861 034	1 126
First National bank Extension 15 6207-740-8203	2 162 306	1 013 615	2 246	2 162 306	1 013 615	2 247
First National Bank Extension 13&14 6207-745-1278	59 662	2 384 317	1 015	59 662	2 384 317	1 014
First National Bank FMG 6216 - 538 - 9464	15 621	-	24 630	15 621	-	24 630
First National Bank DME 6220-960-0776	531 401	75 842	653 448	531 401	75 842	653 447
First National Bank Operating Call Account 6216-534-1943	636 884	5 179 299	417 079	636 884	5 179 299	417 079
First National Bank Business NSTD Call 6280-822-2822	660 240	511 885	1 241 376	660 240	511 885	1 241 376
First National Bank - 62910526914	99 385	-	-	99 385	-	-
First National Bank - 62935973968	361 584	-	-	361 584	-	-
Total	10 103 616	19 073 363	3 642 523	10 138 803	19 083 395	3 626 915

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10. Investment property

	2022		2021	
Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment
Investment property	(57 940)	12 267 841	12 325 781	(53 120)
				12 272 661

Reconciliation of investment property - 2022

Investment property

Opening balance	12 272 661	Depreciation	(4 820)	Total	12 267 841
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Reconciliation of investment property - 2021

Investment property

Opening balance	12 277 500	Depreciation	(4 839)	Total	12 272 661
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Pledged as security

No Investment Properties were pledged as security

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Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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10. Investment property (continued)

Investment property in the process of being constructed or developed

There is no Investment Property which is in the process of being constructed or developed.

There is no Investment Property that is taking a significantly longer period of time to complete than expected.

There is no Investment Property where construction or development has been halted

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.

The market value of Investment Properties are significantly different from their cost disclosed. It is the policy of the municipality to disclose Investment Property on the cost basis, therefore these properties were not revalued to their relevant market values.

Amounts recognised in surplus or deficit

Rental revenue from investment property

637 305

235 090

637 305

235 090

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11. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	23 466 597	-	23 466 597	23 466 597	-	23 466 597
Buildings	8 914 614	(2 970 631)	5 943 983	8 551 084	(2 672 527)	5 878 557
Plant and machinery	11 975 219	(9 853 130)	2 122 089	10 503 667	(9 572 556)	931 111
Furniture and fixtures	2 158 386	(1 730 789)	427 597	2 249 308	(1 733 634)	515 674
Motor vehicles	15 917 710	(12 551 173)	3 366 537	15 917 710	(11 875 716)	4 041 994
IT equipment	2 701 787	(1 710 614)	991 173	2 630 066	(1 582 674)	1 047 392
Infrastructure	286 381 576	(127 740 344)	158 641 232	263 545 674	(120 359 440)	143 186 234
Community	53 162 114	(6 187 231)	46 974 883	49 019 271	(4 770 925)	44 248 346
Total	404 678 003	(162 743 912)	241 934 091	375 883 377	(152 567 472)	223 315 905

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11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	WIP	Depreciation	Total
Land	23 466 597	-	-	-	-	23 466 597
Buildings	5 929 635	-	-	217 802	(268 880)	5 878 557
Plant and machinery	1 190 095	-	(3 264)	-	(255 720)	931 111
Furniture and fixtures	539 457	42 964	(9 737)	-	(57 000)	515 674
Motor vehicles	4 460 298	249 797	-	-	(668 101)	4 041 994
IT equipment	872 911	283 273	(2 930)	-	(105 862)	1 047 392
Infrastructure	134 616 558	18 144 796	-	(3 332 866)	(6 242 254)	143 186 234
Community	37 331 538	-	-	8 253 590	(1 336 782)	44 248 346
	208 407 089	18 720 820	(15 931)	5 138 526	(8 934 999)	223 315 905

Other information

Property, plant and equipment that is taking a significantly longer period of time to complete than expected
Roads (Delays are mainly due to heavy rains and cashflow challenges experienced by contractors)

7 439 099

Sakhisizwe Local Municipality

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11. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Buildings	Total
Opening balance	14 734 277	9 852 026	24 586 303
Additions/capital expenditure	21 361 007	4 506 078	25 867 085
Transferred to completed items	(1 746 591)	(12 428 864)	(14 175 455)
	<u>34 348 693</u>	<u>1 929 240</u>	<u>36 277 933</u>

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Buildings	Total
Opening balance	18 067 143	1 380 629	19 447 772
Additions/capital expenditure	14 811 930	8 471 397	23 283 327
Transferred to completed items	(18 144 796)	-	(18 144 796)
	<u>14 734 277</u>	<u>9 852 026</u>	<u>24 586 303</u>

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	<u>1 129 085</u>	<u>894 756</u>
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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.

Sakhisizwe Local Municipality

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12. Finance lease obligation		
<u>Minimum lease payments due</u>		
- within one year	-	294 759
	-	294 759
less: future finance charges	-	(11 512)
Present value of minimum lease payments	-	283 247
<u>Present value of minimum lease payments due</u>		
- within one year	-	283 247

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

Market risk

Carrying value of assets of the municipality subject to a finance lease:

Motor vehicles	-	451 054
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It is the municipality's policy to lease certain motor vehicles, plant & equipment under finance leases. In terms of GRAP 13, when office equipment is rented over the major part of its useful life, the relevant lease is deemed a finance lease and the related liability raised and the asset capitalised.

The fair value of finance lease liabilities approximates their carrying amounts.

The average lease term was 5 years and the average effective borrowing rate was prime for the Wesbank motor vehicles and prime plus 4% fixed for the plant & machinery. No escalation clause is contained in the lease agreements. Ownership on the vehicles will transfer to the municipality at the end of the lease term. Ownership for the office equipment remains with the lessor. No security has been offered by the municipality for the leased assets. Bell Equipment stand security for the plant & equipment.

Total finance costs paid R0 .

13. Payables from exchange transactions

Trade payables	8 309 238	9 512 495
Debtors with credit balances	1 408 011	1 651 419
Accrued leave pay	3 802 554	3 433 500
Accrued bonus	799 098	764 553
Retentions	3 081 849	1 909 721
Hall & dam deposits	21 008	1 100
Other payables	(12 243)	3 031 793
	17 409 515	20 304 581

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14. Consumer deposits

Electricity	83 665	83 665
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No guarantees are held in lieu of Electricity Deposits

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

15. Employee benefit obligations

Defined benefit plan

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

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(1 139 000)	(1 173 000)
Present value of the defined benefit obligation-partly or wholly funded	(2 020 000)	(1 964 000)
	(3 159 000)	(3 137 000)
 Non-current liabilities	 (2 698 000)	 (2 675 000)
Current liabilities	(461 000)	(462 000)
	(3 159 000)	(3 137 000)

The Municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the medical aid fund, with which the municipality is associated, a member is entitled to continued as a member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-employment benefits are provided to these employees.

The most recent actuarial valuation of plan assets and the present value of the defined obligation were carried out at 30 June 2022 by Mr. C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

Long service award

Eligible employees at the beginning of the financial year:	121	110
New entries	-	10
Exits	(6)	(26)
Eligible employees as at 30 June 2022	115	114

Sakhisizwe Local Municipality

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2022

2021

15. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	10,87 %	9,06 %
Expected increase in salaries	7,83 %	6,26 %
Expected pension increases	2,82 %	2,64 %

The basis used to determine the overall expected rate of return on assets is as follow: [provide details]

Discount Rate: GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used.

Consequently, a discount rate of 2022: 10.87 % (2021: 9.06%) per annum has been used. The corresponding index-linked yield at this term is 2022: 7.83 % (2021: 6.26%) These rates do not reflect any adjustment for taxation. These rates were deduced from the JSE Zero Coupon bond yield after the market close on 30 June.

Management has indicated that there are no long-term assets set aside off-balance sheet in respect of the Municipality's post employment health care liability

Expected rate of salary increases:

Average CPI + 1.5% (2020/2021: Feb 2019 - Jan 2020) + 1.5 per cent)

Impact of COVID - 19

It is difficult to estimate what impact the pandemic is likely to have on the Municipality's liability at this stage. There is still much uncertainty as to how it will affect mortality in the medium to long term, and what effect treatments and/or vaccines will have.

Once any long-term impacts of COVID-19 on the various valuation parameters becomes more evident, appropriate adjustments to the parameters will be feasible. In the meanwhile, any short-term impacts of actual experience being different to the current long-term assumptions will contribute to actuarial gain/loss items.

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:

	<u>One percentage point increase</u>	<u>One percentage point decrease</u>
Effect on the aggregate of the service cost and interest cost	248 000	266 000
Effect on defined benefit obligation	162 000	171 000

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

	2022	2021	2020	2019	2018
Defined benefit obligation	2 020 000	1 964 000	2 216 000	2 014 495	1 647 868
Surplus (deficit)	2 020 000	1 964 000	2 216 000	2 014 495	1 647 868
Experience adjustments on plan liabilities	357 000	362 000	274 000	161 761	212 957

Sakhisizwe Local Municipality

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16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Disaster Recovery Grant	8 443	2 384 317
Intergrated National Eletrification Programme	134 786	53 600
Municipal Infrastructure Grant	-	8 378 689
EPWP	17 548	-
Environmental Affairs: Wattle Removal	(10)	861 024
	<u>160 767</u>	<u>11 677 630</u>

Sakhisizwe Local Municipality

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17. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	12 991 825	3 113 815	16 105 640

Reconciliation of provisions - 2021

	Opening Balance	Reduction due to re-measurement or settlement without cost to entity	Total
Environmental rehabilitation	20 149 569	(7 157 744)	12 991 825

The municipality has an obligation to rehabilitate the landfill sites of Carla and Elliot Landfill Sites.

The environmental rehabilitation provision represents the estimated costs to rehabilitate and close existing waste landfill sites. The provision is recognised at the present value of the expenditure expected to settle the obligation. The valuation of the landfill site provision was done by EMS Advisory (Pty) Ltd, a company which specialises in infrastructure maintenance and environmental consultancy services to municipalities and the professional valuator on the project was Aiden Bowers PrEng, with extensive experience and expertise relevant for this type of work. The future value of the rehabilitation of landfill sites obligation was calculated by inflating the non-current cost to an estimated future cost which is then discounted to present value. Interest rate used are 10% for Carla and 12% for Elliot.

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

Because of the time value of money, provisions relating to cash outflows that arise soon after the reporting date are more onerous than those where cash outflows of the same amount arise later. Provisions are therefore discounted, where the effect is material to settle the obligation.

The discount rate (or rates) shall be a pre-tax rate (or rates) that reflect(s) current market assessments of the time value of money and the risks specific to the liability. The discount rate(s) shall not reflect risks for which future cash flow estimates have been adjusted.

Sakhisizwe Local Municipality

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17. Provisions (continued)

Key Assumptions

Elliot	Landfill	Site
Can't Show Elliot PNG		

Sakhisizwe Local Municipality

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17. Provisions (continued)

Carla Landfill Site



18. Chris Hani District Municipality Loan

The loan bears reference to a loan given by the Chris Hani District Municipality for financial assistance. The loan is to be paid over three installements, interest-free, with the final installment made on 30 June 2018. The Municipality has since defaulted on the loan due to cashflow problems, and there has the loan has not been renegotiated.

<u>2 000 000</u>	<u>2 000 000</u>
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19. Revenue

Service charges	18 953 434	11 406 249
Other income	3 036 835	9 744 828
Interest received - investment	8 058 818	4 721 176
Property rates	6 964 476	5 493 710
Government grants & subsidies	110 631 635	116 656 571
Fines, Penalties and Forfeits	16 040	53 790
	<u>147 661 238</u>	<u>148 076 324</u>

Sakhisizwe Local Municipality

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Figures in Rand	2022	2021
19. Revenue (continued)		
<u>The amount included in revenue arising from exchange transactions are as follows:</u>		
Service charges	18 953 434	11 406 249
Other income	3 036 835	9 744 828
Interest received - investment	8 058 818	4 721 176
	30 049 087	25 872 253
<u>The amount included in revenue arising from non-exchange transactions is as follows:</u>		
<u>Taxation revenue</u>		
Property rates	6 964 476	5 493 710
<u>Transfer revenue</u>		
Government grants & subsidies	110 631 635	116 656 571
Fines, Penalties and Forfeits	16 040	53 790
	117 612 151	122 204 071
20. Service charges		
Sale of electricity	15 983 481	9 911 880
Solid waste	4 396 446	4 205 595
Free basic services / rebates	(1 426 493)	(2 711 226)
	18 953 434	11 406 249
21. Other income		
Traffic department income	2 052 006	1 937 043
Rates Clearance Certificates	12 444	23 261
Sale of goods and rendering of services	241 131	184 233
Rental income	677 327	305 426
Electricity: Connection & re-connection fees	653	25 766
Commission on collection	5 935	19 203
Trading licences	14 091	25 888
Movement in provision for Landfill site	-	7 157 744
LG Seta Reimbursive allowance	33 248	66 281
	3 036 835	9 744 828
22. Interest Received - Investment		
<u>Interest revenue</u>		
Bank	810 640	381 132
Interest charged on trade and other receivables	7 248 178	4 340 044
	8 058 818	4 721 176

Sakhisizwe Local Municipality

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23. Property rates

Rates received

Property rates: Residential, Commercial Property, State	6 964 476	5 493 710
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Rates are levied annually and monthly. Monthly rates are payable by the 7th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

The rates rebate for the current financial year is included in rates revenue received.

Valuations

Residential	763 839 732	763 839 732
Commercial	198 129 025	198 129 025
State	72 418 160	72 418 160
Municipal	174 339 859	174 339 859
Small holdings and farms	338 197 017	338 197 017
Churches	24 080 000	24 080 000
Public Service Infrastructure	203 000	203 000
Institutional	54 509 000	54 509 000
State Trust Land	8 154 220	8 154 220
Vacant	16 326 844	16 326 844
	<u>1 650 196 857</u>	<u>1 650 196 857</u>

The breakdown of the valuation roll for the prior year for state was consolidated into Public Service Infrastructure due to a re classification of codes on the new system votes when setting up the mSCOA votes in the current financial year.

Sakhisizwe Local Municipality

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24. Government grants and subsidies

Operating grants

Equitable share	74 331 000	83 788 000
Government grants - Operating	1 686 029	14 207 627
Government grants - Capital	34 614 606	18 660 944
	<u>110 631 635</u>	<u>116 656 571</u>

Municipal Disaster Recovery Grant

Balance unspent at beginning of year	2 384 317	1 000
Current-year receipts	-	2 384 317
Conditions met - transferred to revenue	(2 375 874)	(1 000)
	<u>8 443</u>	<u>2 384 317</u>

Conditions still to be met - remain liabilities (see note 16).

The grant will provide houses for the area of Manzimdaka in Cala, where residence lost their houses as a result of a storm.

Integrated National Electrification Programme

Balance unspent at beginning of year	53 600	641 181
Current-year receipts	4 804 000	-
Conditions met - transferred to revenue	(4 669 214)	(587 581)
Other - rollover application denied transferred to equitable share	(53 600)	-
	<u>134 786</u>	<u>53 600</u>

Conditions still to be met - remain liabilities (see note 16).

The municipality has entered into an arrangement with Eskom for construction of MV powerlines for the areas within area of the municipality. All the powerlines are handed over back to Eskom upon completion and the project would be inspected by Eskom upon completion before it can be handed over. The Municipality has responsibility to appoint the contractor and/or service provider and the arrangement would improve the lives of the local communities.

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24. Government grants and subsidies (continued)		
<u>Municipal Infrastructure Grant</u>		
Balance unspent at beginning of year	8 378 689	-
Current-year receipts	19 009 000	23 882 000
Conditions met - transferred to revenue	(19 009 000)	(15 503 311)
Other - rollover application denied transferred to equitable share	(8 378 689)	-
	<u>-</u>	<u>8 378 689</u>
Conditions still to be met - remain liabilities (see note 16).		
The MIG grant is a conditional grant used to upgrade and construct infrastructure in the municipal area with the main focus on previously disadvantaged areas.		
<u>Expanded Public Works Programme</u>		
Balance unspent at beginning of year	-	52 515
Current-year receipts	1 542 000	1 224 000
Conditions met - transferred to revenue	(1 524 452)	(1 276 515)
	<u>17 548</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 16).		
This grant is for the salaries and operational costs of the contract employees for Extended Public Works Programme.		
<u>Department of Transport Taxi Rank Transfer</u>		
Current-year receipts	5 661 052	494 052
Conditions met - transferred to revenue	(5 661 052)	(494 052)
	<u>-</u>	<u>-</u>
<u>Library subsidy</u>		
Current-year receipts	500 000	500 000
Conditions met - transferred to revenue	(500 000)	(500 000)
	<u>-</u>	<u>-</u>

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25. Employee related costs		
Basic	27 690 275	24 435 919
Bonus	1 977 696	1 782 899
Medical aid - company contributions	2 152 641	1 996 234
UIF	258 909	250 106
WCA	213 675	156 986
SDL	360 025	335 660
Leave pay provision charge	409 612	737 219
Pension Fund contributions	4 146 436	3 659 337
Travel, motor car, accommodation, subsistence and other allowances	52 918	148 921
Overtime payments	445 667	222 878
Long-service awards	-	122 270
Acting allowances	-	1 220 546
Telephone allowances	2 400	2 400
Bargaining Council contributions	15 821	384 882
	37 726 075	35 456 251
<u>Remuneration of Municipal Manager</u>		
Annual Remuneration	878 736	742 633
Car Allowance	277 680	208 280
Contributions to UIF, Medical and Pension Funds	40 535	41 877
Cellphone Allowance	18 000	13 500
Other Allowances	60 011	-
	1 274 962	1 006 270
<u>Remuneration of Chief Financial Officer (Paul Mahlasela)</u>		
Annual Remuneration	-	595 149
Car Allowance	-	96 000
Contributions to UIF, Medical and Pension Funds	-	76 462
Cellphone Allowance	-	8 000
	-	775 611
<u>Remuneration of Chief Financial Officer (Busisiwe Lubelwana)</u>		
Annual Remuneration	843 841	68 225
Car Allowance	60 000	5 000
Contributions to UIF, Medical and Pension Funds	2 012	159
Cellphone Allowance	12 000	1 000
Other Allowances	45 750	-
	963 603	74 382
<u>Director: Corporate Services L Fathuse</u>		
Annual Remuneration	58 154	697 854
Car Allowance	5 000	60 000
Contributions to UIF, Medical and Pension Funds	7 484	89 930
Cellphone Allowance	1 000	12 000
	71 638	859 784

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
25. Employee related costs (continued)		
<u>Director: Community Services</u>		
Annual Remuneration	665 251	697 854
Car Allowance	60 000	60 000
Contributions to UIF, Medical and Pension Funds	90 039	89 930
Cellphone Allowance	12 000	12 000
Other Allowances	39 865	-
	867 155	859 784
<u>Director: Technical Services</u>		
Annual Remuneration	770 950	875 525
Car Allowance	60 000	60 000
Performance Bonuses	64 246	-
Contributions to UIF, Medical and Pension Funds	2 012	1 903
Cellphone Allowance	12 000	12 000
Other Allowances	44 672	-
	953 880	949 428
<u>Director: IPED</u>		
Annual Remuneration	746 185	599 360
Car Allowance	120 000	90 000
Contributions to UIF, Medical and Pension Funds	40 535	17 118
Cellphone Allowance	12 000	9 000
Other Allowances	45 630	-
	964 350	715 478
<u>Acting Chief Financial Officer (Zimasile Silinga)</u>		
Acting Allowance	-	21 322
26. Remuneration of councillors		
Executive Mayor	471 124	700 039
Speaker	1 177 410	658 558
Councillors	4 366 298	4 161 751
Medical, travel and other allowances	1 032 035	1 578 175
	7 046 867	7 098 523
27. Depreciation and amortisation		
Property, plant and equipment	8 819 245	8 934 599
Investment property	4 821	4 839
	8 824 066	8 939 438

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Figures in Rand	2022	2021
28. Finance costs		
Non-current borrowings - Landfill site Provision	1 638 919	-
Post Employment Health	102 000	95 000
Trade and other payables	478 342	87 145
Finance leases	12 021	31 738
Long-service	162 000	146 000
	<u>2 393 282</u>	<u>359 883</u>
29. Impairment loss		
Debt impairment	13 765 043	8 170 419
Impairment - Fixed assets	1 507 761	-
	<u>15 272 804</u>	<u>8 170 419</u>
30. Bulk purchases		
Electricity - Eskom	15 839 634	13 429 890
31. Contracted services		
<u>Presented previously</u>		
Consultants and Professional Services	9 062 381	10 350 364
Contractors	7 122 308	4 101 118
	<u>16 184 689</u>	<u>14 451 482</u>
32. General expenses		
Advertising	399 702	133 892
Auditors remuneration	4 065 594	4 706 974
Bank charges	136 295	103 427
Consumables	1 586 990	687 352
Entertainment	145 082	-
Rent - office equipment	230 664	221 154
Long-service bonus vested costs	148 000	313 000
Insurance	333 136	651 958
Conferences and seminars	29 566	205 928
IT expenses	1 536 845	1 319 041
Beautification of towns	-	2 686 382
Fuel and oil	862 962	600 796
Telephone, postage & fax	1 372 376	1 854 546
Protective clothing	866 006	295 800
Royalties and license fees	105 544	360 612
Subscriptions and membership fees	534 765	623 265
Electricity purchases	1 328 893	1 118 613
Training	113 994	449 739
Travel - local	465 538	514 761
Loss on disposal of asset	253 994	40 178
Remuneration Ward Committees	400 500	1 013 000
	<u>14 916 446</u>	<u>17 900 434</u>
33. Auditors' remuneration		
Fees	4 065 594	4 706 974

Sakhisizwe Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
34. Cash generated from operations		
Surplus	24 719 904	37 365 939
Adjustments for:		
Depreciation	8 824 066	8 939 438
Movements in provisions	3 113 814	(7 157 744)
Loss on disposal of assets	59 344	-
Finance costs	-	31 738
Debt and fixed asset impairment	15 272 804	8 170 419
Movements in retirement benefit assets and liabilities	21 000	(173 000)
Changes in working capital:		
Inventories	(319 189)	230 458
Other receivables	3 108 869	(3 192 882)
Receivables from exchange transactions	(12 077 018)	(9 738 804)
Receivables from non-exchange transactions	(7 473 407)	(5 355 030)
Payables from exchange transactions	(2 895 067)	(4 058 131)
VAT	(574 568)	18 390
Unspent conditional grants and receipts	(11 516 863)	9 401 507
Consumer deposits	-	(1 798)
	20 263 689	34 480 500
35. Financial instruments disclosure		
<u>Categories of financial instruments</u>		
<u>2022</u>		
<u>Financial assets</u>		
	At amortised cost	Total
Trade and other receivables from exchange transactions	17 648 972	17 648 972
Cash and cash equivalents	4 305 543	4 305 543
Short-Term Investment Deposits: Call Deposits	5 833 260	5 833 260
	27 787 775	27 787 775
<u>Financial liabilities</u>		
	At amortised cost	Total
Loan from Chris Hani District Municipality	2 000 000	2 000 000
Trade and other payables from exchange transactions	17 857 909	17 857 909
Deposits	83 665	83 665
	19 941 574	19 941 574

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Figures in Rand	2022	2021
35. Financial instruments disclosure (continued)		
<u>2021</u>		
<u>Financial assets</u>		
	At amortised cost	Total
Trade and other receivables from exchange transactions	7 382 230	7 382 230
Cash and cash equivalents	418 027	418 027
Short-term Investment Deposits: Call Deposits	18 665 368	18 665 368
	26 465 625	26 465 625
<u>Financial liabilities</u>		
	At amortised cost	Total
Loans from Chris Hani District Municipality	2 000 000	2 000 000
Trade and other payables from exchange transactions	20 304 581	20 304 581
Deposits	83 665	83 665
Lease liability: Current	283 247	283 247
	22 671 493	22 671 493
36. Commitments		
<u>Authorised capital expenditure</u>		
<u>Already contracted for but not provided for</u>		
• Property, plant and equipment	13 191 573	20 741 120
	13 191 573	20 741 120
<u>Total capital commitments</u>		
Already contracted for but not provided for	13 191 573	20 741 120
<u>Authorised operational expenditure</u>		
<u>Already contracted for but not provided for</u>		
• Contracted services	2 244 945	4 536 099
	2 244 945	4 536 099
<u>Total operational commitments</u>		
Already contracted for but not provided for	2 244 945	4 536 099
<u>Total commitments</u>		
<u>Total commitments</u>		
Authorised capital expenditure	13 191 573	20 741 120
Authorised operational expenditure	2 244 945	4 536 099
• Restated amount	-	147 012
	15 436 518	25 424 231

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Figures in Rand	2022	2021
37. Contingencies		
The municipality had the litigation cases that could result in the following contingent liabilities being payable as at year end:		
Estimated cost of contingent liabilities	2022	2021
Xabana Civils CC	150 000	150 000
- Xabana Civils CC has instituted action in the Grahamstown High Court for payment allegedly due to it		
Nomasiyephi Gladies Sonamazi	200 000	200 000
- Nomasiyephi Gladies Sonamzi, widow of Mr Jack, former employee alleges that the Municipality is liable to her the amount of R5 000 000 as it failed to comply with the Occupational Health and Safety Act, 85 of 1993		
Siyabulela Mponzo	80 000	80 000
Luvuyo Fatuse - Case no. 117/2019		
- Invalidation of employment contract due to illegality		
Fikile Ballbese - Case no. 823A/2020	80 000	80 000
Mr Dumile Mvulane's case		
- Sakhisizwe Local Municipality vs Mr DM Mvulane for misconduct		
Sakhisizwe Land Invasion Committee	300 000	300 000
Calusa vs Sakhisizwe Municipality	-	-
- The dispute is that Calusa requested information of the municipality in 2019/20		
Bavuka Trading	150 000	150 000
- Breach of contract		
Mr Loyiso Nyemba	0.00	3 500 000
- Mr Loyiso Nyembe passed on and then immediately after that his wife Mrs Feni Nyembe in terms of section 30EA of the pension fund Act, 24 of 1956 ("the Act) SM E/L VS Sakhisizwe LM		
Mrs Zoliswa Cynthia Msali-Morose	4 500 000	4 500 000
- The dispute is the letter of demand for damages suffered by the applicant		
Sakhisizwe LM/Lwazi Mponzo 979/2020	100 000	80 000
- Interdict against illegal land invasion, Part I of the interdict granted- Mr Mponzo interdicted from building a structure further. Par II of the interdict still to be heard on the 6th of August 2020. Matter may be settled.		
Khowa Land Invaders	300 000	300 000
- Illegal land invasion (Building and fencing) without approved application on portion of ERF 1, Khowa		
	5 860 000	9 340 000

Sakhisizwe Local Municipality

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38. Prior period errors (continued)

Statement of Financial Performance

Figures in Rand	Note(s)	Previously reported	Adjustment	Re-classification	Restated
Revenue					
Revenue from exchange transactions					
Service charges	20	11 198 401	207 848	-	11 406 249
Other income	21	10 473 791	(728 963)	-	9 744 828
Interest received - investment	22	4 721 176	-	-	4 721 176
Actuarial gains		358 000	-	-	358 000
Total revenue from exchange transactions		26 751 368	(521 115)	-	26 230 253
Revenue from non-exchange transactions					
Taxation revenue					
Property rates	23	5 493 710	-	-	5 493 710
Transfer revenue					
Government grants & subsidies	24	112 763 066	3 893 505	-	116 656 571
Fines, Penalties and Forfeits		-	53 790	-	53 790
Total revenue from non-exchange transactions		118 256 776	3 947 295	-	122 204 071
Total revenue	19	145 008 144	3 426 180	-	148 434 324
Expenditure					
Employee related costs	25	(40 120 789)	(597 527)	-	(40 718 316)
Remuneration of councillors	26	(7 098 523)	-	-	(7 098 523)
Depreciation and amortisation	27	(8 810 774)	(128 664)	-	(8 939 438)
Finance costs	28	(359 883)	-	-	(359 883)
Debt Impairment	29	(8 170 419)	-	-	(8 170 419)
Bulk purchases	30	(13 429 890)	-	-	(13 429 890)
Contracted services	31	(14 451 481)	(1)	-	(14 451 482)
Transfers and Subsidies		-	-	-	-
General Expenses	32	(17 900 434)	-	-	(17 900 434)
Total expenditure		(110 342 193)	(726 192)	-	(111 068 385)
Surplus for the year		34 665 951	(726 192)	-	37 365 916

Property, plant and equipment

Property Plant and Equipment was restated by R4 621 255 to align financial statements to the updated fixed asset register. Due to the INEP projects being capitalised and verify assets that were identified on the floor and did not appear in the FAR.

Payables from exchange transactions

This is due to the adjustments made to the bonus and leave provisions, salary control account for the out standing amount of PAYE & UIF and unallocated deposits were adjusted for and reclassified to other income.

Employee Benefit Obligation

The employee benefit obligation was adjusted to align the current and non current portion to the actuarial reports.

Government Grants

The amount was restated due to the revenue for library income that was previously in unallocated deposits. Grants previously received and incorrectly accounted for has also been corrected.

* See Note 38

Sakhisizwe Local Municipality

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39. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

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

Other: Lease obligation	0	283,247
Trade and other payables	17 857 909	20 304 581
Maximum liquidity exposure	<u>17 857 909</u>	<u>20 304 581</u>

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

Except as detailed below, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's exposure to credit risk without taking account of the value of any collateral obtained.

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

Financial instrument	2022	2021
Cash and cash equivalents	10 138 803	19 083 395
Trade and other receivables	17 341 642	7 382 230

Market risk

Interest rate risk

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

* See Note 38

Sakhisizwe Local Municipality

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Figures in Rand	2022	2021
40. Unauthorised expenditure		
Opening balance as previously reported	67 784 766	67 784 766
Opening balance as restated	67 784 766	67 784 766
Add Expenditure identified - current	9 127 217	-
Closing balance	76 911 983	67 784 766
41. Fruitless and wasteful expenditure		
Opening balance as previously reported	3 160 668	2 939 070
Opening balance as restated	3 160 668	2 939 070
Add Expenditure identified - current	253 269	221 598
Closing balance	3 413 937	3 160 668
The fruitless and wasteful expenditure relates to interest charged on overdue accounts and penalties.		
42. Irregular expenditure		
Opening balance as previously reported	98 215 017	88 856 091
Opening balance as restated	98 215 017	88 856 091
Add: Irregular Expenditure - current	10 141 878	9 358 926
Closing balance	108 356 895	98 215 017

* See Note 38

Sakhisizwe Local Municipality

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2022

2021

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

Pension and Medical Aid Deductions - (MFMA 125 (1)(c))

Opening balance	1 762 361	-
Current year subscription / fee	10 590 148	10 667 441
Amount paid - current year	(12 352 509)	(8 905 080)
	<u>•</u>	<u>1 762 361</u>

VAT - (MFMA 125 (1)(c))

VAT receivable	<u>1 896 206</u>	<u>1 321 638</u>
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VAT output payables and VAT input receivables are shown in note .

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

Councillors' arrear consumer accounts - (MFMA 124 (1)(b))

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

30 June 2022	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor B. Ponoshe	(2 166)	-	(2 166)
Councillor A Mpakane	13 006	-	13 006
Councillor V Filana	24 015	-	24 015
Councillor Z J Phonoshe	2 364	-	2 364
Councillor N Miso	27 575	-	27 575
Councillor L Thuleto	19 778	-	19 778
Councillor M Ngqayimbana	6 635	-	6 635
Councillor M Mxhonywa	8 781	-	8 781
	<u>99 988</u>	<u>-</u>	<u>99 988</u>
30 June 2021	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor T. Doda	180	-	180
Councillor B Ntsere	44	-	44
Councillor N. Radzilane Ponoshe	452	-	452
Councillor Z.A Mose	304	-	304
	<u>980</u>	<u>-</u>	<u>980</u>

Key management and Councillors receive and pay for services on the same terms and conditions as other rate payers and residents.

* See Note 38

Sakhisizwe Local Municipality

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

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Deviations

July	226 030	92 209
August	134 092	360 022
September	16 045	59 167
October	1 751 873	561 087
November	-	59 167
December	156 978	206 760
January	115 826	543 021
February	82 958	728 677
March	44 169	320 839
April	75 704	123 063
May	11 155	510 842
June	362 390	179 084
	2 977 220	3 743 944

Electricity distribution losses

Units purchased (Kwh)	8 588 485	8 625 439
Units lost during distribution (Kwh)	395 831	1 385 555
Electricity lost during distribution (R)	730 001	3 691 317
Percentage lost during distribution (%)	5	16
	-	-

44. Deviation from supply chain management regulations

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

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

Buses and gym equipment were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the Council who considered them and subsequently approved the deviation from the normal supply chain management regulations.

45. Accounting by principals and agents

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

Details of the arrangement is as follows:

The income from traffic department income includes agency fees consists of commission received from the Department of Transport for the issuing of vehicle registrations. The municipality (agent) collects licencing fees for vehicles on behalf of the Department of Transport (principal).

	2022	2021
Monies collected from Traffic Department	967 956	874,780

* See Note 38

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Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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Figures in Rand	2022	2021
45. Accounting by principals and agents (continued)		
46. Fines, Penalties and Forfeits		
Court Traffic Fines	16 040	53 790
47. Other revenue		
Other income	3 036 835	9 744 828
48. Segment information		
<u>Segment surplus or deficit, assets and liabilities</u>		

* See Note 38

Sakhisizwe Local Municipality
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48. Segment information (continued)

2022

	Finance and administration	Community and public safety	Planning and development	Road transport	Waste management	Executive and council	Energy sources	Total
Revenue								
Service charges	-	-	-	-	(4 396 446)	-	(14 556 988)	(18 953 434)
Other income	(1 976 164)	(1 465 590)	-	-	-	-	(1 121)	(3 442 875)
Interest investment	(8 058 818)	-	-	-	-	-	-	(8 058 818)
Property rates	(6 964 476)	-	-	-	-	-	-	(6 964 476)
Grants & subsidies	(76 889 668)	-	(19 440 107)	(12 384 735)	-	-	(1 917 125)	(110 631 635)
Total segment revenue	(93 889 126)	(1 465 590)	(19 440 107)	(12 384 735)	(4 396 446)	-	(16 475 234)	(148 051 238)
Entity's revenue								(148 051 238)
Expenditure								
Employee related costs	1 868 609	860 017	955 193	-	-	36 222 749	946 980	42 853 546
Remuneration of councillors	7 046 867	-	-	-	-	-	-	7 046 867
Depreciation and amortisation	2 948 319	298 105	-	-	-	-	-	3 246 424
Finance costs	1 914 939	-	-	5 085 459	-	478 341	492 182	7 970 921
Debt impairment	13 765 042	-	-	-	-	-	-	13 765 042
Bulk purchases	7 340 644	49 910	1 022 729	28 500	-	7 121 890	15 839 634	15 839 634
Contracted services	4 732 414	3 798 395	-	-	-	7 893 398	621 017	16 184 690
General expenses	-	-	-	-	-	-	-	16 424 207
Total segment expenditure	39 616 834	5 006 427	1 977 922	5 113 959	-	53 716 378	17 898 813	123 331 333
Total segmental surplus/(deficit)								(24 719 905)

Reporting on segment assets and liabilities

The Municipality has assessed that assets and liabilities associated with each segment is not used by management for decision making purposes, and neither is it being reported on. Assets and liabilities are utilised by management to assess key financial indicators for the Municipality as a whole. Accordingly, the assets and liabilities per segment is not required to be disclosed.

W.M.

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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2021

48. Segment information (continued)

Information about geographical areas

Although the Municipality operates in a number of geographical areas (i.e. wards), 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.



the 1990s, the number of people in the world who are under 15 years of age is expected to increase from 1.1 billion to 1.5 billion.

There are a number of reasons why the world's population is growing so rapidly. One of the main reasons is that the number of children born to each woman has increased. This is due to a number of factors, including improved medical care, better nutrition, and a higher birth rate.

Another reason why the world's population is growing so rapidly is that the number of people who are surviving into old age has increased. This is due to a number of factors, including improved medical care, better nutrition, and a higher life expectancy.

There are a number of other reasons why the world's population is growing so rapidly. One of the main reasons is that the number of people who are migrating from rural areas to urban areas has increased. This is due to a number of factors, including the search for better economic opportunities and a higher quality of life.

Another reason why the world's population is growing so rapidly is that the number of people who are surviving into old age has increased. This is due to a number of factors, including improved medical care, better nutrition, and a higher life expectancy.

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