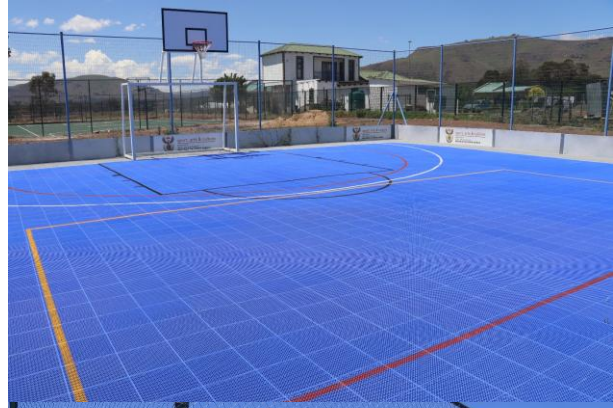




SAKHISIZWE LOCAL MUNICIPALITY 2024/2025 ANNUAL REPORT



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CHAPTER ONE: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

COMPONENT A: MAYOR'S FOREWORD



“ Sakhisizwe Local Municipality celebrates the receipt of an Unqualified Audit Outcome from the Auditor General South Africa, which is an indication of the municipality's significant improvement in the reporting year ”

I am thrilled to present the Sakhisizwe Local Municipality Annual Report for the 2024/2025 financial year. This report indicates the translation of the SDBIP amongst other plans into tangible service delivery milestones. The legislative Framework dictates that each municipality must comply by compiling an annual report on the performance of its approved integrated Development Plan, which was simplified into the Service Delivery and Budget Implementation Plan for the year under review. The SDBIP is a social contract between the municipality and the communities of Sakhisizwe Local Municipality.

A transformed and developmental system of local government needs to function as a truly accountable, effective, and efficient sphere of government. It must play a key role in combating the war against poverty and in the active promotion of social and economic upliftment of our communities.

Our municipality is guided by our strategic document, the IDP, which must be reviewed annually to ascertain alignment with the aspirations, needs, 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, acquire the art and the ability of optimising strategic resources in our disposal.

The Municipality has received MIG, INEP, EPWP and MDRG grants. On the MIG funded Capital projects, the following roads were completed; Manzana Access Road, Elliot Internal Streets, Qokolo Koppitjie and Phase 1 Cala Sport field. There are four MDRG projects implemented under the year in review:

- Paving of Masibambane internal street
- Paving of Takalani internal street
- Rehabilitation of Lower Langanzi access road
- Rehabilitation of Upper Indwana access road

The following are roll-over projects which were completed during the year under review:

- Rehabilitation of Jonini, Ngcangcazela and Polar Park access road
- Rehabilitation of Sifonondile culvert and Lahlangubo access road
- Rehabilitation of Zingquthu access road inclusive of two bridges.
- Rehabilitation of Luxeni culverts
- Rehabilitation of Lapesini culverts

The INEP funded projects of the following wards have been connected:

- Ward 4: Cala Reserve
- Ward 6: Polar Park and New City
- Ward 7: Chamama, Mdeni, Mboniselo, Mtyatya and Thembeni

The total number of households connected is 146.

CHALLENGES

The municipality's performance has indicated stagnation in the reporting year due to the regression in performance in some of our departments whilst others have registered a notable upward trajectory. Amongst the emerging challenges were households that were not connected to the ESKOM grid, however, during the year under review the municipality with ESKOM resolved the issue of 100 infills which were connected and energised at Ward 3, ward 5 and ward 8.

The development of farms and rural roads is another hot spot for the municipality, however the municipality has committed to the installation of solar panels, this is a project planned for the next financial year which will assist in energising local farms and brings us a step closer to developing our farms.

The municipality still faces challenges with completion of housing units; the housing development at Elliot Old Location and Polar Park is still ongoing. Mud and Prefab schools are still in existence in areas such as Hota, Gubenxa and Lusindiso Junior Secondary Schools.

OPERATING ENVIRONMENT

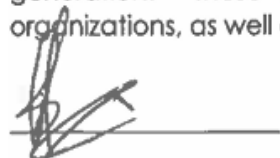
The 2024/2025 Annual Report is the fourth in this five-year term to be tabled as mandated by the legislative authority. The municipality's obligation is to ascertain that we deliver services to the communities and ensure democracy prevails.

PUBLIC PARTICIPATION

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

- Mayoral Imbizo's
- IDP roadshows
- IDP and Budget Rep Forum
- Ward Committee Meetings.
- Community meetings.
- Radio talk shows
- Inter-governmental Relations
- Petitions response through Community Meetings
- Presidential Hotlines & Walk-ins
- War rooms: services on wheels
- Special Programs Unit

The report I am presenting is a true reflection of the performance of the institution I am entrusted with leading. Together with Sakhisizwe Communities, we strongly believe that we can build a better and prosperous municipality through the involvement and collaboration of various stakeholders that stand to benefit the future generation. These stakeholders range from but not limited to the private sector, non-governmental organizations, as well as community-based organizations.



MAYOR

CLLR B.E PONOSHE

COMPONENT B: EXECUTIVE SUMMARY – MUNICIPAL MANAGER'S OVERVIEW



“ it is worth extending a word of gratitude to politicians, functionaries and all stakeholders as they made it possible to realise an unqualified audit outcome and the delivery of services to our communities in a dignified manner. ”

The Annual Report for the 2024/2025 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, Constitution of the republic of South Africa, Section 155 (1), section 156 (1-5) as well as accompanying circulars, templates, and guidelines. This report is comprised of the Annual Performance Report which has been prepared in line with National Treasury Guidelines, the Auditor General's report, and Annual Financial Statements.

The report records the performance and progress made by Sakhisizwe Local Municipality in fulfilling its strategic objectives contained in the Integrated Development Plan (IDP), Institutional Scorecard as well as the Service Delivery and Budget Implementation Plan (SDBIP) approved by Council for the year under review. During the year under review, the municipality intensified its basic service delivery programmes through the implementation of infrastructure projects utilising resources from the national fiscus such as the Municipal Infrastructure Grant and the Municipal Disaster Recovery Grant.

The municipality's high importance and high impact projects for the year under review has brought about construction of Cala Sport field which will remain a legacy project to be witnessed by future generations. This means that the municipality does not focus only on single bottom line but focuses on triple bottom line (Financial, Social and Environmental focus).

It is correct to admit that the municipality is grant dependent, despite that, the municipality has observed its debts during the year under review.

Fundamentally, the municipality discharged its mandate focusing on the holistic development of the community of Sakhisizwe. This simply means basic services and the other aspects as envisaged by Section 152 of the Constitution of the Republic of South Africa 1996. The municipality's resilience and adherence to its mandate is assessed through the following Key Performance Areas:

KEY PERFORMANCE AREAS- KPA

- Good Governance and Public Participation
- Service Delivery and Infrastructure Development
- Local Economic Development
- Municipal Transformation and Organisational Development
- Financial Viability and Management
- Spatial Development framework

The municipality has formed meaningful strategic partnerships with various stakeholders; COGTA has capacitated the municipality with CPW, the Department of Transport has assisted by building animal pounds and maintaining the social infrastructure leading to the areas harnessing the economy of Sakhisizwe.

Provincial Treasury assisted with the capacitation of soft skills to both administration and political arms of the institution to reinforce the culture of compliance.

The risk assessment that was conducted by the municipality identified these top five risks:

- Low revenue collection
- Unlicensed landfill site
- Roads and storm-water infrastructure
- Poor ICT infrastructure
- Loss of institutional information

In conclusion, the work done during the 2024/2025 financial year comes as a result of high-level commitment by politicians, functionaries and all the stakeholders of Sakhisizwe LM which has subsequently resulted in an improved audit opinion by the Auditor General South Africa. In that regard it is worth extending a word of gratitude to them as they made it possible to realise an unqualified audit outcome and the delivery of services in a dignified manner.


SG SOTSHONGAYE
MUNICIPAL MANAGER

MUNICIPAL OVERVIEW

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 the powers of local government are vested in the municipal council. It has the power to make by-laws (legislative authority) and the power 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 that inform 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; and
- 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 and participate in the national and provincial development programmes in terms of the Local Government: Municipal Structures Act, No. 117 of 1998.

Ensure that the municipal council meets quarterly. The Act also requires the Council to conduct an annual review of community and prioritise its processes for involving the community, its organisational and delivery mechanisms as well as its overall performance in achieving the constitutional objectives outlined above.

The municipal council makes decisions concerning the exercise of all the powers and the performance of all the functions of the municipality. 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 remain with the municipality, and these are:

1. Electricity delivery
2. Water for household use
3. Sewage and sanitation
4. Storm water systems
5. Refuse removal
6. Fire-fighting services
7. Municipal health services
8. Decisions around land use
9. Municipal roads
10. Municipal public transport
11. Street trading
12. Abattoirs and fresh food markets
13. Parks and recreational areas
14. Libraries and other facilities
15. Local tourism

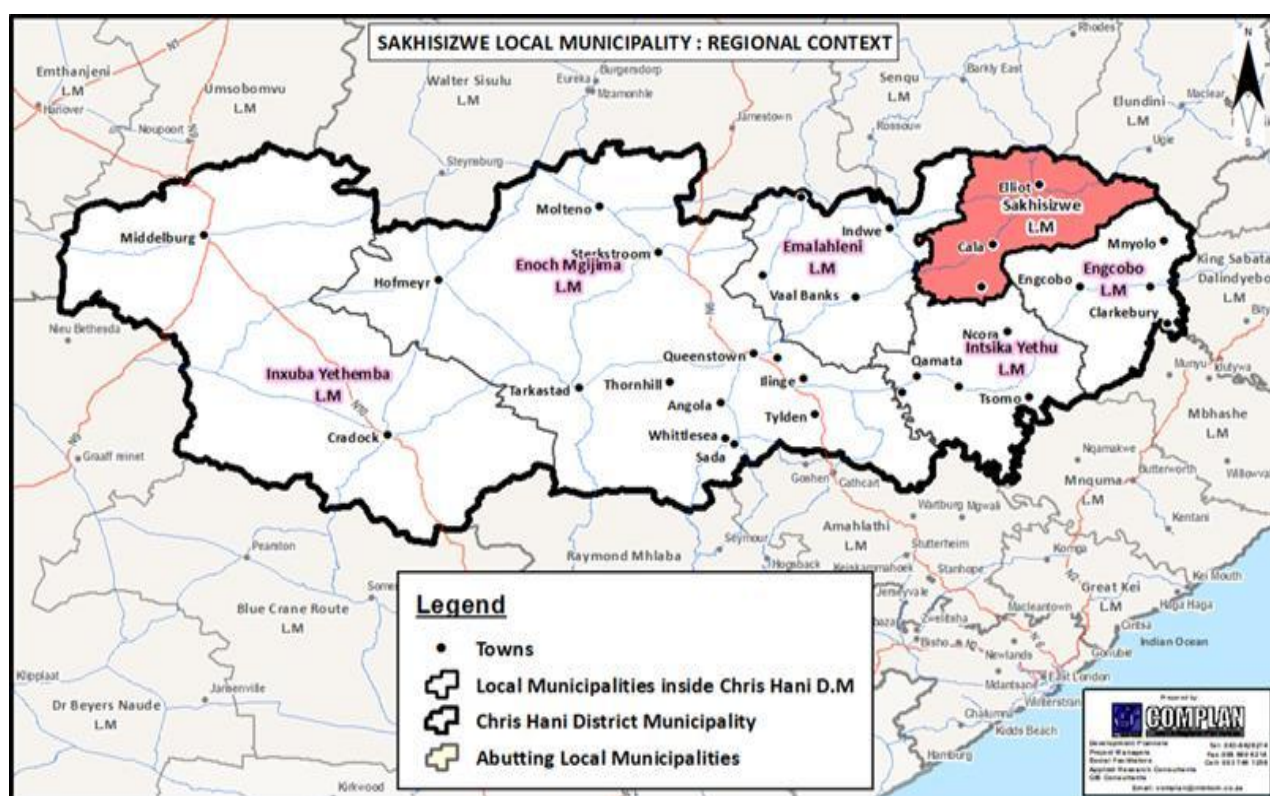
INTRODUCTION TO BACKGROUND DATA

SAKHISIZWE DEMOGRAPHIC PROFILE

Sakhisizwe Local Municipality is a Category B municipality (area: 2355km²) situated within the Chris Hani District in the Eastern Cape Province made up of the main town of Cala and Khowa as well as the surrounding rural villages and farms.

The municipality is bordered by the Joe Gqabi District to the north, Intsika Yethu to the south, Dr AB Xuma 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 which is mostly rural (61%) and as a result, has a low revenue base.



Population by age

Sakhisizwe Local Municipality		
	CENSUS 2011	CENSUS 2022
0 – 4	7 918	6 778
5 - 14	14 199	12 665
15 - 34	20 438	19 835
35 - 59	13 812	16 302
60 +	6 788	8 401
Total	63 154	63 981

Source: Statistics South Africa, Census 2022

Household characteristics and access to services

Number of households

Table 2.1: Distribution of households and household size

	Government transfers and subsidies as a % of total revenue	Households			
		2011	2022	2011	2022
		Total households	Average household size	Total households	Average household size
EC131: Inxuba Yethemba	26,00%	18 463	3,6	22 994	3,4
EC135: Intsika Yethu	90,40%	41 790	3,6	32 227	4
EC136: Emalahleni	77,40%	32 005	3,8	32 771	3,9
EC137: Engcobo	92,20%	37 214	4,2	24 307	5,5
EC138: Sakhisizwe	74,70%	16 016	3,9	17 355	3,7
EC139: Enoch Mgijima	29,90%	68 354	3,7	96 791	3,1
Chris Hani	72,50%	213 842	3,8	226 446	3,7

Source: Statistics South Africa, Census 2022

Household characteristics and access to services

Number of households

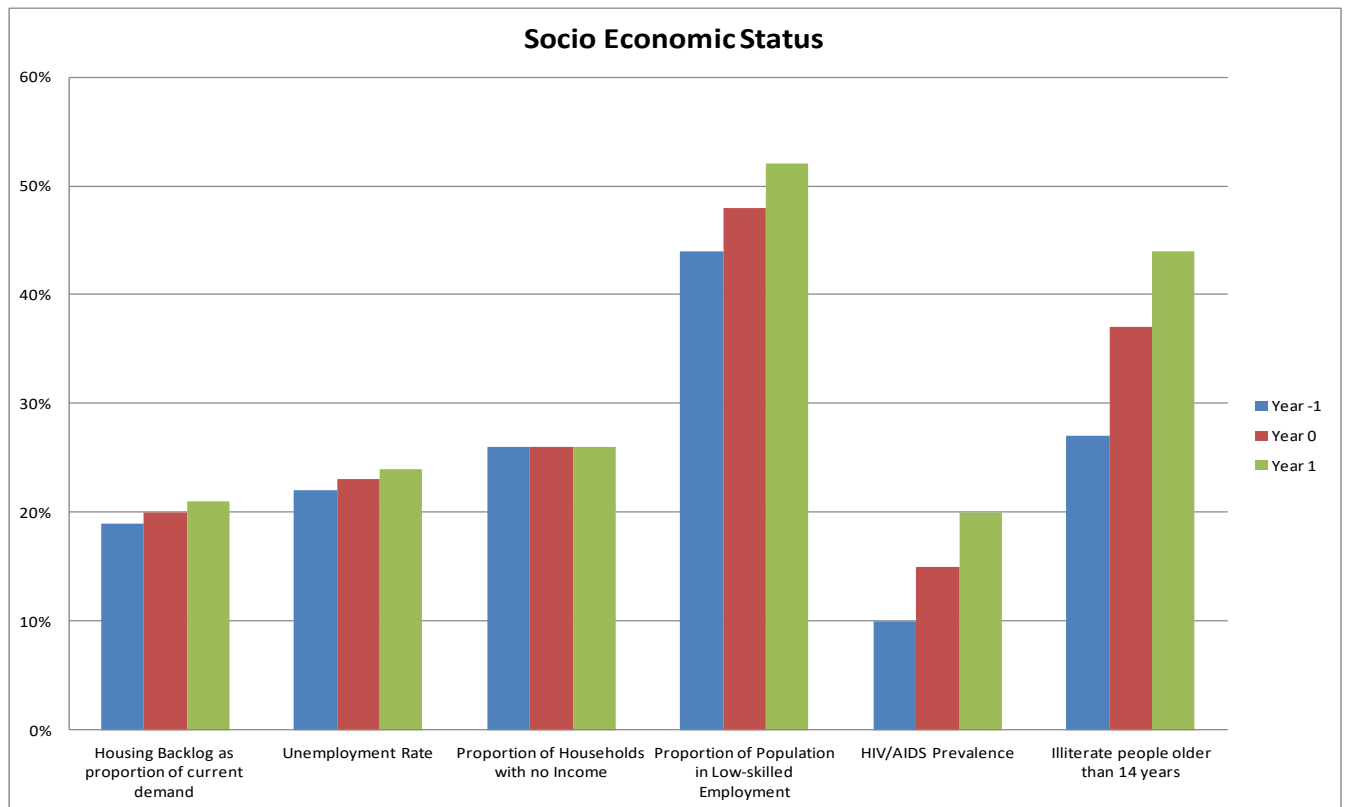
Table 2.1: Distribution of households and household size

Municipality	Government transfers and subsidies as a % of total revenue	Households			
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EC131: Inxuba Yethemba	26,00%	18 463	3,6	22 994	3,4
EC135: Intsika Yethu	90,40%	41 790	3,6	32 227	4
EC136: Emalahleni	77,40%	32 005	3,8	32 771	3,9
EC137: Engcobo	92,20%	37 214	4,2	24 307	5,5
EC138: Sakhisizwe	74,70%	16 016	3,9	17 355	3,7
EC139: Enoch Mgijima	29,90%	68 354	3,7	96 791	3,1
Chris Hani	72,50%	213 842	3,8	226 446	3,7

Table 4.4.2: Distribution of households by source of energy for cooking

Municipality	Energy for cooking					
	2011			2022		
	Electricity	Gas	Other	Electricity	Gas	Other
EC131: Inxuba Yethemba	16 658	491	1 256	17 672	4 901	389
EC135: Intsika Yethu	18 710	1 907	21 088	19 785	10 333	2 072
EC136: Emalahleni	19 400	1 022	11 524	22 744	8 037	1 833
EC137: Engcobo	13 268	1 633	22 222	14 614	7 006	2 565
EC138: Sakhisizwe	9 482	529	5 963	11 810	4 585	924
EC139: Enoch Mgijima	54 979	1 552	11 639	72 024	21 169	3 449
Chris Hani	132 496	7 135	73 692	158 650	56 032	11 231

Source: Statistics South Africa, Census 2022



SERVICE DELIVERY OVERVIEW

SERVICE DELIVERY INTRODUCTION

Sakhisizwe is a developing local municipality which is expected to ensure sustainable delivery of services through its direct channels through collaboration and facilitation of contributions from various stakeholders and development agencies operating in its jurisdiction.

Service delivery is the main priority for the council with the municipality's strategic focus directed at road and storm water improvement, electricity as well as refuse collection. The municipality experiences extremely bad roads due to heavy rains. The MIG funding received by the municipality prioritized high impact capital projects and the funding was spent effectively and efficiently resulting in completion certificates issued to the service providers.

The municipality grappled with the implementation of the Electricity Master Plan in order to fulfil the aim of achieving universal access to electricity. The access to electricity is but one of the milestones that the municipality has achieved since the inception of the wall to wall concept.

The Municipality experienced a flood disaster during January 2023 where most of our rural and urban roads were impair beyond usable status. The Municipality therefore through the declaration by the District Disaster Management Centre, thus we were funded for R3 926 000 for FY 2023/24, R35 515 000 for FY 2024/25 and R35 516 000 for FY 2025/26.

ACHIEVEMENTS

ROADS

Sakhisizwe Local Municipality is predominantly a rural municipality made up of gravel roads, some tarred roads, and a few paved roads, the MIG funded Capital projects are comprised of two categories; multi-year projects and once-off projects. The following roads under these categories were completed in the reporting year:

Category 1: Once off Projects

- Manzana access road
- Askeaton Access road.

Category 2: Multi-year projects

The following projects are still in progress:

- Construction of Cala Sports Facility
- Rehabilitation of Elliot Internal Streets.
- Qokolo to koppetjie Phase 3

Four MDRG projects were completed by end of June 2024/2025 financial year, namely:

- Paving of Masibambane internal street
- Paving of Takalani internal street
- Rehabilitation of Lower Langanci access road
- Rehabilitation of Upper Indwana access road

The following are roll-over projects completed during the year under review:

- Rehabilitation of Jonini, Ngcangcazela and Polar Park access road
- Rehabilitation of Sifonondile culvert and Lahlangubo access road
- Rehabilitation of Zingquthu access road
- Rehabilitation of Luxeni culverts
- Rehabilitation of Lapesini culverts

BRIDGES AND CULVERTS

The municipality, working hand in glove with the Provincial Department of Roads and Transport constructed and completed the following projects:

- Jonini Access Road, Ngcangcazela Crossing and Polar Park internal streets
- Lahlangubo Access Road and Sifonondile Culverts
- Luxeni Culverts
- Zingquthu Access Road
- Ntlanjeni Access Road

ELECTRIFICATION

The INEP funded projects of the following wards have been connected:

Ward 4: Cala Reserve

Ward 6: Polar Park and New City

Ward 7: Chamama, Mdeni, Mboniselo, Mtyatya and Thembeni

The total number of households connected is 146.

EPWP

The programme created 85 temporal employment opportunities with an expenditure of R 1 422 000.00 in the current reporting year.

REFUSE COLLECTION

The refuse collection component of service delivery in the municipality is functional, with refuse collection being collected in four wards (Ward 1, 2, 4 & 5). The municipality auctioned some of its fleet, which included two old refuse collection trucks.

Refuse collection takes place in townships at both towns of Cala and Khowa. In addition to refuse collection, the municipality undertakes cleaning campaigns to combat illegal dumping sites. Both towns are kept clean by also encouraging clean and healthy communities, this is achieved through waste bin distribution to residents. Waste bins are installed in both towns along the main roads to discourage littering.

LOCAL ECONOMIC DEVELOPMENT

The municipality supported 27 beneficiaries in the reporting year with livestock, seedlings, livestock medication as well as gardening tools. Compilation of the draft LED Strategy is still ongoing with guidance from CoGTA. Whilst the strategy is being formulated, service delivery to the Sakhisizwe community is ongoing in an effort to ensure poverty reduction through support to local entrepreneurs with a special focus on agriculture.

HOUSING

NAME OF PROJECT / PROGRAMME	PROGRESS	CHALLENGES
Destitute Programme	10 / 64 housing units have been built	
Destitute 64	7 housing units have been handed over to beneficiaries at Mceula, ward 7. 21 housing units were under construction	The Department of Human Settlements administers late payments to contractors. Building plans approval delay processes
1269 Programme	899 housing units completed at Tsengiwe, Mnxe, Lower Cala and Cala Reserve, ward 6.	N/A.
1393 Programme	45 housing units completed at Mthingwevu, ward 8.	

Sakhisizwe Local Municipality has the following projects in place:

CHALLENGES

Sakhisizwe Local Municipality experienced heavy rainfall in the year under review; roads were damaged, bridges were washed away, and a few households were affected. Climate changes across the globe have had negative effects on infrastructure, as a result; national, provincial, district and local roads were all affected. Other service delivery challenges include:

- Lack of funding
- Insufficient budget for services
- Lack of adherence to SPLUMA and National Building Regulations which leads to contraventions and building of unsound structures
- Neglected buildings of the Department of Public Works and Infrastructure attract criminal activities and are also unsafe for the public
- Bridge infrastructure is a major challenge
- Road's infrastructure
- Storm water drainage infrastructure
- Current funding model by National Treasury is skewed towards the advantaged municipalities
- High crime rate manifesting itself through stock theft and GBV/F
- Low revenue base
- Litigations
- ICT infrastructure leading to poor network coverage and lack data backup systems

NATURAL RESOURCES

The municipality is in possession of the following natural resources which present the municipality with the opportunity to attract investors and aid the improvement of local economic development.

Major Natural Resource	Relevance to Community
Agriculture	The sector comprises of small farming units in crop and livestock farming.
Manufacturing	The sector is an opportunity for the municipality and is yet to be explored optimally pending the completion of the land acquisition process.
SMME development	The sector is functional and it is comprised of the hawker market stall, arts and craft centres and a business information centre. The municipality collaborates with relevant stakeholders in capacity building workshops as well as rendering developmental support to existing SMME's.
Tourism	Tourism in the Sakhisizwe area is rural tourism. This type of tourism involves activities such as community-based tourism, cultural tourism, heritage-based tourism, adventure tourism, guest farms, back packing, horse riding and Agri-tourism.
Mining	Sakhisizwe Local Municipality does not have a formal mining sector, however, there is river sand that the municipality has an opportunity to explore.
Forestry	The focus in this sector is on timber and processing. The municipality has the opportunity to collaborate with relevant stakeholders in developing this sector.

FINANCIAL HEALTH OVERVIEW

The municipality managed its obligations to all third parties which were paid timeously (Eskom, SARS, and Auditor- General). Despite having implemented the Revenue Enhancement Strategy as a remedial action to the challenge of revenue collection, the municipality struggled to collect optimally, however, the municipality has adopted a debt incentive programme as a strategy to reduce its debt book.

The Municipality has developed a Financial Strategy to mitigate against financial pressures which includes:

- 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, reserves, and 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.

The 2024/2025 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 three years. These factors may jeopardise South Africa's prudent macroeconomic and fiscal policies, which include inflation targeting and a flexible exchange rate, as well as 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 when 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. Use of Consultants is also seen as one of the

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.

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.

ORGANISATIONAL DEVELOPMENT OVERVIEW

Sakhisizwe Local Municipality has a total number of 141 employees, comprising of seventy (70) African males; one (1) white male, one (1) coloured male and sixty-nine (69) African females. All Section 56 and 54 positions are filled.

The workforce management within Sakhisizwe local municipality includes but is not limited to:

- 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.

The municipality has an employment equity policy as well as an Employment Equity Plan in place which was adopted by Council in the year under review. When filling vacancies, the Employment Equity policy is implemented to ensure compliance.

SKILLS DEVELOPMENT

The skills development component of the municipality has seen a notable improvement in the reporting year, with a budget allocation of R361 750.00 for skills development as well as the following grant allocations:

- Mandatory grant R60 327,87
- Discretionary grant R792 000.00

The Municipality received the following grants allocations for internships:

LGSETA Discretionary grant	R 792 000.00
Municipal Finance Management grant	R 419 557.80
WIL	R 126 000.00

Employees have been capacitated as follows:

NAME OF QUALIFICATION	NUMBER OF PEOPLE TRAINED	EXPENDITURE
Municipal Finance Management Development Programme	21	R 602 000.00
Higher Certificate in Public Administration and Management	2	R 998 440.00
Grade A Examiner for driving licenses.	1	R 31 946.00

LABOUR TURNOVER

The municipality faces a challenge in retaining its workforce which is a consequence of its rural nature with low revenue collection. As a remedial action, the municipality thus adopted and reviewed its Retention Strategy on 28 May 2025.

MATTERS RELATED TO LABOUR RELATIONS

The municipality has sound relations with organised labour; SAMWU and IMATU. Its Local Labour Forum meetings were held as per council calendar and the municipality is an active member of the District Job Evaluation Committee.

The municipality has one pending disciplinary case, no suspensions, and no dismissal in the year under review.

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	Finalise the 4th quarter Report for previous financial year	
4	Submit draft year 1 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	
16	Council adopts Oversight report	December
17	Oversight report is made public	
18	Oversight report is submitted to relevant provincial councils	
19	Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input	January

CHAPTER 2: GOVERNANCE

INTRODUCTION TO GOVERNANCE

The governance system of Sakhisizwe municipality and its operation is based on the legislative framework of local government, i.e. the 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, operated effectively, and complied with laws, regulations, and policies. However, there were instances of non-compliance which were identified from the compliance checklist register through the assistance of the Audit Committee. The impact of the identified non-compliance was high as it resulted in the municipality being penalised.

These challenges with compliance have inspired the municipal workforce as well as political leadership to develop a concerted attitude on governance, and this has in fact resulted in improved service delivery, financial management and audit opinion. Notwithstanding the above, the municipality is conscious of the fact that there is still room to improve its governance system by ensuring that enduring returns are realized, in the form of a clean administration or unqualified audit opinion without matters.

COMPONENT A: GOVERNANCE STRUCTURES

POLITICAL GOVERNANCE

The mayor of the municipality, Cllr. B. E. Ponoshe assisted by the executive committee, is entrusted with an all-encompassing 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 operations of the municipality assisted by the municipal manager.

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

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

FULL LIST OF SAKHISIZWE MUNICIPALITY COUNCILLORS

NO.	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
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

Note: MFMA S52 (a): The Mayor must provide general political guidance over the fiscal and financial affairs of the municipality:

	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

POLITICAL GOVERNANCE

POLITICAL STRUCTURE



Cllr Boniswa Ponoshe
MAYOR



Cllr Nosive Mkati
COUNCIL SPEAKER



Cllr Mbulelo Mxhonywa
CHIEF WHIP

The Executive Committee is made up of the following political and administrative staff:

- Mayor as the Chairperson
- Portfolio Heads
- Municipal Manager and Directors



Cllr Boniswa Ponoshe
MAYOR
CHAIRPERSON:
EXCO



Cllr Mzwamadoda
Ngqayimbana
PORTFOLIO HEAD:
INFRASTRUCTURE AND REDP
FINANCE AND ADMIN



Cllr Monwabisi Malungisa
PORTFOLIO HEAD:
COMMUNITY SERVICES
AND SOCIAL NEEDS

ADMINISTRATIVE GOVERNANCE

Good governance, as embraced by the municipality, has the following major characteristics; Participatory, Rule of law, Transparency, Responsiveness, Consensus Orientated, Equity and inclusiveness, Effectiveness and efficiency, Accountability, and Sustainability.

These characteristics ensure that corruption is minimized, the views of minorities are considered 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 advance the mission of council effectively, economically, and efficiently:



**Sibongile
Sotshongaye
MUNICIPAL MANAGER**



**Nontsikelelo Nolawu
CHIEF FINANCIAL
OFFICER**



**Fezekile Mphako
DIRECTOR:
CORPORATE SERVICES**



**Mahlubi Phamla
DIRECTOR:
RURAL ECONOMIC
DEVELOPMENT AND
PLANNING**

**Camagwini Mkabile
DIRECTOR:
TECHNICAL SERVICES**

**Pumeza Mngcita
DIRECTOR:
COMMUNITY SERVICES**

COMPONENT B: INTERGOVERNMENTAL RELATIONS

Intergovernmental relations take into consideration structured relationships among various stakeholders involved in the pursuit of a shared vision, service delivery through the collaboration of resources. 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 municipalities and Local municipalities, and all these branches of government share a core objective of servicing the same communities, therefore requiring 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.

Nationally Sakhisizwe municipality is represented by the accounting officer. The Mayor is a member of the Provincial Political MUNIMEC, whereas the municipal manager is a member of the Provincial Technical MUNIMEC.

PROVINCIAL INTERGOVERNMENTAL STRUCTURE

Sakhisizwe is represented in all provincial intergovernmental structures, namely:

- District IDP Representative Forum
- Provincial Munimec
- DIMAFO
- IGR Forum

DISTRICT INTERGOVERNMENTAL STRUCTURES

At a district level all local municipalities under the Chris Hani District Municipality established a District Mayors' Forum (DIMAFO) to engage on issues pertaining to and affecting service delivery within the district. The municipality participates fully in the district cluster meetings.

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

COMMUNICATION, PUBLIC PARTICIPATION AND FORUMS

Sakhisizwe Local Municipality recognises that communities have a right to access information, transparent communication regarding municipal business as well as a responsibility to participate in local government affairs and the decision-making processes of the municipality. Sakhisizwe municipality subscribes to the principles of Batho Pele meaning that those elected to represent communities politically and administratively, must always put peoples' needs first.

The municipality therefore has a legal and political responsibility to ensure regular and effective communication with its communities, as enshrined in the Constitution of the RSA Act 1996 and other statutory enactments. This obligation requires high levels of transparency, accountability, openness, participatory democracy, and direct two-way communication with communities in order to effectively and efficiently translate the wishes of its communities into tangible service delivery.

Sakhisizwe Local Municipality has conducted a range of public meetings in the current year under review led by the office of the mayor and the office of the speaker.

PUBLIC MEETINGS

Nature and purpose of meeting	Date of events	Number of participating Municipal Councillors	Number of participating Municipal Administrators	Number of Community members attending	Manner of feedback given to community
Community Needs Analysis Public Meeting	October 2024	2	2	55	Ward based priorities
		4	3	29	Ward based priorities
		6	2	14	Ward based priorities
		2	2	50	Ward based priorities
		2	3	31	Ward based priorities
		4	4	56	Ward based priorities
		3	2	45	Ward based priorities
		2	3	39	Ward based priorities
The Mayoral Imbizo is a platform for communities to		5	8	92	Mayor to engage with relevant stakeholders in

engage the municipality on service delivery issues.					response to community needs.
		7	8	106	The issue of water scarcity was addressed sighting the Water treatment works that was being refurbished and provision of Jojo tanks has been done.
		2	3	86	Mayor to engage DRDAR in response to community needs.
Ward 1		1	0	8	Dissatisfaction of poor performance of the contractor
Ward 2		2	0	10	High crime rate and issues of service delivery
Ward 3		1		63	Update on electrification of households, installation of temporary shelters and services of alternative energy
Ward 4		1		29	Discuss service delivery issues
Ward 9		1	9	68	Services on wheels and community dialogue

IDP PARTICIPATION AND ALIGNMENT

Sakhisizwe municipality consists of nine (9) wards, and each ward has ward committees who are the first point of contact with communities, they support Ward Councillors charged with a responsibility to be a link between the municipality and communities. Ward committees participate in the development planning process and 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.

The municipality has seen a drastic improvement in attendance and participation in ward committee meetings in the reporting year. The ward committee reporting to the municipality is indicative of an upward trajectory. The Community Development Workers are fully functioning and are attending all municipal meetings and reporting accordingly. Their attendance is monitored through monthly reporting and attendance of municipal engagements.

The municipality has sound relations with citizens as public participation programs are conducted and relations with community organisations are improving through deliberate interactions. The municipality has quarterly Mayoral Imbizo's, and Speakers Public Participation programmes. The Local Communicators Forum and Local Public Participation Forum which serves as a collaborative tool between the municipality and its stakeholders which drive service delivery within the municipality also sits on a quarterly basis.

The Office of the Speaker has conducted the following Public Participation Programmes:

- **The anti-stock theft information day** was held at Manzimahle Community Hall with the main objective raising awareness on stock theft and vigilantism.
 - **The Human Settlements Indaba** was held at Khowa Town Hall with the main objective of conducting an environmental scanning session where the status of RDP housing and occupation was done.
 - **The Electoral Democracy Programme** was aimed at transferring knowledge on the voting process, its impact in communities and why voting is essential for all citizens.
 - **The Access to Civic Services Information Day** was held at Ehlathini Traditional Council with the main objective of bringing services on wheels as well as conducting awareness on stock theft and vigilantism.
-
- **Initiation Awareness Campaigns at all high schools and Traditional Authorities** are a mechanism adopted to curb the scourge of initiate deaths. The Public Participation unit conduct initiation campaigns are tailored for young boys in preparing them for the custom as well as awareness campaigns directed at parents and men who look after the initiates.

Furthermore, the municipality sits quarterly IGR and IDP Rep Forum meetings and is currently driving its IGR functionality without an IGR Strategy, however, as a remedial action, the municipality has delegated internally and is in the process of developing the IGR Terms of Reference. The mayor conducts Mayoral Imbizo's, special programmes and radio interviews. She is visible on social media as a mass media approach to reach a wider pool of audiences whilst councillors sit integral stakeholder meetings and quarterly community ward meetings.

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

COMPONENT D: CORPORATE GOVERNANCE

RISK MANAGEMENT

Section 62 (i) (c) of the MFMA requires a municipality to have and maintain an effective, efficient, and transparent system of risk management. The municipality's strategic risk register consists of 17 Strategic risks that were identified by management during the risk assessment workshop for the 2024/2025 financial year and these risks are monitored at both strategic and operational levels. A new chairperson of the Risk Management Committee was appointed by council in Quarter 4 upon resignation of the previous chairperson.

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 and the Municipal Finance Management Act (MFMA), section 112(1) (m)(i) identifies supply chain measures to be enforced 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 Strategic Action	Date of Implementation	Responsibility
Anti-Fraud and Corruption Risk Assessment	2024/2025 financial year	Office of MM
Development and Implementation of the Anti-corruption and Fraud strategy	2024/2025 financial year	Office of MM

The Anti-Fraud and Corruption Policy has been reviewed and adopted by council on 28 May 2025. The Audit Committee is fully fledged and functional. Reports are produced and submitted to the Council.

SUPPLY CHAIN MANAGEMENT

Sakhisizwe Local Municipality has a Supply Chain Management Policy in place that was adopted on 17 May 2024. 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 fair, transparent, efficient, equitable, competitive, which ensures best value for money for the municipality applies the highest possible ethical standards and promote local economic development.

The municipality has capacitated the supply chain officials in the year under review, to ascertain that SCM officials are kept abreast on regulations and the below listed legislations.

By adopting this policy, the council further pledges itself and municipal administration to the full support of the proudly SA campaign and to the observance of all application national legislation including 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.

BY-LAWS

The office of the Municipal Manager champions and coordinates the development of municipal by-laws, whilst the Community Services and Rural Economic Development and

Planning departments are responsible for the implementation thereof. Strict implementation of by-laws is one of the strategic focal points of the municipality as it is a potential contributor to internal revenue generation. Primarily, strict implementation also ensures that public order is restored in all areas within the municipality. The by-laws were verified by the municipal legal team to test compliance with legal muster, and a budget has been set aside for gazetting in the next financial year.

WEBSITE

The municipal website is fully functional, the IT and Communication personnel collaborate in uploading of compliance documents.

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	YES	04/06/2025
All current budget-related policies	YES	09/06/2025
The previous annual report (Year -1)	YES	14/04/2024
The annual report (Year 0) published/to be published	YES	01/12/2025
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (Year 0) and resulting scorecards	YES	09/12/2025
All service delivery agreements (Year 0)	YES	09/12/2024
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		
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	

PUBLIC SATISFACTION ON MUNICIPAL SERVICES

The municipality has conducted public satisfaction surveys during public meetings and the results indicate an improved perception of the municipality citing the improved visibility of municipal political leaders and administrative leadership in communities as well as the projects running in local communities.

OVERSIGHT COMMITTEES

Functionality of Committees

The Council Committees are still functional and do perform their respective duties as the municipality continues to enjoy its relative political stability.

FUNCTIONALITY OF OVERSIGHT COMMITTEES

Committee	No. of meetings held	Status / Comment
Council	18	Functional
EXCO	14	Functional
Standing Committees	4	Functional
MPAC	4	Functional
Audit Committee	6	Functional
Petitions Committee	4	Functional
DC Board	2	Established in Q2, functional.
Internal Audit	8	Functional (meetings with Audit Committee & Risk Management Committee)
IGR	4	Functional, however, poor attendance by sector departments
Male Customary Initiation	19	Meetings held at Traditional councils and Secondary Schools

SPECIAL PROGRAMMES UNIT

Sakhisizwe Local municipality established all Special Programme structures at the beginning of the current term for a period of five years. All structures are supported through the SPU desk led by the mayor.

SPU STRUCTURES

SPU STRUCTURE	ACTIVE/NOT ACTIVE
WOMEN	ACTIVE
YOUTH	ACTIVE
LOCAL AIDS COUNCIL	ACTIVE
OLDER PERSON'S	ACTIVE
DISABILITY	ACTIVE
MILITARY VETERANS	ACTIVE

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

[PERFORMANCE REPORT PART I.]

COMPONENT A: BASIC SERVICES

FREE BASIC SERVICES

The municipality's indigent support service registration increased due to the data cleansing informed by the Revenue Enhancement Strategy as well as capacitation from EPWP. The municipality utilises its resources in the form of councillors, community development workers, ward committees and the communication office to encourage and disseminate information about indigent registration. Moreover, the municipality

collaborates with Cogta and Eskom in conducting information sharing sessions with communities.

SERVICES DELIVERY BACKLOG

SERVICES	ACCESS	%	BACKLOG	%
WATER	15 805	91	1 550	9
SANITATION	16 085	93	1 270	7
REFUSE REMOVAL	5 874	34	11 481	66
ELECTRICITY	16 798	97	557	3
ROADS	268	24	860	76
SPORTS AND RECREATIONAL FACILITIES	2	22	7	78
COMMUNITY HALL	13	100	0	0
HOUSING	4 165	69	1 835	31

INTRODUCTION TO WATER PROVISION

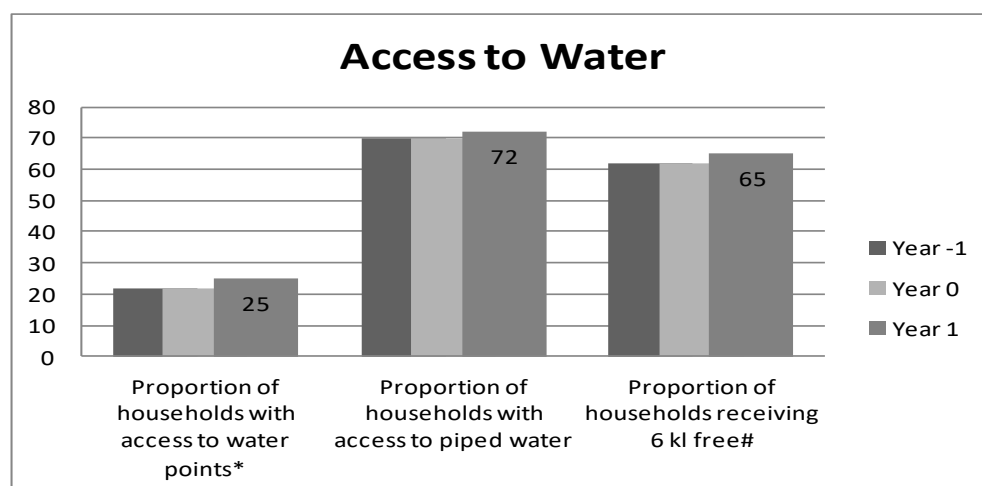
Recent legislation includes the Water Services Act 1997 and the General Enabling Act 2005. The Chris Hani District Municipality assisted the municipality with the refurbishment of the Water Treatment Works at Khowa and compliance with Section 152 of the Constitution which clearly stipulates the mandate of citizens' right to a clean-living environment.

Source of water for household use

Municipality	Source of water for household use	
	2011	2022

	Regional/Local water scheme	Other	Regional/Local water scheme	Other
EC131: Inxuba Yethemba	14 024	4 439	20 659	2 335
EC135: Intsika Yethu	16 324	25 467	13 595	18 632
EC136: Emalahleni	18 139	13 866	21 740	11 031
EC137: Engcobo	10 230	26 984	8 616	15 692
EC138: Sakhisizwe	9 932	6 083	12 906	4 450
EC139: Enoch Mgijima	55 974	12 381	77 657	19 135
Chris Hani	124 622	89 220	155 172	71 273

Source: Statistics South Africa, Census 2022



The graph demonstrates that access to 25 liters of potable water per day is supplied within 200m of a household and with a minimum flow of 10 liters per minute. 6 000 liters of potable water is supplied per formal connection per month.

Sakhisizwe projects implemented under 2024/25 Financial Year

No.	Project name	Funding	Project Scope	Budget	Status
1	Refurbishment Elliot Water Treatment Works (WTW)	WSIG	Refurbishment of process units at WTW	R15,000,000.00	Under construction
2	Refurbishment Old Elliot Waste Water Treatment Works (WWTW)	WSIG	Refurbishment of process units at WWTW	R 5,350,000.00	Procurement
3	Upgrade of Cala WWTW upgrade	MIG	Upgrade of process units	R 8,750,000.00	Project On-hold (legal)
4	Rural Sanitation	MIG	VIP toilets for Maxongoeshoek, Mhlwazi, eKuphuleni, Qhiba, Manzimdaka, Upper Mnxe, Lower Lufutha, Nyalasa	R 5,000,000.00	Complete
5	Tsengiwe/Bhodwana WS Reconstruct River Crossing	MDRG	Reconstruct River Crossing	R 954,490.00	Under construction
6	Manzimdaka WS Reconstruct River Crossing	MDRG	Reconstruct River Crossing	R 396,498.00	Under construction
7	Rollwest WS Reconstruct River Crossing	MDRG	Reconstruct River Crossing	R 296,414.80	Under construction
8	Mbodlana WS Reconstruct River Crossing	MDRG	Reconstruct River Crossing	R 256,996.03	Under construction
9	Mdletyana WS Reconstruct River Crossing	MDRG	Reconstruct River Crossing	R 391,358.36	Under construction

SANITATION PROVISION

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

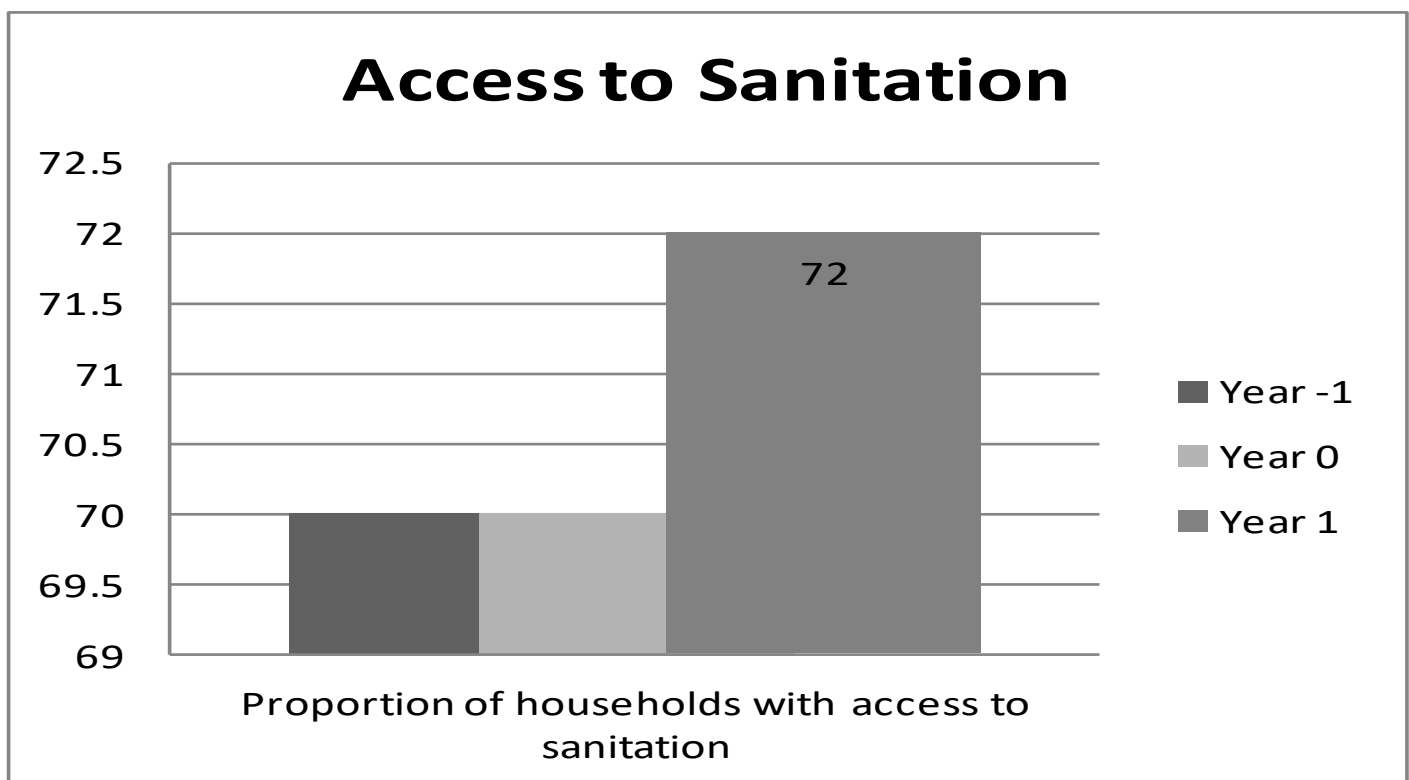
Local Municipality	Flush toilet	Ventilation Improved (VIP) Pit	Pit toilet	No toilet	Total Backlog
Sakhisizwe	5890	5760	3070	2720	17440

Source Chris Hani District Municipality IDP 2024/2025

Sanitation Service delivery levels: Toilet facilities

Municipality	Toilet facilities					
	2011			2022		
	Flush toilet	Other	None	Flush toilet	Other	None
EC131: Inxuba Yethemba	16 629	909	926	21 907	584	503
EC135: Intsika Yethu	1 298	24 886	15 607	10 279	19 844	2 103
EC136: Emalahleni	4 191	17 650	10 163	12 645	16 066	4 060
EC137: Engcobo	1 730	19 280	16 204	6 964	14 882	2 461
EC138: Sakhisizwe	3 786	9 694	2 535	7 801	8 508	1 046
EC139: Enoch Mgijima	42 270	21 019	5 065	69 866	24 901	2 024
Chris Hani	69 903	93 439	50 500	129 463	84 786	12 197

Source: Statistics South Africa, Census 2022



ELECTRIFICATION

The INEP funded projects of the following wards have been connected:

Ward 4: Cala Reserve

Ward 6: Polar Park and New City

Ward 7: Chamama, Mdeni, Mboniselo, Mtyatya and Thembeni

The total number of households connected is 146 connections.

Electricity Service Delivery Levels Households				
Description	Year -2	Year -1	Year 0	Year 1
	Actual No.	Actual No.	Actual No.	Actual No.
Energy: (below minimum level)	0	0	100	0
Electricity (at least min. service level)	331	851	534	212
Electricity – prepaid (min. service level)	331	851	534	212
Minimum Service Level and above sub-total	331	851	534	212
Planned Connections	331	874	958	462
Minimum Service Level and above percentage		97.3%	54.2%	46%
Total number of households achieved	0	851	534	212

The table above demonstrates the number of households that have been electrified in the speculated years. All connections are prepaid split meter technology. 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 categorizes households in a region according to their access to electricity (electrical connection).

Employees: Electricity Services					
Job Level	Year 0	Year 1			
	Employee No.	Posts No.	Employee No.	Vacancies (Fulltime equivalents)	Vacancies (as a % of total posts)
0-3	6	6	3	3	50%
9-10	1	1	1	0	100%
11-12	1	1	1	0	100%

EPWP

Sakhisizwe benefited 85 employment opportunities from the EPWP programme with a budget allocation of R1 422 000.00

WASTE MANAGEMENT

The municipality is implementing its IWMP. The refuse collection component of service delivery in the municipality is functional, with refuse collection being done in four wards (Ward 1, 2, 4 & 5).

HOUSING

Sakhisizwe Local Municipality has a total of 17 355 households; Formal dwelling: 14441, Traditional dwelling: 2513, Informal dwelling: 361, Other: 40. The municipality has seen an increase in housing development.

Name of municipality	Type of main dwelling							
	2011				2022			
	Formal dwelling	Traditional dwelling	Informal dwelling	Other	Formal dwelling	Traditional dwelling	Informal dwelling	Other
EC131: Inxuba Yethemba	17 902	67	381	113	22 712	92	165	25
EC135: Intsika Yethu	14 086	27 049	426	230	20 420	11 633	98	77
EC136: Emalahleni	17 855	13 887	157	106	27 344	5 224	146	58
EC137: Engcobo	11 436	24 687	641	450	16 300	7 784	157	66
EC138: Sakhisizwe	10 335	4 753	786	142	14 441	2 513	361	40
EC139: Enoch Mgijima	59 927	6 091	2 021	315	92 928	1 945	1 662	256
Chris Hani	131 541	76 533	4 412	1 357	194 145	29 190	2 589	522

The municipality facilitates the application process with regards to disaster and destitute families to ensure that they are provided with temporal shelter by the regional and provincial department of Human Settlements.

The municipality applied for 121 emergency housing structures at the Department of Human Settlements and the collaboration was able to provide 43 emergency housing structures across five wards. There is a backlog of RDP houses that are incomplete by the Department of Human Settlement which are at risk of being vandalised.

The municipality has provided housing to both rural and urban wards. In the municipality's rural wards, ward 6 and ward 9 have the highest number of RDP houses and in the urban areas ward 2, 4, 5, and 9 have the highest number of RDP houses. The municipality is facing a backlog of housing provision across all wards with ward 7 being the most impacted.

CHALLENGES

The RDP housing units fall prey to vandalism before they are handed over for occupation due to delays in the hand over process of houses to their rightful beneficiaries. Also there are reports of poor workmanship caused by a lack of monitoring and evaluation which results to poor quality housing.

Free Basic Services to Low Income Households				
	Number of households			
		Households earning less than R4400.00 per month		
		Free Basic Electricity		Free Basic Refuse
		Access		Access
Year -1	Total	3608		1133
Year 0	Total	3672		1505

Financial Performance Year 1: Cost to Municipality of Free Basic Services Delivered					
Services Delivered	Year 0	Year 1			
	Actual	Budget	Adjustment Budget	Actual	Variance to Budget
Electricity	1 370 516.44	1 800 000.00		1 677 432.70	122 567.30
Refuse	336 511.80	500 000.00		566 567.58	-66 567.58
TOTAL	1 707 028.24	2 300 000.00		2 244 000.28	55 999.72

COMPONENT B: ROADS

This component includes roads; transport; and wastewater (storm water drainage).

INTRODUCTION

Sakhisizwe Local Municipality has 777.23km of road infrastructure with 667.23 km being gravel roads and 110 km of which are paved. The municipality's strategy in improving road infrastructure includes the upgrading of gravel roads to paved roads in urban areas and townships, focusing on the main access roads. The Municipality has taken steps to maintain all its gravel roads as they form most of its road network.

The Municipality currently faces challenges of not having an operational yellow fleet due to unavailability of budget towards the maintenance and repair of the existing machinery. The Municipality also has experienced flood damages which deteriorated approximately 95% of its gravel road network and there has been a backlog in maintenance. As a remedial action, the municipality has received assistance in the form of yellow fleet machinery through the coordinated assistance from the Eastern Cape Department of Transport to assist the maintenance of the road networks. Also, through the implementation of the MIG, the Municipality has maintained most of its roads within their suburban and peri-urban areas.

Gravel Road Infrastructure				
	Kilometers			
	Total gravel roads	New gravel roads constructed	Gravel roads upgraded to tar/paved	Gravel roads graded/maintained
Year -1	N/A	N/A	N/A	N/A

Tarred Road Infrastructure					
Kilometres					
	Total tarred roads	New roads tar	Existing roads re-tarred	Existing roads tar sheeted	Tar roads maintained
Year -2	100	0	0	0	0
Year -1	100	0	0	0	0
Year 0	110	0	0	0	60

Ward	Name of Projects	Amount allocated	km
MUNICIPAL INFRASTRUCTURE GRANT			
1	Paving of Elliot residential streets	R7 000 000.00	1
4 & 5	Paving of Qokolo Koppitjie Access Road Phase 3	R3 670 350.00	1
6	Construction of Manzana Access Road	R4 732 000.00	3.34
8	Construction of Askeaton to Panetjiep	R4 944 000.00	1.5
MUNICIPAL DISASTER RECOVERY GRANT			
2	Paving of Masibambane Access Road	R 7 115 000.00	0.9
5	Paving of Ndondo Square Internal streets	R 10 000 000.00	1
1	Paving of Takalani Access Road	R 7 500 000.00	0.9
9	Rehabilitation of Lower Langanci Access Road	R 6 400 000.00	4.5
7	Rehabilitation of Upper Indwana Access Road	R 4 500 000.00	5

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

Financial Performance Year 0: Road Services					
R'000					
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	0.00	0.00	0.00	0.00	0.00
Expenditure:	0.00				
Employees					
Repairs and Maintenance	0.00	807 518,00	0.00	807 158,00	0.00
Other	0.00	0.00	0.00		
Total Operational Expenditure	0.00				
Net Operational Expenditure	0.00				

Storm water Infrastructure				
Kilometers				
	Storm water measures	New storm water measures	Storm water measures upgraded	Storm water measures maintained
Year -1	0	1.4	0	0
Year 0	0	1.358	0	0
Ani	0	0	0	0

Cost of Construction/ Maintenance			
R' 000			
Storm water Measures			
	New	upgraded	maintained
Year -1	987 901.90	0	0
Year 0	464 895.00	0	0
Year 1	0	0	0

COMPONENT C: PLANNING AND DEVELOPMENT

PLANNING

Sakhisizwe Local Municipality's service delivery priorities are:

- Township establishment.
- Micro, small, medium enterprise to development.
- Job creation through Community Works Programme.
- Promote Tourism Sector and Heritage.
- Development of LED Strategy.

Financial Performance Year 1: Planning Services					
Details	Year 0	Year 1			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	0	0	0	0	0
Expenditure	0	0	0	0	0
Employee	0	0	0	0	0
Repairs and Maintenance	0	0	0	0	0
Other	0	0	0	0	0
Total Operational Expenditure					
Net Operational Expenditure					

Applications for Land Use Development								
Detail	Formalisation of Townships		Rezoning and subdivision		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	4	1	3	1	13	12
Determination made in year of receipt	0	0	0	0	0	0	6	1
Determination made in following year	0	0	0	0	0	0	7	11

Applications withdrawn	0	0	0	0	0	0	0	0
Applications outstanding at year end	0	0	4	1	3	1	07	11

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	9	0	08	0	08	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	0	0	0	0
Applications outstanding at year end	9	0	08	08	07	07

Planning Policy Objectives Taken From IDP									
Service Objectives Service Indicators	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
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
Service Objective: NONE IDENTIFIED									
Determine planning application within a reasonable timescale	Approval or rejection of all build environment applications within 6 weeks	Determination within x weeks	Determination within x weeks	Determination within 12 weeks	Determination within 12 weeks	Determination within x weeks	Determination within 11 weeks	Determination 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
Township establishment	2	2	0	0	2	0	0	0	2
Rezoning	3	0	0	0	3	0	0	0	3
Consent	2	0	0	0	2	0	0	0	2
Subdivisions	1	0	0	0	1	0	0	0	1
Consolidation	1	0	0	0	1	0	0	0	1
Building Plan	0	0	0	0	0	0	0	0	0

The Municipal Planning Services is composed of four units, which are: Integrated Development Planning (IDP) unit, Town Planning unit, Building Services and the Housing unit. All unit:

- REDP Director
- LED Manager
- IDP Officer
- Building Control Officer
- Town Planner
- LED Officer
- Two Housing Clerks

TOURISM

- Sakhisizwe Local Municipality implemented a range of tourism programmes during the 2024/2025 financial year as part of its Local Economic Development agenda.
- Key initiatives included the hosting of the Heritage Day Celebration, as well as horse racing events and flea market activities, which attracted community participation and supported local SMMEs and informal traders. These initiatives contributed to the promotion of cultural tourism and stimulated local economic activity.
- The Municipality also developed a tourism booklet aimed at profiling and marketing local tourism attractions, cultural heritage, and investment opportunities within Sakhisizwe.
- In addition, support was provided to emerging tourism enterprises, and potential tourism sites were identified for future development. Tourism initiatives were further integrated into broader LED programmes and strengthened through stakeholder engagement with communities and traditional leadership.
- While progress has been made, challenges such as limited tourism infrastructure, budget constraints, and capacity limitations continue to affect sector growth.
- The Municipality remains committed to strengthening tourism development to unlock its full economic potential.

Financial Performance Year 0: Planning Services					
R'000					
Details	Year - 1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
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%
<i>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.</i>					

Operational Expenditure Year 0: Planning Services					
R' 000					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	R1 000 000	R462 000	378	31%	
Renovation of Municipal Buildings	R200 000	R262 00		22%	280
Township layout plan for Cala	R350 000	R50 000	R0.00		
Township layout plan for Khowa	R350 000	R50 000	R0.00	11%	150
Review & adoption of 2024/2025 IDP	R100 000	R100 000			
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.</i>					

UNEMPLOYMENT

The municipality continues to strive and forge forward with temporal employment opportunities, as the 2024/2025 Financial year kicked off, the municipality created 106 temporal employment opportunities through its paving and waste management projects. 85 beneficiaries have benefited from EPWP.

LOCAL ECONOMIC DEVELOPMENT (LED)

The Local Economic Development department identified 27 beneficiaries who were supported with piglets, feed, medication, agricultural inputs and equipment with a budget of R 253 842.00

NAME OF PROJECT	TYPE OF SUPPORT	NUMBER OF BENEFICIARIES	EXPENDITURE
1. Supply of piglets, medication and feed	45 x Piglets 27 x Piglet starter 36 x Pig growth 18 x Piglets finisher 18 x 100ml Wound spray 9 x Hi-Tet Gold	9	R 103 842.00
2. Supply of Agricultural inputs and equipment	36 000 x Spinach seedlings 27 000 x Cabbage seedlings 9 x Watering cans 9 x Spades	9	R 120 000.00
3. Supply of chicks and feed	9000 x Broiler chicks	9	R30 000

Job Created during Year 1 by LED Initiatives (Excluding EPWP Projects)				
Total Jobs created/Top 3 initiatives	Job created	Job lost/displaced by other initiatives No.	Net total jobs created in year	Method of validating job created/lost
CWP	1100	0	1100	Employee list from COGTA

JOB CREATION THROUGH EPWP PROJECTS

Details	EPWP Projects No.	Jobs created through EPWP projects No.
Year-1	3	85
Year 0	4	86
Year 1	4	266

Employee: Local Economic Development Services					
Job Level	Year 0	Year 1			
	Employee no.	Posts no.	Employee no.	Vacancies (Full time equivalents) no.	Vacancies (as a % of total posts) %
0-3	0	0	0	0	0
4-6	0	0	0	0	0
7-9	0	0	0	0	0
10-12	1	0	0	0	0
13-15	1	0	0	0	0
16-18	0	0	0	0	0
19-20	0	0	0	0	0
Total	2	0	0	0	0

Financial Performance Year 1: Human Resources Services					
Details	Year 0	Year 1			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	83532	60000	416622	249000	59.76640696
Expenditure;	324298	936616	1076018	360038	33.46022093
Total Operational Expenditure	324298	936616	1076018	360038	33.46022093
Net Operational Surplus /- Deficit	-240766	-876616	-659396	-111038	16.83934995
Net expenditure to be consistent in summary. Variance are calculated by dividing the difference between actual and original budget by actual					

COMPONENT D: COMMUNITY & SOCIAL SERVICES

This component includes libraries and archives, community halls, cemeteries, child-care, aged care, and social programmes.

LIBRARIES

Sakhisizwe Local Municipality has three libraries, Cala, Khowa and Askeaton Libraries. All libraries have qualified librarians appointed by DSRAC and one appointed by SLM. Wi-Fi has been installed in all libraries to ensure connection to internet for the library users. The libraries are funded by DSRAC. Educational Programmes during Educational Week are conducted regularly. The libraries are assisting the scholars around in accessing resources needed even though there are limited resources due to not enough grant received to run programs for the three libraries to encourage learning and education.

COMMUNITY HALLS

Sakhisizwe Local Municipality has a total number of 9 wards. All wards previously had community halls, however, due to demarcation processes ward 6 was left without a community hall. In the financial year under review no community halls have been

renovated due to budget constraints. In year under review the maintenance and renovation of community halls are being placed under IPED Department.

There is a total of 11 community halls with ward 4 and ward 1 having one additional community hall each. The intention is to maximise public participation as these ward-based community halls accommodate the ward councillor and secretary of the ward committee. Ward based community halls have no dedicated employees to serve as caretakers. The wards that are based in the townships have security guards guarding them whereas the rural wards have the EPWP and CWP guarding them through the Ward Councillor.

CEMETERIES

There are 6 cemeteries in total at Sakhisizwe Local Municipality, 3 at Cala town and 3 at Khowa town. Currently these are not managed properly due to shortage of staff and electronic system for recording on those fenced cemeteries. In rural areas they still utilise household gardens for burial purposes and such an approach has negative environmental impacts. The municipality has managed to fence Cala Cemetery, unfortunately, immediately after completion the fence was vandalised by communities.

CHILD-CARE, AGED CARE AND SOCIAL PROGRAMMES

Social care services are provided through the Department of Social Development with the assistance of Councillors and ward committee members. The Department of Community Services works in collaboration with other stakeholders in attending to childcare, aged care, and social programmes.

COMPONENT E: ENVIRONMENTAL PROTECTION

POLLUTION CONTROL

Pollution is managed through our solid waste management plan with Air Quality Management being a function of the Chris Hani District Municipality. Sakhisizwe LM has submitted the IWMP for endorsement to the Department of Economic Development Environmental Affairs and Tourism for effective environmental Protection. Environmental Awareness Campaigns are conducted with the assistance of Chris Hani District Municipality and the Waste Management Clean-up Awareness Campaigns are conducted every quarter in collaboration with ward councillors and communities.

COMPONENT F: HEALTH

Sakhisizwe has a total of 14 clinics servicing its communities which are run and managed by the Provincial Department of Health.

AMBULANCE SERVICES

Ambulance services are available within Sakhisizwe LM and are managed by the Provincial Emergency Medical Services (EMS). The ambulance service cannot meet the

demand of Sakhisizwe LM due to the low number of ambulances available for both Cala and Khowa Town.

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 the period under review, no food samples were collected for analysis. However, health and hygiene awareness campaigns through health inspections at day-care centres, restaurants and catering companies were conducted on a continuous basis, and training programmes were conducted in the affected food premises to deal with health problems by amplifying awareness and 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.

HEALTH SURVEILLANCE OF PREMISES

The health surveillance of premises is done through the 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. The following table demonstrates the premises surveillance during this financial year in line with the standards as set out in the prescripts of law:

Type of the premises inspected	Number	Town	Status Core
Preschools	11	Khowa	Not complying
Schools	3	Khowa	1 complying 2 did not comply
Magistrate	1	Khowa	Not complying
Old age/Service centre	2	Khowa	Did not comply
Special need centre	1	Khowa	Did not comply

COMPONENT G: SAFETY AND SECURITY

TRAFFIC LAW ENFORCEMENT

The SLM Traffic Department has three sections which have their respective service level agreements with the Department of Transport that are operational in terms of revenue collection: Driving Licence Testing Centre (DLTC), Registration Authority (RA) and Vehicle Testing Station (VTS). The Traffic Department is the main revenue generation stream of the municipality.

The municipality created 8 job opportunities of traffic wardens funded by EPWP for a period of 12 months.

COMMUNITY SAFETY FORUM

The municipality has established a Community Safety Forum Committee which is comprised of sector departments and municipal stakeholders (NGO's, NPO's, and CBO's) and Chris Hani District Municipality.

INITIATION

The municipality has established a vigorous initiation forum. At the beginning of the current term, the municipality experienced the tragedy of the death of two initiates, as a result, the municipality has been dedicated to ensuring the safety of all initiates through the initiation forum. The municipality has since set aside funding to ensure that the Initiation Forum team is able to be visible in all initiation schools to bring the children home alive and healthy. The municipality has further progressively taken strides in ensuring and encouraging the participation and involvement of women.

FIRE SERVICES

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

- Fire prevention and fire safety inspections: A total of 30 inspections were completed during 2024/2025.
- Fire awareness programmes: a total of 36 awareness campaigns were conducted during 2024/2025.
- Incidents: 15
- Basic training: 04

Sakhisizwe LM has appointed 2 fire fighters through EPWP.

DISASTER MANAGEMENT, ANIMAL CONTROL, CONTROL OF PUBLIC NUISANCES AND OTHER

The Sakhisizwe Local Municipality area is vulnerable to disasters, and the municipality has a small budget allocation for disaster relief. During the year under review Sakhisizwe LM established its Joint Operational Committee (JOC) for disasters, with Chris Hani District Municipality placing one Disaster Management Officer and one Field Worker at Sakhisizwe on a permanent basis. The municipality fully participates in the District and Provincial Disaster Forum.

ANIMAL CONTROL

The Cala animal pound was officially handed over in the year under review. The Khowa animal pound is under construction.

PUBLIC NUISANCE

The public nuisance by-law has been reviewed and is ready for public consultation, however, it is still in a process of gazetting.

COMPONENT H: SPORTS & RECREATION

SPORT AND RECREATION

There are three parks at Khowa which require rehabilitation and one park at Cala needing ablution facilities.

Sakhisizwe LM has three lawn sports fields that are maintained through a grass cutting programme. Ground sports fields are graded upon community requests.

Financial Performance Year 1: SPORTS & RECREATION				
	Year 0	Year 1		
Task Grade	Employees	Posts	Vacancies (full-time equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0-3	0	0	0	0
4-6	0	0	0	0
7-9	0	0	0	0
10-12	0	0	0	0
13-15	0	0	0	0
16-18	0	0	0	0
19-20	0	0	0	0
	0	0	0	0
TOTAL	0	0	0	0

Financial Performance Year 1: Libraries, Halls and Parks						
	Year 0	Year 1				
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget	
Total Operational Revenue / Grant		220 531 456	48 864 951	258 875 673	(10 520 734)	
Expenditure:						
Employees		(50 442 970)	(5 530 658)	(52 657 296)	3 316 332	
Repairs and Maintenance		(28 111 650)	(1 425 935)	19 331 989	10 205 596	
Other						
Total Operational Expenditure		(145 471 522)	(5 494 251)	(172 842 437)	(21 876 664)	

Net Operational Expenditure						
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COMPONENT I: CORPORATE POLICY OFFICES AND OTHER SERVICES

EXECUTIVE AND COUNCIL

The primary role of the municipal council is that of political oversight of the municipality's function, programmes, and the management of the administration. All the powers of local government are vested in the municipal council. It has the power to make by-laws (legislative authority) and powers to put into effect. 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 municipal council makes decisions concerning the exercise of all the functions of the municipality.

Functions which may not be delegated by the Municipal Council include the passing of by-laws, the approval of budgets, the imposition of rates and other taxes, levies and duties and the raising of loans. Before the municipal council takes a decision on any of the following matters, it must first require its executive committee or mayor to submit a report and recommendation on the matter; any of the matters listed above, the approval of an integrated development plan for the municipality and any amendment to that plan and the appointment and conditions of service of the municipal manager and a head of a department of the municipality.

Section 79 committee are in place in terms of section 79 of the Local Government: Municipal Structures Act, a municipal council may establish one or more committees necessary for the effective and efficient performance of any of its functions.

Employees: The Executive and Council					
Job Level	Year 0	Year 1			
	Employee No.	Posts No.	Employee No.	Vacancies (Fulltime Equivalents No.	Vacancies (as a % of total posts)
Executive	4	4	4	0	0
Speaker	1	1	1	0	0
Council	12	12	12	0	0

FINANCIAL SERVICES

Year 0 Workings (i.e, 2023-2024 FY)

Payments Received Per the Billing Reports							
Source	Type	#Main	ServiceDesc	Sum of Total	% Portion	Billed per the AFS	Proportion of accounts billed that were collected %
Billing Data Extract by Vote Report	Payments	Electricity	Electricity Basic	422 422,10	5,76%	1 046,32 257	33,60%
			Electricity Metered	6 907 175,46	94,24%	10 063,41 053	68,71%
				7 329 597,56	100,00 %	11 109,73 310	64,81%
Billing Data Extract by Vote Report	Payments	Property Rates	Property Rates	3 830 483,55	100,00 %	7 699 237,02	49,75%
Billing Data Extract by Vote Report	Payments	Waste Disposal	Waste Disposal	735 997,24	100,00 %	5 591,66 389	13,66%
				11 896 078,35		24 938,41 398	48,76%
Comment							
These figures only relate to the amounts billed and payments received and allocated to customer accounts during the 2023/2024 Financial Year							
They do not consider the opening balances for the respective years,							

Year 1 Workings (i.e, 2024-2025 FY)

Payments Received Per the Billing Reports								
Source	Type	#Main	ServiceDesc	Sum of Total	% Portion	Billed per the AFS	Proportion of accounts value billed that were collected %	
Billing Data Extract by Vote Report	Payments	Electricity	Electricity Basic	R 507 457.65	4.08 %	R 1 185 460.37	42.81%	
			Electricity Metered	R 11 942 356.91	95.92 %	R 12 392 952.52	96.36%	
				R 12 449 814.56	100 %	R 13 578 412.89	91.69%	
Billing Data Extract by Vote Report	Payments	Property Rates	Property Rates	R 2 632 031.62	100 %	R 10 038 549.15	26.22%	
Billing Data Extract by Vote Report	Payments	Waste Disposal	Waste Disposal	R 994 516.00	100 %	R 9 828 274.82	10.12%	

Comment

These figures only relate to the amounts billed and payments received and allocated to customer accounts during the 2024/2025 Financial Year

They do not consider the opening balances for the respective years:

- For Electricity the municipality has seen an increase in billing and collection for 2024/25 due to increased tariff and collection efforts compared to 2023/24.
- For property rates and waste removal there has been a decrease due to implementation of Valuation Roll year 1 in 2024/25 as the previous General Valuation Roll was ending in 2023/24.

Financial Performance Year 1: Human Resources Services

Details	Year 0	Year 1			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	83532	60000	416622	249000	59.76640696
Expenditure;	324298	936616	1076018	360038	33.46022093
Total Operational Expenditure	324298	936616	1076018	360038	33.46022093
Net Operational Surplus /- Deficit	-240766	-876616	-659396	-111038	16.83934995
Net expenditure to be consistent in summary. Variance are calculated by dividing the difference between actual and original budget by actual					

INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

Sakhisizwe Local Municipality has been experiencing IT challenges, however upon the appointment of an IT Technician there have been remedial actions developed such as diagnosing the major issues and mapping solutions thereof to achieve a well-functioning ICT Department. These remedial actions also include the following action issues:

- Backup and Replication
- Installation of PoE switches and Access points
- Website Development

Official Emails

In the current year under review, institutional emails are inactive due to the damage incurred by the exchange server. The issue is being attended to and the emails are to be functional in the next financial year.

Microsoft licensing

The municipality is experiencing challenges with licensing and is consulting with stakeholders to collaborate and rectify the problem.

Data Backup

There is currently no backup solution in place for servers nor the workstations which poses a significant risk to the municipality; however, the process has begun to remedy the issue.

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

PROPERTY, LEGAL, RISK MANAGEMENT AND PROCUREMENT SERVICES

Sakhisizwe Local Municipality outsourced a panel of 12 legal firms following the influx of several cases that are caused by non-adherence to the legislative framework, these 12 legal firms are to assist the municipality defend itself and resolve these cases in an amicable manner that would favour the municipality.

The municipality mostly lost cases as payments were to be incurred as settlement agreements. Most of the cases appearing on the litigations register are old with some being finalised, whilst a few are active and pending resolution.

ORGANISATIONAL PERFORMANCE AS REPRESENTED BY DEPARTMENTS

Section 39 of the Municipal Systems Act 32 of 2000 requires municipalities to manage the development of the municipality's Performance Management System (PMS), assign responsibilities in this regard to the Municipal Manager and submit the proposed system to the Municipal Council for adoption. This has been achieved with adoption of the 2023-2024 Organizational Performance Management System and the scorecard for monitoring and review of performance. The municipality has an adopted PMS for the 2024/2025 financial year on 17 May 2024. All senior managers have signed performance agreements for the 2024/2025 FY. The municipality is in the process of cascading the PMS to the staff below Section 56 managers.

It is important to understand that the performance reporting is based on an approved 2024/2025 Institutional Service Delivery and Budget Implementation Plan (SDBIP). It is worth stating that on a quarterly basis all municipal departments submit their quarterly reports projecting and claiming their performance achievements, submitting their quarterly portfolio of evidence, These PoEs are used to develop the quarterly performance reports. This annual report is based on four quarterly performance reports which were submitted to Council for approval.

At a strategic level, the five-year IDP of a municipality forms the basis for performance management, whilst at operational level the annual SDBIP becomes the basis. The IDP is a long-term plan and by its nature the performance measures associated with it will have a long-term focus, measuring whether the municipality is achieving its IDP objectives. The measures set for the Municipality at institutional level are captured in the institutional scorecard (Service Delivery and Budget Implementation Plan) structured in terms of the preferred performance management model of the Sakhisizwe Local Municipality, the Key Performance Area Model. The measures at operational level are to be captured in the operational plans of the various departments in the Municipality, thereby giving rise to a departmental scorecard.

Sakhisizwe Local Municipality comprises the following departments:

- Office of the Municipal Manager.
- Corporate Service.
- Community Services.
- Technical Services.

- Budget and Treasury Office.
- Rural Economic Development and Planning.

To realize our chosen vision, the municipality commits to achieving the following broad strategic development outcomes:

- Sustainable service delivery & economic growth.
- Poverty eradication and job creation.
- Clean corruption-free governance, characterized by high performance culture.
- Functional developmental LG – good governance systems and public participation; and Incremental capacity building and political maturity

2. Policy and Legislative Prescripts

The Performance Management, Monitoring, Evaluation and Reporting Framework is guided and benchmarked against, among others the following legal and policy documents:

- **White paper on Local Government, 1998**
 - PMS is required to measure the state of municipalities and Local Government sector regarding service delivery.
- **Municipal Systems Act, 32 of 2000**
 - Establishment of a performance management system (PMS) for municipalities and the executive committee must manage the development of PMS, the establishment of mechanisms to monitor and report on the system.
- **Policy Framework for the Government-Wide Monitoring and Evaluation System (2005)**

Government institutions to adopt a monitoring and evaluation (M&E) strategy that outlines how the M&E findings inform planning, budget formulation, execution, and annual reporting.
- **Framework for Managing Programme Performance Information (2007)**
 - Focuses the attention of the public and oversight bodies on whether public institutions are delivering value for money by comparing actual performance plans against budgets and service delivery plans.
- **National evaluation policy Framework (2011):** Provides the basis for a minimum system of evaluation across government.
- **Public Audit Act (2004)**
 - Requires the report of the Auditor-General on the audit of a public institution to reflect at least an opinion or conclusion on the reported performance information relating to the audited programmes against predetermined objectives.
- **Municipal Finance Management Act (1999)**
 - Emphasises the efficient, effective, and prudent management of the state resources.
- **Monitoring, Evaluation and Reporting (MER) Guidelines applicable from 2015/16**
 - provides monitoring, evaluation and reporting guidelines of non-financial performance management information.
- **Municipal Performance Regulations, 2001**
 - Performance Audit Committee must regularly audit the PMS through the Internal audit function.
- **Division of Revenue Act:** To provide for the equitable division of revenue raised nationally among the national, provincial, and local spheres of government.

4. Institutional Performance Management Process Overview

The municipality has continued to maintain the effective operation of the following mechanisms:

- The 2022-2027 IDP included strategic objectives, strategies, and key performance indicators (KPIs) as required by the Municipal Systems Act, 32 of 2000.
- The 2024/2025 budget for implementation of the IDP was approved within the prescribed timelines prescribed in the Municipal Finance Management Act, 56 of 2003.

After approval of the budget, the SDBIP was developed to integrate the IDP and the budget and to ensure effective implementation of the institutional strategies. The development of the SDBIP was informed by following planning and reporting cycle in the quest to create a balance between integrated planning, reporting and accountability.

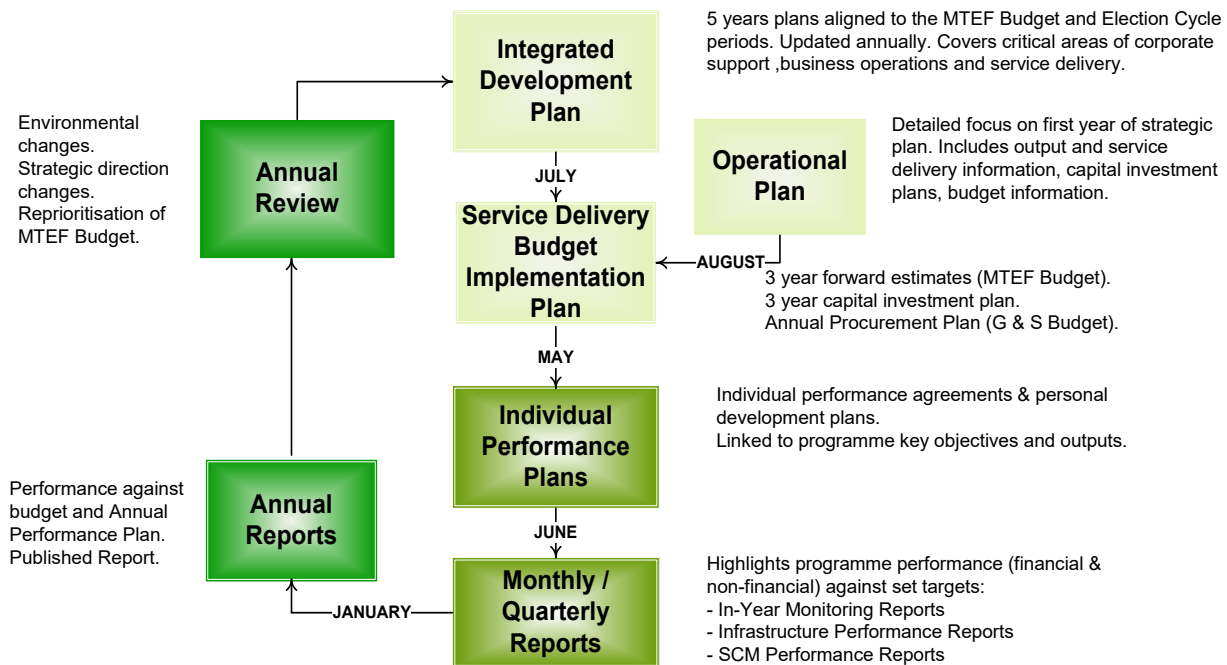


Figure 1: Planning & Reporting Cycle

5. Challenges Faced by the Municipality

The following challenges were encountered in the period under review:

- Non-implementation of funded programmes by departments.
- The working environment not being conducive enough for the free flow of administrative processes.
- Lack of SMART-ness of the KPIs and targets causing ambiguity in terms of the nature of evidence to be collected.
- Severe regression by departments in terms of collation of POEs
- Lack of thorough understanding of the PMS concept in the local government context at levels below section 56.

6. Strategies to Overcome the Challenges and Areas of Underperformance

- There is a need for improvement of data sources which generate the POEs to ensure credible reporting of performance information.
- Cascading of the Performance Management System to all municipal employees
- Departments to report to Council standing committees on the implementation of the SDBIP.
- Introduction of an automated PMS tool to enhance credible and more accountable reporting; and
- Continuous development and work shopping of a PMS Manual for Councillors and employees.

7. Changes to Planned Projects (Midterm Adjustments)

Section 72 (1)(a)(ii) of the MFMA states that an accounting officer of a municipality, must by 25 January of each year, assess the municipality's service delivery performance during the first half of the financial year, and the service delivery targets, and performance indicators set in the SDBIP.

In preparation for the mid-year review of performance, management prepared quarterly reports, measured, and analysed performance for the first six months of 2023-2024 financial year. During the review management assessed performance for the first and second quarter and anticipated the last six months of the 2023-2024 financial year incognisance of the feasibility to implement certain programmes based on priority and budget availability.

This process culminated in a **mid-year performance report** which highlighted achievements, non-achievements with reasons for non-achievement and corrective measures. Suggested amendments were duly approved by all requisite authorities including council.

8. Departmental Performance for the Year Ended 30 June 2025

Department	No. of KPIs	KPIs Achieved	KPIs Not Achieved	KPIs Not Applicable	Average Performance (%)
Office of the Municipal Manager	29	27	2	-	93%
Corporate Services	19	18	1	-	95%
Budget and Treasury Office	18	12	6	-	67%
Rural Economic Development & Planning	24	16	8	1	67%
Community Services	15	5	10	-	33%
Technical Services	26	21	5	-	81%
Sakhisizwe Local Municipality	131	99	32	1	75%

9. Comparison to the Year ended 30 June 2024

Department	2023/24 FY Average Performance	2024/25 FY Average Performance	Comment
Office of the Municipal Manager	92%	93%	Improved
Corporate Services	89%	95%	Improved
Budget and Treasury Office	64%	67%	Improved
Rural Economic Development & Planning	66%	67%	Improved
Community Services	86%	33%	Regressed
Technical Services	65%	81%	Improved
Institutional Average Performance	79%	75%	Regressed

10. KPA Performance for the Year Ended 30 June 2025

Key Performance Area	No. of KPIs	KPIs Achieved	KPIs Not Achieved	KPIs Not Applicable	Average Performance (%)
Good Governance & Public Participation	40	32	8	1	80%
Transformation & institutional Development	13	13	-	-	100%
Financial Viability	21	16	5	-	76%
Spatial Planning	8	7	1	-	88%
Local Economic Development	7	3	4	-	43%
Basic Service Delivery	42	28	14	-	67%
Institutional Performance	131	99	32	1	75%

10.1 Comparison Between to the Year Ended 30 June 2024 and Year Ended 30 June 2025

Key Performance Area	2023/24 Average Performance	2024/25 Average Performance	Comment
Good Governance & Public Participation	90%	80%	Regressed
Transformation & institutional Development	92%	100%	Improved
Financial Viability	76%	76%	No change
Spatial Planning	57%	88%	Improved

Local Economic Development	66%	43%	Regressed
Basic Service Delivery	66%	67%	Improved
Institutional Average Performance	79%	75%	Regressed

OVERVIEW OF DEPARTMENTAL PERFORMANCE

DEPARTMENT: OFFICE OF THE MUNICIPAL MANAGER										
RESPONSIBLE PERSON: Mr S.G. Sotshongaye										
KPA	IDP REF	KPI	BASELINE	Annual Target	Achieved/ Not Achieved	Actual Performance	Reasons for Deviation	Remedial Action to be taken & time frame	BUDGET	Measurement Source/ Portfolio of Evidence
STRATEGIC OBJECTIVE: Ensure effective public participation, enhance good governance, and ensure effective IGR.										
Good Governance & Public Participation	MM001	Number of MPAC meeting held by 30 June 2025	4 MPAC meeting	4 MPAC meeting held by 30 June 2025	Achieved	4 MPAC meeting held	N/A	N/A	R0.00	Attendance registers and agenda
	MM002	Number of Women's programmes to be implemented 30 June 2025	3 Women's programmes to be implemented	3 Women's programmes to be implemented by 30 June 2025	Achieved	3 Women's programmes implemented	N/A	N/A	R0.00	Attendance registers and Reports
	MM003	Number of Local Aids council programmes to be implemented by 30 June 2025	4 Local aids council programme	4 Programmes to be implemented by 30 June 2025	Achieved	4 Programmes implemented	N/A	N/A	R30 000.00	Attendance registers and Report
	MM004	Number of Elderly Programmes to be implemented by 30 September June 2025	Nil	4 programmes to be implemented by 30 September 2025	Achieved	4 programmes to be implemented	N/A	N/A	R 000	Attendance registers and Report
	MM005	Number of disability programme implemented by 30 June 2025	2 Disability programmes	2 disability programmes to be implemented by 30 June 2025	Achieved	2 disability programmes implemented	N/A	N/A	R30 000.00	Attendance registers and Reports

Good Governance & Public Participation	MM006	Number of Audit Action Plan reports submitted to Audit Committee by 30 June 2025	4 Approved audit Action Plan Reports	4 Audit Action Plan Reports submitted to Audit Committee by 30 June 2025	Achieved	4 Audit Action Plan Reports submitted to Audit	N/A	N/A	R 0.00	Quarterly report submitted to Audit Committee and minutes of the Audit Committee meeting.
	MM007	Number of Audit Committee Meetings held by June 2025.	4 Audit Committee Meetings	04 Audit Committee Meetings held by 30 June 2025	Achieved	04 Audit Committee Meetings held	N/A	N/A	R 0.00	Minutes of the Audit committee meeting and attendance register
	MM008	Number of Risk Committee Meetings held by 30 June 2025	4 Risk Committee Meetings	04 Risk Committee Meetings held by 30 June 2025	Achieved	04 Risk Committee Meetings held	N/A	N/A	R0.00	Minutes of the Risk the committee meeting and attendance register.
	MM009	Number of Internal Audit Plan projects implemented by June 2025	8 Internal Audit Plan Projects completed.	8 projects of the Audit Plan implemented by 30 June 2025	Achieved	8 projects of the Audit Plan implemented	N/A	N/A	R0.00	Internal Audit Reports
	MM010	Number of Risk Management reports Submitted to the RMC by 30 June 2025.	4 Risk Management Reports	4 Risk Management Implementation Reports submitted to the RMC by 30 June 2025.	Achieved	4 Risk Management Implementation Reports submitted to the RMC	N/A	N/A	R0.00	Quarterly Risk Implementation Reports
	MM011	Number of awareness campaign on the communication strategy by 30 June 2025	Communication Strategy	4 Awareness campaign on communication strategy by 30 June 2024	Not Achieved	3 awareness campaigns	Competing programmes of the institution	Alignment of departmental activities and adherence to the council calendar.	R0.00	Attendance registers and reports
	MM012	Attending all petitions registered by 30 June 2025	2023/2024 petitions registered	Attending to all registered petitions by 30 June 2025	Achieved	All registered petitions attended	N/A	N/A	R0.00	Updated petitions register and report on petitions

Good Governance & Public Participation	MM013	Number of public participation programmes by 30 June 2025	2 public participation programmes	4 public participation programmes by 30 June 2025.	Achieved	4 public participation programmes	N/A	N/A	R0.00	Attendance registers and reports
	MM014	Number of Mayoral Imbizo by 30 June 2025	NIL	4 Mayoral Imbizos by 30 June 2025	Achieved	4 Mayoral Imbizos	N/A	N/A	R0.00	Attendance registers and reports
	MM015	Number of awareness campaigns on customary male initiation at all high schools under Sakhisizwe municipal jurisdiction by 30 June 2025.	11 initiation awareness campaign on customary male initiation	10 awareness campaigns on customary male initiation at all high schools under Sakhisizwe municipal jurisdiction by 30 June 2025.	Achieved	10 awareness campaigns	N/A	N/A	R0.00	Attendance register and minutes of awareness campaigns
	MM016	Number of awareness campaigns on customary male initiation in Traditional Authorities under Sakhisizwe municipal jurisdiction by 30 June 2025	NIL	8 awareness campaigns on customary male initiation in Traditional Authorities under Sakhisizwe municipal jurisdiction by 30 June 2025	Achieved	8 awareness campaigns	N/A	N/A	R0.00	Attendance register and minutes of awareness campaigns
	MM017	Number of external communication outreaches / engagements with media and through Public Participation by 30 June 2025.	12 external communication outreaches / engagements	24 external communication outreaches / engagements by 30 June 2025	Achieved	24 external communication outreaches / engagements	N/A	N/A	R6 000.00	media links, social media insights and pictures
	MM018	No. of internal communication platforms created by 30 June 2025	4 internal awareness campaigns implemented.	8 internal Awareness Campaigns implemented by 30 June 2025	Achieved	8 internal Awareness Campaigns implemented	N/A	N/A	R0.00	Attendance Registers and Reports

GGP	MM019	Number of progress reports on litigations by 30 June 2025	4 progress reports submitted	4 progress reports on litigations by 30 June 2025.	Achieved	4 progress reports on litigations	N/A	N/A	R0.00	Progress report and litigation register
MPV	MM020	Number of mSCOA Steering committee meeting by 30 June 2025	4 mSCOA Steering Committee meeting	12 mSCOA Steering committee meeting held by 30 June 2025	Achieved	12 mSCOA Steering committee meeting	N/A	N/A	R0.00	Attendance registers and MSCOA progress report
Good Governance & Public Participation	MM021	Number of MM's Audit findings/ actions implemented by 30 June 2025	NIL	100% implementation of accumulative implementation of the Audit Action Plan by 30 June 2025.	Not Achieved	29 % implementation of the AAP. Out of 7 findings, 2 were fully implemented, 2 in progress and 3 are due by Quarter 1 of 25/26 FY	No funding secured for Quality Assurance. Competing programmes of the institution	Funding for Quality Assurance will be made available in 2026/27 FY. Alignment and adherence to the council calendar will be done.	R0.00	Progress report on audit action plan
	MM022	Percentage implementation of action plan to mitigate identified risk by 30 June 2025	NIL	100% implementation of action plan mitigate identified risk by 30 June 2025	Achieved	100% implementation	N/A	N/A	R0.00	Risk action plan report with portfolio of evidence
	MM023	Number of MFMA compliance report submitted by 30 June 2025	1 Annual report	Development and submission of the annual report by 30 June 2025	Achieved	2023-24 AR developed and submitted	N/A	N/A	R0.00	Confirmation of submission
	MM024	Number of performance Assessment report submitted by 30 June 2025	4 performance assessment reports	4 performance assessment reports by 30 June 2025	Achieved	4 performance assessment reports	N/A	N/A	R0.00	Signed 2024/2025 Quarter 3 informal performance assessment report
	MM025	Number of IGR meeting conducted by 30 June 2025	4 IGR meetings	4 IGR meeting conducted by 30 June 2025	Achieved	4 IGR Meetings	N/A	N/A	R0.00	Attendance registers and minutes
	MM026	Number of 2025/26 IDP Review by 30 June 2025	2025/26 IDP	1 2025/26 IDP review by 30 June 2025	Achieved	1 2025/26 IDP Reviewed	N/A	N/A	R0.00	Signed Final 2025/26 IDP

	MMO27	Number of IDP Representation Forum meetings held by 30 June 2025	4 IDP Representation Forum Meeting	4 IDP Representative Forum meetings by 30 June 2025	Achieved	4 IDP Representative Forum meetings	N/A	N/A	R0.00	Attendance registers and minutes
	MMO28	Number of IDP Roadshows held by 30 June 2025	2 IDP Roadshow	2 IDP Roadshows by 30 June 2025	Achieved	2 IDP Roadshows	N/A	N/A	R0.00	Advert and attendance registers
	MMO29	Number of 2025/26 Services Delivery & Budget Implementation Plan developed by 30 June 2025	2024/25 Service Delivery & Budget Implementation Plan	1 2025/26 Service Delivery & Budget Implementation Plan developed by 30 June 2025	Achieved	1 2025/26 Service Delivery & Budget Implementation Plan developed	N/A	N/A	R0.00	Signed Final 2025/2026 SDBIP

DEPARTMENT: CORPORATE SERVICES										
RESPONSIBLE PERSON: CORPORATE SERVICES DIRECTOR										
KPA	IDP REF	KPI	BASELINE	ANNUAL TARGET	Achieved/not achieved	Actual Performance	Reason for deviation	Remedial Action	BUDGET	PORTFOLIO OF EVIDENCE
STRATEGIC OBJECTIVES: Improve organizational capacity to ensure effective service delivery.										
Good Governance & Public Participation	CORP01	Number of Ordinary Council meetings to be held as per the approved Council Calendar by 30 June 2025	Number of Ordinary Council Meetings	4 Ordinary Council meetings to be held as per the approved council calendar by 30 June 2025	Achieved	4 Ordinary Council meetings to	N/A	N/A	R0,00	Advert, Council minutes and Attendance register
	CORP02	Number of Executive Committee Meetings as per the approved Council Calendar by 30 June 2025	Number of Executive Committee Meetings	4 Executive Committee Meetings held by 30 June 2025	Achieved	4 Executive Committee Meetings	N/A	N/A	R0,00	EXCO minutes and Attendance register
	CORP03	Number of Standing Committee Meetings held as per the approved Council Calendar by 30 June 2025	Number of Standing Committee Meetings held	12 Standing Committee Meetings held by 30 June 2025	Achieved	12 Standing Committee Meetings	N/A	N/A	R0,00	Minutes and attendance registers
Institutional Development and Transformation	CORP04	Workplace Skills Plan submitted to LGSETA by 30 June 2025	2023/24 Workplace Skills Plan	Workplace Skills Plan submitted to LGSETA by 30 June 2025	Achieved	Workplace Skills Plan submitted	N/A	N/A	R0,00	LLF resolution and Proof of submission from LGSETA
	CORP05	Number of trainings attended as per Workplace Skills Plan by 30 June 2025	Implemented Training plan for 2023/2024	4 trainings attended as per Workplace Skills Plan by 30 June 2025	Achieved	4 trainings attended	N/A	N/A	R0,00	Attendance registers

Institutional Development and Transformation	CORP06	Number of Local Labour Forum meetings held by 30 June 2025	4 Local Labour Forum meetings held in 20223/2024 FY	4 Local Labour Forum meetings held by 30 June 2025	Achieved	4 Local Labour Forum meetings	N/A	N/A	R0,00	Attendance registers and minutes
	CORP07	Number of reviewed and adopted Organizational structure by 30 June 2025	Adopted Organizational structure	1 reviewed and Adopted Organizational Structure by 30 June 2025	Achieved	1 reviewed and Adopted Organizational Structure	N/A	N/A	R0,00	Council minutes, attendance register and adopted organisational
	CORP08	Number of fleet management reports submitted by 30 June 2025	4 Fleet management Reports	4 fleet management reports submitted by 30 June 2025	Achieved	4 fleet management	N/A	N/A	R0,00	Fleet management reports
	CORP09	Number of fleet management fuel consumption reconciliation reports to be submitted by 30 June 2025	4 fleet management reports on fuel consumption in 202432024	4 fleet management fuel consumption reconciliation report to be submitted by 30 June 2025	Achieved	4 fleet management fuel consumption reconciliation report	N/A	N/A	R0,00	Fleet management report on fuel consumption reconciled with WesBank.
	CORP010	Number of leave management reports submitted by 30 June 2025	4 leave reconciliation reports submitted.	4 leave management reports submitted by 30 June 2025	Achieved	4 leave management reports	N/A	N/A	R0,00	Attendance register, leave and system
	CORP011	Development/Review of Municipal policies by 30 June 2025	2023-2024 Municipal policy development/review	Development and review of Municipal policies by 30 June 2025	Achieved	Municipal policies were workshopped and presented to council in May and June 2025	N/A	N/A	R0,00	Developed/ Reviewed Municipal Policies & Council Resolution

	CORP012	Development/Review of Human Resource Plan by 30 June 2025	1 HR Plan Submitted for 2023/2024 FY	1 Human Resource Plan by 30 June 2025	Achieved	1 HR Plan developed and completed	N/A	N/A	R0.00	Complete Human Resource Plan
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IDT	CORP013	Development and submission of Employment Equity Plan (EEP) by 30 June 2025	1 EE Plan Submitted	Development/Review of the Employment Equity Plan by 30 June 2025	Achieved	EE Plan developed and submitted to the Department of Employment and Labour	N/A	N/A	R0.00	Proof of submission to the Department of Labour
	CORP014	Number of Health safety inspection conducted by 30 June 2025	1 Health Inspection Report Submitted	4 Health safety inspection conducted by 30 June 2025	Achieved	4 Health safety inspection conducted	N/A	N/A	R0.00	Inspection report
MFV	CORP015	Number of mSCOA meetings conducted by 30 June 2025	12 MSCOA meetings	12 mSCOA meetings held by 30 June 2025	Achieved	12 mSCOA meetings	N/A	N/A	R0.00	Attendance registers and mSCOA progress report
GGP	CORP016	Percentage implementation of corporate findings / actions implemented by 30 June 2025	Nil	100% accumulative implementation of the Audit Action Plan by 30 June 2025	Not Achieved	17 % implementation of the AAP. Out of 6 findings, 1 was fully implemented, 1 in progress and 4 not implemented	Incapacity at ICT	Training for ICT staff	R0.00	Attendance registers and mSCOA progress report
MTID	CORP17	Number of Cloud backup reports by 30 June 2025	Cloud backup report	12 monthly Cloud backup reports by 30 June 2024	Achieved	12 monthly Cloud backup reports	N/A	N/A	R0.00	Progress report on audit action plan
	CORP18	Development a functional of municipal website by 30 June 2025	Municipal website not functional	Develop a functional municipal website by 30 June 2025	Achieved	Functional website	N/A	N/A	R0.00	Screenshot of a functional municipal website

GGP	COPR19	Number of Corporate Services audit findings / actions implemented by 30 June 2025.	Nil	100% implementation of 2022-2023 financial year total audit findings and 50% implementation of 2024-2025 total audit findings by 30 June 2025	Achieved	100% of risk action plan was implemented	N/A	N/A	R0.00	Risk action plan report with portfolio of evidence
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DEPARTMENT: BUDGET AND TREASURY OFFICE										
RESPONSIBLE PERSON: Ms N Nolawu										
KPA	IDP REF	KPI	BASELINE	Annual Target	Achieved/ Not achieved	Actual Performance	Reasons for Deviation	Remedial Action to be taken & time frame	BUDGET	Measurement Source/ Portfolio of Evidence
STRATEGIC OBJECTIVE: Grow revenue base, enhance financial management, and improve revenue collection.										
Municipal Financial Viability	BTO 1	Number of monthly Billing reports for all customers receiving municipal services and rates by June 2025	Updated General Valuation Roll	12 monthly Billing reports for all customers receiving municipal services and rates by 30 June 2025	Not Achieved	The municipality billed customers registered at Deeds Office.	The municipality have uploaded Part B of the GV which is not registered at Deeds Office but only registered Surveyor General.	Ensure complete billing of customers by reviewing prior running the BILLING. Will remove Part from Billing system.	R 2 000 000	General valuation & Billing Reconciliation report Q4: General valuation & Billing
	BTO 2	Number of additional revenue streams of Leasing & Disposal of Land by June 2025 June 2025.	Nil	2 additional revenue streams of Leasing & Disposal of Land by 30 June 2025.	Not Achieved	The process to get the Actual Values for disposing and selling the municipal properties has been completed.	The municipality did not have values for leasing and disposal of properties.	Disposal and leasing of Properties by December 2025.	R 0.00	Revenue Collection and Billing Report.
	BTO 3	Average % of annual increase in revenue collection by June 2025	30% collection Rate	Average annual increase of 60% in revenue collection by 30 June 2025.	Achieved	annual increase of 60% in revenue collection	N/A	N/A	R 0.00	Signed collection report Minutes of the meeting.
	BTO 4	Increase in revenue Collection Rate Implementation of the Revenue Enhancement Strategy by June 2025	Nil	4 outreach sessions per annum by June 2025	Achieved	4 meeting with Rate payers and Businesses	N/A	N/A	R 0.00	Invites, attendance registers and minutes
	BTO 5	% Written off, of Historical UIFWE by June 2025	R188,682,815	75% Written off, of Historical UIFWE by June 2025	Not Achieved	The UIFWE quarterly reports were submitted to MPAC.	MPAC is still busy with investigation.	UIFW expenditure will be written off in 2025/26 financial year	R 0.00	Council resolution written off Historical UIFWE

Municipal Financial Viability	BTO 6	Number of mSCOA Steering Committee meetings by June 2025	4 mSCOA steering Committee meetings	12 mSCOA Steering Committee meetings held by June 2025	Achieved	12 mSCOA Steering Committee	N/A	N/A	R 0.00	Attendance register and mSCOA progress report
	BTO 7	Percentage of responsive competitive bids outcomes achieved within 90 days after the closing of bids by 30 June 2025	100% of responsive competitive Bids received to processed within 90 days after closing	100% responsive competitive bids outcomes achieved within 90 days after the closing of bids by June 2025	Achieved	100% responsive competitive bids achieved.	N/A	N/A	R 0.00	SCM Quarterly Reports on quarterly awards – signed by CFO.
	BTO 8	Percentage Reduction in Municipal operational expenditure (fuel costs, telephone costs, catering, employee costs (prioritise critical posts) by 30 June 2025	Nil	10 percent reduction in Municipal operational expenditure, (fuel costs, telephone costs, catering, employee costs (prioritise critical posts) by 30 June 2025	Not Achieved	8 percent reduction on fuel and catering compared to last financial year costs.	This is due to the increase of human capital (employee cost and telephone).	This municipality will propose shift allowance to try and reduce employee costs.	R 0.00	Expenditure report on Fuel, Vehicle maintenance, Employee costs, catering, Telephone
	BTO 9	Number of Updates municipal assets register by end June 2025	2023/2024 Municipal asset Register	4 Updates of the municipal asset register by end June 2025	Achieved	4 FAR updates done for the year.	N/A	N/A	R 0.00	Progress report of Asset register and Asset management.
	BTO 10	Submitted AFS by 31 August 2024	2024/2025 submission of AFS to AG	Set of annual financial statements submitted to the AG by 31 August 2024	Achieved	Annual financial statements submitted to the AG	N/A	N/A	R 0.00	confirmation of submission of AFS 2023
	BTO 11	Percentage of subsidized indigents households registered by June 2025	2024/25 update indigent register	Subsidization of 100% of registered indigents households by June 2025	Not Achieved	Provided the Free basis services to electricity and refuse households.	Alternative energy bidders offered prices that were more than the budget	The project has since been advertised and waiting for appointment.	R 0.00	Confirmation report of updated indigent register signed by CFO
	BTO 12	Increase in Cash backed reserves by June 2025	R 1 000 000. 00 Cash back reserves.	R 2000 000. 00 per annum at year end by June 2025	Achieved	R 2000 000. 00 Cash back reserves	N/A	N/A	R 0.00	Proof of Reserves account

GGP	BTO 13	Number of BTO audit findings / actions implemented by June 2025.	Nil	100% implementation of 2022-2023 financial year total audit findings and 50% implementation of 2024-2025 total audit findings by June 2025	Not Achieved	12,5 % achieved in BTO Findings.	The Action Plan has not yet been fully implemented since most findings are disclosure matters and can only be confirmed once Draft Annual Financial Statements are submitted.	BTO Official to upload POE then approvals be done by CFO and IA.	R 0.00	Progress report on audit action plan
Municipal Financial Viability	BTO 14	Number of Section 71 compliance reports submitted by June 2025	12 reports	Preparation and Submission of 12 Section 71 reports submitted to Mayor, Provincial Treasury and National Treasury by June 2025	Achieved	12 Section 71 reports submitted to Mayor, Provincial Treasury and National Treasury	N/A	N/A	R 0.00	Section 71 reports & proof of submission
	BTO 15	Number of Section 52(d) compliance reports submitted by June 2025	4 reports	Preparation and submission of 4 Section 52(d) reports submitted to Mayor, Provincial Treasury and National Treasury by June 2025	Achieved	4 Section 52(d) reports submitted to Mayor, Provincial Treasury and National Treasury	N/A	N/A	R 0.00	Section 52 report & proof of submission
	BTO 16	Number of Section 72 compliance reports submitted by June 2025	1 report	Prepare and submit a Section 72 report to Council by 25 January 2025	Achieved	Section 72 report submitted to Council	N/A	N/A	R 0.00	Mid-Term report and proof of submission
	BTO 17	Number of days taken to pay service providers by June 2025	4 quarterly reports	30 days taken to pay service providers by June 2025	Achieved	All payment were paid within 30 days of receiving the invoice.	N/A	N/A	R 0.00	Invoice register, creditors age analysis and proof of payment
GGP	BTO18	Percentage implementation of action plan to mitigate identified risks by June 2025	Nil	100% implementation of action plan mitigate identified risks by June 2025	Achieved	All actions were implemented including the one-off filling the vacant posts at Revenue Section.	N/A	N/A		Risk action plan report with portfolio of evidence

DEPARTMENT: RURAL ECONOMIC DEVELOPMENT & PLANNING										
RESPONSIBLE PERSON: DIRECTOR IPED										
KPA	IDP REF	KPI	Baseline	Annual Target	Achieved/ Not Achieved	Actual Performance	Reasons for Deviation	Remedial Action to be taken & time frame	Budget	Measurement Source/ Portfolio of Evidence
STRATEGIC OBJECTIVE: LED: Create an environment that enables the development of the local economy and facilitates the creation of jobs. ____ SPATIAL PLANNING: • Spatial planning and land use support sustainable human settlements and economic development										
Spatial Planning	REDP01	Planning Phase for a Township Establishment in Cala 30 June 2025	Nil	1 Township establishment planning /surveying phase completed for a township in Cala by 30 June 2025	Achieved	Submission of the application to the District MPT	N/A	N/A	R110 000	Copy of advert and proof of submission to the DMPT
	REDP02	Planning Phase for a township establishment in Khowa 30 June 2025	Nil	1 Township establishment planning/surveying phase completed for a township in Khowa by 30 June 2025	Achieved	Submission of the application to the District MPT	N/A	N/A	R110 000	Copy of advert and proof of submission to the DMPT
	REDP03	Number of Town Planning contravention notices issued by 30 June 2025	40 Notices	40 Town Planning contravention notices issued by 30 June 2025	Achieved	87 Town Planning contravention notices issued	N/A	N/A	R0.00	Signed & delivered contravention notices
	REDP04	Number of Municipal sites to be planned/surveyed to adhere to SPLUMA / LUMS by 30 June 2025	Nil	10 sites to be planned/surveyed to adhere to SPLUMA / LUMS by 30 June 2025	Achieved	Record of decision	N/A	N/A	R373 000	Land Use Application(s) Record of decision(s)
	REDP05	Review of Spatial Development Framework by 30 June 2025	2018/2023 SDF	Reviewed SDF by 30 June 2025	Not Achieved	Service provider has been appointed and phase 1 of the project has been completed	Capacity constraints	Additional human capacity for REDP by 2 nd Quarter 2025/26	R350 000	Final SDF

Basic Service Delivered	REDP06	Renovated / Maintained Municipal Building by 30 June 2025	3 municipal buildings	ERF 379 Phase 2 renovated/ maintained by 30 June 2025	Not Achieved	Project Terms of Reference, adverts, and appointment letters	Project scope had to be revised due to vandalism.	Project to be completed by 2 nd Quarter 2025/26	R350 000	Appointment of Service Provider and Completion Certificate
	REDP07	Renovated / Maintained Municipal Building by 30 June 2025	3 municipal buildings	Burb Veries Phase 2 renovated/ maintained by 30 June 2025	Achieved	Burb Veries Phase 2 renovated	N/A	N/A	R200 000	Completion certificates
	REDP08	Renovated / Maintained Municipal Building by 30 June 2025	3 municipal buildings	Khowa Library Phase 2 renovated/ maintained by 30 June 2025	Achieved	Khowa Library Phase 2 renovated	N/A	N/A	R100 000	Completion certificates
	REDP09	Refurbishment Designs for Khowa Traffic Offices by 30 June 2025	Nil	Approved refurbishment Designs & specifications for Khowa Traffic Offices by 30 June 2025	Not Achieved	Project Terms of reference & Advert	Non-responsive due to bid cost that were higher than the allocated budget	Re-advertised and to be completed by June 2026	R80 000	Completion certificates
	REDP10	Renovated/ maintained Municipal Hall renovated by 30 June 2025	5 Municipal Halls	Masibambane Phase 2 renovated/ maintained by 30 June 202	Achieved	Masibambane Phase 2 renovated/	N/A	N/A	R300 000	Completion certificates
Basic Service Delivered	REDP11	Renovated/ maintained Municipal Hall renovated by 30 June 2025	5 Municipal Halls	Cala Indoor Sports Centre renovated/ maintained by 30 June 2025	Achieved	Cala Indoor Sports Centre renovated	N/A	N/A	R150 000	Completion certificates
	REDP12	Renovated/ maintained Municipal Hall renovated by 30 June 2025	5 Municipal Halls	Khowa Town Hall renovated/maintained by 30 June 2025	Achieved	Khowa Town Hall renovated	N/A	N/A	R100 000	Completion certificates
Spatial Planning	REDP13	Number of building contravention notices issued by 30 June 2025	40 Contravention notices	40 Contravention notices issued by 30 June 2025	Achieved	10 building contraventions notices issued	N/A	N/A	R0.00	10 Contravention notices & signed handover slip

Local Economic Development	IPED014	Number of SMME Supplier Days conducted by 30 June 2025	One	4 Supplier days conducted by 30 June 2025	Achieved	4 Supplier days conducted	None	None	R 0.00	Invite and Attendance Register
	REDP 15	Number of Tourism development Initiative & programs by June 2025	Nil	4 Tourism Development programs by 30 June 2025	Not Achieved	3 Tourism Development programs	Insufficient funding	Integration to the funding of the section in 2025-26 Budget.	R 0.00	Invite and attendance Register
	REDP 16	Number of registered overnight accommodation service by 30 June 2025	Nil	6 registered overnight accommodation services by 30 June 2025	Not Achieved	3 registered overnight accommodation services.	Lack of Grading data from NAA -SA	Approach NAA-SA for data of accommodation grading	R 0.00	Tourism Grading certificates
	REDP 17	Number of Co-ordinated Agricultural forum meetings by 30 June 2025	4 meetings	4 Co-ordinated Agricultural forum meetings by 30 June 2025	Achieved	Overnight Accommodation Database developed.		N/A	R 0.00	Signed report and Attendance Register
	REDP 18	Number of Local Tourism Organisation meetings by 30 June 2025	4 meetings	4 Number of Local Tourism Organisation meetings by 30 June 2025	Achieved	4 Number of Local Tourism Organisation meetings	N/A	N/A	R 0.00	Signed report and Attendance Register
	REDP 19	Number of meetings (LRC) held for CWP monitoring by 30 June 2025	4 meetings	4 meetings (LRC) held for CWP Monitoring by 30 June 2025	Not Achieved	2 meetings (LRC) held for CWP Monitoring	Poor participation by ward councillors	Approach chairperson of the committee to encourage participation	R 0.00	Invitation: Attendance Register & Signed report
	I REDP 20	Number of Agricultural projects for youth & women provided development support by 30 June 2025	Nil	36 agricultural projects for youth & women provided development support by 30 June 2025	Not Achieved	18 agricultural projects for youth & women provided development support	Lack of adequate funding	Mobilise for additional funding	R183 000	Invite, attendance register & report
SP	REDP 21	Number of Human Settlement programmes facilitated by 30 June 2025	Nil	2 Human Settlement programmes facilitated by 30 June 2025	Achieved	2 Human Settlement programmes facilitated	N/A	N/A	R0.00	Invite, attendance register

SP	REDP22	Number of quarterly reports submitted on Human Settlements development by 30 June 2025	Nil	4 quarterly reports submitted on development human settlements by 30 June 2025	Achieved	4 quarterly reports submitted on development human settlements	N/A	N/A	R0.00	Quarterly reports
MFV	REDP23	Number of mSCOA Steering Committee meetings by 30 June 2025	12 mSCOA Steering Committee meetings	12 mSCOA Steering Committee meetings held by 30 June 2025	Achieved	12 mSCOA Steering Committee meetings	N/A	N/A	R0.00	Attendance register and mSCOA progress report
Governance	REDP24	Percentage implementation of IPED audit findings / actions implemented by 30 June 2025.	No implementation of the Audit Action Plan	100% accumulative Implementation of the Audit Action Plan by 30 June 2024	Not Applicable	N/A	N/A	N/A	R0.00	Progress report on audit action plan
	REDP25	Percentage implementation of action plan to mitigate identified risks by 30 June 2025	Nil	100% implementation of action plan to mitigate identified risks by 30 June 2025	Not Achieved	50% implementation of action plan mitigate identified	Capacity constraints	Provision of human capacity for REDP and implementation of identified risks in 2025/26 FY.	R0.00	Risk action plan report with portfolio of evidence

DEPARTMENT: COMMUNITY SERVICES										
RESPONSIBLE PERSON: Mrs. P.P. Mngciti										
KPA	IDP REF	KPI	BASELINE	Annual Target	Achieved/Not Achieved	Actual Performance	Reasons for Deviation	Remedial Action to be taken & time frame	BUDGET	Measurement Source/ Portfolio Of Evidence
Strategic Objective: Promote healthy and safe environment through protection of natural resources										
Basic Service Delivery	COM001	Implementation of IWMP by 30 June 2025	Endorsed IWMP	3 programs to be implemented by 30 June 2025	Not Achieved	Advert for public private partnership contract for the operation of BuyBack Centre was published	The proposals received were not responsive.	Stakeholder engagement sessions by September 2025. Procurement of Skip Bins by December 2025. Establishment of PPPs for operation of Buy back centre by March 2026	R200 000.00	Report signed by HOD
	COM002	Number of businesses waste collected by 30 June 2025.	700 businesses is collected in businesses for Cala & Khowa	Collection of refuse 1000 businesses for Khowa and Cala towns by 30 June 2024	Achieved	Collection of refuse 1000 businesses for Khowa and Cala towns	N/A	N/A	R0	Weekly refuse collection schedule reflecting number of businesses refuse collected signed by supervisor. 3 monthly reports reflecting number of businesses refuse collected for monthly by Manager. Quarterly Report signed by HOD.
	COM003	Number of household waste bins procured and distribution by 30 June 2025	200 Household waste bins procured in year 2023/2024	400 household waste bins procured by 30 June 2025.	Not Achieved	180 waste bins delivered 17 March 2025	Distribution list not provided for ward 1,2 and 3	220 waste bins will be distributed by 30 July 2025	R0	Distribution list
	COM004	Number of households, waste collected by 30 June 2025	8000 household collected, Cala & Khowa	Collection of refuse in 10000 households for Khowa and Cala by 30 June 2024	Not Achieved	Waste collected from 1263 Households	Refuse tractors are not functional.	The refuse tractors will be repaired by 30 August 2025	R0	Weekly refuse collection schedule reflecting number of households refuse collected signed by supervisor. 3 monthly reports reflecting number of businesses refuse collected for monthly by Manager. Quarterly Report signed by HOD

Basic Service Delivery	COM005	Number of Waste Management Awareness Campaigns in Cala and Khowa by 30 June 2025	4 Waste Management Awareness Campaign	8 Waste Management Awareness Campaigns in Cala and Khowa by 30 June 2025	Achieved	8 Waste Management Awareness Campaigns in Cala and Khowa	N/A	N/A	R250 000.00	Attendance register and photos.
	COM006	Development and implementation of Community Safety Plan by 30 June 2025	Community Safety Committee established	Community Safety Plan developed by 30 June 2025	Not Achieved	Community Safety committee established.	The community safety forum was not established due to lack of human capacity	Request assistance from Chris Hani District Municipality	R200 000.00	Report signed by HOD on implementation of the CSP
	COM007	Number of cemeteries to be fenced in khowa by 30 June 2025	1 Cemetery fenced	1 Cemeteries fenced by 30 June 2025	Not Achieved	Project Specification was developed	Project could not commence due to lack of human capacity	Provision of additional human capacity for Community Services and implementation of the project in 2025/26 FY.	R390 000	Report signed by HOD on implementation of the CSP
	COM008	Number of tickets fines issued by Traffic section by June 2025	800 Tickets fines issued in year 2023/2024	880 Ticket fines issued by Traffic section: 30 June 2025	Achieved	1183 ticket fines issued	N/A	N/A	R50 000.00	Signed report on ticket fines issued by HOD.
	COMM 09	Number of Traffic Awareness Campaigns by 30 June 2025	2 Traffic Awareness Campaigns	2 Traffic Awareness Campaigns by 30 June 2025	Achieved	2 Traffic Awareness Campaigns	N/A	N/A	R250 000	Attendance register and photos
	COMM 10	Landfill site maintenance by 30 June 2025	The landfill site has been maintained quarter	Landfill site maintained by 30 June 2025	Not Achieved	Maintenance done in 2 Quarters	Refuse removal trucks breakdown emergency resulted to redirection of landfill site maintenance funds.	Constant repairs and maintenance on refuse removal trucks	R400 000	Before and after photos - Report signed by HOD
MFV	COMM 11	Number of mSCOA Steering Committee meetings by 30 June 2025	4 mSCOA Steering Committee meetings	12 mSCOA Steering Committee meetings held by 30 June 2025	Achieved	12 mSCOA Steering Committee meetings	N/A	N/A	R0	Audit Action Plan Progress Report

GGP	COMM 12	Number of Community Services findings / actions implemented by 30 June 2025.	Nil	100% Implementation of 2022/2023 financial year total audit findings and 50% implementation of 2024/2025 total findings by 30 June 2025	Not Achieved	2 audit findings in progress	Delays in the appeal process of administration fine	Settle the administration fine by 30 June 2025	R0	Progress report on audit action plan
BSD	COMM 13	Development of Disaster Management Plan by 30 June 2025	Nil	Assessment conducted by 30 June 2025	Not Achieved	Assessment has been conducted	Capacity constraints	Provision of human capacity for Community Services and development of the plan in 2025/26 FY.	R0	Copy of approved Final Disaster Management Plan approved by council. Copy of Council Resolution.
GGP	COMM 14	Number of findings on the action plan to mitigate identified risks by 30 June 2024	Nil	100% implementation of action plan mitigate identified risks by 30 June 2024	Not Achieved	50% implementation of action plan mitigate identified	Capacity constraints	Provision of human capacity for Community Services and implementation of identified risks in 2025/26 FY.	R0	Risk Action Plan report with portfolio of evidence.
BSD	COMM 15	Fencing of Khowa Monument Park by 30 June 2025.	Monument Park not fenced	Monument Park completed by 30 June 2025	Not Achieved	Terms of reference were developed	Project could not commence due to lack of human capacity	Provision of additional human capacity for Community Services and implementation of the project in 2025/26 FY.	R350 000	Completion certificate

DEPARTMENT: TECHNICAL SERVICES										
RESPONSIBLE PERSON: Director Technical Services										
KPA	IDP REF	KPI	BASELINE	ANNUAL TARGET	Achieved/ Not Achieved	Actual Performance	Reasons For deviation	Remedial Action to be taken & time frame	BUDGET	Measurement Source/ Portfolio of Evidence
Strategic Objective: Reduce infrastructure backlogs, improve maintenance, and enhance access to services.										
Basic Service Delivery	TECH01	Number of paved metres on Construction of Qokolo to Koppitjie Access Road Phase 3 by 30 June 2024.	0.8km done in 2023	0.8km paved on Construction Qokolo to Koppitjie Access Road Phase 3 by 30 June 2025	Achieved	1Km of paved Access Road	N/A	N/A	R 3 670 350.00	Progress report with date stamped pictures
	TECH02	Number of km's Construction Elliot Surfaced Internal Street by 30 June 2025.	None	1.km of paved road on Construction Elliot Surfaced Internal Street by 30 June 2025	Not Achieved	Roadbed completed.	Asbestos water pipeline in the centre of the road and adverse weather conditions	1 km to be completed in Quarter 1 (25/26).	R 5 803 450.00	Progress report with date stamped pictures
	TECH03	Number of km's re-gravelling on Construction of Manzana Access Road by 30 June 2025.	None	3.34Km re-gravelling on Construction of Manzana Access Road gravel road done by 30 June 2025	Achieved	3.34Km of Access Road Constructed	N/A	N/A	R 4 732 000.00	Practical Completion
	TECH 04	Number of km's regravelling on Construction of Askeaton to Panatjiep Access Road by 30 June 2025	None	1.5km gravelling on Construction of Askeaton to Panatjiep Access Road by 30 June 2025	Achieved	1.5Km of gravelling constructed on Askeaton to Panatjiep Access Road	N/A	N/A	R 4 994 000.00	Practical Completion
	TECH 05	Number of Sport Facilities in Cala Constructed by 30 June 2025.	Ward 02 Sportfield	1 Sport Facility in Cala Constructed by 30 June 2025	Not Achieved	82% of Cala Sport facility constructed	Project delayed by adverse weather conditions.	Project to be completed by Quarter 1 of FY 2025/26	R 10 000 000.00	Progress Report with date stamped Photos

Basic Service Delivery	TECH06	Electrification of households, in Ward 4,6 & 7 30 by June 2025	Chamama,Mbeni.Mboni selo,Mtyatya, Ntsukazi,Thembeni,New City Phase 2,Polar Park,Cala Reserve Phase 2	Connection of 146 households by June2025	Achieved	146 Households Connected	N/A	N/A	R 5 140 000.00	Progress Report with date stamped Photos
	TECH07	Maintenance of Electricity infrastructure by 30 June 2025	Howa Town	100 Street light Howa by 30 June 2025	Achieved	100 Streetlights in Howa maintained	N/A	N/A	R 1 300 000.00	Progress Report with photographing images
	TECH08	Number of High Mast Lights Maintained in Cala and Howa by 30 June 2025	6 High Mast lights maintained in Cala and Howa by 30 June 2024	Maintenance of 11 Mast Lights in Cala and Howa High and by 30 June 2025	Achieved	11 High Mast Lights were maintained	N/A	N/A		Progress Report with photographing images
	TECH09	Number of High Mast Lights Refurbishment in Cala/Howa by 30 June 2025	Nil	Refurbishment of 1 High Mast Light in Howa/Cala by 30 June 2025	Achieved	1 High mast light refurbished	N/A	N/A		Progress Report with photographing images
	TECH10	Procure and Maintain Electricity infrastructure by 30 June 2025	Nil	Maintenance LV by changing 600m of LV (Low Voltage) bare wire to ABC (Aerial bundle conductor) by 30 June 2025	Achieved	600m of LV maintained to ABC	N/A	N/A		Progress Report with photographing images
	TECH11	Number of Kms of roads maintained in all Wards by 30 June 2025	20km of road maintained	Maintenance of 27km of roads in Cala and Howa by 30 June 2025	Achieved	27Km of roads maintained	N/A	N/A	R2 376 024	Progress report with photos
	TECH12	Number of Kms of roads rehabilitated in Jonini, Ngcangcazela & Polar Park by 30 June 2025	Nil	5Km of Gravel Road Base to be rehabilitated in Jonini (2Km), Ngcangcazela(2km) and Polar Park(1Km) by 30 June 2025	Not Achieved	98% completion	Adverse weather conditions.	To be completed by Quarter 1 of FY 2025/26	R6 426 000	Practical Completion Certificate
	TEC	Number of Kms of roads rehabilitated in	Nil	2Km of Gravel Road base in Lahlangubo and 1 portal	Achieved	2Km gravel in Lahlangubo and 1 portal	N/A	N/A	R4 800	Practical Completion Certificate

		Lahlangubo and Sifonondile by 30 June 2025		culvert in Sifondile to be rehabilitated by 30 June 2025		culvert in Sifonondile was constructed				
	TECH14	Number of Kms of roads rehabilitated in Mankazana and Extension 15 by 30 June 2024	Nil	4.4Km of gravel road rehabilitated in Mankazana and Extension 15 by 30 June 2024	Achieved	4.4Km of gravel road rehabilitated in Mankazana and Extension 15	N/A	N/A	R3 600 000	Practical Completion Certificate
	TECH15	Number of Culverts Rehabilitated in Luxeni by 30 June 2025	Nil	Construction of 2 base slabs for Portal Culverts in Luxeni by 30 June 2025	Achieved	2 portal culverts constructed in Luxeni	N/A	N/A	R6 600 000	Practical Completion Certificate
	TECH16	Number of Kms of roads rehabilitated in Mdantsane by 30 June 2025	Nil	3.4Km of gravel road-base rehabilitated in Mdantsane by 30 June 2025	Achieved	3.4Km of gravel road rehabilitated in Mdantsane	N/A	N/A	R3 900 000	Practical Completion Certificate
	TECH 17	Number of Kms of roads rehabilitated in Zingquthu by 30 June 2025	Nil	10.6Km of gravel road-base rehabilitated in Zingquthu by 30 June 2025	Achieved	10.6Km of gravel road rehabilitated in Zingquthu	N/A	N/A	R20 000 000	Practical Completion Certificate
	TECH18	Number of Culverts Rehabilitated in Ntlanjeni by 30 June 2025	Nil	Construction of Portal Culvert in Ntlanjeni by 30 June 2025	Achieved	1 portal culvert constructed in Ntlanjeni	N/A	N/A	R1 800 000	Practical Completion
	TECH19	Number of km's paved in Masibambane Internal Street by 30 June 2025	Nil	0.9km of paved road on Masibambane Internal Street by 30 June 2025	Achieved	0.9Km road paved.	N/A	N/A	R7 115 000	Progress Reports with date stamped photos and Practical Completion
	TECH20	Number of km's paved in Takalani Internal Street by 30 June 2025	Nil	0.9km of paved road on Takalani Internal Street by 30 June 2025	Achieved	0.9Km paved road	N/A	N/A	R7 500 000	Progress Reports with date stamped photos and Practical Completion
Basic Service	TECH21	Number of km's paved in Ndondo Square by 30 June 2025	Nil	1km of paved road on Masibambane Internal Street by 30 June 2025	Not Achieved	Sub-base done; Installation of stormwater pipes done	Adverse weather conditions and plant breakdowns	To be completed by Quarter 1 Financial year(25/26)	R10 000 000	Progress Reports with date stamped photos and Practical Completion

	TECH22	Kms of roads rehabilitated in Upper Indwana by 30 June 2025	Nil	5Km of gravel road-base rehabilitated in Upper Indwana by 30 June 2025	Achieved	5Km of gravel road-base rehabilitated	N/A	N/A	R4 500 000.	Progress Reports with date stamped photos and Practical Completion
	TECH23	Kms of roads rehabilitated in Lower Langanci by 30 June 2025	Nil	4.5Km of gravel road-base rehabilitated in Lower Langanci by 30 June 2025	Achieved	5Km of gravel road-base rehabilitated	N/A	N/A	R6 400 000.	Progress Reports with date stamped photos and Practical Completion
MFV	TECH24	Number of mSCOA Steering committee meeting by 30 June 2025	4 mSCOA Steering Committee meeting	12 mSCOA Steering committee meeting held by 30 June 2024	Achieved	Attendance of 12 mSCOA steering committee meetings	N/A	N/A	R0.00	Attendance register and mSCOA progress report
Governance	TECH25	Percentage implementation of action plan to mitigate identified risks by 30 June 2025	Nil	100% implementation of action plan mitigate identified risks by 30 June 2025	Achieved	All risk register with reports submitted	N/A	N/A	R0.00	Risk action plan report with portfolio of evidence
	TECH26	Percentage implementation of Technical Services findings / actions implemented by 30 June 2025	Nil	100% accumulative Implementation of the Audit Action Plan by 30 June 2025	Not Achieved	60 % implementation of the AAP. Out of 5 findings, 3 were fully implemented, 2 in progress and 1 is due by Quarter 1 of 25/26 FY	N/A	N/A	R0.00	Progress report on audit action plan

CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE

(PERFORMANCE REPORT PART II)

COMPONENT A: INTRODUCTION TO THE MUNICIPAL WORKFORCE

Employees					
Description	Year -1	Year 0			
	Employees	Approved Posts	Employees	Vacancies	Vacancies
	No.	No.	No.	No.	%
Electricity	4	10	5	5	50%
Housing	2	3	3	0	0%
Roads	7	14	7	7	50%
Town Planning	2	2	2	0	0%
Local Economic Development	3	4	3	1	25%
Planning (Strategic & Regulatory)	2	2	2	0	0%
Community & Social Services	47	113	94	19	17%
Special Programs Unit	1	3	3	0	0%

Vacancy Rate: Year 1			
Designations	Total Approved Posts No	Vacancies (Total time that vacancies exist using fulltime) No	Vacancies (as a proportion of total posts in each category) %
Municipal Manager	1	0	100
CFO	1	0	100
Other s57 Managers (excluding Finance Posts)	4	0	100%
Senior management: Levels 13 - 20 (excluding Finance Posts)	9	0	100%
Senior management: Levels 13 – 20 (Finance posts)	3	0	100%
Highly skilled supervision: excluding Finance posts			

TURN-OVER RATE			
DETAILS	TOTAL APPOINTMENTS BEGINNING OF FY	TERMINATION DURING FY	TURNOVER RATE
2024 / 2025	03	06	12.6%

COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

Vacancy Rate: Year 1			
Designations	Total Approved Posts No	Vacancies (Total time that vacancies exist using fulltime) No	Vacancies (as a proportion of total posts in each category) %
Municipal Manager	1	0	100
CFO	1	0	100
Other s57 Managers (excluding Finance Posts)	4	0	100
Senior management: Levels 13 - 20 (excluding Finance Posts)	9	0	100

Senior management: Levels 13 – 20 (Finance posts)	3	0	100%
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TURN-OVER RATE			
DETAILS	TOTAL APPOINTMENTS BEGINNING OF FY	TERMINATION DURING FY	TURNOVER RATE
2024 / 2025	03	06	

SECTION B: WORKFORCE PROFILE

1. WORKFORCE PROFILE

1.1 Please report the total number of employees (including employees with disabilities) in each of the following occupational levels: Note: A=Africans, C=Coloureds, I=Indians and W=Whites

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	4	0	0	0	1	0	0	0	0	0	5
Senior management	6	0	0	0	3	0	0	0	0	0	9
Professionally qualified and experienced specialists and mid-management	6	0	0	1	8	0	0	0	0	0	15
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	16	0	0	0	25	0	0	0	0	0	41
Semi-skilled and discretionary decision making	11	1	0	0	0	0	0	0	0	0	12
Unskilled and defined decision making	19	0	0	0	23	0	0	0	0	0	42
TOTAL PERMANENT	62	1	0	1	60	0	0	0	0	0	124
Temporary employees	1	0	0	0	2	0	0	0	0	0	3
GRAND TOTAL	63	1	0	1	62	0	0	0	0	0	127

1.2 Please report the total number of employees with disabilities only in each of the following occupational levels: Note: A=Africans, C=Coloureds, I=Indians and W=Whites

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	0	0	0	0	0	0	0	0	0	0	0
Senior management	1	0	0	0	0	0	0	0	0	0	1
Professionally qualified and experienced specialists and mid-management	0	0	0	0	1	0	0	0	0	0	1
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	0	0	0	0	0	0	0	0	0	0	0
Semi-skilled and discretionary decision making	0	0	0	0	0	0	0	0	0	0	0
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0	0	0
TOTAL PERMANENT	1	0	0	0	1	0	0	0	0	0	2
Temporary employees	0	0	0	0	0	0	0	0	0	0	0
GRAND TOTAL	1	0	0	0	1	0	0	0	0	0	2

COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

Skills Matrix														
Management level	Gender	Employees in post as of 30 June Year 0	Number of skilled employees required and actual as of 30 June Year 0											
			Learnerships			Skills programmes & other short courses			Other forms of training			Total		
		No.	Actual: End of Year 1	Actual: End of Year 0	Year 0 Target	Actual: End of Year 1	Actual: End of Year 0	Year 0 Target	Actual: End of Year 1	Actual: End of Year 0	Year 0 Target	Actual: End of Year 1	Actual: End of Year 0	Year 0 Target
MM and s57	Female	0	0	1	1	0	0	0	0	0	0	0	0	1
	Male	0	0	2	2	0	0	0	0	0	0	0	0	0
Councillors	Female	0	0	3	3	0	0	0	0	0	0	0	0	0
	Male	0		3	3	0	0	0	0	2	2			
Technicians and associate professionals	Female	0	0	2	2	0	0	0	0	0	0	0	0	0
	Male	0	0	6	7	0	0	0	0	1	1	0	0	0
Professionals	Female	0	0	1	1	0	0	0	0	0	0	0	0	0
	Male	0	0	3	3	0	0	0	0	0	0	0	0	0
Sub total	Female	0	0	7	8	0	0	0	0	2	2	0	0	0
	Male	0	0	14	14	0	0	0	0	1	1	0	0	0
Total		0	0	21	21	0	0	0	0	3	3	0	0	0

INTERNSHIP AND WORKPLACE INTERGRATED LEARNING (WIL) PROGRAM

No.	Department	Number of beneficiaries	Completion date
1	OMM (Internal Audit)	2	30 June 2025
2	Corporate Services (ICT)	2	30 June 2025
3	Technical Services (Civil)	4	30 June 2025
4	OMM(Internal Audit)	2	30 August 2025
5	IPED(Building)	2	30 August 2025
6	BTO	5	Inprogress
WIL			
1	Corporate Services	2	31 December 2025
2	OMM (Speaker's office)	1	30 June 2025
3	BTO	1	30 June 2025

The Municipality also received the following grants for internships:

LGSETA Discretionary grant	R 792 000.00
Municipal Finance Management grant	R 419 557.80
WIL	R 126 000.00

INTRODUCTION TO MUNICIPAL WORKFORCE MANAGEMENT POLICIES

HR Policies and Plans				
	Name of Policy	Completed	Reviewed	Date adopted by council or comment on failure to adopt
		%	%	
1	Affirmative Action	No	0	N/A
2	Attraction and Retention	100.00	0	30 May 2025
3	Code of Conduct for employees	100.00	0	30 May 2025
4	Delegations, Authorisation & Responsibility	100.00	0	30 May 2025
5	Disciplinary Code and Procedures	100.00	0	30 May 2025
6	Essential Services	100.00	0	30 May 2025
7	Employee Assistance / Wellness	No	0	N/A
8	Employment Equity	100.00	0	30 May 2025
9	Exit Management	No	0	N/A

10	Grievance Procedures	100.00	0	30 May 2025
11	HIV/Aids	100.00	0	30 May 2025
12	Human Resource and Development	100.00	0	30 May 2025
13	Information Technology	100.00	0	30 May 2025
14	Job Evaluation	100.00	0	30 May 2025
15	Leave	100.00	0	30 May 2025
16	Occupational Health and Safety	100.00	0	30 May 2025
17	Official Housing	100.00	0	30 May 2025
18	S&T	100.00	0	30 May 2025
19	Official transport to attend Funerals	100.00	0	30 May 2025
20	Official Working Hours and Overtime	100.00	0	30 May 2025
21	Organisational Rights	No	0	N/A
22	Payroll Deductions	100.00	0	30 May 2025
23	Performance Management and Development	100.00	0	30 May 2025
24	Recruitment, Selection and Appointments	100.00	0	30 May 2025
25	Remuneration Scales and Allowances	100	0	30 May 2025
26	Resettlement	No	0	N/A
27	Sexual Harassment	100	0	30 May 2025
28	Skills Development	100	0	30 May 2025
29	Smoking	100.00	0	30 May 2025
30	Special Skills	No	0	N/A
31	Work Organisation		0	30 May 2025
32	Uniforms and Protective Clothing	100	0	30 May 2025
33	Other:	No	0	N/A

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

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	0	
Temporary total disablement	0	0	0%	0	0	
Permanent disablement	0	0	0%	0	0	
Fatal	0	0	0%	0	0	
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	42	1.7	30
Skilled (Levels 3-5)	80	2%	0	12	6.6	
Highly skilled production (levels 6-8)	80	2%	1	41	4.4	
Highly skilled supervision (levels 9-12)	80	2%	1	15	7.2	31

Senior management (Levels 13-15)	80	2%	0	9	0	0
MM and S56	36	2%	2	6	16	
Total	436	2%	12	125	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 addressed with the controls recently instituted by management.

DISCIPLINARY CASES

The municipality has no disciplinary cases in the year under review.

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

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 %
Total		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))
Accounting officer	1	0	1	1	0	1
Chief financial officer	1	0	1	1	1	1
Senior managers	4	0	4	4	4	4
Any other financial officials	15	0	15	15	0	15
Supply Chain Management Officials	3	0	0	0	0	3
Heads of supply chain management units	0	0	0	0	0	0

Supply chain management senior managers	0	0	0	0	0	0
TOTAL	24	0	24	24	5	24

Skills Development Expenditure

R'000

Management level	Gender	Employees as at the beginning of the financial year	Original Budget and Actual Expenditure on skills development Year 1							
			Learner ships		Skills programmes & other short courses		Other forms of training		Total	
		No.	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual
MM and S57	Female	1	374 000.00	22 000.00	0	0		0	374 000 00	22 000 00
	Male	2	374 000.00	22 000 00	0	0	484 599.00	70 330 00	858 599 00	92 330 00
Legislators, and managers	Female	4	374 000.00	88 000 00	0	0	0	0	374 000 00	88 000 00
	Male	6	374 000.00	132 000 00	0	0	0	0	0	0
Professionals	Female	2	374 000.00	44 000 00	0	0	0	0	0	0
	Male	6	374 000.00	132 000 00	0	0	484 599.00	210 990 00	858 599 00	342 990 00
	Female	0	0	0	0	0	0	0	0	0

Skills Development Expenditure										
R'000										
Management level	Gender	Employees as at the beginning of the financial year	Original Budget and Actual Expenditure on skills development Year 1							
			Learner ships		Skills programmes & other short courses		Other forms of training		Total	
		No.	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual
Technicians and associate professionals	Male	1	0	0	0	0	484 599.00	31 946 00	484 599 00	31 946 00

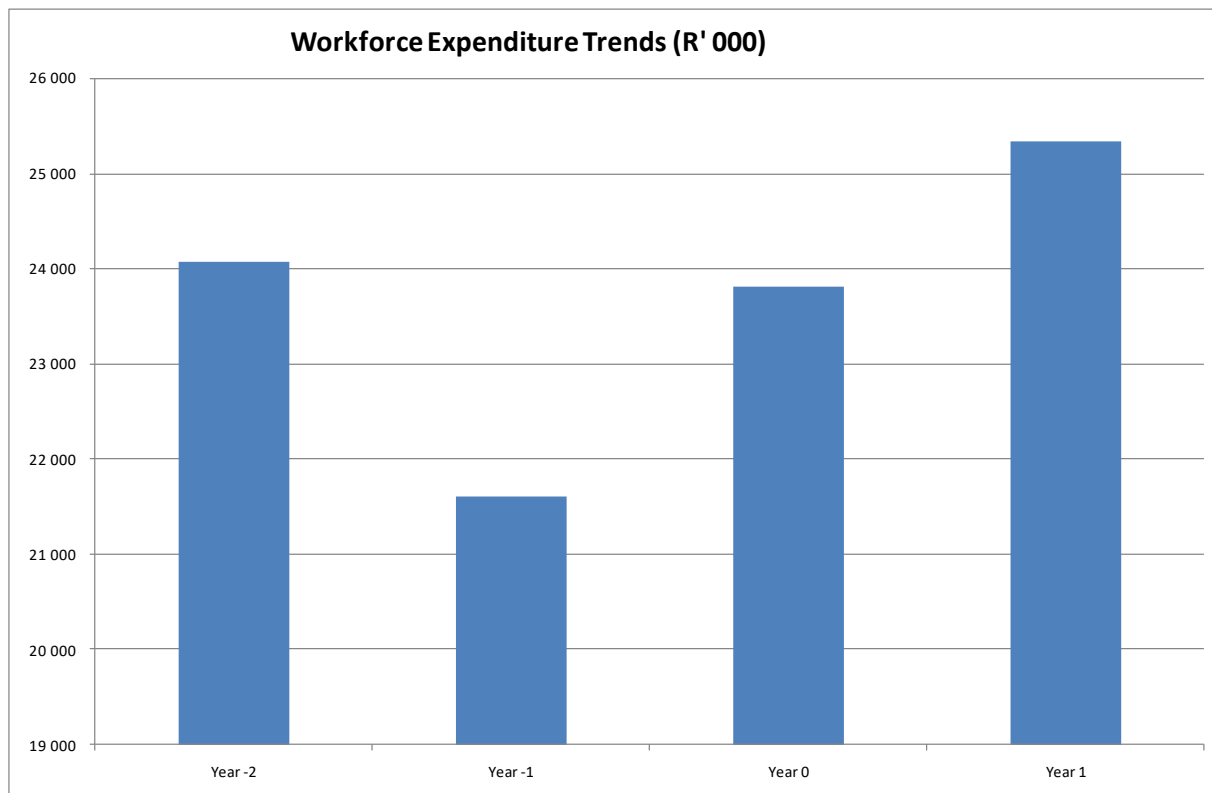
COMPONENT D: MANAGING THE MUNICIPAL WORKFORCE EXPENDITURE**EMPLOYEE EXPENDITURE**

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 (Levels 9-12)	Female	n/a
	Male	n/a
Senior management (Levels 13-16)	Female	n/a
	Male	n/a
MM and S 57	Female	n/a
	Male	n/a
Total		0

SUSPENSIONS AND CASES OF FINANCIAL MISCONDUCT:

The municipality has not experienced suspensions and cases of financial misconduct.

EMPLOYEE EXPENDITURE



Source: MBRR SA22

Employees appointed to posts not approved				
Department	Level	Date of appointment	No. appointed	Reason for appointment when no established post exists
N/A	N/A	N/A	N/A	N/A

CHAPTER 5: FINANCIAL PERFORMANCE

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

- Component A: Statement of Financial Performance
- Component B: Spending Against Capital Budget
- Component C: Cash Flow Management and Investment
- Component D: Other Financial Matters

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COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

STATEMENTS OF FINANCIAL PERFORMANCE

The municipality operated on surplus for the financial year ended 2024/25. Sakhisizwe Local Municipality managed its own obligation to all third parties (Eskom, SARS, Pension Fund and Auditor- General) were paid on time. The municipality struggles with Debt collection as a results, Revenue Management Strategy was developed and is currently being implemented.

The municipality is implementing a Revenue Enhancement Strategy following stages and currently the municipality is at a stage whereby the municipality offers incentives to its customers to motivate them to attend to their municipal accounts.

GRANTS

GRANT DESCRIPTION	OPENING BALANCE	ALLOCATION	AMOUNT RECEIVED	AMOUNT SPENT/ REALISED	UNSPENT CONDITIONAL GRANT	RECEIPTS TO DATE %	TOTAL ALLOCATION %
Municipal Infrastructure Grant (MIG)		30 684 000.00	30 684 000.00	30 684 000.00	-	100.00	100.00
Expended Public Works Program (EPWP)		1 423 000.00	1 423 000.00	1 423 000.00	-	100.00	100.00
Financial Management Grant (FMG)		3 000 000.00	3 000 000.00	3 000 000.00	-	100.00	100.00
Department of Transport(Pound)	-	1 941 000.00	1 348 046.28	1 367 660.61		101.46	70.46
Disaster Recovery Management Grant	36 873 621.88	36 873 621.88	72 388 621.88	66 581 109.12	5 807 512.76	91.98	180.57
	36 873 621.88	73 921 621.88	108 843 668.16	103 055 769.73	5 807 512.76	94.68	139.41

COMMENT ON OPERATING TRANSFERS AND GRANTS:

The budget for year 1 and year 0 was fully funded. Sakhisizwe Local Municipality was able to spend all operational grants for the intended purposes. The Municipality was able to fund completely its indigent register from the Equitable Share and furthermore the municipality managed its obligations.

COMMENT ON CONDITIONAL GRANTS AND GRANT RECEIVED FROM OTHER SOURCES:

The budget for year 1 and year 0 was fully funded. Sakhisizwe Local Municipality was able to spend all conditional grants for the intended purposes. The municipality received R760 000 from DSRAC for the Library services. The municipality had an unspent conditional grant (MDRG), and remedied by applying for a roll-over which was approved.

ASSET MANAGEMENT

Sakhisizwe Local Municipality has a legal and moral obligation to ensure that it provides effective and efficient asset management over its useful life. Asset Management deals with municipal rules required to ensure the enforcement of proper stewardship of assets (management, utilization & control by municipal officials).

The Asset Management Section of the Municipality is the custodian of the Municipality's Fixed Asset Register and shall ensure that a complete, accurate and up to date asset register is maintained. No amendments to the asset register shall be made other than those authorized by the Accountant and the Chief Financial Officer.

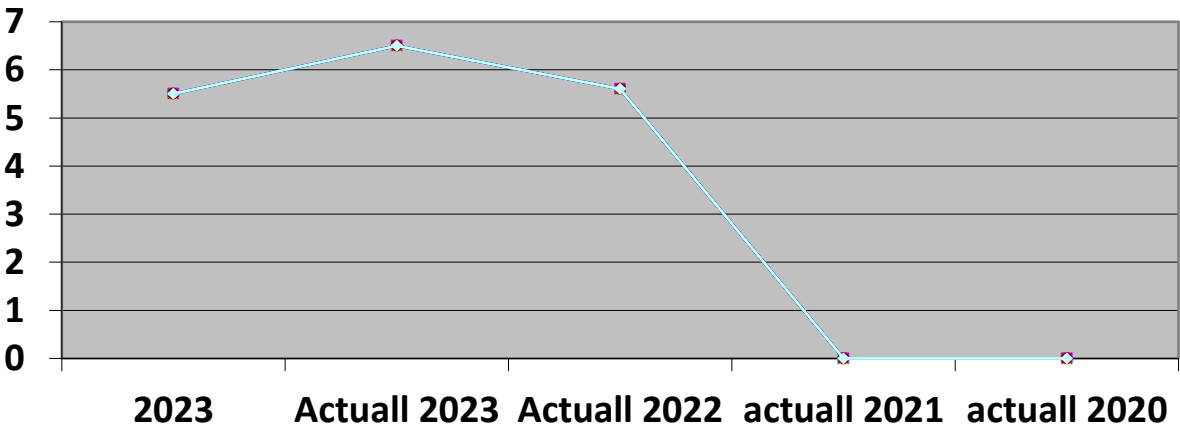
Physical asset verification is conducted bi-annually in all areas where Municipal assets are kept. It is crucial as much as the accounting of the assets on the accounting books as it provides accuracy between the asset register and what is on the floor. Updating of the asset register upon any event occurring to municipal assets (i.e. acquisition, disposal, theft and/or loss) is key to the section as it allows alignment with the fixed asset register. The

results of this verification must be reported to the Municipal Manager and the Sakhisizwe Municipal Council.

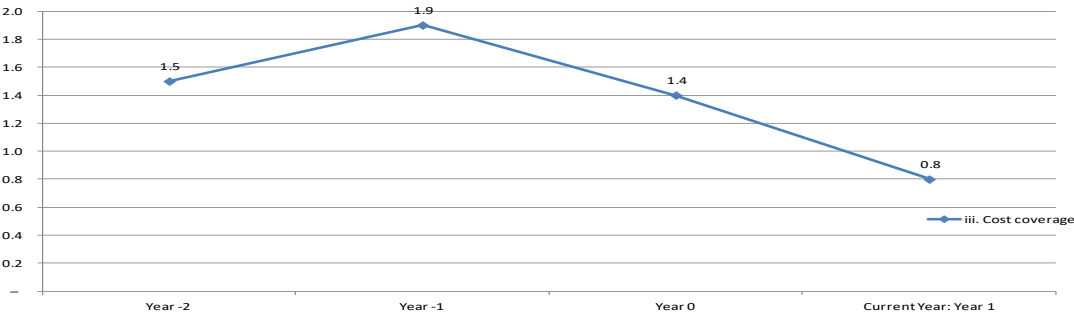
TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED YEAR 1				
ASSET 1				
NAME	Roads			
Description	Roads			
Asset type	Roads			
Key staff involved	SCM and Technical Services			
Staff responsibility	Contract management, reporting, monitoring and evaluation.			
Asset value	Year -2	Year -1	Year 0	Year 1
	17 866 657,64	25 471 001,22	36 983 100,24	37 892 052,85
Capital Implications	MIG			
Future purpose of asset	Access road			
Describe key issues	Project delay			
Policies in place to manage asset	Asset Management Policy			

FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

Liquidity Ratio



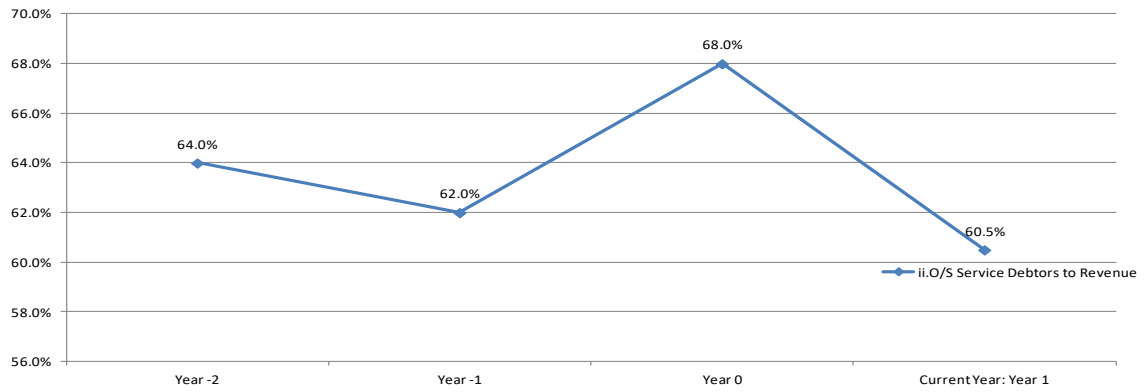
Cost Coverage



Cost Coverage— It explains how many months expenditure can be covered by the cash and other liquid assets available to the Municipality excluding utilisation of grants and is calculated

Data used from MBRR SA8

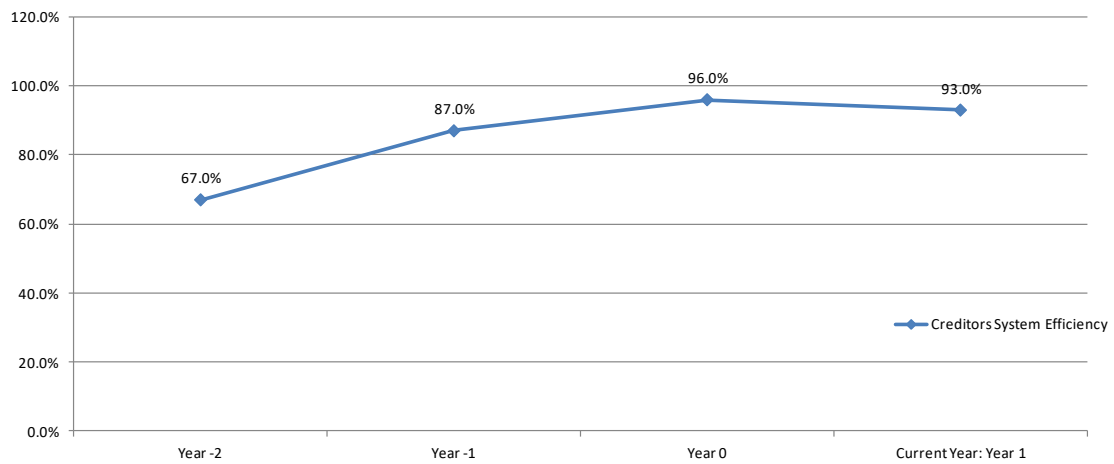
Total Outstanding Service Debtors



Total Outstanding Service Debtors – Measures how much money is still owed by the community for water, electricity, waste removal and sanitation 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.

Data used from MBRR SA8

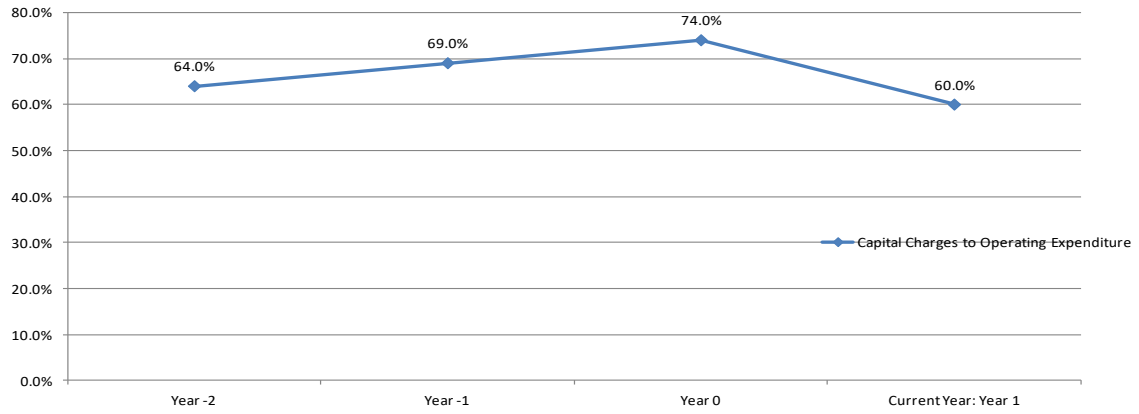
Creditors System Efficiency



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

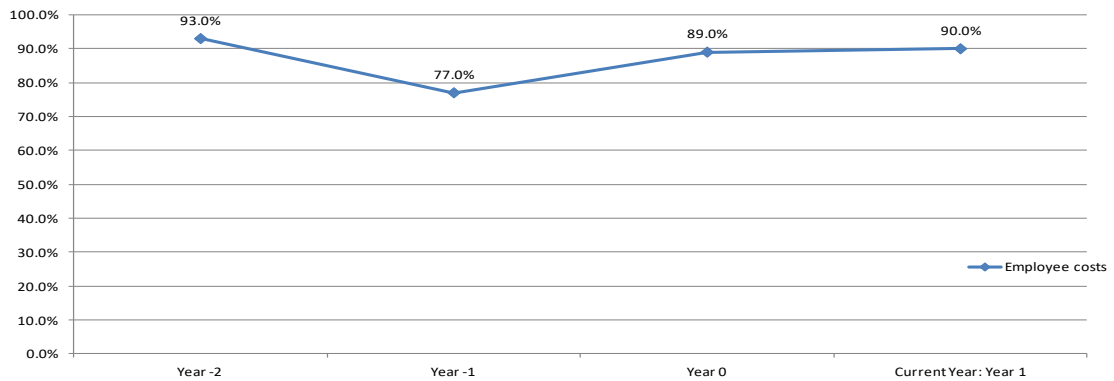
Capital Charges to Operating Expenditure



Capital Charges to Operating Expenditure ratio is calculated by dividing the sum of capital interest and principle paid by the total operating expenditure.

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

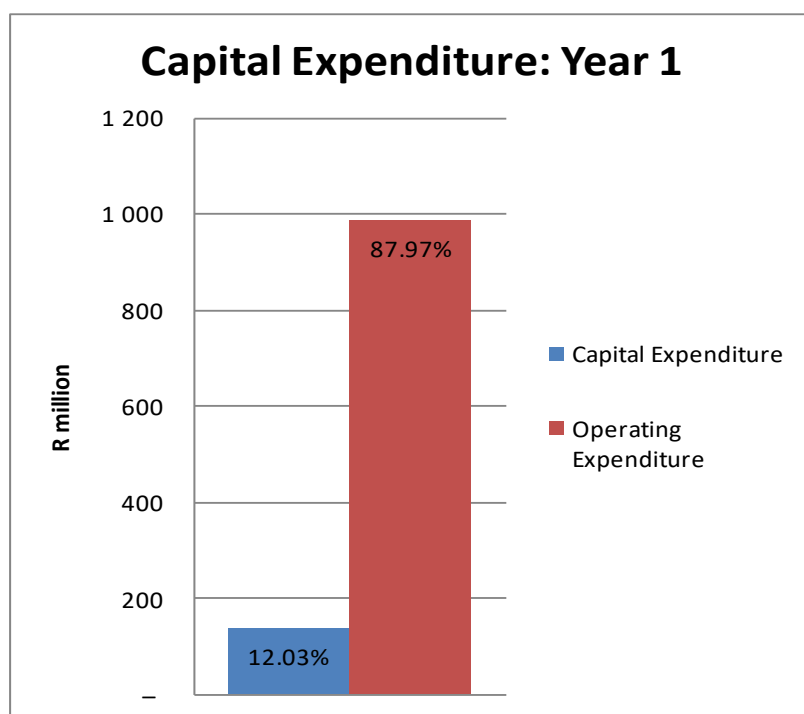
DEBT COVERAGE

Repairs and Maintenance Expenditure budget year 2023/2024				
	Original budget	Adjustment budget	Actual	Budget variance
Repairs and maintenance Expenditure	5 738 000	5 139 000	4 080 420	1 657 580

COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

The capital budget of Sakhisizwe for the 2024/2025 financial year is R117 882 million with a current actual expenditure of R 188 799million which constitutes 75% of the Budget

CAPITAL EXPENDITURE



SOURCES OF FINANCE

	Budget Year 2024/25		YearTD actual	Original Budget	Adjustment budget
	Original Budget	Adjusted Budget		YTD variance	YTD variance
National Government	70 304 800.00	107 178 438.00	79 573 433.00	113.18 -	0.26
Provincial Government	1 941 000.00	1 941 026.00	7 403 159.00	381.41	2.81
District Municipality	-	-	-	-	
Transfers and subsidies - capital (nr	-	-	-	-	
Transfers recognised - capital	72 245 800.00	109 119 464.00	86 976 592.00	120.39 -	0.20
Borrowing	-	-	-	-	
Internally generated funds	2 405 837.00	8 762 827.00	1 822 671.00	75.76 -	0.79
Total Capital Funding	74 651 637.00	117 882 291.00	88 799 263.00	118.95 -	0.25

CAPITAL SPENDING ON 5 LARGEST PROJECTS

TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED YEAR 1				
ASSET 2				
NAME	INEP/SCM/06/01/2024-25			
Description	Electrification of Chamama, Mdeni, Mbonisela, Mtyatya, Thembeni, Cala Reserve, Polar Park and New City.			
Asset type	Electricity infrastructure			
Key staff involved	SCM and Technical Services			
Staff responsibility	Contract management, reporting, monitoring, and evaluation.			
Asset value	Year -2	Year -1	Year 0	Year 1
	R11 852 615,64	R10 502 672,93	R4 625 776,37	R5 205 437,37
Capital Implications	INEP			
Future purpose of asset	Electrification			
Describe key issues	N/A			
Policies in place to manage asset	Asset Management Policy			

TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED YEAR 1	
ASSET 3	
NAME	Sport Field

Description	Community Assets			
Asset type	Cala Sport Field			
Key staff involved	SCM and Technical Services			
Staff responsibility	Contract management, reporting, monitoring and evaluation.			
Asset value	Year -2	Year -1	Year 0	Year 1
			R7 866 069,31	R4 420 306,76
Capital Implications	Department of Sport			
Future purpose of asset	Sport recreation			
Describe key issues	Project delay			
Policies in place to manage asset	Asset Management Policy			

COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

Capital expenditure on renewal of existing assets by asset class								
Capital expenditure on renewal of existing assets by asset class	2023/24 Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
Capital expenditure on renewal of existing assets by Asset Class/Sub-class								
Infrastructure	9 047	35 515	72 389	48 991	72 389	23 397	32.3%	72 389
Roads Infrastructure	9 047	35 515	72 389	49 265	72 389	23 124	31.9%	72 389
Roads	9 047	35 515	72 389	49 265	72 389	23 124	31.9%	72 389
Capital Spares	—	—	—	—	—	—	—	—
Storm water Infrastructure	—	—	(0)	—	(0)	(0)	100.0%	(0)
Drainage Collection	—	—	(0)	—	(0)	(0)	100.0%	(0)
Storm water Conveyance	—	—	—	—	—	—	—	—
Attenuation	—	—	—	—	—	—	—	—
Electrical Infrastructure	—	—	0	(274)	0	274	594756.5%	0
Power Plants	—	—	—	—	—	—	—	—
MV Switching Stations	—	—	—	—	—	—	—	—
LV Networks	—	—	0	(274)	0	274	594756.5%	0
Capital Spares	—	—	—	—	—	—	—	—
Water Supply Infrastructure	—	—	—	—	—	—	—	—
Capital Spares	—	—	—	—	—	—	—	—
Sanitation Infrastructure	—	—	—	—	—	—	—	—
Solid Waste Infrastructure	—	—	(0)	—	(0)	(0)	100.0%	(0)
Landfill Sites	—	—	(0)	—	(0)	(0)	100.0%	(0)
Capital Spares	—	—	—	—	—	—	—	—
Rail Infrastructure	—	—	—	—	—	—	—	—
Capital Spares	—	—	—	—	—	—	—	—
Coastal Infrastructure	—	—	—	—	—	—	—	—
Information and Communication Infrastructure	—	—	—	—	—	—	—	—
Capital Spares	—	—	—	—	—	—	—	—
Community Assets	3 052	1 941	1 941	7 403	1 941	(5 462)	-281.4%	1 941
Community Facilities	3 052	1 941	1 941	7 403	1 941	(5 462)	-281.4%	1 941
Crèches	—	—	—	—	—	—	—	—
Clinics/Care Centres	3 052	1 941	1 941	7 403	1 941	(5 462)	-281.4%	1 941
Capital Spares	—	—	—	—	—	—	—	—
Sport and Recreation Facilities	—	—	—	—	—	—	—	—
Heritage assets	—	—	—	—	—	—	—	—
Other Heritage	—	—	—	—	—	—	—	—
Investment properties	—	—	—	(187)	—	187	#DIV/0!	—
Revenue Generating	—	—	—	—	—	—	—	—
Improved Property	—	—	—	—	—	—	—	—
Unimproved Property	—	—	—	—	—	—	—	—
Non-revenue Generating	—	—	—	(187)	—	187	#DIV/0!	—
Improved Property	—	—	—	—	—	—	—	—
Unimproved Property	—	—	—	(187)	—	187	#DIV/0!	—
Other assets	—	—	—	—	—	—	—	—
Operational Buildings	—	—	—	—	—	—	—	—
Housing	—	—	—	—	—	—	—	—
Biological or Cultivated Assets	—	—	—	—	—	—	—	—
Biological or Cultivated Assets	—	—	—	—	—	—	—	—
Intangible Assets	—	—	(0)	—	(0)	(0)	100.0%	(0)
Servitudes	—	—	—	—	—	—	—	—
Licences and Rights	—	—	(0)	—	(0)	(0)	100.0%	(0)
Unspecified	—	—	—	—	—	—	—	—
Computer Equipment	—	—	—	—	—	—	—	—
Computer Equipment	—	—	—	—	—	—	—	—
Furniture and Office Equipment	—	—	—	—	—	—	—	—
Furniture and Office Equipment	—	—	—	—	—	—	—	—
Machinery and Equipment	—	—	6 022	117	6 022	5 905	98.0%	6 022
Machinery and Equipment	—	—	6 022	117	6 022	5 905	98.0%	6 022
Transport Assets	—	—	—	—	—	—	—	—
Transport Assets	—	—	—	—	—	—	—	—
Land	—	—	—	—	—	—	—	—
Land	—	—	—	—	—	—	—	—
Zoo's, Marine and Non-biological Animals	—	—	—	—	—	—	—	—
Zoo's, Marine and Non-biological Animals	—	—	—	—	—	—	—	—
Living resources	—	—	—	—	—	—	—	—
Mature	—	—	—	—	—	—	—	—
Immature	—	—	—	—	—	—	—	—
Total Capital Expenditure on renewal of existing assets	12 099	37 456	80 352	56 325	80 352	24 027	29.9%	80 352

Description	2023/24	Original Budget	Adjusted Budget	Budget Year 2024/25				Full Year Forecast
	Audited Outcome			YearTD actual	YearTD budget	YTD variance	YTD variance	
R thousands							%	
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Property rates	4 141	9 635	14 724	3 234	14 724	(11 491)	-78%	14 724
Service charges	19 383	25 184	24 989	26 941	24 989	1 952	8%	24 989
Other revenue	3 837	2 665	16 543	3 204	16 543	(13 339)	-81%	16 543
Transfers and Subsidies - Operational	88 391	95 153	95 512	94 823	95 512	(689)	-1%	95 512
Transfers and Subsidies - Capital	77 983	72 246	109 119	69 805	109 119	(39 315)	-36%	109 119
Interest	9 468	7 727	15 988	13 921	15 988	(2 068)	-13%	15 988
Dividends	—	—	—	—	—	—		—
Payments								
Suppliers and employees	(76 366)	(130 960)	(141 274)	(95 884)	(120 391)	(24 507)	20%	(141 274)
Interest	—	(120)	(171)	—	(171)	(171)	100%	(171)
Transfers and Subsidies	—	(1 215)	(1 563)	—	(1 563)	(1 563)	100%	(1 563)
NET CASH FROM/(USED) OPERATING	126 836	80 315	133 868	116 044	154 752	38 708	25%	133 868
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE	—	—	6 382	—	6 382	(6 382)	-100%	6 382
Decrease (increase) in non-current receivables	—	—	—	—	—	—		—
Decrease (increase) in non-current investments	—	—	—	—	—	—		—
Payments								
Capital assets	(89 097)	(74 652)	(117 882)	(89 097)	(117 882)	(28 785)	24%	(117 882)
NET CASH FROM/(USED) INVESTING	(89 097)	(74 652)	(111 500)	(89 097)	(111 500)	(22 403)	20%	(111 500)

BORROWING AND INVESTMENTS

The municipality does not have loans.

PUBLIC PRIVATE PARTNERSHIPS

The municipality has an agreement with the Department of Transport, which was assisting the institution on construction of Cala Pound, which is completed and the Khowa pound, the contractor is on site.

COMPONENT D: OTHER FINANCIAL MATTERS

REVENUE ENHANCEMENT STRATEGY (RES)

BACKGROUND PERTAINING TO THE RES

The development of this strategy came at the backdrop of the gross outstanding debtors balance of Sakhisizwe Local Municipality being R154 million as at 28 February 2023. The amount has accumulated over a period due to lack of effective controls in revenue collection and socioeconomic factors, among other things. In considering the socio-economic factors, specifically high levels of unemployment, it should be noted

that registered indigent debtors are subsidized, therefore causes for non-payment needed to be identified.

The municipality derives its own revenue from Business, Government Institutions, Households and Other services. Even though households are a lot in number, they contribute the least percentage to internal generated revenue. A significant portion of household consumers are indigent and subsidized for services rendered by equitable share (free basic services).

THE OBJECTIVES OF THE STRATEGY

The objective of this strategy undertakes to address financial and institutional challenges faced by the municipality in revenue management. The focus is on the formulation and implementation of revenue enhancement strategy (RES) to improve financial management and controls within the municipality and current payment levels, and then to recover arrear debt, which will ultimately result in an enhancement of service delivery for the betterment of its residents of the Sakhisizwe municipal jurisdiction.

As indicated above, the RES seeks to identify causes for non-payment and to develop a strategy to address those challenges. In order to develop an effective system of revenue collection, it is imperative to understand the reasons and dynamics behind the current situation. Revenue collection problem starts early in the revenue and receivables cycle when the consumers apply for services, when there are no proper controls in processing of bills and many other reasons within the process, not when the client defaults. The strategy thus focuses on treating the cause of the problems and not the symptoms.

The RES adopts a strategic and focused approach which is time-bound yet comprehensive enough to ensure that the underlying causes of the under collection are adequately addressed. To achieve this objective, the RES presents a phased approach to recovery, differentiating between issues to be addressed in the short, medium and long term. The RES is divided into four distinct but interdependent phases. These include a Rescue Phase (Phase 1) which focuses primarily on cash and restoring the cash position of the municipality, capacitation of staff and establishment of a project steering committee; followed by a Stabilisation Phase (Phase 2) which expands on the financial indicators to be monitored and emphasizes key governance and institutional issues which must simultaneously be addressed, and the need for innovative measures of debt collection to be sought; Phase (Phase 3) focusing on the collection from the biggest contributor to outstanding debt – residents, and finally, (Phase 4) to ensure that indicators are developed that will give effect to the long-term financial sustainability of

the municipality. The approach is designed to ensure that debt collection is not only achieved, but more importantly, that progress is institutionalized and sustained within Sakhisizwe Local Municipality.

C. THE PHASES OF THE STRATEGY

The revenue enhancement strategy is divided into four phases which consist of:

Phase one (2023/24) – Establishment of project steering committee; Development of Communication strategy, training and capacitating staff; Collection from government and large business debtors, municipal staff and councillors;

Phase two (2024/25) - stabilizing the billing processes as well as collecting from farmers, small businesses and professional people;

Phase three (2025/26) - data cleansing of households and collection from consumer debtors and;

Phase four (2026/27) - stringent management of consumers' current account. The commencement of phase four was initially set to be done during the 2025/26 financial year. However, it was postponed commencing in 2026/27.

D. THE PROGRESS IN IMPLEMENTING THE RES

For the 2024/25 financial year the municipality was in phase three.

RES outreach programmes are continually being carried out. These take the form of communication with our customers through in-person meetings, use of social media platforms and the appearances of the honourable Mayor B. Ponoshe in the Vukani Community Radio station, a local radio station. We have quarterly Ratepayers Meeting where we present the strategy to our customers and encourage them to participate and register for Indigent subsidy and this has helped us with data collection and cleansing.

The municipality has taken note of the growing buy in of its customers in the RES.

E. THE MILESTONES OF THE STRATEGY

The milestone achieved since the inception of the RES mainly include

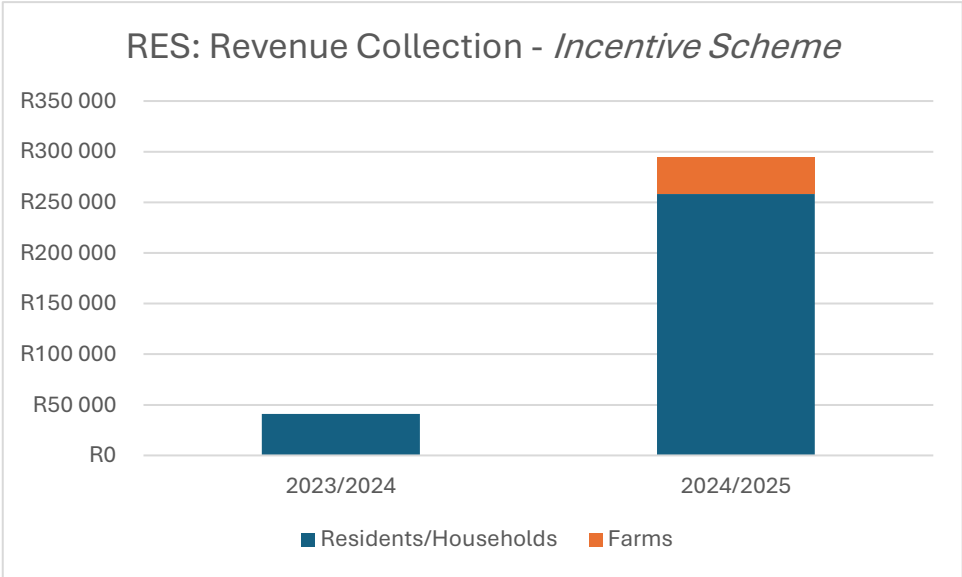
- Increase in the revenue collection from the billed accounts of customers in the form of payments.
- The continuous data cleansing which has resulted in the identification and rectification and subsequently improving the quality of information held within and produced by the billing module within the billing system.
- The positive effect of the RES in improvement of the audit results for the 2024/25 financial year as there were not material audit findings within revenue and receivables.

F. A COMPARISON BETWEEN 2023/24 AND 2024/25 FINANCIAL YEARS

It has been mainly, residents and households who have taken advantage of the incentive scheme introduced via the RES.

	2023/2024	2024/2025
Customer Count		
Residents/Households	4	17
Farms	0	9
Total	4	26
Cash Received Per Category		
Residents/Households	R 40 834,52	R 258 272,10
Farms	0	R 35 568,10
Total	R 40 834,52	R 293 840,20

G.



A

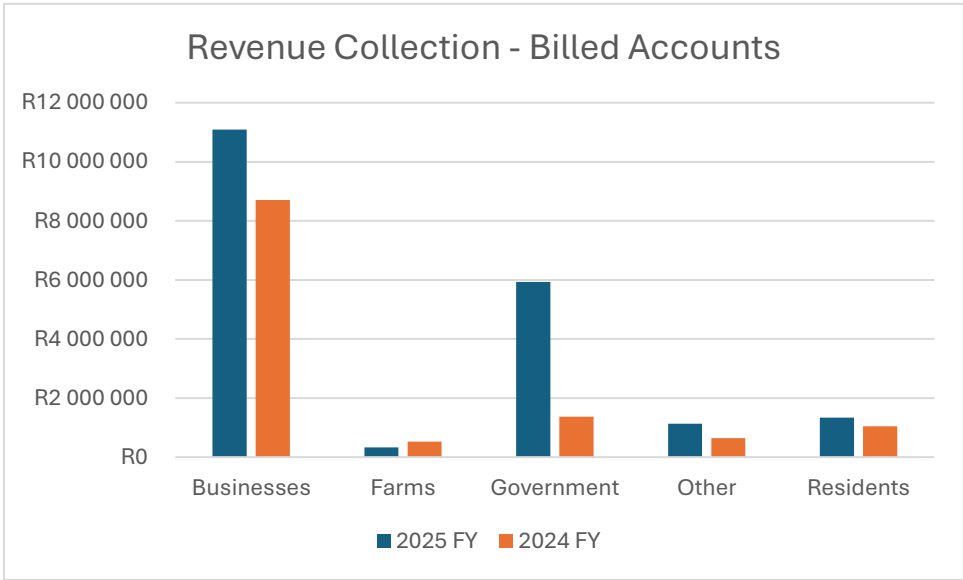
COMPARISON BETWEEN 2023/24 AND 2024/25 FINANCIAL YEARS

The revenue collection has also significantly increased from 2023/24 to 2024/25.

Customer Categories	2025 FY	2024 FY
Businesses	R 11 091 975,95	R 8 706 032,22
Farms	R 327 572,64	R 521 529,66
Government	R 5 936 501,85	R 1 373 432,34
Other	R 1 127 860,32	R 643 932,18
Residents	R 1 336 357,55	R 1 044 983,75
Grand Total	R 19 820 268,31	R 12 289 910,15

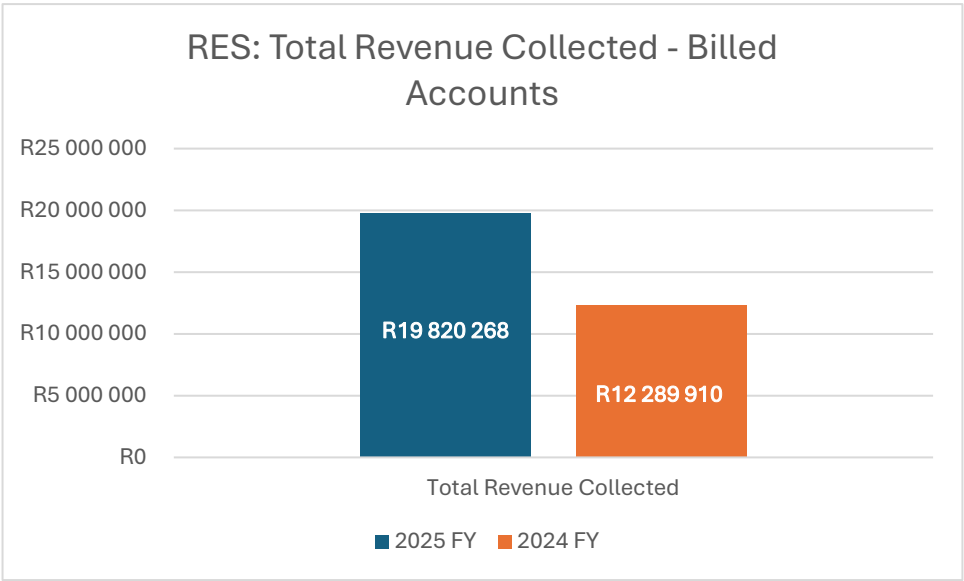
The graph below shows the revenue collection per category.

H. A



COMPARISON BETWEEN 2023/24 AND 2024/25 FINANCIAL YEARS

The revenue collection from billed accounts increased significantly from 2023/24 to 2024/25, an increase of R7,5m.



SUPPLY CHAIN MANAGEMENT

Sakhisizwe Local Municipality has a Supply Chain Management Policy in place that was adopted on 17 May 2024. 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 fair, transparent, efficient, equitable, competitive, which ensures best value for money for the municipality applies the highest possible ethical standards and promote local economic development.

The municipality has capacitated the supply chain officials in the year under review, to ascertain that SCM officials are kept abreast on regulations and the below listed legislations.

By adopting this policy, the council further pledges itself and municipal administration to the full support of the proudly SA campaign and to the observance of all application national legislation including 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.

GRAP COMPLIANCE

GRAP is the acronym for Generally Recognized Accounting Practice, and it provides the rules by which municipalities are required to maintain their financial accounts. Successful GRAP compliance will ensure that municipal accounts are comparable and more informative for the municipality. It will also ensure that the municipality is more accountable to its citizens and other stakeholders. Information on GRAP compliance is needed to enable National Treasury to assess the pace of progress and consider the implications.

Approved and Effective

[Preface of Standards of GRAP](#)

[Glossary of Defined Terms](#)

GRAP Number	Document Title and Link
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases

GRAP 14	Events After the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property Plant and Equipment
GRAP 18	Segment Reporting
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 20	Related Party Disclosures
GRAP 21	Impairment of Non-cash-generating Assets
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits
GRAP 26	Impairment of Cash-generating assets
GRAP 27	Agriculture
GRAP 31	Intangible Assets
GRAP 32	Service Concession Arrangements: Grantor
GRAP 34	Separate Financial Statements
GRAP 35	Consolidated Financial Statements
GRAP 36	Investments in Associates and Joint Ventures

GRAP 37	Joint Arrangements
GRAP 38	Disclosure of Interests in Other Entities
GRAP 100	Discontinued Operations
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
GRAP 105	Transfer of Functions Between Entities Under Common Control
GRAP 106	Transfer of Functions Between Entities Not Under Common Control
GRAP 107	Mergers
GRAP 108	Statutory Receivables
GRAP 109	Accounting by Principals and Agents
GRAP 110	Living and Non-living Resources

CHAPTER 6 – AUDITOR GENERAL AUDIT FINDINGS

COMPONENT A: AUDITOR GENERAL REPORT YEAR 2024-2025

SAKHISIZWE LOCAL MUNICIPALITY

Audit Report

For the year ended 30 June 2025



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

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

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of Sakhisizwe Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2025, statement of financial performance, statement of changes in net assets, and the cash flow statement and the 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, the financial statements present fairly, in all material respects, the financial position of Sakhisizwe Local Municipality as at 30 June 2025 and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Financial Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 24 of 2024 (Dora).

Basis for opinion

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

Emphasis of matters

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.
7. As disclosed in note 41 to the financial statements, the corresponding figures for 30 June 2024 were restated as a result of an error in the financial statements of the municipality at, and for the year ended, 30 June 2025.
8. As disclosed in note 3 to the financial statements, material allowance for impairment of R89,09 million (R2024: R76,59 million) was incurred as a result of a write-off of irrecoverable debtors.

9. As disclosed in note 4 to the financial statements, material allowance for impairment of R73,58 million (R2024: R64,25 million) was incurred as a result of a write-off of irrecoverable debtors.

Other matter

10. I draw attention to the matters below. My opinion is not modified in respect of this matter.
11. 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

12. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the GRAP standard 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.
13. 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.

Responsibilities of the auditor-general for the audit of the financial statements

14. 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.
15. 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 annual performance report

16. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected material performance indicators presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

17. I selected the following material performance indicators related to basic service delivery presented in the annual performance report for the year ended 30 June 2025. I selected those indicators that measure the municipality's performance on its primary mandated functions and that are of significant national, community or public interest.

- Number of businesses' waste collected by 30 June 2025
- Number of households' waste collected by 30 June 2025
- Number of paved metres on construction of Qokolo to Koppitjie access road Phase 3 by 30 June 2025
- Number of kms on construction on Elliot Surfaced Internal Street by 30 June 2025
- Number of kms of re-gravelling on construction of Manzana access road by 30 June 2025
- Number of kms of re-gravelling on construction of Askeaton to Panatjiep access road by 30 June 2025
- Number of sports facilities in Cala constructed by 30 June 2025
- Electrification of households in wards 1, 2, 3, 6, 7 and 8 by June 2025
- Number of streetlights maintained in Khowa by 30 June 2025
- Number of high mast lights maintained in Cala and Khowa by 30 June 2025
- Number of high mast lights refurbishment in Khowa by 30 June 2025
- Procure and maintain electricity infrastructure by 30 June 2025
- Number of kms of roads maintained in all wards by 30 June 2025
- Number of kms of roads rehabilitated in Jonini, Ngcangcazela and Polar Park by 30 June 2024
- Number of kms of roads rehabilitated in Lahlangubo and Sifonondile by 30 June 2024
- Number of kms of roads rehabilitated in Mankazana and Extension 15 by 30 June 2024
- Number of culverts rehabilitated in Luxeni by 30 June 2024
- Number of kms of roads rehabilitated in Mdantsane by 30 June 2024
- Number of kms of roads rehabilitated in Zingquthu by 30 June 2024
- Number of culverts rehabilitated in Ntlanjeni by 30 June 2024
- Number of kms paved in Masibambane Internal Street by 30 June 2025
- Number of kms paved in Takalani Internal Street by 30 June 2025

- Number of kms paved in Ndondo Square by 30 June 2025
- Kms of roads rehabilitated in Lower Langanci by 30 June 2025
- Kms of roads rehabilitated in Upper Indwana by 30 June 2025
- Renovated / maintained municipal building by 30 June 2025 (ERF 379 Phase 2)
- Renovated / maintained municipal building by 30 June 2025 (Burb Veries Phase 2)
- Renovated / maintained municipal building by 30 June 2025 (Khowa Library Phase 2)
- Refurbishment designs for Khowa traffic offices by 30 June 2025
- Renovated / maintained municipal hall by 30 June 2025 (Masibambane Phase 2)
- Renovated / maintained municipal hall by 30 June 2025 (Cala Indoor Sports Centre)
- Renovated / maintained municipal hall by 30 June 2025 (Khowa town)

18. I evaluated the reported performance information for the selected material performance indicators against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the municipality's planning and delivery on its mandate and objectives.

19. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the municipality's mandate and the achievement of its planned objectives
- all the indicators relevant for measuring the municipality's performance against its primary mandated and prioritised functions and planned objectives are included
- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner
- there is adequate supporting evidence for the achievements reported and for the measures taken to improve performance.

20. I performed the procedures to report material findings only; and not to express an assurance opinion or conclusion.

21. I did not identify any material findings on the reported performance information for the selected indicators.

Other matters

22. I draw attention to the matters below.

Achievement of planned targets

23. The annual performance report includes information on reported achievements against planned targets and provides measures taken to improve performance.

24. The table that follows provides information on the achievement of planned targets and lists the key service delivery indicators that were not achieved as reported in the annual performance report. The measures taken to improve performance are included in the annual performance report on pages xx to xx.

Basic service delivery

<i>Targets achieved: 78%</i> <i>Budget spent: 90%</i>		
Key service delivery indicator not achieved	Planned target	Reported achievement
Number of households' waste collected by 30 June 2025	Collection of refuse in 10 000 households for Khowa and Cala by 30 June 2025	Waste collected from 1 263 households
Number of kms on construction on Elliot Surfaced Internal Street by 30 June 2025	1 km of paved road on construction on Elliot Surfaced Internal Street by 30 June 2025	Roadbed completed
Number of sports facilities in Cala constructed by 30 June 2025	1 sports facility in Cala constructed by 30 June 2025	82% of Cala sports facility constructed
Number of kms of roads rehabilitated in Jonini, Ngcangcazela and Polar Park by 30 June 2025	5 km of gravel road base to be rehabilitated in Jonini (2 km), Ngcangcazela (2 km) and Polar Park (1 km) by 30 June 2025	98% complete
Number of kms paved in Ndondo Square by 30 June 2025	1 km of paved road on Masibambane Internal Street by 30 June 2025	Sub-base done; installation of stormwater pipes done
Renovated / maintained municipal building by 30 June 2025 (ERF 379 Phase 2)	ERF 379 Phase 2 renovated / maintained by 30 June 2025	Project terms of reference, adverts and appointment letters

Refurbishment designs for Khowa traffic offices by 30 June 2025	Approved refurbishment designs and specifications for Khowa traffic offices by 30 June 2025	Project terms of reference and advert
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Material misstatements

25. I identified preventable material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for basic services. Management subsequently corrected all the misstatements, and I did not include any material findings in this report.

Report on compliance with legislation

26. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting officer is responsible for the municipality's compliance with legislation.
27. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
28. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the municipality, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
29. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements and annual report

30. 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 current assets and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

31. Reasonable steps were not taken to prevent irregular expenditure amounting to R31,41 as disclosed in note 40 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by non-compliance with supply chain management regulations.

32. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R326 623, as disclosed in note 39 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA.
33. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R25,05 million, as disclosed in note 38 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA.

Consequence management

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

Strategic planning and performance

35. The performance management system and related controls were not maintained as they did not describe how the performance review process should be conducted, as required by municipal planning and performance management regulation 7(1).

Governance and oversight

36. The Internal Audit unit did not advise the accounting officer and did not report to the audit committee on the implementation of the internal audit plan on matters relating to compliance with the MFMA, Dora, and any other applicable legislation, as required by section 165(2)(b)(vii) of the MFMA.

Other information in the annual report

37. The accounting officer is responsible for the other information included in the annual report, which includes the audit committee's report. The other information referred to does not include the financial statements, the auditor's report and those selected material indicators in the scoped-in development priority presented in the annual performance report that have been specifically reported on in this auditor's report.
38. My opinion on the financial statements and my reports on the audit of the annual performance report and compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
39. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected material indicators in the scoped-in development priority presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
40. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

41. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
42. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the opinion, and the material findings on compliance with legislation included in this report.
43. The municipality's financial statement preparation and review processes are not adequate to ensure that fair presentation in terms of GRAP 1 is achieved. This has resulted in numerous material misstatements, including omissions and inconsistencies with the applicable GRAP standards.
44. The municipality's leadership did not adequately discharge its oversight responsibilities of the implementation and monitoring of internal controls to ensure sound financial management, performance management and compliance with legislation.

Auditor General

East London

30 November 2025



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Glossary of Terms

Accessibility indicators	Explore whether the intended beneficiaries can 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 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 Key performance indicators	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 Key performance areas	• Service delivery & infrastructure. • Economic development • Municipal transformation and institutional development

	• Financial viability and management • Good governance and community participation
Outcomes	The medium-term results for specific beneficiaries 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 EPMDS 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 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	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. Section 1 of the MFMA defines a "vote" as: - 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 - which specifies the total amount that is appropriate for the purposes of the department or functional area concerned

APPENDICES

APPENDIX A – COUNCILLORS, COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE

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	12	12	0
2.	Cllr N. Mkati	PR	Speaker	ANC	12	10	02
3.	Cllr M. Mxhonywa	PR	Chief Whip & Portfolio Head Technical Services	ANC	12	12	0
4.	Cllr Z.J Ponoshe	1	Ward Councillor	ANC	12	10	2
5.	Cllr M. Ngqayimbana	PR	Portfolio Head Finance & Admin.	ANC	12	9	3
6.	Cllr V. Filana	2	Ward Councillor	ANC	12	12	0
7.	Cllr N.S Nopote	3	Ward Councillor	ANC	12	11	1
8.	Cllr N. Miso	4	Ward Councillor	ANC	12	12	0
9.	Cllr L. Thulelo	5	Ward Councillor & MPAC Chairperson	ANC	12	12	0
10.	Cllr N. Stofile	6	Ward Councillor	ANC	12	12	0
11.	Cllr M. Malungisa	PR	Portfolio Head Social needs & Community Services	DA	12	10	2
12.	Cllr T. Mayongo	7	Ward Councillor	ANC	12	11	1
13.	Cllr P. Mahlombe	8	Ward Councillor	ANC	12	9	3
14.	Cllr T. Tasana	9	Ward Councillor	ANC	12	10	2
15.	Cllr A. Mpakane	PR	PR Councillor	DA	9	4	5
16.	Cllr W, M Kumsha	PR	PR Councillor	ATM	12	9	3
17.	Cllr A. Mbebe	PR	PR Councillor	EFF	8	5	3

APPENDIX B – COMMITTEES AND COMMITTEE PURPOSES

EXECUTIVE COMMITTEE

COMMITTEE	PURPOSE
Executive committee	Advise the Mayor
Section 80 Committees	Consider reports of departments and submit recommendations to the Executive Mayor
Audit Committee	The role of the audit committee is to provide advice to various stakeholders, including the municipal council, political office-bearers, the accounting officer, and the management of the municipality or municipal entity.
MPAC: Section 79 Committee	Oversight role on the activities of Council as well as an oversight role on the Annual Report
Performance Audit Committee	Regulation 14(2) focuses on performance measurement, KPIs, and the integration of development planning within municipalities. These provisions aim to enhance transparency, accountability, and effective governance in local government

COMMUNITY SERVICES & SOCIAL NEEDS STANDING COMMITTEE

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

INFRASTRUCTURE STANDING COMMITTEE

NAME	DESIGNATION
Cllr. M. Mxhonywa	Chairperson
Cllr. J. Ponoshe	Member
Cllr. Filana	Member
Cllr. Mpakane	Member
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

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
- Public Participation and Petitions Committee
- Rules and Ethics Committee
- Women Caucus

APPENDIX C –THIRD TIER ADMINISTRATIVE STRUCTURE

Department/ Directorate	Functions
Municipal Manager	▪ Strategic Management ▪ Internal Audit and Risk Management ▪ Special Programmes Unit ▪ Public Participation ▪ Communications ▪ Performance Management
Corporate Services	▪ Human Resource Management ▪ Council Support ▪ Human Resources Development ▪ Labour Relations ▪ Fleet Management ▪ Information Technology
Technical Services	▪ Roads and Storm Water Drainage ▪ Electricity ▪ Project Management Unit ▪ EPWP ▪ ISD
Community Services	▪ Libraries ▪ Community Facilities ▪ Sports fields ▪ Community Halls ▪ Cemeteries ▪ Social Programmes

	- Waste Management - Fire - Traffic Management
Chief Financial Officer	- Budget and Treasury - Revenue Management - Expenditure Management - Asset Management - Supply Chain Management
Rural Economic Development & Planning (REDP)	- Integrated Development Planning - Local Economic Development - Town Planning - Agriculture - Tourism

APPENDIX D – FUNCTIONS OF MUNICIPALITY

Municipal /Entity Function		
Municipal Function	Function Applicable to Municipality (Yes/No)	Function Applicable to Entity (Yes/No)
Constitution schedule 5, part B Function		
Beaches Amusement facilities	No	No
Billboards and the display of advertisements in public places	Yes	No
Cemeteries	Yes	No
Cleansing	Yes	No
Control of public Nuisance	Yes	No
Control of undertakings that sell liquor to the public	Yes	No
Facilities for the accommodation, care and banal of animals	Yes	No
Fencing (Cemeteries, parks, libraries, Sport & Recreational facilities)	Yes	No
Licensing of dogs	No	No
Licensing and control of undertakings: sell food to the public	Yes	No
Local Amenities	No	No
Local Sport fields	Yes	No
Markets	No	No
Municipal Abattoir	No	No
Municipal Parks and recreation	Yes	No
Municipal Roads	Yes	No
Noise Pollution	Yes	No
Pound	Yes	No
Public Places	Yes	No
Refuse Removal, refuse dumps and solid waste disposal	Yes	No
Street Trading	Yes	No
Street Lighting	Yes	No
Traffic and Parking	Yes	No

APPENDIX E – WARD REPORTING

Ward No.	Name of Ward Councilor & 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	1	94	0
2	Cllr V Filana	Yes	1	78	0
3	Cllr Nopote	Yes	11	89	2
4	Cllr Miso	Yes	2	99	0
5	Cllr Thulelo	Yes	2	101	1
6	Cllr Stofile	Yes	9	101	3
7	Cllr Mayongo	Yes	1	90	0
8	Cllr Mahlombe	Yes	4	94	0
9	Cllr Tasana	Yes	12	72	0

In the table above, the no. of monthly and quarterly meetings held during the year has been measured as per submitted reports by Ward Councilors in the Office of the Speaker. The no. of reports submitted to the Office of the Speaker includes those that are submitted by the Ward Committees.

APPENDIX F – WARD INFORMATION

Ward Title: ward no. 6				
Capital Projects: Seven Largest in Year 1 (Full List at Appendix X)				
No.	Project Name and detail	Start Date	End Date	Total Value
1	Construction of Manzana access road	29/08/2024	15/03/2025	5 138 086,62

Ward Title: ward no. 8				
Capital Projects: Seven Largest in Year 1 (Full List at Appendix X)				
No.	Project Name and detail	Start Date	End Date	Total Value
1	Construction of Askeaton to Panatjiep Phase 2	29/08/2024	22/01/2025	7 959 029,64

Ward Title: ward no. 5				
Capital Projects: Seven Largest in Year 1 (Full List at Appendix X)				
No.	Project Name and detail	Start Date	End Date	Total Value
1	Construction of Cala Sport Facility	20/11/2024	On construction	10 000 000,00

Top four service Delivery priorities for Ward (Highest Priority First)		
No.	Priority name and detail	Progress during Year 1
Ward 5	Construction of Cala Sport Facility	On construction
Ward 6	Construction of Manzana access road	15/03/2025
Ward 8	Construction of Askeaton to Panatjiep Phase 2	22/01/2025

APPENDIX G – RECOMMENDATIONS OF THE MUNICIPAL AUDIT COMMITTEE

Resolution	Responsible Department	Progress
SPECIAL AUDIT COMMITTEE MEETING HELD ON 27 May 2025		
<u>THE MUNICIPAL MANAGER REPORT:</u> Final report on the Annual Report for the 2024/2025 Financial Year. • That the Accounting Officer ensures that the Oversight report and the Audit Committee annual report are included in the document prior to submission to AGSA for final scrutiny. • That the copies uploaded on the Municipality's website be retracted and the corrected document be uploaded in compliance with legislation. • That as soon as the AGSA has proofread the Annual report, the report be sent to the printers.	MMO	Done Done The annual report was submitted to AGSA
Performance Management Report for the period ended 31st March 2025. • That the reasons for non-achievement and the remedial actions to be reviewed to address the real reasons for non-performance. • That the two underperforming KPA's be analyzed and corrective measures be developed to improve performance.	MMO	Ongoing Ongoing
<u>INTERNAL AUDIT REPORT</u> Internal Audit report on Supply Chain Management for the period ended 31st March 2025.	IA	Supply Chain Management review report will be submitted on Quarter 4

That the Internal Audit report on Supply Chain Management for the period ended 31st March 2025 be referred back for additional information. Internal Audit Report on the progress on the implementation of the Post Audit Action Plan for the period ended 31st March 2025. That in future the report to clearly indicate which planned actions will only be addressed at year-end to strengthen oversight and assurance provision to the Municipal Council. Risk Management Report for the period ended 31st March 2025 • That it be noted that the annual risk assessment is currently underway and after conclusion a report will be submitted to the RMC and the Audit Committee; • That the newly appointed Risk Management Committee Chairperson at the RMC meeting review the report and any other related matters and submit a report to the Committee at the next meeting.		Audit Committee meeting Annual risk assessment workshop was conducted on 17 June 2025 and the Risk Management and ICT committee chairperson had convened the meeting on 24 July 2025
ORDINARY AUDIT COMMITTEE MEETING HELD ON 30 JULY 2025		
Municipal Manager's Reports for the period ended 30 JULY 2025		
COMPLIANCE REPORT The Committee resolved that: The overview of the compliance report be deferred to the next meeting due to errors identified in the report. Accounting Officer always ensure all laws and regulations are complied with by each department to avoid adverse findings and litigations that may lead to financial losses	MMO	An update compliance report had been submitted Ongoing
LITIGATION REPORT The Committee resolved that: The future register should also include the contingent liability/asset amounts per case liability to determine exposure for the municipality	MMO	Done Ongoing

The Accounting Officer should always ensure that the Municipality complies with all prescripts to prevent future civil claims against the Municipality		
RURAL ECONOMIC DEVELOPMENT & PLANNING The Committee resolved that: a progress report on the renovation of Municipal buildings be submitted at the next meeting.	REDP	Done
REPORTS FROM CHIEF FINANCIAL OFFICER The Committee resolved that: the Municipality enforce the credit control and debt collection policy to improve its collection rate.	BTO	Done
SUPPLY CHAIN MANAGEMENT REPORT The Committee resolved that: The Accounting Officer always ensure that the reasons for deviations are justifiable. The UIFW Expenditure incurred during the period under review be noted and be investigated in accordance with Section 32 of the MFMA.	BTO	Ongoing Ongoing
UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE The Committee resolved that: MPAC fast tracks the investigations on UIFW expenditure referred and make recommendations to the Municipal Council in terms of Section 32 of the MFMA	BTO	Done
INTERNAL AUDIT REPORTS 1.1 Internal Audit Charter The Committee resolved that: Internal Audit submits Internal Audit Strategy for 2025/2026 financial year during August 2025 Special Audit Committee meeting The outstanding third quarter SCM review report and OMS report are concluded without any further delay and submitted at the next meeting. The Accounting Officer always ensure Internal Audit is provided with the necessary information for the execution of the planned projects.	MMO	Done Done Ongoing

1.2 FMCMM Report The Committee resolved that: The Accounting Officer should ensure that all directorates respond to the respective questions on FMCMM		Ongoing
1.3 Fourth Quarter Performance Report The Committee resolved that: The unachieved projects be deferred to the 2025/2026 financial year:	MMO	Done
Progress report on the implementation of the Internal Audit Annual Plan That the Accounting Officer ensure that all the recommendations by the Internal Audit are implemented to avoid repeat findings: The Accounting Officer always ensure Internal Audit is provided with the necessary information for the execution of the planned projects.	MMO	Ongoing Ongoing
Special Audit Committee meeting held on 27th August 2025		
Annual Performance Report for the 2024/2025 Financial Year. That the Accounting Officer ensure that all the inputs made by the Committee and Provincial Treasury are incorporated in the final APR to be submitted to AGSA together with the AFS on or before the 31 st August 2025	MMO	Done
That the Accounting Officer ensure that the draft Annual Report, and the Annual Performance Report for the 2024/2025 financial year are submitted together with the Annual Financial Statements on or before the 31 st August 2025.		Done
Review of the 2024/2025 Financial Year Annual Financial Statements That the Accounting Officer ensure that all inputs received from the Committee members, Internal Audit and Provincial Treasury are implemented before the AFS are submitted to the Office of the Auditor General for audit.	BTO	Done

SAKHISIZWE LOCAL MUNICIPALITY – AUDIT COMMITTEE ANNUAL REPORT FOR THE 2024/2025 FINANCIAL YEAR

1. LEGISLATIVE REQUIREMENTS

The Audit and Performance Committee (hereinafter referred to as the “Audit Committee”) is pleased to present its annual report for the year ended 30 June 2025. The purpose of this report is to communicate the Audit Committee’s progress to date in carrying out its oversight and advisory responsibilities in terms of Section 166 of the Local Government Municipal Finance Management Act, Act 56 of 2003 read with Regulation 14 of the Planning and Performance Management regulations, 2001.

The Municipality appointed an Audit Committee comprising of three members. The Council appointed Mr A M Langa as Chairperson. The Committee continued to perform its duties as outlined in its reviewed Audit Charter for the year under review.

The Committee considered fraud, risk and internal controls as an objective of internal control activities with fraud perceived to be a potential internal control failure. The Audit Committee fulfilled its mandate and provided advisory services to the Council, the political Office Bearers, the Accounting Officer and Management on matters relating to the Internal Audit function, effectiveness of the systems of Internal Controls, ICT Governance, Risk Management processes and Performance Management Systems.

The functioning of the Audit Committee is governed by the Audit Committee’s Charter approved by the Municipal Council at the beginning of the financial year.

2. AUDIT COMMITTEE MEMBERS AND ATTENDANCE

During the year under review the Committee held meetings as per their approved schedule and the attendance by each member is as follows:

Name of Member	Skills and Experience	Designation	Number of Meetings Attended.
A M Langa	Masters’ candidate enrolled for a Masters Degree in Public Admin with UNISA and enrolled for an MBA with Regent University, BCom (Municipal Accounting) and BCom Honours. Sits on various audit, risk and performance committee with 39 years of professional experience.	Chairperson Audit Committee	06

Ms N Hlongwane (Resigned on 31 st January 2025)	Have served at various audit committees around the province thus gaining wide exposure on how these municipal committees need to function. Her line of expertise is on financial management.	Member	02
R Vuzane	- Bachelor of Accounting (WSU); - Bachelor of Commerce in Law (UNISA); - Post Graduate Diploma in Accounting (UNISA); - Post Graduate Diploma in Applied Accountancy / CTA (UNISA); - Post Graduate Diploma in Taxation (UNISA); and - Master of Commerce in Accounting [Specializing in Carbon Taxation and other environmental levies] (RU).	Member	04
Ms N Mabuza (Appointed from 15 th May 2025)	- National Diploma: Internal Auditing (WSU) - Certificate In Advance Business Studies (NMMU) - Professional Internal Auditor (IIA) - Master of Business Administration (NMMU) - Certificate: Auditing Information Systems – Computer Auditing (Wits) - Accredited Internal Quality Assurance Reviewer (IIASA) - Certificate Municipal Financial Management (Fort Hare)	Member	01

A total of four ordinary meetings were held and the meetings duly formed a quorum with the majority of members in attendance. As and when necessary, the Committee convened Special Meetings to deal with certain specific matters. The Audit Committee was able to meet as required by legislation and further none of its scheduled meetings was rescheduled due to the unavailability of members. The commitment of the Audit Committee members is highly appreciated. The Audit Committee through its Chairperson managed to submit on a quarterly basis its reports to the Municipal Council. All its reports were adopted by the Council and the implementation of the resolutions is monitored through a resolution tracker.

The Audit Committee has as its standing items in its meetings a progress report on the implementation of the Post Audit Action Plan for addressing the 2023/2024

financial year audit findings. The Committee noted that although management put effort into implementing the action plan not all agreed actions were undertaken due to a number of reasons. The Committee acknowledges the ***Unqualified Audit outcome by the Auditor General South Africa***.

The Committee will continue to ensure that there is continuous improvement regarding the controls around overall management of revenue, asset management and other areas where weaknesses have been identified to ensure that these results are improved towards assisting the Municipality achieve its strategic objectives.

3. EVALUATION OF FINANCIAL AND PERFORMANCE REPORTS

Statutory quarterly reporting requirements per MFMA provisions to oversight committees, Council and treasury were performed by management. Quarterly reviews, Audit Committee reports, presentations to Council were conducted with recommendations on remedial actions to be taken on reported internal control deficiencies identified through internal and external audit findings.

The Audit Committee continually identified and advised Management and Council on financial management and performance reports, non-compliance issues with SCM policies, budget performance trends, progress reports on risk management and fraud, ICT Governance reports and MSCOA implementation. The Committee continued to monitor the implementation of the cascading of PMS to lower levels of staff during the year under review and raised concerns on the slow implementation of the plan.

The Municipality successfully implemented MSCOA and is currently transacting on the new system although a few modules are yet to be implemented. The Committee noted with concern that the Municipality still depends on the system vendor for support which sometimes poses challenges.

The Committee noted during the financial year the continued high dependence by the Municipality on grant funding as it is not generating sufficient own revenue to sustain itself.

Internal Audit continues to be a vital element of quality assurance in the performance management environment by giving the Committee reports/assurance on performance information submitted. The submission of portfolio of evidence by Management remains a challenge and should be addressed urgently to improve audit outcomes and verify management actions.

4. RISK MANAGEMENT

Effective Risk management forms an integral part of the institution's objectives of implementing and maintaining overall risk identification and mitigation of these risks. This provides a basis for integrated risk management and internal controls

as components of good corporate governance. The Municipality maintained a separate risk management Committee chaired by an Independent Chairperson who is a member of the Audit Committee. The Chairperson of the Risk Management Committee has a standing invitation to the Audit Committee and submits quarterly reports to the Audit Committee.

During the year under review the Risk Management Committee was functional and submitted its reports to the Audit Committee with recommendations. These recommendations were in turn submitted to the Municipal Council. The three-year Internal Audit plan is based on the municipal risk assessment. Quarterly risk management reports were reviewed and considered by the Audit Committee from the Risk Management Committee.

5. EFFECTIVENESS OF INTERNAL CONTROLS

The Committee provided oversight on the financial reporting processes and existing internal control systems within the Municipality and concluded that the municipality maintains a system of internal controls designed to provide assurance that transactions are processed and concluded with management's authority; assets are safeguarded against unauthorised use or disposal with proper recording and authorisation of transactions.

During the year under review, reviews were conducted by oversight bodies which identified instances where the effectiveness of internal controls was compromised though systems are in existence based on repeated and new audit findings on internal control system deficiencies were identified. The Audit Committee takes cognisance of the fact that there are inherent limitations in the effectiveness of any system of internal controls attributed to human errors and circumvention of internal controls.

Remedial actions taken to address control deficiencies identified in the quarterly reports of internal audit and external audit findings were found inadequate and ineffective as depicted by the control dashboard. The Committee continued to monitor the implementation of recommended remedial actions and the Committee notes with appreciation that such is beginning to bear positive fruits hence the improved external audit outcome.

6. INTERNAL AUDIT UNIT

The Municipality has an internal audit unit headed by the Senior Internal Auditor who performs the responsibilities of a Chief Audit Executive who reports to the Audit Committee and administratively directly to the Accounting Officer. The unit operates based on a risk-based internal audit plan approved by the Audit Committee. The Committee further approved the internal audit charter for the year under review. Further the Committee approved the three-year rolling internal audit

plan for the unit. During the year under review the Committee continued to raise concerns regarding the capacity challenges in the unit as there are only two officials. This created a lot of capacity challenges for the unit to execute its planned projects and the plan had to be amended accordingly.

The projects undertaken by the internal audit unit for the year under review are as follows:

- Review of the Annual Financial Statements and Annual Performance Report;
- Audit of Performance Measures for some of the quarters;
- Review of the Post Audit Action Plan;
- Loss Control review;
- Supply Chain Management Review;
- SDBIP Review;
- FMCMM Review.

The Committee developed a tracking tool for the implementation of internal audit recommendations by management and noted the slow implementation of such recommendations. At all its quarterly meetings Management presents progress reports on the implementation of Internal Audit recommendations which assist the Committee in monitoring the implementation of recommendations.

The Committee evaluated the independence of the unit, effectiveness and performance of the internal audit function, considered internal audit reports on the municipality's systems of internal control including financial controls, business risk management and maintenance of effective internal control systems and assessed the adequacy of the performance of internal audit function and found them satisfactory and improving.

7. REVIEW OF ANNUAL FINANCIAL STATEMENTS AND ANNUAL PERFORMANCE REPORT

The Committee reviewed the 2024/2025 Annual Financial Statements and the annual performance report as required by the MFMA. The Committee identified challenges which included but not limited to arithmetical errors which were pointed out to management for rectification. Due to time constraints the corrected reports could not be considered by the committee. The reviews confirmed that no new accounting policies were introduced and further that the annual financial statements were prepared on a going concern basis.

The Committee appreciated that the Annual Financial Statements were prepared externally by consultants and the CFO with her team were highly involved as a form of skills transfer. However, the quality and accuracy of the AFS could not be verified by the Audit Committee given that it did not assess the corrected reports due to time constraints. The Committee continues to urge the Municipality build internal capacity for AFS preparation to reduce dependency on consultants in

future. The Committee would always appreciate being given sufficient time to review the Annual Financial Statements for review to avoid unnecessary findings by the AGSA.

8. EXTERNAL AUDIT

The Audit Committee considered the audit strategy by the Office of the Auditor General and made comments and further noted that for the year under review the amended Public Audit Act would not be implemented. The Committee accepts the external auditor's conclusions on the Annual Financial Statements and the annual performance report for the 2024/2025 financial year.

The Audit Committee will continue to oversee the development of the Post Audit Action Plan and the implementation of project clean administration with the objective of improving the audit outcome for future years.

Except for the matters identified by the external auditors in the auditor's report, the Audit Committee has satisfied itself that the annual financial statements have been prepared in terms of GRAP and the MFMA except for the matters raised by the Office of the Auditor General.

Report Compiled on behalf of the Audit Committee by:



Mr A M Langa

Audit Committee Chairperson

30/11/2025

APPENDIX H – LONG TERM CONTRACTS AND PUBLIC PRIVATE PARTNERSHIPS

Sakhisizwe Local Municipality has not entered any long-term contracts.

APPENDIX I – MUNICIPAL SERVICE PROVIDER PERFORMANCE SCHEDULE

Departments were requested to rate the performance of the service providers appointed by the municipality for various projects. Service Providers and Contractors are rated in terms of the following:

- Below Standard (2/5 and below) - The Contractor/Service Provider did not meet the basic requirements as spelt out in the tender or contract. This may result in the contract being cancelled and/or the retention fee being withheld from the contractor. The Contractor may be asked to rectify the problem, or the contract may be cancelled, and another Contractor/Service Provider may be appointed to complete the contract/ project.
- Acceptable (3/5) - The Contractor/Service Provider completed the project and met the basic requirements of the tender/contract. The standard of work was good enough, passable, or adequate in terms of the requirements by the SLM.
- Excellent (4/5 and above) - The Contractor/Service Provider completed the work above the standard required. The requirements of the tender were achieved above the expectation of the municipality. There is a high quality of work and outstanding results were achieved.

Below is the performance rating of the municipality's service providers for the year ended 2024/2025,

REPORT ON SERVICE PROVIDER PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2025				
BID NUMBER	NAME OF SERVICE PROVIDER	SERVICES RENDERED	RATING	COMMENT AND CORRECTIVE ACTION
BIDS ABOVE R200 000.00				
SLM/CWC/03/2024/25	UPGRADING OF ELLIOT INTERNAL STREETS	ATHINDURA TRADING	3-Acceptable	The contractor's performance satisfactory
SLM/CWC/06/2024/25	Construction of Cala Sport Field	LOMZI CIVILS(PTY)LTD	3-Acceptable	The contractor's performance is satisfactory.80% work has been done
SLM/DISASTER/36/2023/2024	PROVISION OF PROFESSIONAL SERVICES:MASIBAMBANE INTERNAL STREETS	TECHI ENGINEERS(PTY)LTD	3- Acceptable	The service provider's performance is acceptable.
SLM/DISASTER/36/2023/2024	PROVISION OF PROFESSIONAL SERVICES:PAVING OF NDONDO SQUARE	SKC MASAKHIZWE CONSULTING	2-Below standard	The service provider's performance is not satisfactory
SLM/SCM/03/2018/19	Professional services Construction and Rehabilitation of Cala and Elliot Animal Pounds	BEACON CONSULTING ENGINEERS JV GATYENI CONSULTING	2-Below standard	The service provider's performance is not acceptance due to poor funding
SLM/DISASTER/36/2023/2024	PROVISION OF PROFESSIONAL SERVICES:PAVING OF TAKALANI INTERNAL STREETS	KHULANATHI CONSULTING	3-Acceptable	Professional service rendered are satisfactory ,Practical Completed
SLM/SCM/07/2021/22	RE-ADVERT FOR LEASING OF COPIER MACHINES	GENBIZ TRADING T/A XEROX	1-Below standard	We sometimes go for a whole month with a faulty copier machine and they don't want to give us extra toners we sometimes have to wait for weeks to receive replacement toners.
SLM/CWC/09/2024/25	PAVING OF TAKALANI INTERNAL STREETS	COOL MAKERS TRADING	4 - Excellent	The contractor's performance is satisfactory
SLM/SCM/05/2022/23	PROVISION OF SECURITY SERVICES FOR A PERIOD OF 3 YEARS	IBHUBESI LIKA NONI SECURITY AND CLEANING	3-Acceptable	Their work is satisfactory.

REPORT ON SERVICE PROVIDER PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2025				
BID NUMBER	NAME OF SERVICE PROVIDER	SERVICES RENDERED	RATING	COMMENT AND CORRECTIVE ACTION
SLM/SCM/07/2024/25	PAVING OF NDONDO SQUARE INTERNAL STREETS-PHASE 2	MADSTOF	3-Acceptable	The contractor's performance is acceptance due to financial cash flow
SLM/CWC/08/2024/25	MASIBAMBANE STREET TO BLOCK PAVED ROAD & STORMWATER	LIYEMA CIVIL PROJECTS	4 - Excellent	The contractor's performance is satisfactory. Practical completed
SLM/CWC/05/2024/25	The rehabilitation of Lower Langanci Access Road	Dibashe Projects	3-Good	The contractor's performance was satisfactory. Works completed
SLM/DISASTER/36/2023/2024	Provision of Professional Services for Disaster Funded Projects (Zingquthu Access Road)	AFROTEAMS CONSULTANTS	3-Acceptable	The service provider's performance is acceptance
SLM/SCM/36/2023/24	PROVISION OF TRAVEL AGENCY SERVICES	IHEAD TRAVELING AGENCY	3-Good	SERVICES RENDERED ARE SATISFACTORY
SLM/DISASTER/36/2023/2024	Provision of Professional Services for Disaster Funded Projects (Elliot Internal Streets)	LECH CONSULTING CIVIL & STRUCTURAL ENGINEERS (PTY) LTD	2 - Acceptable	The professional services rendered are adequate although there is room for improvement
SLM/SCM/08/2021/22	Provision of Short-term Insurance for a period of 3 years	LATERAL UNISON INSURANCE BROKERS	2-Acceptable	The service provider needs to improve on turnaround time of deliverables.
SLM/DISASTER/36/2023/2024	Provision of Professional Services for Disaster Funded Projects (Lahlangubo & Sifonondile)	BEACON CONSULTING ENGINEERS	2-Acceptance	Professional services are rendered are not adequate as per contract. Practical Completed
SLM/DISASTER/36/2023/2024	Provision of Professional Services for Disaster Funded Projects (Construction of Cala Sports Field)	BM INFRASTRUCTURE DEVELOPMENT	3-Good	Professional services are adequate

REPORT ON SERVICE PROVIDER PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2025

BID NUMBER	NAME OF SERVICE PROVIDER	SERVICES RENDERED	RATING	COMMENT AND CORRECTIVE ACTION
SLM/RENEWAL ON MASTER AGREEMENT	EMS SUPPORT	SEBATA MNUCIPAL SOLUTIONS T/A INZALO EMS	3-Good	SERVICES RENDERED ARE SATISFACTORY
SLM/SCM/21/202 2/23	COMPILATION OF FINANCIAL STATEMENTS, FIXED ASSETS REGISTER & ACCOUNTING SUPPORT FOR A PERIOD OF 3 YEARS	NYALAMBISA FINACIAL SERVICES	3-Good	SERVICES RENDERED ARE SATISFACTORY
SLM/SCM/34/202 3/24	Supply and Installation of Voice Over IP/DATA Solution,Internet,and VPN hosting For Sakhisizwe Local Municipality for a period of 36 Months	BUSINESS CONNECTIONS(PTY)LTD	2- below standard	Their internet connection is very good and reliable however the project is still not complete. We still struggling with the VIOP phones.
SLM/SCM/13/202 4/2025	PROVISION OF WEBSITE HOSTING, DEVELOPMENT, REDESIGN AND MAINTAINANCE SERVICES	SMS ICT CHOICE (PTY)LTD	5-Excellent	Did not have any hustles or issues in completing the project. They are very reliable and attend to issues urgently.
SLM/SCM/16/202 2/23	PROVISION OF ELECTRICITY VENDING STYSTEM FOR SELLING OF PRE-PAID ELECTRICITY.	CIGICELL (PTY)LTD	5-Excellent	THE WORK PERFORMED BY THE SERVICE PROVIDER IS SATISFACTORY.
Quotations Register (Above R30 000)				
SLM/SCM/07/202 3/2024	Subdivision of a Portion Remainder ERF 50	Rondo Group (Pty)Ltd	3-Good	The service providers performance is satisfactory
RFQ NO3: SLM/SCM/07/202 3/24	TOWNSHIP ESTABLISHMENT(PLANNING)IN CALA	TSHANI CONSULTING CC	3-Good	The service providers performance is satisfactory
RFQ NO3: SLM/SCM/07/202 3/24	TOWNSHIP ESTABLISHMENT(PLANNING)HILLVIEW KHOWA	TSHANI CONSULTING CC	3-Good	The service providers performance is satisfactory

REPORT ON SERVICE PROVIDER PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2025				
BID NUMBER	NAME OF SERVICE PROVIDER	SERVICES RENDERED	RATING	COMMENT AND CORRECTIVE ACTION
SLM/SCM/16/2023/24	BURB VERIES OFFICE ROOF REPAIRS	NOSAKABULI TRADING(PTY)LTD	3-GOOD	THE CONTRACTOR'S PERFORMANCE IS SATISFACTORY
SLM/SCM/28/2024/25	REPAIRS OF CALA INDOOR SPORTS CENTRE	ANCON PLANT HIRE	3-ACCEPTABLE	THE CONTRACTOR'S PERFORMANCE IS SATISFACTORY
SLM/SCM/16/2024/2025	CONSTRUCTION OF MASIBAMBANE HALL FENCING	NOSAKABULI TRADING(PTY)LTD	3-Acceptable	THE CONTRACTOR'S PERFORMANCE IS SATISFACTORY

APPENDIX J: Disclosure of Financial Interest - Period 1 July to 30 June Year 1 (Current Year)		
Position	Name	Description of Financial Interest
Mayor	B. Ponoshe	Yes
Speaker	N. Mkati	Yes
EXCO		
Portfolio Head Infrastructure and IPED (Chiefwhip)	M. Mxhonywa	Yes
Portfolio Head Finance and Admin	M. Ngqayimbana	Yes
Portfolio Head Social Needs and Community Services	M. Malungisa	Yes
Councillors		
Ward 1	Z. Ponoshe	Yes
Ward 2	V. Filani	Yes
Ward 3	N. Nopote	Yes
Ward 4	N. Miso	Yes
Ward 5	L. Thulelo	Yes
Ward 6	N. Stofile	Yes
Ward 7	T. Mayongo	Yes
Ward 8	P. Mahlombe	Yes
Ward 9	T. Tasana	Yes
PR Cllrs	A Mbebe	Yes
PR	A Mpakane	Yes
PR	W Kumsha	Yes
Senior Management		
Municipal Manager	S.G Sotshongaye	Yes
Chief Financial Officer	N Nolawu	Yes
Director: Rural Economic Development and Planning	M Pamla	Yes
Director: Rural Economic Community Services	P Mngcita	Yes
Director: Rural Economic Corporate Services	F Mphako	Yes
Director: Rural Economic Technical Services	C Mkabile	Yes

APPENDIX K (I): REVENUE COLLECTION PERFORMANCE BY VOTE

Revenue Collection Performance by Vote					R'000	
	Year 0	Current Year: Year 1			Year 1 Variance	
Vote Description	Actual	Original Budget	Adjustment Budget	Actual Original	Original Budget	Adjustment Budget
Vote 1 - MM OFFICE				204631222	-37230222	-0.34
Vote 2 - BUDGET AND TREASURY	9E+07	R 139 230 463.00	R 140 111 585.00	22663401	233287	-0.19
Vote 3 - COMMUNITY SERVICES	3287344	R 8 504 496.00	R 11 297 373.00	11597583	-2792877	-0.5
Vote 4 - CORPORATE SERVICES	3287344	R340 318.00	R 380 318.00			
Vote 5 – REDP	3287344			340318	0	0
Vote 6 - TECHNICAL SERVICES	3287344	R 101 919 873.00	R 101 919 873.00	21976492	-757809	-0.03
Vote 7 – COUNCIL						
Vote 8 - COMMUNITY & SOCIAL SERVICES						
Example 9 - Vote 9						

Description	2023/2024	Current Year 1			Year 1 Variance	
	Audited Outcome	Original Budget	Adjusted Budget	Year1 actual	Original Budget variance	Adjusted Budget variance
R thousands						%
<u>Revenue By Source</u>						
Property rates	4,306	13764636	12084646	12084646	1679990	14%
Service charges - electricity revenue	10,272	21218683	21976492	21976492	-757809	-3%
Service charges - refuse revenue	4,821	5337268	8486120	8486120	-3148852	-37%
Rental of facilities and equipment	72	300210	300210	300210	0	0%
Interest earned - external investments	1,921	2963223	4409926	4409926	-1446703	-33%
	9,726	5828511	5828511	5828511	0	0%

Interest earned - outstanding debtors						
Dividends received	-					
Fines, penalties, and forfeits	17	22092	59100	59100	-37008	-63%
Licenses and permits	1,201	1959312	1959312	1959312	0	0
Agency services	1,451	1185824	792841	792841	392983	50%
Transfers and subsidies	65,195	95155200	95511800	95511800	-356600	0%
Other revenue	312	340318	340318	340318	0	0%
Gains						
Total Revenue (excluding transfers and contributions)		148075277	151749276	151749276	-3673999	-2%
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		72245800	109119422	109119422	-36873622	-34%

APPENDIX L: CONDITIONAL GRANTS RECEIVED EXCLUDING MIG	
Conditional grants received by Sakhisizwe Local municipality except the Municipal Infrastructure Grant.	
Grant	Department
INEP	DMRE
FMG	Treasury
EPWP	Public Works
Provincial Department of Transport	Transport
DMRG	CoGTA

APPENDIX K (ii): REVENUE COLLECTION PERFORMANCE BY SOURCE

APPENDIX M: CAPITAL EXPENDITURE – NEW & UPGRADE/RENEWAL PROGRAMMES							
APPENDIX M (i): CAPITAL EXPENDITURE - NEW ASSETS PROGRAMME							
Description	2023/2024	Current Year 2024/25					
	Audited Outcome	Original Budget	Adjusted Budget	Year TD actual	Year TD budget	YTD variance	YTD variance
R thousands						%	%
<u>Capital expenditure on new assets by Asset Class/Sub-class</u>							
<u>Infrastructure</u>							
Roads Infrastructure							
Roads	16383762	19649800	19649800	17968101	19649800	91.4416483	91.4416483
Electrical Infrastructure	40056	5140000	5339940	5149590	5339940	103.889883	96.4353532
Power Plants							
<u>Community Assets</u>							
Community Facilities	250000	400000	400000	320000	400000	100	80
Capital Spares							
Sport and Recreation Facilities	6000000	10000000	10000000	7891095	10000000	100	78.91095
Indoor Facilities							
<u>Other assets</u>							
Operational Buildings							
Housing							
<u>Computer Equipment</u>							
Computer Equipment	366942	600000	600016	282743	600016	47.1238333	47.1225767
<u>Furniture and Office Equipment</u>							
Furniture and Office Equipment	17737	127382	127382	51013	127382	40.0472594	40.0472594
<u>Machinery and Equipment</u>							
Machinery and Equipment	292068	305025	440041	75351	440041	17.1236317	17.1236317
<u>Transport Assets</u>							
Transport Assets	605400	973430	973494	782987	973494	80.4358814	80.4305933
Total Capital Expenditure on new assets	16495165	37195637	37530689	32200880	37530689	86.5716589	85.7987979

APPENDIX M (ii): CAPITAL EXPENDITURE – UPGRADE/RENEWAL PROGRAMME									
Project Description	2024			Total 2024	2025			Total 2025	
	Additions	Transfers			Additions	Transfers			
				x				x	
Qokolo Paving				1 581 464.65				1 581 464.65	
Qokolo Paving				2 991 889.27				2 991 889.27	
Qokolo Paving				1 191 970.46				1 191 970.46	
Qokolo Paving				1 311 858.24				1 311 858.24	
Qokolo Paving				921 102.79				921 102.79	
Construction Of Manzana Access Road				287 897.42				287 897.42	
Construction Of Manzana Access Road				342 713.35				342 713.35	
Construction Of Manzana Access Road				331 689.49				331 689.49	
Construction Of Manzana Access Road				220 824.48				220 824.48	
Construction Of Manzana Access Road				322 870.81				322 870.81	
Construction Of Manzana Access Road				194 627.00				194 627.00	
Construction Of Manzana Access Road				423 422.89				423 422.89	
Construction Of Manzana Access Road				157 221.93				157 221.93	
Qokolo Paving				5 509 858.53				5 509 858.53	
Refurbishment/ Construction Of Gubenxa Hall				1 929 240.66				1 929 240.66	
QOKOLO KOPITJIE	2 056 713.36			2 849 214.01	3 831 018.26			6 680 232.27	
CONSTRUCTION OF SURFACED ELLIOT	596 286.00	- 7 708 908.87		-				-	
ELLIOT PHASE 2	2 587 475.91			2 587 475.91	2 653 772.94	- 5 241 248.85		-	
PHAKAMISANI ACCESS ROAD	2 954 239.00			2 954 239.00				2 954 239.00	
ELLIOT PAVING				1 467 858.75				1 467 858.75	
SIPHA FENI ACCESS ROAD	2 633 894.84	- 2 633 894.84		-				-	
ASKEATON TO PANATJIEP ACCESS ROAD				217 385.07	2 560 621.82	- 2 778 006.89		-	
MANZANA ACCESS ROAD				217 366.38	4 229 166.17	- 4 446 532.55		-	
REBBELSKLOOF ACCESS ROAD				217 391.30				217 391.30	
KUTHULA ACCESS ROAD				-		-		-	
GARRY OWEN ACCESS ROAD				-		-		-	
CALA ANIMAL POUND	2 015 698.30	- 3 461 225.29		-		-		-	
KUTHULA ACCESS ROAD PHASE 2	3 959 633.61	- 3 959 633.61		-		-		-	
GARRY OWEN ACCESS ROAD PHASE 2	1 593 465.46			1 593 465.46				1 593 465.46	
ELLIOT ANIMAL POUND	1 035 813.32			1 035 813.32	1 189 270.13			2 225 083.45	
ZINGQUTHU ACCESS ROAD	1 139 853.32			1 139 853.32	13 894 344.02			15 034 197.34	
LAHLANGUBO & SIFONONDILE PROJECT	421 830.94			421 830.94	3 005 064.37	- 3 426 895.31		-	
REHABILITATION OF NTLANJENI CULVERT	1 151 491.09			1 151 491.09	709 411.44	- 1 860 902.53		-	
REHAB JONINI,NGCANGCAZELA,POLAR	772 918.79			772 918.79	4 279 434.44	- 5 052 353.23		-	
EXTENSION 15 & MANKAZANA STREETS	2 634 963.00			2 634 963.00	925 415.41	- 3 560 378.41		-	
REHABILITATION OF MDANTSANE ACCES ROAD	2 045 578.30			2 045 578.30	957 559.71	- 3 003 138.01		-	
LUXENI ACCESS ROAD	922 657.60			922 657.60	4 294 853.49			5 217 511.09	
PAVING OF TAKALANI ACCESS ROAD					7 018 611.01	- 7 018 611.01		-	
INTERNAL ROADS ELLIOT					5 231 170.57			5 231 170.57	
PAVING OF NDONDO ACCESS ROAD					3 969 011.24			3 969 011.24	
LANGANCI ACCESS ROAD					5 542 525.18			5 542 525.18	
PAVING OF MASIBAMBANE INTERNAL					5 903 339.63			5 903 339.63	
UPPER INDWANA ACCESS ROAD					3 820 628.80			3 820 628.80	
REHAB OF LAPESINI					3 576 418.50	- 3 576 418.50		-	
CALA SPORTS FIELD					7 866 069.31			7 866 069.31	
ELECTRICITY(Transformer)					140 000.00	- 140 000.00		-	
ELECTRICITY(High Mast)					565 402.00	- 565 402.00		-	
	28 522 512.84	- 17 763 662.61		39 948 154.22	86 163 108.44	- 39 964 485.29		85 441 375.37	

APPENDIX N – CAPITAL PROGRAMME BY PROJECT CURRENT YEAR

Capital Expenditure (municipal vote, functional classification and funding)									
Vote Description	2023/24	Budget Year 2024/25							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands									
Total Capital Expenditure	28 594	74 652	117 882	7 539	88 019	117 882	(29 863)	-25%	117 882
Capital Expenditure - Functional Classification									
Governance and administration	385	787	6 929	26	264	6 929	(6 665)	-96%	6 929
Executive and council	-	-	-	-	-	-	-	-	-
Finance and administration	385	787	6 929	26	264	6 929	(6 665)	-96%	6 929
Internal audit	-	-	-	-	-	-	-	-	-
Community and public safety	3 052	12 502	12 417	1 180	15 294	12 417	2 877	23%	12 417
Community and social services	3 052	2 502	2 382	-	7 403	2 382	5 021	211%	2 382
Sport and recreation	-	10 000	10 000	1 180	7 891	10 000	(2 109)	-21%	10 000
Public safety	-	-	-	-	-	-	-	-	-
Housing	-	-	35	-	-	35	(35)	-100%	35
Health	-	-	-	-	-	-	-	-	-
Economic and environmental services	25 723	55 165	92 038	6 090	67 233	92 038	(24 806)	-27%	92 038
Planning and development	-	-	0	-	-	0	(0)	-100%	0
Road transport	25 723	55 165	92 038	6 090	67 233	92 038	(24 806)	-27%	92 038
Environmental protection	-	-	-	-	-	-	-	-	-
Trading services	(565)	6 197	6 497	243	5 228	6 497	(1 270)	-20%	6 497
Energy sources	40	5 140	5 440	243	4 876	5 440	(564)	-10%	5 440
Water management	-	-	-	-	-	-	-	-	-
Waste water management	-	-	(0)	-	(311)	(0)	(311)	863739%	(0)
Waste management	(605)	1 057	1 057	-	663	1 057	(395)	-37%	1 057
Other	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Functional Classification	28 594	74 652	117 882	7 539	88 019	117 882	(29 863)	-25%	117 882
Funded by:									
National Government	35 934	70 305	107 178	7 350	79 573	107 178	(27 605)	-26%	107 178
Provincial Government	3 052	1 941	1 941	-	7 403	1 941	5 462	281%	1 941
District Municipality	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (monetary allocations) (Nat / Prov Departm Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educ Institutions)	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	38 985	72 246	109 119	7 350	86 977	109 119	(22 143)	-20%	109 119
Borrowing	-	-	-	-	-	-	-	-	-
Internally generated funds	(10 391)	2 406	8 763	189	1 823	8 763	(6 940)	-79%	8 763
Total Capital Funding	28 594	74 652	117 882	7 539	88 799	117 882	(29 083)	-25%	117 882

APPENDIX P – SERVICE CONNECTION BACKLOGS AT SCHOOLS AND CLINICS	
NAME OF SCHOOL (LOWER SEPANI CIRCUIT)	LOCATION
Mvumelwano Primary School	
Upper Langanzi Primary School	Langanzi A/A
Mceula Primary School	Mceula A/A
Zithobile Primary School	Upper Indwana
Upper Mthingwevu	Mthingwevu
W.Z. Tofile Primary School	Manzimahle
AM Zantsi SSS	Manzimahle A/A
Rebelskloof Primary School	Mceula
Nontembiso Primary School	Upper Indwana
NAME OF SCHOOL (CIRCUIT)	LOCATION
Hota Primary School	Mbeula
Upper Cala Primary School	Upper Mxe
Nyalasa Primary School	Nyalasa
Sifonondile High School	Sifonondile AA
Amos Mlungwana Primary School	Extension 15

The above tabled schools are in a bad state with debilitated infrastructure. Some of them are mud schools and some are prefabs, with Zithobile Primary School in the worst condition.

Sakhisizwe does not have any mud clinics, however, some of the existing infrastructure needs major renovations and some needs maintenance.

NAME OF CLINIC	LOCATION
Sifonondile Clinic	Sifonondile
Thembaletu Clinic	Khowa
Ncedolwethu Clinic	Khowa
Elliot Main Clinic	Khowa

APPENDIX Q – SERVICE BACKLOGS EXPERIENCED BY COMMUNITY WHERE ANOTHER SPHERE OF GOVERNMENT IS RESPONSIBLE FOR SERVICE PROVISION	
NAME OF SERVICE BACKLOG (ROADS)	LOCATION
Bad roads	Provincial and National Roads

Sakhisizwe Local Municipality has bad roads that are under the competency of the Department of Transport and SANRAL.

APPENDIX R – DECLARATION OF LOANS AND GRANTS MADE BY THE MUNICIPALITY				
Declaration of Loans and Grants made by the municipality: Year 1				
All Organisation or Person in receipt of Loans/Grants provided by the municipality	Nature of project	Conditions attached to funding	Value Year 1	Total Amount committed over previous and future years
N/A	N/A	N/A	N/A	N/A

APPENDIX S – DECLARATION OF RETURNS NOT MADE IN DUE TIME UNDER MFMA S71	
MFMA Section 71 Returns Not Made During Year 1 According to Reporting Requirements	
Return	Reason Return has not been properly made on due
None	N/A

VOLUME II

ANNUAL FINANCIAL STATEMENTS

Summary of operating results presented by the CFO including:

- Operating revenue
- Operating expenditure
- Operating results per service
- Capital Expenditure and financing.
- External loans, investments and cash
- Statement of financial position
- Statement of changes in net assets
- Cash-flow statements.
- Accounting policies
- Notes to financial statements



SAKHISIZWE LOCAL MUNICIPALITY

Annual Financial Statements
for the year ended 30 June 2025

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2025

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
The following is included in the scope of operations	The principal activities of the municipality are: Provide democratic activities and accountable government Ensure sustainable service delivery to communities Provide social and economic development Provide basic service to the community
Mayoral committee	
Honourable Mayor	Cllr B. Ponoshe
Speaker	Cllr N Mkati
Councillors	Cllr: A Mpakane - resigned Cllr: V Filana Cllr: Z J Phonoshe Cllr: W M Kumsha Cllr: T Tasana Cllr: P Mahlombe Cllr: A Mbebe - resigned Cllr: M. J. Malungisa Cllr: M. Ngqayimbana Cllr M. Mxhonywa Cllr: N Miso Cllr: L Thulelo Cllr: N Nopote Cllr: Mayongo Cllr: N Stofile Cllr: K.S Ncapayi replaced Cllr A Mbebe on 31 March 2025 Cllr: T. Jam Jam replaced Cllr Mpakane on 28 May 2025
Grading of local authority	Category B Grade 1
Accounting Officer	SG.Sotshongaye
Chief Finance Officer (CFO)	Nontsikelelo Nolawu
Registered office	Erf 5556 Umtata Road Cala 5455
Business address	Erf 5556 Umtata Road Cala 5455
Bankers	First National Bank

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2025

General Information

Auditors

Auditor-General of South Africa

Attorneys

Notyesi Incorporated
Johwana Mgidlana Incorporated

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 2025

Index

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

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Accounting Officer's Responsibilities and Approval	4
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Statement of Financial Position	6
Statement of Financial Performance	7
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Cash Flow Statement	9
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Abbreviations used:

GRAP	Generally Recognised Accounting Practice
SALGA	South African Local Government Association
mSCOA	Municipal Standard chart of accounts
FMG	Financial Management Grant
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
EPWP	Expanded Public Works Programme
VAT	Value Added Tax
MDRG	Municipal Disaster Response Grant
REDP	Rural Economic Development and Planning

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2025

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 interim 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 ended.

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2026 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the Accounting Officer is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors who are responsible for independently reviewing and reporting on municipal's Annual Financial Statements, senior managers and other oversight governance structures of council.

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the council on 28 August 2025 and were signed on municipality's behalf by:


SG Sotshongaye
Accounting Officer

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2025.

1. Review of activities

Main business and operations

Sakhisizwe is a Category B, Grade 1 municipality responsible for providing public services to the citizens under the jurisdiction of Sakhisizwe, on behalf of local government. The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in my opinion require any further comment..

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

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.

3. Subsequent events

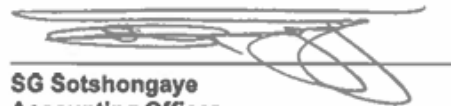
The accounting officer is not aware of any matter or circumstance arising since the end of the financial period year ended 30 June 2025.

4. Bankers

The municipality banks with the First National Bank (FNB).

5. Auditors

Auditor-General of South Africa will continue in office for the next financial period.



SG Sotshongaye
Accounting Officer

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	3	20 786 286	20 290 783
Statutory receivable	4	16 755 156	14 118 019
Other Receivables	5	3 304 637	610 360
Vat input Accrual	6	1 845 471	1 034 678
Vat Receivable	7	2 472 170	2 524 496
Cash and cash equivalents	8	55 318 144	51 924 177
		100 481 864	90 502 513
Non-Current Assets			
Investment property	9	13 502 054	13 620 296
Property, plant and equipment	10	292 350 495	235 784 790
		305 852 549	249 405 086
Total Assets		406 334 413	339 907 599
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	22 405 891	17 944 602
Vat Output Accrual		7 351 643	6 403 892
Consumer deposits	12	73 382	73 382
Employee benefit obligation	13	650 000	350 000
Unspent conditional grants and receipts	14	5 807 475	36 882 027
		36 288 391	61 653 903
Non-Current Liabilities			
Employee benefit obligation	13	3 264 073	3 337 073
Provisions	15	31 124 550	28 539 018
		34 388 623	31 876 091
Total Liabilities		70 677 014	93 529 994
Net Assets		335 657 399	246 377 605
Accumulated surplus		335 657 399	246 377 605
Total Net Assets		335 657 399	246 377 605

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	254 554 239	254 554 239
Adjustments		
Prior year adjustments 41	(8 195 223)	(8 195 223)
Balance at 01 July 2023 as restated*	246 359 016	246 359 016
Changes in net assets		
Surplus for the year	18 589	18 589
Total changes	18 589	18 589
Restated* Balance at 01 July 2024	246 377 610	246 377 610
Changes in net assets		
Surplus for the year	89 279 789	89 279 789
Total changes	89 279 789	89 279 789
Balance at 30 June 2025	335 657 399	335 657 399
Note(s)		

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		22 505 554	23 585 599
Government grants		161 849 172	158 451 263
Interest income		19 256 819	12 774 345
		<u>203 611 545</u>	<u>194 811 207</u>
Payments			
Employee costs		(60 227 435)	(57 992 474)
Suppliers		(63 780 363)	(74 643 834)
Finance costs		(322 481)	(1 056 941)
		<u>(124 330 279)</u>	<u>(133 693 249)</u>
Net cash flows from operating activities	33	<u>79 281 266</u>	<u>61 117 958</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(82 269 936)	(27 346 923)
Proceeds from sale of property, plant and equipment		6 382 637	-
Net cash flows from investing activities		<u>(75 887 299)</u>	<u>(27 346 923)</u>
Cash flows from financing activities			
Net increase/(decrease) in cash and cash equivalents		3 393 967	33 771 035
Cash and cash equivalents at the beginning of the year		51 924 177	18 153 142
Cash and cash equivalents at the end of the year	8	<u>55 318 144</u>	<u>51 924 177</u>

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2025

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 Performance						
Revenue						
Revenue from exchange transactions						
Service charges	26 555 951	3 906 661	30 462 612	29 251 554	(1 211 058)	1
Construction contracts	-	-	-	4 468 974	4 468 974	2
Other income	3 785 664	(462 592)	3 323 072	3 424 759	101 687	3
Interest received	6 513 195	6 451 391	12 964 586	13 300 741	336 155	4
Total revenue from exchange transactions	36 854 810	9 895 460	46 750 270	50 446 028	3 695 758	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	13 764 636	(1 679 990)	12 084 646	9 491 493	(2 593 153)	5
Interest Received -Non exchange	2 278 539	3 592 630	5 871 169	5 956 078	84 909	4
Transfer revenue						
Government grants & subsidies	167 401 000	37 230 222	204 631 222	192 923 724	(11 707 498)	6
Fines, Penalties and Forfeits	232 471	(173 371)	59 100	58 350	(750)	7
Total revenue from non-exchange transactions	183 676 646	38 969 491	222 646 137	208 429 645	(14 216 492)	
Total revenue	220 531 456	48 864 951	269 396 407	258 875 673	(10 520 734)	
Expenditure						
Employee costs	(50 442 970)	(5 530 658)	(55 973 628)	(52 657 296)	3 316 332	8
Remuneration of councillors	(8 196 314)	(910 541)	(9 106 855)	(8 022 447)	1 084 408	9
Depreciation and amortisation	(5 735 913)	-	(5 735 913)	(10 009 997)	(4 274 084)	10
Finance costs	(119 934)	(50 584)	(170 518)	(4 668 281)	(4 497 763)	11
Impairment loss	(5 168 760)	4 168 000	(1 000 760)	(33 847 488)	(32 846 728)	12
Bad debts written off	(2 272 007)	1 050 490	(1 221 517)	(567 690)	653 827	13
Bulk purchases	(20 883 680)	-	(20 883 680)	(18 992 494)	1 891 186	14
Contracted Services	(28 111 650)	(1 425 935)	(29 537 585)	(19 331 989)	10 205 596	15
General Expenses	(24 540 294)	(2 795 023)	(27 335 317)	(24 744 755)	2 590 562	16
Total expenditure	(145 471 522)	(5 494 251)	(150 965 773)	(172 842 437)	(21 876 664)	
Operating surplus	75 059 934	43 370 700	118 430 634	86 033 236	(32 397 398)	
Gain on disposal of assets and liabilities	-	-	-	3 083 553	3 083 553	17
Actuarial gains/losses	-	-	-	163 000	163 000	18
	-	-	-	3 246 553	3 246 553	
Surplus before taxation	75 059 934	43 370 700	118 430 634	89 279 789	(29 150 845)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	75 059 934	43 370 700	118 430 634	89 279 789	(29 150 845)	

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2025

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						
Vat Receivable	36 241	(36 241)	-	2 472 170	2 472 170	19
Vat input Accual	600 000	900 000	1 500 000	1 845 471	345 471	20
Receivables from Exchange Transaction	27 970 710	16 306 797	44 277 507	20 786 286	(23 491 221)	21
Receivables from Non Exchange Transaction	62 078 842	(45 452 665)	16 626 177	16 755 156	128 979	22
Other receivables	1 000 000	-	1 000 000	3 304 637	2 304 637	23
Cash and cash equivalents	22 663 467	51 985 430	74 648 897	55 318 144	(19 330 753)	24
	114 349 260	23 703 321	138 052 581	100 481 864	(37 570 717)	
Non-Current Assets						
Investment property	14 163 974	(543 678)	13 620 296	13 502 054	(118 242)	25
Property, plant and equipment	334 019 098	26 181 061	360 200 159	292 350 495	(67 849 664)	26
	348 183 072	25 637 383	373 820 455	305 852 549	(67 967 906)	
Total Assets	462 532 332	49 340 704	511 873 036	406 334 413	(105 538 623)	
Liabilities						
Current Liabilities						
Payables from exchange transactions	7 846 372	6 015 090	13 861 462	22 405 894	8 544 432	27
Consumer deposits	88 099	-	88 099	73 382	(14 717)	28
Employee benefit obligation	429 461	(29 461)	400 000	650 000	250 000	
Unspent conditional grants and receipts	-	-	-	5 807 475	5 807 475	29
Vat Output Accrual	-	2 500 000	2 500 000	7 351 643	4 851 643	30
Payables from non exchange transactions	16 000	34 000	50 000	-	(50 000)	
	8 379 932	8 519 629	16 899 561	36 288 394	19 388 833	
Non-Current Liabilities						
Employee benefit obligation	2 830 202	469 798	3 300 000	3 264 073	(35 927)	31
Provisions	16 894 816	3 105 184	20 000 000	31 124 550	11 124 550	32
	19 725 018	3 574 982	23 300 000	34 388 623	11 088 623	
Total Liabilities	28 104 950	12 094 611	40 199 561	70 677 017	30 477 456	
Net Assets	434 427 382	37 246 093	471 673 475	335 657 396	(136 016 079)	
Net Assets						
Reserves						
Accumulated surplus	511 821 978	3 488 479	515 310 457	335 657 401	(179 653 056)	33

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2025

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	37 484 681	18 771 722	56 256 403	22 505 554	(33 750 849)	34
Grants	167 399 000	37 232 222	204 631 222	161 849 172	(42 782 050)	35
Interest income	7 726 742	8 261 601	15 988 343	19 256 819	3 268 476	
	212 610 423	64 265 545	276 875 968	203 611 545	(73 264 423)	
Payments						
Employee costs and Suppliers	(132 175 385)	(10 661 682)	(142 837 067)	(124 007 798)	18 829 269	36
Finance costs	(119 934)	(50 584)	(170 518)	(322 481)	(151 963)	37
	(132 295 319)	(10 712 266)	(143 007 585)	(124 330 279)	18 677 306	
Net cash flows from operating activities	80 315 104	53 553 279	133 868 383	79 281 266	(54 587 117)	
Cash flows from investing activities						
Purchase of property, plant and equipment	(74 651 637)	(43 230 622)	(117 882 259)	(82 269 936)	35 612 323	38
Proceeds from sale of property, plant and equipment	-	6 382 000	6 382 000	6 382 637	637	
Net cash flows from investing activities	(74 651 637)	(36 848 622)	(111 500 259)	(75 887 299)	35 612 960	
Cash flows from financing activities						
Increase (decrease) in consumer deposits	13 000 000	(13 000 000)	-	-	-	
Net increase/(decrease) in cash and cash equivalents	18 663 467	16 704 657	22 368 124	3 393 967	(18 974 157)	39
Cash and cash equivalents at the beginning of the year	4 000 000	47 924 177	51 924 177	51 924 177	-	
Cash and cash equivalents at the end of the year	22 663 467	64 628 834	74 292 301	55 318 144	(18 974 157)	

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

1. Performance less than the budget.
2. Budgeted under capital budget as the project INEP is capital in nature.
3. The increase contributing factors are increase Duplicate drivers license issued, recoveries revenue ,and increase in trading license.
4. Due to increase in investments and favourable cashflow that enabled to more investment.
5. Included erroneously in the budget amount were municipal properties which are not eligible for billing.
6. Reclassification for construction contract and MDRG unspent grant.
7. Lesser traffic fines issued that what was budgeted for.
8. Included in the budget was the budget for vacant positions which were later not filled .
9. Difference is due to Budgeting for increment of 5.5% subsequently gazetted increment was 3%
10. Under Budgeted and increase in is due to additional assets acquired in the new year
11. Increase is due to interest in calculation for provisions of landfill site and post employee benefit.
12. Increase is due accounting for impairment as requirements by Grap 104 which were under provisioned for.
13. The difference is due to an increase in bad debts compared what was provisionally made
14. Due credit balance received by the municipality
15. The decrease is due less budget spent on items that were projected for during budgeting period such as security services, maintenance of assets, contracted casuals , advisory consultants.
16. The decrease is due less budget spent on items that were projected for during budgeting period such as software expense , travelling costs, short term insurance
17. Due to assets that were sold through auction.
18. Actuarial valuation reports were not budgeted for.
19. Increase in expenditure that is a variable supply and refund received at the end of the financial year.
20. The municipality had an increase in VAT input accrual from Trade payables accruals Invoices and retentions.
21. This is due to debt write off and impairment and payments.
22. 100% percent performance
23. This is due debtors that were previously impaired but due to changing in circumstances where prospects of recovery are high were deemed
24. The municipality decrease in cash and cash equivalents was due planned extra collection on arrear debt which subsequently didn't materialise in the year under audit.
25. Due to depreciation.
26. Due being impairment and under implementation as per provision.

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

27. Due to increase on provisions and retention.
28. Less movement on deposits
29. Due to conditions not met from the Grants and subsidies.
30. This is due to prior recognition of INEP VAT, major contribution and reasonability testing on debtors.
31. Due calculation from experts of post employee benefits, and landfill site.
32. Due to increase in landfill site calculation liability
33. Affected by movement in all accounts increases and decreases.
34. This income collected and affected by impairment and debts written off
35. This is due to an unspent on Municipal disaster grant which was not unspent prior year only spent in 2024-25.
36. The decrease is due less budget spent on items that were projected for during budgeting period such as security services, maintenance of assets, contracted casuals , advisory consultants, and vacant positions that were not filled.
37. Due to high increase in penalties as a result of invoices received late.
38. Due to less assets acquired during the year.

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

Figures in Rand	Note(s)	2025	2024
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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 7.

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

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

The 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.

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.

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

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.

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.

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

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 12. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Pre-paid electricity estimation:

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

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 on Revenue from Non-Exchange Transactions and Accounting Policy 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 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.

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.5 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.

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

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

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

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

A financial asset is:

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

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

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

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.5 Financial instruments (continued)

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

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

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

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

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

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
VAT receivable	Financial asset measured at amortised cost

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

Class	Category
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
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

Initial recognition

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

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Accounting Policies

1.5 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

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Accounting Policies

1.5 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 entity 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 entity 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 entity 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 entity 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 entity 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:

Accounting Policies

1.5 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 entity :
 - 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 entity 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).

Sakhisizwe Local Municipality

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Accounting Policies

1.5 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 entity 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 entity does not offset the transferred asset and the associated liability.

1.6 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.

Sakhisizwe Local Municipality

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Accounting Policies

1.6 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.

1.7 Leases

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

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

Sakhisizwe Local Municipality

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Accounting Policies

1.7 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.

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Accounting Policies

1.8 Construction contracts and receivables

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

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

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

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

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

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

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs

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

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

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

1.9 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:

Sakhisizwe Local Municipality

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Accounting Policies

1.9 Impairment of cash-generating assets (continued)

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

Designation

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

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

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

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

Identification

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

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

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

Value in use

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

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

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

1.9 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.

1.10 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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Accounting Policies

1.10 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.

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Accounting Policies

1.10 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.

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Accounting Policies

1.11 Employee benefits

Identification

Employee benefits

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

Provision for Staff Leave:

- 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

Recognition and measurement

All short-term employee 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.

Post-employment benefits: Defined contribution plans

Recognition and measurement

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.

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.11 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Recognition and measurement

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.

1.12 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.12 Provisions and contingencies (continued)

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 35.

1.13 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.

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.14 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.

Sale of goods

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

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

Rendering of services

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

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

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

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

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

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.15 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

1.16 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.16 Accounting by principals and agents (continued)

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

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

Recognition

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

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

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

1.17 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.

1.18 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.

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.19 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.

1.20 Irregular expenditure

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

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

1.21 Segment Information

A segment is an activity of an entity:

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

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

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.

Measurement

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

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 - Community and public safety
- Segment 2 - Planning and development
- Segment 3 - Road transport
- Segment 4 - Waste management
- Segment 5 - Energy sources

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.22 Budget Information

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

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

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

The approved budget covers the fiscal period from 2024/07/01 to 2025/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

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

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.

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.

1.23 Related parties

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

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

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

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

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

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

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

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

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

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.23 Related parties (continued)

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.

1.24 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.

1.25 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.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.26 Expenditure

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

An expense is recognised in the municipality's Statement of Financial Performance when, and only when, the following criteria are satisfied:

- The cost or value may involve estimation. Where an item possesses the essential characteristics of an expense but fails to meet the criteria for recognition it is disclosed in the note; and
- All expenditure has been dealt with in terms of the above definition and recognition criteria.

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

Generally, expenses are accounted for on an accrual basis at fair value. Under the accrual basis of accounting expenses are recognised when incurred usually when goods are received or services are consumed. This may not be when the goods or services are actually paid for. Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction.

Major expenses include:

- Repairs and maintenance - inclusive of repairs and maintenance to buildings, infrastructure assets, motor vehicles and sports and recreational facilities;
- Bulk purchases - expenditure on the procurement of bulk electricity;
- Contracted services – included are debt collection costs, data cleansing costs, service level agreement costs, property valuation roll and asset register verification costs, software support costs and security services costs.
- General expenses which constitute several expense items which are not individually significant.
- Employee cost - relating to cost associated with employee contracts.
- Depreciation - Cost associated with the amortisation of property, plant and equipment.

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2025 or later periods:

<u>Standard/ Interpretation:</u>	<u>Effective date:</u> <u>Years beginning on or</u> <u>after</u>	<u>Expected Impact:</u>
• GRAP 25 (as revised 2021): Employee Benefits	April 1, 2025	Unlikely there will be a material impact
• GRAP 104 (amended): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• GRAP 105 Transfer of functions between Entities under common control	date to be determined by the Minister of Finance	Unlikely there will be a material impact
• GRAP 106: Transfer of functions between entities not under common control	date to be determined by the Minister of Finance	Unlikely there will be a material impact
• GRAP 107: Mergers	date to be determined by the Minister of Finance	Unlikely there will be a material impact
• GRAP 2023 Improvements to the Standards of GRAP 2023	01 April 2025	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	01 April 2025	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	01 April 2025	Unlikely there will be a material impact
• iGRAP 22 Foreign Currency Transactions and Advance Consideration	01 April 2025	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact

3. Receivables from exchange transactions

Gross balances

Electricity	19 061 867	19 632 556
Refuse	90 813 628	77 250 719
	109 875 495	96 883 275

Less: Allowance for impairment

Electricity	(11 739 299)	(10 958 590)
Refuse	(77 349 910)	(65 633 902)
	(89 089 209)	(76 592 492)

Net balance

Electricity	7 322 568	8 673 966
Refuse	13 463 718	11 616 817
	20 786 286	20 290 783

Electricity

Current (0 -30 days)	2 176 295	726 823
31 - 60 days	573 914	363 088
61 - 90 days	229 307	176 922
91 - 120 days	6 290 706	7 407 133
	9 270 222	8 673 966

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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• GRAP 105 Transfer of functions between Entities under common control	date to be determined by the Minister of Finance	Unlikely there will be a material impact
• GRAP 106: Transfer of functions between entities not under common control	date to be determined by the Minister of Finance	Unlikely there will be a material impact
• GRAP 107: Mergers	date to be determined by the Minister of Finance	Unlikely there will be a material impact
• GRAP 2023 Improvements to the Standards of GRAP 2023	01 April 2025	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	01 April 2025	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	01 April 2025	Unlikely there will be a material impact
• iGRAP 22 Foreign Currency Transactions and Advance Consideration	01 April 2025	Unlikely there will be a material impact
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Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
3. Receivables from exchange transactions (continued)		
Current (0 -30 days)	257 670	134 383
31 - 60 days	232 092	130 500
61 - 90 days	208 344	117 704
91 - 120 days	12 765 612	11 234 230
	13 463 718	11 616 817
Reconciliation of allowance for impairment		
Balance at beginning of the year	(76 592 493)	(76 143 659)
Contributions to allowance	(12 496 716)	(448 834)
	(89 089 209)	(76 592 493)
4. Statutory receivable		
Consumer debtors - Rates	16 755 156	14 118 019
Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Rates gross	90 336 908	78 363 589
Less: Allowance for doubtful debts	(73 581 752)	(64 245 570)
	16 755 156	14 118 019
Rates: Ageing above are as follows:		
Current (0-30 days)	377 544	173 438
30 - 60 days	155 612	105 217
60 - 90 days	173 501	96 826
+ 90 days	16 048 499	13 742 538
	16 755 156	14 118 019
	-	-
Total receivables from non-exchange transactions	16 755 156	14 433 286
Statutory receivable pledged as security		
The municipality did not pledge any of its statutory receivables as security for borrowing purposes.		
Rates are billed based monthly. No interest is charged on rates accounts until the end of the following month. Thereafter interest is charged at a rate determined by Council on the outstanding balance. The municipality did not pledge any of its statutory receivables as security for borrowing purposes.		
In determining the recoverability of statutory receivables, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being spread over a large number of consumers in the Elliot and Cala geographical area. Accordingly, management believe that there is no further credit provision required in excess of the allowance for impairment.		
5. Other Receivables		
Property Rental	601 793	370 214
Other receivables	2 702 844	4 740 146
Allowance for impairment - other receivables	-	(4 500 000)
	3 304 637	610 360

Sakhisizwe Local Municipality

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Figures in Rand	2025	2024
5. Other Receivables (continued)		
Other receivables : Ageing		
Current (0 - 30 days)	2 093	215 070
30 - 60 days	1 069	-
60 - 90 days	1 069	-
+90 days	3 300 406	394 804
	3 304 637	609 874
	-	-
Total receivables from exchange transactions	3 304 637	610 360
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.		
Reconciliation of allowance for impairment of trade and other receivables		
Opening balance	4 500 000	4 500 000
Provision for impairment	(4 500 000)	-
	-	4 500 000
6. Vat input Accrual		
Input Vat Accrual	1 845 471	1 034 678
Vat input accrual represents the input recognised on creditors and retentions due at the reporting date.		
7. VAT Receivable		
Vat Claimable from SARS	2 472 170	2 524 496
VAT is a statutory receivable. The municipality pays Value Added Tax (VAT) to South African Revenue Service on a payment basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991),		
Vat receivable from SARS at year end is made up of VAT receivable from outstanding returns as at the end of the reporting date.		
SARS always refunding the municipality on within 30 days of submission of the return as such the outstanding balance at year end was not impaired.		
8. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	10 206 340	434 974
Short-term deposits	45 111 804	51 489 203
	55 318 144	51 924 177

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2025

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8. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2025	30 June 2024	30 June 2023	30 June 2025	30 June 2024	30 June 2023
First National Bank Primary Bank Account 6207-652-3135	10 204 353	420 817	3 400 212	10 206 766	434 974	3 399 764
First National Bank MIG 6207-657-7091	23 685	24 428	3 533 978	23 685	24 428	3 533 978
First National Bank Elliot Housing 6207-745-0056	2 113 195	1 026 374	-	2 113 195	1 026 374	-
First National bank Extension 15 6207-740-8203	18 401 511	5 194 229	2 649 128	18 401 511	5 194 229	2 649 128
First National Bank Extension 13&14 6207-745-1278	6 300 705	38 526 874	3 940 000	6 300 705	38 526 874	3 940 000
First National Bank DME 6220-960-0776	680	2 126	185 479	680	2 126	185 479
First National Bank Operating Call Account 6216-534-1943	15 816 629	4 684 632	3 004 932	15 816 629	4 684 632	3 004 932
First National Bank Business NSTD Call 6280-822-2822	640	66 004	3 433	640	66 004	668
First National Bank- 62910526914	26	1 654	410	26	1 654	410
First National Bank 62935973968	2 457 392	1 977 637	1 435 570	2 457 392	1 962 882	1 438 783
Total	55 318 816	51 924 775	18 153 142	55 321 229	51 924 177	18 153 142

Sakhisizwe Local Municipality

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9. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	15 012 287	(1 510 233)	13 502 054	15 012 287	(1 391 991)	13 620 296

Reconciliation of investment property - 2025

	Opening balance	Depreciation	Total
Investment property	13 620 296	(118 242)	13 502 054

Reconciliation of investment property - 2024

	Opening balance	Depreciation	Total
Investment property	13 738 540	(118 244)	13 620 296

Pledged as security

No Investment Properties were pledged as security:

Sakhisizwe Local Municipality

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9. 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.

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	339 587	640 851
Refer to note 19		
	<u>339 587</u>	<u>640 851</u>

Details of property

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

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality has to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
 - the fact that the entity has disposed of investment property not carried at fair value,
 - the carrying amount of that investment property at the time of sale, and
 - the amount of gain or loss recognised.

Sakhisizwe Local Municipality

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10. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	20 876 654	-	20 876 654	20 876 654	-	20 876 654
Buildings	5 660 497	(2 455 017)	3 205 480	5 660 497	(2 260 935)	3 399 562
Plant and machinery	2 743 523	(1 246 006)	1 497 517	9 677 759	(8 017 918)	1 659 841
Furniture and fixtures	1 954 604	(1 532 655)	421 949	1 709 861	(1 447 300)	262 561
Motor vehicles	7 203 702	(5 261 079)	1 942 623	11 303 052	(9 124 706)	2 178 346
IT equipment	2 977 931	(1 946 776)	1 031 155	2 695 188	(1 644 127)	1 051 061
Infrastructure	350 504 055	(139 518 635)	210 985 420	274 760 556	(116 411 982)	158 348 574
Community	63 864 701	(11 475 004)	52 389 697	57 659 149	(9 650 958)	48 008 191
Total	455 785 667	(163 435 172)	292 350 495	384 342 716	(148 557 926)	235 784 790

Sakhisizwe Local Municipality

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10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Transfers received	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	20 876 654	-	-	-	-	-	-	-	20 876 654
Buildings	3 399 562	-	-	-	-	-	(194 082)	-	3 205 480
Plant and machinery	1 659 841	75 347	(12 775)	-	-	-	(224 896)	-	1 497 517
Furniture and fixtures	262 561	213 762	(1 326)	-	-	-	(53 048)	-	421 949
Motor vehicles	2 178 346	900 435	(435 186)	-	-	-	(700 972)	-	1 942 623
IT equipment	1 051 061	282 743	-	-	-	-	(302 649)	-	1 031 155
Infrastructure	158 348 574	77 107 768	-	39 465 431	(39 465 431)	(1 364 269)	(6 592 062)	(16 514 591)	210 985 420
Community	48 008 191	9 055 340	(2 849 788)	-	-	-	(1 824 046)	-	52 389 697
	235 784 790	87 635 395	(3 299 075)	39 465 431	(39 465 431)	(1 364 269)	(9 891 755)	(16 514 591)	292 350 495

Sakhisizwe Local Municipality

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10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers received	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	20 876 654	-	-	-	-	-	-	-	20 876 654
Buildings	3 593 644	-	-	-	-	-	(194 082)	-	3 399 562
Plant and machinery	1 763 540	292 068	-	-	-	-	(271 920)	(123 847)	1 659 841
Furniture and fixtures	298 618	17 737	-	-	-	-	(53 019)	(775)	262 561
Motor vehicles	2 347 129	804 400	(152 088)	-	-	-	(595 999)	(225 096)	2 178 346
IT equipment	907 428	366 942	-	-	-	-	(196 871)	(26 438)	1 051 061
Infrastructure	156 246 797	25 471 001	-	14 302 437	(14 302 437)	(1 409 800)	(5 935 159)	(16 024 265)	158 348 574
Community	46 732 585	3 051 509	-	3 461 225	(3 461 225)	-	(1 775 903)	-	48 008 191
	232 766 395	30 003 657	(152 088)	17 763 662	(17 763 662)	(1 409 800)	(9 022 953)	(16 400 421)	235 784 790

Pledged as security

No assets were pledged as security.

Land Occupied

Land disclosed above includes land that was occupied by unregistered or illegal individuals. The municipality did not write off the land as they still have control of the asset.

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 and termination letter had been issued)	15 789 411	15 789 411
Community Assets (Delays are mainly due to heavy rains and cashflow challenges experienced by contractors)	1 929 241	1 929 241
	17 718 652	17 718 652

Sakhisizwe Local Municipality

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10. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Included within Community	Total
Opening balance	36 983 100	2 965 054	39 948 154
Additions/capital expenditure	76 825 536	9 055 339	85 880 875
Transferred to completed items	(39 465 431)	-	(39 465 431)
	74 343 205	12 020 393	86 363 598

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	25 814 536	3 374 767	29 189 303
Additions/capital expenditure	25 471 001	3 051 512	28 522 513
Transferred to completed items	(14 302 437)	(3 461 225)	(17 763 662)
	36 983 100	2 965 054	39 948 154

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	4 080 420	6 240 119
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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.

11. Payables from exchange transactions

Trade payables	1 764 500	2 651 521
Debtors with credit balances	1 369 706	1 679 604
Accrued leave pay	5 232 893	4 781 116
Accrued bonus	1 074 859	1 080 328
Retentions	12 513 807	7 148 347
Income received in advance (INEP)	680	-
Hall and dam deposits	24 157	21 213
Other payables	425 289	582 473
	22 405 891	17 944 602

12. Consumer deposits

Electricity	73 382	73 382
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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.

13. Employee benefit obligations

Defined benefit plan

Sakhisizwe Local Municipality

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13. Employee benefit obligations (continued)

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

Non-current liabilities	(3 264 073)	(3 337 073)
Current liabilities	(650 000)	(350 000)
	<u>(3 914 073)</u>	<u>(3 687 073)</u>

Long Service Awards Liability

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the municipality. The liability represents an estimation of the awards to which employees in the service of the municipality may become entitled to in the future, based on an actuarial valuation performed.

The most recent actuarial valuation of plan assets and the present value of the defined obligation were carried out at 30 June 2025 by ZAQ Consultants and Actuaries. Its members are 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.

At 31 June 2025, 126 (2024: 125) employees were eligible for long-service awards.

Long Service award obligation

Opening balance	2 625 000	2 310 138
Current Service cost	321 000	261 659
Interest cost	283 000	223 197
Benefits paid	(199 000)	(284 166)
Acturial losses/(gains)	(183 000)	114 172
	<u>2 847 000</u>	<u>2 625 000</u>

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2025

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13. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9,13 %	10,70 %
Expected increase in salaries	5,00 %	6,79 %
CPI	4,00 %	5,79 %
Net Discount Rate	3,93 %	3,66 %

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

Discount rate

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligationed.

The nominal and real zero curves as at 30 June 2025 supplied by the JSE to determine the discounted rates and CPI assumptions at each relevant time period was used. For example, a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years.

Although the yield curve was used for the discount rates and corresponding inflation rates, for indicative purposes it show the discount rate and CPI that corresponds to the implied duration of the liability. The implied duration of the liability for this valuation is 5.74 years. It is however important to note that this is solely for indicative purposes as the entire yield curve was used to obtain the financial variables.

Normal Salary Inflation Rate

The underlying future rate of consumer price index inflation (CPI inflation) was derived from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period. The assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2025 of 5.01%.

Normal Retirement Age

The normal retirement age (NRA) for all active employees was assumed to be 65 years

Mortality Rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry.

Other assumptions

The demographic and decrement assumptions were consistent in the previous and current valuation period, and are as follows:

Normal retirement age (years)	65	65
Average retirement age (years) ¹	62	62
Mortality	SA85-90	SA85-90

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

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13. Employee benefit obligations (continued)

Post Employment Medical Subsidy

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired employees of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid fund on retirement. The municipality is thus 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-retirement 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 2025 by ZAQ Consultants and Actuaries. Its members are 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.

At 31 June 2025, 2 (2024: 2) employees were eligible for to receive post employment medical aid subsidies from the Municipality.

Opening balance	1 062 000	1 169 423
Current service cost	-	-
Interest cost	113 000	127 795
Benefits paid	(128 000)	(118 000)
Actuarial Loss/(Gain)	20 000	(117 218)
	1 067 000	1 062 000

Key assumptions used

Discount rates used	9,83%	11,28%
Expected increase in salaries	4,49%	7,84%
CPI	5,99%	5,84%
Net Discount Rate	3,62%	3,67%

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

Discount rate

GRAP 25 defines the determination of the Discount rate assumption to be used as follows:

The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

The nominal and real zero curves as at 30 June 2025 supplied by the JSE to determine our discount rates and CPI assumptions at each relevant time period. For example, a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years.

Although the yield curve was used for our discount rates and our corresponding inflation rates, for indicative purposes we show the discount rate and CPI that corresponds to the implied duration of our liability. The implied duration of the liability for this valuation is 7,28 years. It is however important to note that this is solely for indicative purposes as we use the entire yield curve to obtain our financial variables.

Medical Aid Inflation

The Medical Aid Contribution Inflation rate was set with reference to the past relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Medical Aid Contribution Inflation for each relevant time period.

Sakhisizwe Local Municipality

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13. Employee benefit obligations (continued)

South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical aid schemes' contribution inflation outstripped general CPI by almost 3% year on year. We do not consider these increases to be sustainable and have assumed that medical aid contribution increases would outstrip general inflation by 1,5% per annum over the foreseeable future.

Average Retirement Age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements.

Normal Retirement Age

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Mortality Rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90)-1 ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Disaster Recovery Grant	5 807 486	36 882 038
EPWP	(1)	(1)
Environmental Affairs; Wattle Removal	(10)	(10)
	<u>5 807 475</u>	<u>36 882 027</u>

See note 24 for reconciliation of grants received.

Sakhisizwe Local Municipality

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15. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Interest cost	Change in estimate	Total
Environmental rehabilitation	28 539 018	3 949 801	(1 364 269)	31 124 550

Reconciliation of provisions - 2024

	Opening Balance	Interest cost	Change in estimate	Total
Environmental rehabilitation	26 206 526	3 742 292	(1 409 800)	28 539 018

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 ZAQ Consultants and Actuaries who are independent statutory actuarial valuer and the professional valuator 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.

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 estimated years to rehabilitation is 2024: 17 years (2023: 18 years).

Key Assumptions

Elliot and Cala Landfill Site

The following assumptions were used in the financial calculations for closure and post closure:

For calculating the inflation on professional services, the "Consumer Price Index – P0141, specifically Table B2 - CPI headline year-on-year rates" was used. The price adjustment from June 2024 to June 2025 is 5,1%;

The remaining site life and inflation rate is based on South African Government Bonds Yield curves;

The estimates differ from that of the previous year since the areas to be rehabilitated were interpreted differently and the rates used differ significantly from that of the previous year's report. Hence the previous year's values were restated.

Below are the rates used for the periods below:

<u>Assumptions</u>	<u>30 June 2025</u>	<u>30 June 2024</u>	<u>30 June 2023</u>
Discount rate (D)	12,69%	13,84%	14,28%
Consumer price inflation (C)	7,16%	8,21%	8,72%
(Bond yield curves)			
CPI (Stats SA, Jun - Jun)	3,00%	5,10%	5,40%

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16. Revenue		
Service charges	29 251 554	26 660 578
Construction contracts	4 468 974	10 502 499
Other income	3 424 759	3 366 042
Interest received - investment	13 300 741	7 339 200
Property rates	9 491 493	7 617 582
Interest from non-exchange receivables	5 956 078	5 435 144
Government grants & subsidies	192 923 724	125 517 668
Fines, Penalties and Forfeits	58 350	53 550
	258 875 673	186 492 263
<u>The amount included in revenue arising from exchanges of goods or services are as follows:</u>		
Service charges	29 251 554	26 660 578
Construction contracts	4 468 974	10 502 499
Other income	3 424 759	3 366 042
Interest received - investment	13 300 741	7 339 200
	50 446 028	47 868 319
<u>The amount included in revenue arising from non-exchange transactions is as follows:</u>		
<u>Taxation revenue</u>		
Property rates	9 491 493	7 617 582
Interest from non-exchange receivables	5 956 078	5 435 144
<u>Transfer revenue</u>		
Government grants & subsidies	192 923 724	125 517 668
Fines, Penalties and Forfeits	58 350	53 550
	208 429 645	138 623 944
17. Service charges		
Sale of electricity	20 979 425	18 014 569
Solid waste	7 443 781	9 638 961
Free basic services/rebates	828 348	(992 952)
	29 251 554	26 660 578
18. Fines, Penalties and Forfeits		
Court Traffic Fines	58 350	53 550

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19. Construction Contracts

Construction contracts revenue	4 468 974	10 502 499
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Integrated National Electrification Programme reconciliation

Opening balance : Income received in advance at beginning of year	2 126	330 952
Current year receipts	5 140 000	12 080 000
Conditions met - transferred to revenue	(4 468 974)	(10 502 499)
Vat Output	(670 346)	(1 575 375)
Other - rollover application denied transferred to equitable share	(2 126)	(330 952)
Income received in advance (refer to note 11)	680	2 126

Retention on construction contracts is as follows:

Integrated National Electrification Programme (INEP)	410 609	1 019 931
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Methods used to determine the contract revenue recognised in the period

The Department of Energy provides funds to the municipality for the implementation of the Integrated National Electrification programme which is aimed at reducing electrification backlogs in residential and informal settlements.

During the year construction revenue of R4 468 974 (2024: R10 502 499) was recognised by reference to the stage of completion method at reporting date.

Methods used to determine the stage of completion of contracts in progress

The proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Construction contract costs

Rural electrification projects in terms of INEP	4 468 974	10 502 673
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Aggregate costs to date and recognised surpluses to date 2025

INEP electrification projects	Opening balance	Aggregate revenue	Aggregate costs	Recognised in surplus/deficit
	-	4 468 974	(4 468 974)	-

Aggregate costs to date and recognised surpluses to date 2024

INEP electrification projects	Opening balance	Aggregate revenue	Aggregate costs	Recognised in surplus/deficit
	-	10 502 673	(10 502 673)	-

20. Other income

Traffic department income	2 287 096	2 023 008
Rates Clearance Certificates	30 584	26 540
Sale of goods and rendering of services	301 893	295 118
Rental Income	339 587	640 851
Electricity: Connection & re-connection fees	5 521	-
Commission on collection	69 473	55 987
Trading licences	109 874	76 121
Insurance Refund	280 731	248 417
	3 424 759	3 366 042

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21. Interest Received

Interest revenue

Bank	5 372 265	3 546 604
Interest charged on trade and other receivables	7 928 476	3 792 596
	13 300 741	7 339 200

22. Property rates

Rates received

Property rates: Residential, Commercial Property, State	9 491 493	7 617 582
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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	1 005 256 000	763 839 732
Commercial	338 124 000	198 129 025
State	160 747 000	72 418 160
Municipal	36 878 000	174 339 859
Small holdings and farms	478 093 000	338 197 017
Churches	35 889 000	24 080 000
Public Service Infrastructure	17 000	203 000
Institutional	14 280 000	54 509 000
State Trust Land	272 000	8 154 220
Vacant	54 714 402	16 326 844
	2 124 270 402	1 650 196 857

The new general valuation will be implemented on 01 July 2029.

Sakhisizwe Local Municipality

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Figures in Rand	2025	2024
23. Government grants & subsidies		
<u>Operating grants</u>		
Equitable share	88 876 569	84 504 952
Library subsidy	762 000	500 000
Financial Management Grant	3 000 000	1 700 000
Expanded Public Works Program	1 423 000	1 208 000
LG Seta Reimbursive allowance	249 000	83 532
	94 310 569	87 996 484
<u>Capital grants</u>		
Municipal Infrastructure Grant	30 684 000	19 557 000
Department of Transport Taxi Rank Transfer	1 348 046	3 571 779
Municipal Disaster Grant	66 581 109	14 392 405
	98 613 155	37 521 184
	192 923 724	125 517 668
<u>Conditional and Unconditional</u>		
Included in above are the following grants and subsidies received:		
Conditional grants received	104 047 155	41 012 716
Unconditional grants received	88 876 569	84 504 952
	192 923 724	125 517 668
<u>Equitable Share</u>		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
<u>Municipal Disaster Recovery Grant</u>		
Balance unspent at beginning of year	36 882 038	3 948 443
Current-year receipts	35 515 000	47 326 000
Conditions met - transferred to revenue	(66 589 552)	(14 392 405)
	5 807 486	36 882 038
Conditions still to be met - remain liabilities (see note 14).		
<u>Municipal Infrastructure Grant</u>		
Current-year receipts	30 684 000	19 557 000
Conditions met - transferred to revenue	(30 684 000)	(19 557 000)
	-	-
Conditions still to be met - remain liabilities (see note 14).		
<u>Expanded Public Works Programme</u>		
Current-year receipts	1 423 000	1 208 000
Conditions met - transferred to revenue	(1 423 000)	(1 208 000)
	-	-
Conditions still to be met - remain liabilities (see note 14).		

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2025

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Figures in Rand	2025	2024
23. Government grants & subsidies (continued)		
<u>Financial Management Grant (FMG)</u>		
Current-year receipts	3 000 000	1 700 000
Conditions met - transferred to revenue	(3 000 000)	(1 700 000)
	-	-
Conditions still to be met - remain liabilities (see note 14).		
<u>LG Seta Reimbursive allowance</u>		
Current-year receipts	249 000	83 532
Conditions met - transferred to revenue	(249 000)	(83 532)
	-	-
Conditions still to be met - remain liabilities (see note 14).		
<u>Department of Transport Taxi Rank Transfer - Pounds</u>		
Current-year receipts	1 348 046	3 571 779
Conditions met - transferred to revenue	(1 348 046)	(3 571 779)
	-	-
Conditions still to be met - remain liabilities (see note 14).		
<u>Library subsidy</u>		
Current-year receipts	762 000	500 000
Conditions met - transferred to revenue	(762 000)	(500 000)
	-	-
Conditions still to be met - remain liabilities (see note 14).		

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2025

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24. Employee related costs

Basic	33 431 024	31 242 432
Bonus	2 307 927	2 430 653
Medical aid - company contributions	2 918 064	2 579 343
UIF	271 851	255 422
WCA	268 806	283 346
SDL	410 506	380 382
Leave pay provision charge	450 802	1 027 519
Pension Fund contributions	5 492 670	4 897 170
Travel, motor car, accommodation, subsistence and other allowances	149 554	144 543
Overtime payments	505 672	442 654
Long-service awards	86 199	(149 278)
Cellphone allowance	2 400	2 400
Other allowances	186 000	8 142
Bargaining Council contributions	19 097	17 651
Adjustments to post retirement benefits obligation	(6 000)	270 089
	46 494 572	43 832 468

Remuneration of Municipal Manager: N.Mazwayi

Backpay	-	15 778
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N. Mazwayi (former Municipal Manager) resigned during 2022/23 financial year and received a back pay in the prior year.

Remuneration of Municipal Manager: SG. Sotshongaye

Annual Remuneration	1 052 563	1 095 810
Car Allowance	60 000	101 039
Contributions to UIF, Medical and Pension Funds	190 283	193 650
Cellphone and other Allowance	50 553	18 000
Bargain Council	143	137
Rural Allowance	51 659	50 146
	1 405 201	1 458 782

Remuneration of Chief Financial Officer: Nontsikelelo Nolawu

Annual Remuneration	909 564	709 032
Car Allowance	120 000	106 101
Contributions to UIF, Medical and Pension Funds	57 318	32 453
Cellphone and other Allowance	35 565	9 000
Bargain Council	143	102
Rural Allowance	43 033	31 359
	1 165 623	888 047

N Nolawu was appointed as the Chief Financial Officer on 1 October 2023

Remuneration of Chief Financial Officer (Busisiwe Lubelwana)

Annual Remuneration	-	146 877
Car Allowance	-	17 630
Bargain Council	-	23
Contributions to UIF, Medical and Pension Funds	-	11 460
Cellphone and other Allowance	-	1 480
Leave payout	-	102 253
Rural allowance	-	4 671
	-	284 394

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2025

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24. Employee related costs (continued)

B Lubelwana resigned on 15 August 2023.

Director: Corporate Services: Thandiwe Malangabi

Backpay	-	26 593
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Thandiwe Malangabi resigned in 2022/2023 and received back pay in 2023/24.

Director: Corporate Services: Fzekile Mphako

Annual Remuneration	978 366	953 126
Car Allowance	60 000	59 181
Contributions to UIF, Medical and Pension Funds	48 636	42 111
Cellphone and other Allowance	12 000	11 000
Bargain Council	143	137
Rural Allowance	43 033	39 635
	1 142 178	1 105 190

Director: Community Services: Pumeza Mngcitha

Annual Remuneration	180 759	771 308
Car Allowance	15 000	60 000
Leave payout	169 004	-
Contributions to UIF, Medical and Pension Funds	26 225	112 872
Cellphone and other Allowance	3 000	12 000
Bargain Council	36	137
Rural Allowance	8 802	34 178
	402 826	990 495

Pumeza Mngcitha's contract ended on 30 September 2024.

Director: Technical Services: Sifundo Tunzi

Annual Remuneration	-	315 336
Car Allowance	-	20 000
Contributions to UIF, Medical and Pension Funds	-	12 572
Cellphone and other Allowance	-	4 000
Bargain Council	-	194 997
Rural Allowance	-	12 503
	-	559 408

Mr S Tunzi resigned 31 October 2023.

Director Technical Services: Simnikiwe Mkabile

Annual Remuneration	696 499	419 299
Car Allowance	60 000	48 039
Contributions to UIF, Medical and Pension Funds	131 438	76 232
Cellphone and other Allowance	64 352	7 000
Bargain Council	143	80
Rural Allowance	35 209	19 977
	987 641	570 627

Simnikiwe Mkabile was appointed on 01 November 2023.

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24. Employee related costs (continued)		
<u>Director: REDP: Mahlubi Pamla</u>		
Annual Remuneration	807 662	860 304
Car Allowance	120 000	139 308
Contributions to UIF, Medical and Pension Funds	60 401	66 973
Cellphone and other Allowance	32 849	12 000
Bargain Council	143	137
Rural Allowance	39 121	37 976
	1 060 176	1 116 698
25. Remuneration of councillors		
Mayor	1 049 305	1 008 781
Speaker	846 896	807 865
Councillors	6 126 246	6 347 346
	8 022 447	8 163 992
26. Depreciation and amortisation		
Property, plant and equipment	9 891 755	9 022 953
Investment property	118 242	118 242
	10 009 997	9 141 195
27. Finance costs		
Interest cost - Landfill site provision	3 949 800	3 742 292
Trade and other payables	322 481	1 056 941
Employee benefits obligation	396 000	350 992
	4 668 281	5 150 225
28. Auditors' remuneration		
Fees	5 652 225	4 316 695
29. Impairment loss		
Debt impairment	17 332 897	11 542 266
Impairment - Fixed assets	16 514 591	16 564 108
	33 847 488	28 106 374
30. Bulk purchases		
Electricity - Eskom	18 992 494	20 703 007
31. Contracted services		
<u>Outsourced Services</u>		
Administrative and Support Staff	352 151	124 036
Catering Services	921 478	401 580
Security Services	3 470 242	4 011 109
Transport Services	289 550	225 381

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31. Contracted services (continued)		
<u>Consultants and Professional Services</u>		
Business and Financial Management	7 595 530	10 812 887
Infrastructure and Planning	148 620	138 757
Business and Advisory	360 475	489 344
Legal Cost	2 113 523	631 897
<u>Contractors</u>		
Repairs and Maintenance of Buildings and Facilities	442 656	103 342
Repairs and Maintenance of Other assets	3 637 764	6 136 777
	19 331 989	23 075 110
32. General expenses		
Advertising	602 373	558 752
Auditors remuneration	5 652 225	4 316 695
Bank charges	388 060	198 387
Commission paid	211 809	194 952
Electrification expensed	4 468 974	10 502 673
Consumables	764 130	500 446
Hire Charges	417 288	134 149
Rent - office equipment	511 089	493 708
Insurance	325 097	640 505
Conferences and seminars	128 212	83 231
IT expenses and software license fees	367 498	1 024 649
Indigent relief	378 908	1 656 660
Fuel and oil	1 029 593	1 108 453
Telephone, postage & fax	1 976 820	2 172 514
Protective clothing	73 224	564 135
Royalties and license fees	392 161	353 816
Subscriptions and membership fees	566 543	505 945
Electricity purchases	3 745 331	2 809 954
Training	419 222	288 359
Travel and accomodation	1 293 275	1 041 836
Remuneration Ward Committees	1 012 000	985 000
Personnel Agency fees	20 923	54 641
	24 744 755	30 189 460

Sakhisizwe Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2025	2024
33. Cash generated from operations		
Surplus	89 279 789	18 589
Adjustments for:		
Depreciation and amortisation	10 009 997	9 141 195
Loss/(profit) on sale of assets and liabilities	(3 083 553)	-
Actuarial gains/(losses)	(163 000)	(3 046)
Movements in retirement benefit assets and liabilities	(6 000)	(140 507)
Finance costs	4 345 801	4 093 284
Debt and fixed asset impairment	33 847 488	28 106 374
Bad debts written off	567 690	11 100 110
Changes in working capital:		
Inventories	-	136 251
Other Receivables	1 805 723	514 490
Receivables from exchange transactions	(13 559 910)	(13 756 257)
Statutory Receivable	(11 973 319)	(8 915 204)
Payables from exchange transactions	(904 172)	(730 990)
VAT	189 284	(1 379 926)
Unspent conditional grants and receipts	(31 074 552)	32 933 595
	79 281 266	61 117 958
34. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	24 049 037	47 198 039
Total capital commitments		
Already contracted for but not provided for	24 049 037	47 198 039
Total commitments		
Total commitments		
Authorised capital expenditure	24 049 037	47 198 039
35. Contingencies		
Contingent liabilities		
Hlumukhanye Securities CC - Action: breach of contract	1 900 000	1 900 000
Sarha Rose Marry King - Action: recovery of damages	1 900 000	1 900 000
Mrs Zoliswa Cynthia Msali-Morose - the dispute is the letter of demand for damages suffered by the applicant	4 500 000	4 500 000
AmanzAbantu / Sakhisizwe LM – Case No: 1744/2024 - These are action proceedings. The lawyers have filed a plea. The plaintiff has not filed a reply or replication. The matter was only referred to our office on 31 May 2024. It is not finalised. The municipality has a good defence	1 500 000	-
Maximum Profit Recovery / Sakhisizwe LM (matter finalised during 2024-25 financial year) - This is a review of a tender. The municipality is in the process of complying with the judgement of Zono AJ in the implementation of awarding of the tender.	-	-
Pension fund and another - An application was launched to appeal against the determination of the pensions fund. Awaiting the returns of service from the various Sheriffs from Belville, Pretoria and Tsoho who were instructed to service the application	1 500 000	-
	11 300 000	8 300 000

Sakhisizwe Local Municipality

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36. 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.

At 30 June 2025	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	16 098 138	-	-	-
Consumer deposits	73 382	-	-	-
At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	12 083 158	-	-	-
Consumer deposits	73 382	-	-	-

Sakhisizwe Local Municipality

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36. Risk management (continued)

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.

Potential concentrations of credit risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality manages credit risk in its borrowing and investing activities by only dealing with well established financial institutions of high credit standing, and by spreading its exposure over a range of such institutions in accordance with its approved investment policies. Credit risk relating to consumer debtors is managed in accordance with the municipality's credit control and debt collection policy. The municipality's credit exposure is spread over a large number and wide variety of consumers and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad and doubtful debts.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

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	2025	2024
Cash and cash equivalents	55 318 144	51 924 177
Receivables from Exchange Transactions	20 786 286	20 290 783
Other receivables	3 304 637	609 874

Market risk

Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk on financial assets consist mainly of fixed deposit investments and bank and cash balances.

The municipality is not exposed to a high level of interest rate risk on its financial assets and liabilities. All of the municipality's interest bearing external loan liabilities, as are trade and other payables from exchange transactions.

37. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	20 786 286	20 786 286
Other receivables	3 304 637	3 304 637
Cash and cash equivalents	55 318 144	55 318 144
Vat Input accrual	1 845 471	1 845 471

Sakhisizwe Local Municipality

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37. Financial instruments disclosure (continued)

2025 2024

Financial liabilities

	At amortised cost	Total
Trade and other payables	16 098 138	16 098 138
Vat Output Accrual	7 351 643	7 351 643
Consumer deposits	73 382	73 382
	23 523 163	23 523 163

2024

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	20 033 185	20 033 185
Other receivables	609 874	609 874
Cash and cash equivalents	51 924 177	51 924 177
	72 567 236	72 567 236

Financial liabilities

	At amortised cost	Total
Trade and other payables	12 083 158	12 083 158
Vat accrual payable	4 642 024	4 642 024
Consumer deposits	73 382	73 382
	16 798 564	16 798 564

38. Unauthorised expenditure

Opening balance	122 762 225	101 468 396
Correction of prior period error	-	156 258
Add: Unauthorised expenditure - current	25 051 522	21 137 571
Less: Amount authorised - current	(54 821 201)	-
Closing balance	92 992 546	122 762 225

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

Non-cash	25 051 522	21 137 571
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There was no unauthorised expenditure of cash in nature.

Analysed as follows: non-cash

Finance cost: (interest employee benefits), Impairment loss, Bad debts written off	25 051 522	21 137 571
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Annual Financial Statements for the year ended 30 June 2025

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Figures in Rand	2025	2024
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38. Unauthorised expenditure (continued)

Unauthorised expenditure: Budget overspending – per municipal department:

Budget and Treasury	13 429 270	19 229 142
Community Services	11 622 252	1 908 429
	25 051 522	21 137 571

39. Fruitless and wasteful expenditure

Opening balance as previously reported	5 459 833	4 402 876
Add: Fruitless and wasteful expenditure identified - current	326 623	1 056 957
Less: Amount written off - current	(169 875)	-
Less: Amount written off - prior period	(5 459 833)	-
Closing balance	156 748	5 459 833

The fruitless and wasteful expenditure relates to interest charged on overdue accounts and penalties.

Sakhisizwe Local Municipality

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39. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

	<u>Disciplinary steps taken/criminal proceedings</u>		
Late payment	Management is still investigating the root cause and will institute disciplinary action once all processes are finalised	19 876	310 417
Fraud	Management is still investigating the root cause and will institute disciplinary action once all processes are finalised	14 917	-
Court fees	Management is still investigating the root cause and will institute disciplinary action once all processes are finalised	-	6 686
Interest from pension fund contributions	Management is still investigating the root cause and will institute disciplinary action once all processes are finalised	141 830	739 854
Penalty	Landfill Site fine	150 000	-
		326 623	1 056 957

An amount of R156 748 relates to cases recommended by council for further investigation.

40. Irregular expenditure

Opening balance as previously reported	105 048 507	125 882 267
Add: Irregular expenditure - current	31 414 641	9 776 931
Add: Irregular expenditure incurred in prior year but identified in current year	45 950 418	3 356 247
Less: Amount written off - current	(76 502 586)	-
Less: Amount written off - prior period	(14 649 101)	(33 966 938)
Closing balance	91 261 879	105 048 507

Sakhisizwe Local Municipality

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40. Irregular expenditure (continued)

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

Non-compliance with SCM Regulations	<u>Disciplinary steps taken/criminal proceedings</u>	
	No disciplinary action and/or investigation has taken place	
	77 365 059	13 133 178

Cases under investigation

An amount of R92 889 (R212 857 prior year) cases related to other non-compliance with laws, regulations, council policies and/or by-laws.

Municipal Finance Management Act	92 889	212 857
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41. Prior period errors

The correction of the error(s) results in adjustments as follows:

Sakhisizwe Local Municipality

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41. Prior period errors (continued)

<u>Statement of Financial Position</u>	Note	As previously reported	Correction of error	Re classification	Restated
Property, Plant and Equipment	[1]	242 317 900	(6 533 011)	-	235 784 889
VAT Input Accrual	[2]	-	1 034 679	-	1 034 679
VAT Output Accrual	[3]	(4 642 024)	(1 761 868)	-	(6 403 892)
Other receivables	[7]	609 874	386	-	610 260
Receivables from exchange transactions	[10]	20 033 185	257 598	-	20 290 783
Statutory receivable	[11]	14 433 286	(315 267)	-	14 118 019
Payables from exchange transactions	[4]	(17 051 496)	(893 106)	-	(17 944 602)
Accumulated Surplus	[5]	(254 588 194)	8 210 589	-	(246 377 605)
		1 112 531	-	-	1 112 531

<u>Statement of Financial Performance</u>	Note	As previously reported	Correction of error	Re classification	Restated
Depreciation and amortisation	[6]	9 504 467	(363 271)	-	9 141 196
Loss on disposal of assets	[8]	-	163 687	-	163 687
Other Income	[9]	(3 464 322)	-	83 532	(3 380 790)
Government Grants and Subsidies	[9]	(125 434 136)	-	(83 532)	(125 517 668)
General Expenditure	[12]	29 987 975	201 484	-	30 189 459
		(89 406 016)	1 900	-	(89 404 116)

<u>Cashflow Statement</u>	Note	As previously reported	Correction of error	Restated
Cash flows from operating activities				
Sale of goods and services	[13]	23 669 131	(83 532)	23 585 599
Government grants	[13]	158 367 731	83 532	158 451 263
Interest Income		12 774 345	-	12 774 345
Employee costs	[14]	(58 066 422)	73 948	(57 992 474)
Supplies	[14]	(74 569 886)	(73 948)	(74 643 834)
Finance costs		(1 056 941)	-	(1 056 941)
		61 117 958	-	61 117 958

1. Property, Plant and Equipment

Previously reported	242 317 900
Infrastructure - Opening Accumulated Depreciation adjustment 2024	(7 596 826)
Infrastructure - Opening Accumulated Impairment adjustment 2024	105 256
Infrastructure - Depreciation adjustment 2024	363 271
Infrastructure - Opening cost adjustment 2024	758 975
Loss on disposal of assets -written off	(163 687)
Restated balance	235 784 889

Infrastructure - Opening Accumulated Depreciation 2024 adjusted by R 7 596 826 resulting in decrease in accumulated surplus by the same amount.

Infrastructure - Opening Accumulated Impairment adjustment 2024 adjusted by R105 256 resulting in increase in accumulated depreciation by the same amount.

Infrastructure assets - Depreciation for 2024 had been decreased by R363 271 due to changes in opening accumulated depreciation resulting in decrease in accumulated depreciation by the same amount.

Infrastructure - Opening cost adjustment 2024 had been decreased by the same amount resulting in decrease in accumulated surplus by the same amount.

Loss on disposal on motor vehicle written off during the year.

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41. Prior period errors (continued)

2. VAT accrual receivable

Previously reported	-
Disclosure of vat input accrual separately	1 034 678
Restated balance	1 034 678

Vat accrual receivable and vat accrual payable was netted off in the prior year no disclosed separately as per GRAP 1 disclosure requirements.

3. Vat accrual payable

Previously reported	(4 642 024)
Correction of vat output accrual	1 488 303
Disclosure of vat input accrual separately	(1 034 678)
Adjustment of VAT on INEP	(2 215 493)
Restated balance	(6 403 892)

Vat accrual payable was a net of vat accrual output and input which is not inline with Grap 1 disclosure requirement. Furthermore the vat output accrual was overstated by R1 488 303 and understatement of accumulated surplus by the same amount.

VAT on Construction contracts was previously understated by R2 215 493 now corrected

4. Payables from exchange transactions

Previously reported	(17 051 496)
Correction of leave accrual	(1 283)
Correction of salary control payable	(322 241)
Correction of agency fee payable	(569 582)
Restated balance	(17 944 602)

Leave accrual was understated by R1 283 and salary control was understated by R322 241 as it was not cleared in the previous years resulting in overstatement of accumulated surplus by R323 524.

Agency fee payable was incorrectly accounted for in prior years now corrected resulting in increase in other payables by R569 582 . Agency fees adjustment of R569 582 also affected general expenditure R201 784 and accumulated surplus R367 798

5. Accumulated Surplus

Previously reported	(254 588 194)
Other receivable understated in prior year	(491)
Correction of vat output accrual	(1 488 303)
Correction of leave accrual	1 283
Correction of salary control payable	322 242
Infrastructure - Opening Accumulated Depreciation adjustment 2024	7 596 826
Infrastructure - Opening Accumulated Impairment adjustment 2024	(105 256)
Infrastructure - Depreciation adjustment 2024	(363 271)
Motor Vehicles - Loss on disposal on motor vehicle written off	163 687
Infrastructure - Opening cost adjustment 2024	(758 972)
Restated balance	(249 220 449)

Accumulated surplus was adjusted due to the reasons noted above resulting in net decrease in accumulated surplus by R5 36 7745.

6. Depreciation and amortisation

Previously reported	-	9 504 467
Infrastructure decrease in depreciation	-	(363 271)
Restated balance	-	9 141 196

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41. Prior period errors (continued)

Infrastructure assets - Depreciation for 2024 had been decreased by R363.27 due to changes in opening accumulated depreciation resulting in decrease in accumulated depreciation by the same amount.

7. Other receivables

Previously reported	-	609 874
Other receivable understated in prior year	-	486
Restated balance	-	610 360

Other receivables overstated in prior year now corrected.

8. Loss on disposal

Previously reported	-	-
Loss on disposal on motor vehicle disposed prior year	-	163 687
Restated balance	-	163 687

Motor Vehicle was written off prior year but not disposed in the fixed asset register now corrected.

9. Other income and Government grants and subsidies

	-	-
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Local Government SITA was reclassified from Other Income to Government Grants and subsidies.

10. Receivable from exchange transactions

Previously reported	-	20 033 185
Correction of general ledger not agreeing to age analysis	-	257 598
Restated balance	-	20 290 783

General ledger was adjusted to agree to age analysis.

11. Statutory Receivables

Previously reported	-	14 433 286
Correction of general ledger not agreeing to age analysis	-	(315 267)
Restated balance	-	14 118 019

General ledger was adjusted to agree to age analysis.

12. General Expenditure

Previously reported	-	29 987 975
Reclassification of: IT expenses and software licence fees	-	(431 860)
Increase in Royalties and licence fees	-	201 784
Reclassification of: Telephone postage & Faxes	-	431 860
	-	30 189 759

Expenditure amounting to R431 860 was incorrectly classified under IT expenses and software licence fees now reclassified under Telephone postage and faxes.

Royalties and licence fees was understated by R201 784 in the prior year as the municipality was not recording expenditure relating to licencing of municipal vehicles.

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41. Prior period errors (continued)

Cash Flow Statement

13. Cash flows from operating activities- Receipts: Sale of goods and government grants was adjusted due to reclassification of LG Seta from other income to government grants and subsidies.

14. Cash flows from operating activities- Payments: Employee related costs and supplies were adjusted as result of correction of prior year cashflow calculation.

42. Accounting by principals and agents

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

Municipality acting as an agent

The municipality is a party to a principal-agent arrangement(s). A description of any resources (including the carrying value and description of any assets recognised) that are held on behalf of a principal, but recognised in the agent's own financial statements, if non, indicate as such.

- significant terms and conditions of the arrangements and whether any changes occurred during the reporting period; and
- any significant risks (including any risk mitigation strategies) and benefits associated with the relationship.
- the aggregate amount of revenue that the entity recognises as compensation for the transactions carried out on behalf of the principal; and
- a description of any liabilities incurred on behalf of a principal that have been recognised by the entity, as well as any corresponding rights of reimbursement that have been recognised as assets.
- The category of revenue received or to be received, as well as the category of expenses paid or accrued on behalf of the principal.
- The amount of revenue received or to be received, as well as the amount of expenses paid or accrued on behalf of the principal during the reporting period per category of revenue or expense..

Details of the arrangement(s) are 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).

The revenue collected as disclosed is earned with as follows:

- Registering Authority: The municipality is entitled to 19% of the total amount collected and the balance of 81% accrues to the Department of Transport.
- Driving License Testing Centre: The municipality must deposit the prescribed amount to the Driving License Card Production Entity for each drivers' license card ordered. The municipality is entitled to all the fees collected other than the prescribed amount per card ordered.
- Vehicle Testing Station: The municipality is of the revenue collected and the remainder accrues to the Department of Transport.

The municipality does not incur costs on behalf of the Department of Transport.

Fees paid

The aggregate amount of monies collected by the municipality on behalf of Department of Transport is 4 233 384 (2024: 4 982 651).

Payables recognised

Amount payable to Department of Transport at year end is R225 060 (2024: R320 641)

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of Department of Transport is R656 724 (2024: R667 746).

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42. Accounting by principals and agents (continued)

Municipality as Principal

Fee paid

Commission paid to prepaid vendors	211 809	225 485
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The municipality has directed Cigi Cell through a binding arrangement to undertake transactions with third parties on behalf of Sakhisizwe Local Municipality, which is sale of municipal electricity. These are vendors which are used due to capacitation of the municipality and is more cost effective which provide customers easy access to prepaid electricity.

Electricity vendors are entitled to of claim 2.24% commission on sales of prepaid electricity tokens and third party and arrears collection.

43. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Current year subscription / fee	6 500 058	4 964 199
Amount paid - current year	(6 500 058)	(4 964 199)
	-	-

PAYE and UIF

Current year subscription / fee	8 332 263	8 059 686
Amount paid - current year	(8 332 263)	(8 059 686)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	14 998 963	13 283 522
Amount paid - current year	(14 998 963)	(13 283 522)
	-	-

VAT

VAT output payables and VAT input receivables are shown in note 6 .

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

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2025:

30 June 2025	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor B. Ponoshe	535	-	535
Councillor A Mpakane	1 114	30 590	31 704
Councillor Z J Phonoshe	1 019	5 259	6 278
Councillor N S Nopote	668	5 812	6 480
Councillor N Miso	2 080	35 944	38 024
Councillor L Thulelo	2 074	29 327	31 401
Councillor M Ngqayimbana	786	11 755	12 541
Councillor M Mxhonywa	1 424	15 996	17 420
Councillor M Malungisa	867	17 895	18 762
Councillor V Filana	1 114	30 573	31 687
	11 681	183 151	194 832

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor B. Ponoshe	282	-	282
Councillor A Mpakane	461	27 896	28 357
Councillor Z J Phonoshe	131	3 184	3 315
Councillor N S Nopote	364	5 541	5 905
Councillor N Miso	686	32 553	33 239
Councillor L Thulelo	396	25 649	26 045
Councillor M Ngqayimbana	461	9 747	10 208
Councillor M Mxhonywa	575	12 649	13 224
Councillor M Malungisa	461	15 718	16 179
	3 817	132 937	136 754

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

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	49 774	70 463
August	158 116	167 868
September	5 842	166 067
October	71 616	47 295
November	12 268	28 563
December	12 852	236 784
January	32 715	-
February	153 480	-
March	155 742	128 032
April	43 815	-
May	229 211	95 267
June	37 168	234 796
	962 570	1 175 135

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

Incident

Impractical Impossible	962 570	1 062 336
Emergency	-	105 248
Sole Provider	-	7 551
	962 570	1 175 135

44. Segment information

General Information

Identification of segments

Aggregated segments

The municipality operates within Chris Hani District in the Eastern Cape. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Sakhisizwe 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:

Reportable segment

Segment 1
Segment 2
Segment 3
Segment 4
Segment 5

Goods and/or services

Community and public safety
Planning and development
Road transport
Waste management
Energy sources

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44. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Community and public safety	Planning and development	Roads	Waste management	Energy sources	Total
Revenue						
Revenue from exchange transactions: Service charges	-	-	-	7 443 781	21 807 773	29 251 554
Revenue from exchange transactions: Construction contracts	-	4 468 974	-	-	-	4 468 974
Revenue from exchange transactions: Other income	64 354	905 225	-	-	22 540	992 119
Revenue from exchange transactions: Interest Received	-	-	-	6 867 661	12 240	6 879 901
Revenue from exchange transactions: Gain on disposal of assets	3 097 653	-	-	-	-	3 097 653
Revenue from non-exchange transactions: Grants & subsidies	2 110 046	28 883 204	69 804 905	-	249 000	101 047 155
Total segment revenue	5 272 053	34 257 403	69 804 905	14 311 442	22 091 553	145 737 356
Entity's revenue						145 737 356
Expenditure						
Employee related costs	2 258 393	11 015 556	5 170 017	9 945 958	1 556 563	29 946 487
Remuneration of councillors	-	1 200	-	-	-	1 200
Depreciation and amortisation	-	194 082	6 592 062	-	1 824 046	8 610 190
Finance costs	-	-	-	3 949 800	-	3 949 800
Bad debts written off	-	-	-	-	567 690	567 690
Bulk Purchases	-	-	-	-	18 992 494	18 992 494
Contracted Services	66 534	5 326 955	1 134 291	-	654 759	7 182 539
General Expenditure	34 222	658 772	259 837	790 061	8 749 157	10 492 049
Impairment loss	-	-	-	16 514 591	780 708	17 295 299
Total segment expenditure	2 359 149	17 196 565	13 156 207	31 200 410	33 125 417	97 037 748
Total segmental surplus/(deficit)	2 912 904	17 060 838	56 648 698	(16 888 968)	(11 033 864)	48 699 608

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	Community and public safety	Planning and development	Roads	Waste management	Energy sources	Total
44. Segment information (continued)						
Revenue allocated that do meet the definition of a segment						145 737 356
Revenue allocated that do not meet the definition of a segment						-
Revenue from exchange transactions: Other Income						2 432 639
Revenue from exchange transactions: Interest Received						6 420 840
Revenue from non exchange transactions: Interest Received						5 956 078
Revenue from exchange transactions: Actuarial gains						163 000
Revenue from non exchange transactions: Fines penalties and forfeits						58 350
Revenue from non exchange transactions: Government grants & subsidies						91 876 569
Revenue from non exchange transactions: Property rates						9 491 493
Revenue from exchange transactions: Gains on disposal of assets						(14 100)
Total Revenue per the Statement of Financial Performance						262 122 225
Expenditure allocated that do meet the definition of a segment						97 037 748
Expenditure allocated that do not meet the definition of a segment						-
Employee costs						22 759 660
Remuneration of councillors						7 973 598
Depreciation and amortisation						1 399 808
Finance costs						718 481
Impairment loss						16 552 189
Contracted Services						12 149 451
General Expenses						14 251 502
Total Expenditure per the Statement of Financial Performance						172 842 437

Reporting on segment assets and liabilities.

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44. Segment information (continued)

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

2024

	Community and public safety	Planning and development	Road transport	Waste management	Energy sources	Total
Revenue						
Revenue from exchange transactions: Service charges	-	-	-	9 638 960	17 021 617	-
Revenue from exchange transactions: Other income	821 353	288 666	-	-	18 288	-
Revenue from non exchange transactions: Grants & subsidies	4 071 779	20 765 000	14 392 405	-	-	-
Revenue from exchange transactions: Interest Received	-	88	-	4 015 375	(222 867)	-
Revenue from exchange transactions: Construction contracts	-	-	-	10 502 499	-	-
Total segment revenue	4 893 132	21 053 754	14 392 405	13 654 335	27 319 537	-
Entity's revenue						81 313 163
Expenditure						
Employee related costs	5 431 189	8 294 101	3 262 746	7 826 970	1 732 743	-
Depreciation and amortisation	-	-	5 881 913	-	-	-
Impairment loss	-	-	-	3 742 292	(1 452 676)	-
Bulk Purchases	-	-	-	-	20 703 007	-
Contracted Services	4 029 871	588 560	4 175 485	389 240	423 617	-
General Expenditure	254 080	201 455	161 954	341 442	15 131 244	-
Total segment expenditure	9 715 140	9 084 116	13 482 098	12 299 944	36 537 935	-
Total segmental surplus/(deficit)	(4 822 008)	11 969 638	910 307	1 354 391	(9 218 398)	-

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44. Segment information (continued)

Revenue allocated that do meet the definition of a segment	81 313 163
Revenue from exchange transactions allocated that do not meet the definition of a segment	-
Revenue from exchange transactions: Other Income	2 237 735
Revenue from exchange transactions: Interest Received	3 546 604
Revenue from non exchange transactions: Interest Received	5 435 144
Revenue from non exchange transactions: Property rates	7 617 582
Revenue from non exchange transactions: Government grants & subsidies	86 288 531
Revenue from non exchange transactions: Fines, Penalties and Forfeits	53 550

Total Revenue per the Statement of Financial Performance **186 492 309**

Expenditure not allocated to reportable segment

Employee related costs	-	-	-	-	27 938 416	27 938 416
Remuneration of councillors	-	-	-	-	8 058 027	8 058 027
Depreciation and amortisation	-	-	-	-	3 688 430	3 688 430
Finance costs	-	-	-	-	1 407 933	1 407 933
Impairment loss	-	-	-	-	29 395 363	29 395 363
Contracted Services	-	-	-	-	13 468 337	13 468 337
Actuarial losses	-	-	-	-	(3 046)	(3 046)
General Expenses	-	-	-	-	25 225 746	25 225 746
	-	-	-	-	109 179 206	109 179 206

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.

Information about geographical areas

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44. Segment information (continued)

Although the Municipality operates in a number of geographical areas (i.e. wards), the geographical information is not be 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.

45. Related parties

Relationships	
Accounting Officer	Refer to accounting officers' report note
Compensation to key management	Refer to employee related cost note
Compensation to Councillors	Refer to General information page 1

Related party transactions

Rental of the municipal building by the Municipal Manager

Annual rental of the municipal property	12 000	12 000
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The council did approve the renting out of municipal property to the Municipal Manager at a subsidised amount of R1000 per month.

Remuneration of management - refer to note 25

Remuneration of Councillors refer to note 26

46. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus (deficit) of 335 657 399 and that the municipality's total assets exceed liabilities by 335 657 399.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the subordination agreement of these annual financial statements will remain in force for so long as it takes to restore the solvency of the municipality.

47. Electricity distribution losses

Units purchased (Kwh)	8 779 199	8 524 503
Unit lost during distribution (Kwh)	1 008 575	1 832 191
Electricity lost during distribution (R)	2 690 917	4 449 746
Percentage lost during distribution (%)	11%	21%
	12 478 702	14 806 461

Technical electricity distribution losses are attributed to transformer efficiency, line losses within the network infrastructure due to faulty meters and theft.

48. Events after the reporting date

At the time of preparing and submitting the Annual Financial Statements there were no subsequent events to be disclosed.

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