MPOFANA LOCAL MUNICIPALITY ANNUAL REPORT 2022/2023 FINANCIAL YEAR

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Municipal Manager
Mpofana Local Municipality

OFFICE OF THE MUNICIPAL MANAGER
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COMPONENT A: MAYOR'S FOREWORD

Mayor's Foreword

It humbles me to present to you the 2022-2023 Annual Report. This has been a year of continued growth and development for our council with many a lesson learnt.

This financial year began at a time where the Country was faced by the economic meltdown and as the result, we experienced slow economic growth and high level of unemployment particular to young people and black communities in general.

Despite these conditions, we have faced and conquered numerous challenges. We have managed to sustain a synergy between our council and administration. A notable achievement which we are proud of and humbled by the recognition of the municipality's success in Strategic Thrust as per the IDP assessment criteria in the Province. Also we managed to maintain the Auditor –General's audit opinion of a qualified audit for our municipality in the 2022/2023 financial year with less findings.

Through this document we intend to review the challenges we have faced, and highlight the successes we have accomplished; and present our findings to the people of Mpofana Municipality. The report aims to provide an account on the Municipal Manager's overview, performance highlights, performance reports, as well as to present the 2022/2023 financial statements, accompanied by the Auditor- General's opinion.

Our Municipality is fully committed to improving the quality and standard of living for all the people that reside within Mpofana. We aim to achieve this through the establishment and construction of durable, long-lasting infrastructure, particularly for our rural communities, to enhance the skills base in the region, to inspire healthy and environmentally friendly lifestyles, to fight crime and corruption, to support programmes for youth development as well as programmes for women and people with disabilities; and to encourage and inspire a culture of entrepreneurship.

During February, we embarked on our annual IDP/Budget Roadshow Campaign. We had the opportunity to meet and engage with communities across all of our municipal wards. The campaign was highly successful and I would like to thank my fellow councilors and more importantly, the communities for supporting the programme and for attending out roadshows.

We are a municipality that has developed a culture which embodies a commitment to the implementation of a clean administration championed by good governance, and this has proven to be a winning formula in achieving and maintaining favourable audit outcomes from Auditor General of South Africa.

I would like to express my heartfelt gratitude to my fellow Councillors, Speaker, Exco members, Senior Managers and the members of staff for their hard work and commitment. We wish to thank Traditional Leaders, the Business Community, Government Departments, our Residents and all the stakeholders who have contributed to making our Municipality a better place to reside in.

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Her Worship, Councillor: TM Magubane
Mayor of Mpofana Municipality

COMPONENT A: EXECUTIVE SUMMARY

1.1 Municipal Manager's Overview

Municipal Manager's Foreword

The Mpofana Local Municipality has made significant progress in the recent past financial year in achieving its constitutional mandate to deliver services and uphold principles of good governance. The municipality's progress bears to the recent COGTA MEC Awards, where the municipality has been awarded an accolade as the 1st Best Strategic Thrust municipality in the Province. The municipality operates under severe socio-economic conditions, given the high rate of unemployment, serious backlogs in infrastructure, low rate of revenue and other social ills experienced in some parts of the municipality. Our approach as local government is informed by the constitutional mandate which underpins a number of legislative frame-work, such as Municipal Finance Management Act, the Municipal System Act, and the Municipal Structures Act.

Our strategic framework is always informed by a number of National Interventions imperatives, such as the Back to Basics program premised on the five pillars: putting people first, delivering basics services, good governance, sound financial services and building capable local government institutions. The municipality has met its set of significance targets as outlined in the Municipal Integrated Development Plan, organizational scorecard and the Municipal Performance Plan. Our Municipal Performance Plan is intrinsically linked to the Municipal Service Delivery Budget Plan and the Municipal Medium Expenditure Framework. Council has been able to set its annual performance plans, linked to individual performance agreements with realistic targets. Council's revenue management and enhancement strategy has assisted to increase revenue over the financial year.

Our measures to improve governance have been seen in the municipality achieving qualified audit opinion from the Auditor-General. A lot of work has been put in place to ensure that the entity continues to operate as a going concern. Council has strengthened internal controls through the establishment of a Risk Unit which tasked to identify internal system gaps which pose risk and therefore develop mitigating factors. Council has appointed Risk Champions and an Independent Risk Chairperson. Council has improved the capacity of the Internal Audit Unit to ensure that all measures of compliance in various unit with the institution are adhered to.

I would like to express my sincere gratitude to the Political leadership and the Council of the Municipality and to my family of staff members who have worked tirelessly to ensure the smooth operation of the Municipality despite working within an often-challenging environment. It is through our hard work, commitment to a clean administration and ongoing dedication that we have been able to achieve a multitude of milestones as a municipality.

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Dr. EH Dladla
Municipal Manager

Abbreviations

AG	Auditor - General
BEE	Black Economic Empowerment
COGTA	Co-operative Governance and Traditional Affairs
DAERD	Department of Agriculture, Environment Affairs and Rural Development
DME	Department of Minerals and Energy
DOE	Department of Education
DOHS	Department of Human Settlement
DOT	Department of Transport
DWAF	Department of Water Affairs and Forestry
EPWP	Expanded Public Works Programme
GIS	Geography Information System
HIV/AIDS	Human Immunodeficiency Virus/ Acquired Immunodeficiency Syndrome
ICT	Information Communication Technology
IDP	Integrated Development Plan
IDP RF	Integrated Development Plan Representative Forum
IWMP	Integrated Waste Management Plan
KPI	Key Performance Indicator
KZN	KwaZulu Natal
LED	Local Economic Development
MEC	Member of Executive Council
MFMA	Municipal Financial Management Act No. 56 of 2003
MIG	Municipal Infrastructure Grant
MPAC	Municipal Public Accounts Committee
PMS	Performance Management System
PPP	Public-Private Partnership
SDBIP	Service Delivery and Budget Implementation Plan
SCM	Supply Chain Management
SMME	Small, Medium and Micro Enterprise
WSB	Water Services Backlog

Bibliography

- IDP 2022/2023
- National Treasury Website
- Mpofana Local Municipality Audited Financial Statements for 2022/2023
- Mpofana Municipality Annual Performance Report 2022/2023
- Statics South Africa Report for 2022
- Relevant, Circulars, Policies, Frameworks and Relevant Legislation.

Acknowledgement

- Councilors and Officials of Mpofana Municipality;
- The office of the Auditor General KwaZulu-Natal; and
- The Audit Committee of Mpofana Local Municipality.

1.2 LEGISLATIVE REQUIREMENT

Section 121 of the Local Government: Municipal Financial Management Act 56 of 2003 (MFMA) stipulates that:

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

The purpose of an annual report is-

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

The annual report of the municipality must include-

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

- Particulars of any corrective action taken or to be taken in response to the issues raised in the audit reports;
- Any explanation that may be necessary to clarify issues that in connection with the financial statements;
- Any information as determined by the municipality;
- Any recommendations of the municipality's audit committee; and
- Any other information as may be prescribed.

Report of the municipal entity must include-

- The annual financial statements of the entity as submitted to the Auditor General for audit in terms of section 126 (2) on those financial statements;
- The Auditor General's audit report in terms of section 126 (3) on those financial statements;
- An assessment by the entity's accounting officer of any arrears on those financial statements;
- An assessment by the entity's accounting officer of the entity's performance against any measurable performance objectives set in terms of the service delivery agreement or other agreement between the entity and its parent municipality;
- Particulars of any corrective action taken or to be taken in response to issues raised in the audit report;
- Any information as determined by the entity or its parent municipality
- Any recommendations of the audit committee of the entity or its parent municipality; and
- Any other information as may be prescribed.

1.3 MUNICIPAL OVERVIEW

Mpofana Municipality is one of seven local Municipalities that makes-up uMgungundlovu District. It is located along the N3 approximately 70km west of Pietermaritzburg. It borders onto uMngeni, uMshwathi, uMvoti and Langalibalele Municipalities. Mooi River is the only major town in the area and provides services to areas within the municipal boundaries. The other emerging small town is Rosetta which has a smaller catchment and a strong eco-tourism character. The area is within Mooi River catchment and is dominated by commercial farmlands.

Mpofana Municipal boundaries were delineated in terms of the Municipal Demarcation Act and the criteria set therein. This includes population movement trends, regional economic patterns and land use pattern. The municipal boundaries are not just administrative, but are also intended to promote social and economic development. They are also spatial planning boundaries in line with the municipal planning mandate of local government.

1.4 VISION

Mpofana Municipality an inclusive economic dynamite and gateway for sustainable development, by the year 2035.

1.5 MISSION

We strive to deliver on our mandate through:

Unlock resources for Equitable, prosperous and sustainable development.

Provide a platform for co-ordination of bulk infrastructure planning across the municipality

Provide strategies leadership towards inclusive/radical rigorous social-economic change.

Transformation to address economic spatial injustice, inclusive services and opportunities for all citizen of the municipality.

Initiate funding mobilizing initiative/program to ensure financial sustainability.

Co-ordinating and facilitating social development initiative.

1.6 PRINCIPAL AND VALUES

The principal and values which Mpofana Local Municipality ascribes to are as follows:

- Maintain Customer focus and strive for quality, effectiveness, efficiency and sustainability in the delivery of all our services;
- Develop a high culture of performance and excellence based on innovation and development;
- Undertake the responsibility with stewardship and play a leadership role on issues of importance to the municipality;
- Active seek and forge mutually beneficial partnership with all its stakeholders;
- Communicate effectively with communities and other stakeholders in a manner that promotes their participation;
- Act with respect, honesty, trust and empathy;
- Uphold diligence, professionalism and risk tolerance in our quest for innovation and improvement in services delivery;
- Promote ongoing development of management and adaptable skills to cope with changes in the environmental and customer expectations;
- Create an environment that is conducive to self-initiative and fostering a culture of individuals identity with the Municipal as an organization;
- Commitment and equity and social redress; and
- Be inclusive, transparent, and accountable and act with integrity.

1.7 GOALS, OBJECTIVES AND PRIORITIES

The overall goals and objectives for the Municipality which are drawn from the formal mandates are as follows:

- To improve quality of life;
- To improve administrative, legal and advisory support;
- To provide safe, secure, and self-sustainable communities;
- To improve financial management to ensure sustainable financial viability;
- To instill, advance and sustain a good organizational culture and service excellence;
- To create and ensure a conducive environment for Economic Growth and Development;
- To leverage and enhance municipal capacity to promote democracy accountability;
- To develop a credible IDP that aligned to community needs; and
- To promote coordinated planning, implementation and continued evaluation.

1.8 MUNICIPAL FUNCTIONS, MANDATE, POPULATION and ENVIRONMENTAL OVERVIEW

1.8.1 Municipal Functions

In terms of section 84 of the Local Government: Municipal Structural Act No. 117 of 1998, the Mpofana Local Municipality has the following powers and functions:

- Integrated Development Planning;
- Plan, implement and monitor infrastructure projects,
- Facilitate access to basic electricity services;
- Solid waste disposal;
- Regulation of passenger transport services;
- Building regulations
- The establishment, conduct and control of cemeteries;
- Promotion of local tourism for the area;
- The imposition and collection taxes, levies and duties as related to the above functions;
- Municipal Planning;
- Municipal roads; and
- Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or other law

1.8.2 Mandates

The legislative mandates exercised by the municipality in terms of the local government legislative framework are as follows:

- Local Government: Municipal Structure Act, 117 of 1998;
- Local Government: Municipal System Act, 32 of 2000;
- Local Government: Municipal Finance Management Act, 56 of 2003;
- Local Government: Municipal Planning and Performance Management Regulation, 2001;
- Local Government: Municipal Property Rates, 6 of 2004;
- Local Government: Municipal Performance Regulations for Municipal Managers and Managers directly accountable to the Municipal Manager, 2006;
- Local Government: Development Facilitation Act;
- Local Government: Municipal Demarcation Act, 27 of 2008;
- Disaster Management Act,57 of 2002;
- Intergovernmental Relations Framework Act, 13 of 2005;

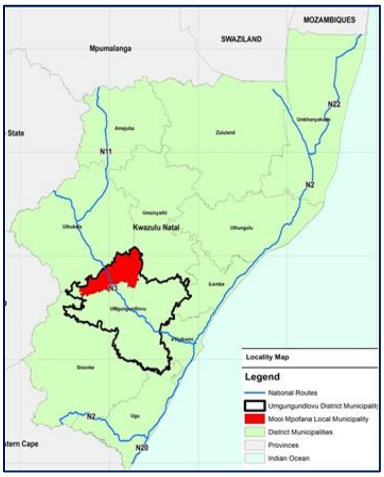
- ❖ Remuneration of Public Office Bearers Act, 20 of 1998; and
- ❖ Organized Local Government Act, 52 of 1997

1.8.3 Supporting Mandate

- ❖ The Constitution of the Republic of South Africa, 1996;
- ❖ White Paper on Transforming Public Service Delivery (Batho Pele), 1997, and
- ❖ White Paper on Service Delivery

1.9 POPULATION and DEMOGRAPHICS

1.9.3 Municipal Position within KwaZulu Natal Province



Mpofana Municipality is one of seven local Municipalities that makes-up uMgungundlovu District. It is located along the N3 approximately 70km west of Pietermaritzburg. It borders onto uMngeni, uMshwathi, uMvoti and Inkosi Langalibalele Municipalities. Mooi River is the only major town in the area and provides services to areas within the municipal boundaries. The other emerging small town is Rosetta which has a smaller catchment and a strong eco-tourism character. The area is within Mooi-River catchment and is dominated by commercial farmlands.

Mpofana municipal boundaries were delineated in terms of the Municipal Demarcation Act and the criteria set therein. This includes population movement trends, regional economic patterns and land use pattern. The municipal boundaries are not just administrative, but are also intended to promote social and economic development. They are also spatial planning boundaries in line with the municipal planning mandate of local government.

1.9.4 Population

Mpofana Local Municipality is one of the seven municipalities under uMgungundlovu District Municipality. Mpofana Local Municipality in terms of 2011 Census Survey, experienced a positive growth on its population as the population size increased from 24 794 in 1996 to 36 820 in 2001 to 38 103 in 2011 recording a positive growth, however the 2016 community survey shows decline in population size from 38 103 in 2011 to 37 392 in 2016.

Total Population within uMgungundlovu District Municipality.

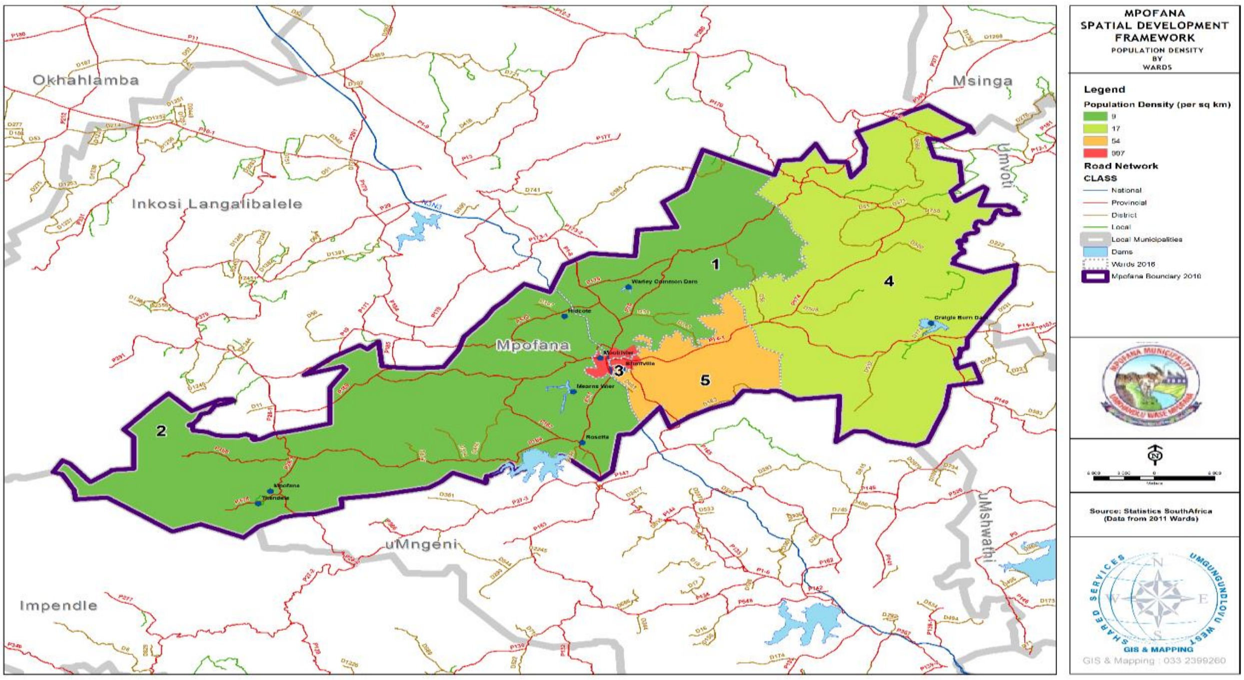
Municipality	Population in numbers	Population in %
DC22 uMgungundlovu District Municipality	1 095 865	9.9% percentage share of KZN
KZ221 Ushwathi LM	111 645	10.2%
KZ222 uMngeni LM	109 867	10.0%
KZ223 Mpofana LM	37 391	3.4%
KZ224 Impendle LM	29 526	2.7%
KZ225 Msunduzi LM	679 039	62.0%
KZ226 Mkhambathini LM	57 075	5.2%
KZ227 Richmond LM	71 322	6.7%

Source: Census 2011

Population Grouping

Population Group	Black African	%	Coloured	%	Indian/Asian	%	White	%	Total
Census 1996	21 564	84.4%	117	0.83%	719	2.90%	2947	11.84%	24 794
Census 2001	33 157	90%	213	0.57%	796	2.16%	2665	7.23%	36 820
Census 2011	33 414	89.4%	131	0.4%	733	2.0%	3114	8.3%	37 391

Population Distribution per Ward



Age Distribution

The majority of the population of the Mpofana Municipality is made up of individuals ranging from ages 0-35 (youth) and the little ranging between 65 and 100. There is thus a decreasing trend identified within each age group. The data indicate the female majority of 52.8% and 47.2% males respectively.

There are various implications for the trend identified. The Mpofana Local Municipality can be characterized with having a large youthful population, which implies the need for various facilities and focus on specific priority areas. E.g. educational facilities, economic opportunities and possibly youth development programmes.

Age Profile of Mpofana Municipality

2021/2022

Population Group	0-14 (children)		15-34 (youth)		35-64 (adults)		65+ (elderly)		Total
Census 2011	13 022	34.8%	13 830	37.0%	9449	25.3%	1090	2.9%	37 391

Mpofana Local Municipality does not have people residing in informal settlements (although a few have been noted in Ward 2 Kwa-Ntuli Farm and in Ward 1 in an old dilapidated building (NCD).Approximately 71.5 % of households are “stand alone” brick structured dwellings with a lot of traditional houses in ward 2 and 4. The aim is to ensure that there is expedited process of converting traditional houses to more formal ones. It should however be noted that Bruntville which has always been free from informal settlements has in the past few years seen a few informal and illegal structures being put up. The housing backlogs from 2011 were carried over to the 2022/23 IDP. A plan for projects to implement as a strategy of addressing the housing backlogs is now in place with housing projects having been identified and included in the IDP and are approved by Department of Human Settlement, however there is a need to make more Housing applications to the Department of Human Settlement as a lot of our community members are without proper houses.

The Mpofana Municipality has embarked upon establishing a Housing Sector Process Plan that will enable Municipality to develop Housing Sector Plan as the strategic plan for housing development within the jurisdiction of the municipality. The Municipality is in the process of developing housing sector plan so that all future and current housing development projects will be included. The purpose will be to address the challenge of conversion of traditional houses to more formal ones. Most of these are located in rural areas. The IDP review process has helped in identifying housing projects that will assist in this regard.

Overall, the municipality does not find itself with problems relating to people residing in informal settlement as 71.5% of households are either "stand alone" brick structures or traditional dwellings. The 2009/2010 IDP had identified projects that will assist in addressing the backlogs in terms of housing, in the 2022/23 IDP, projects to this effect have been identified and included in the IDP for implementation, the Municipality will work closely with the Department of Human Settlements to ensure that the projects are fully implemented and that the communities that we service have sustainable Human Settlements.

Sustainable human settlement is important in addressing issues of housing backlog. The Department of Housing along with the municipality has undertaken a task to secure the piece of land for future housing development projects. It will be most important for the municipality to perhaps engage in initiatives that will educate the communities about the importance of preserving and keeping their environment in a good state in order to address other issues related to service delivery.

1.9.5 Educational Levels

Table below indicates the trends of education levels amongst males and females in the Mpofana Local Municipality.

Number share per Institution by applicable population	
Pre-school (incl. ecd centre; e.g. day care; crèche; playgro)	1278
Primary school (grade r to 7)	7502
Secondary school (grade 8 to 12)	3525
Technical vocational education and training (tvet); formerly	233
Other college (including private and public nursing college)	26
Higher educational institution (including university/univers and tvet)	508
Community education and training college (including adulted)	42
Not applicable	24 277
Applicable total (Attending school)	13 114

Attendance per age group	
5-14	8859
15 - 19	2336
20+	993
Percentage share per Institution by applicable population	
Pre-school (incl. ecd centre; e.g. day care; crèche; playgro)	9.7%
Primary school (grade r to 7)	57.2%
Secondary school (grade 8 to 12)	26.9%
Technical vocational education and training (tvet); formerly	1.8%
Other college (including private and public nursing college)	0.2%
Higher educational institution (including university/univers)	3.9%
Community education and training college (including adulted)	0.3%
Attendance share per total population of age group	
5-14	97.7%
15 - 19	73.8%
20+	4.7%

With the Census 2021 has been concluded, it is anticipated that the numbers as depicted above will change, it is generally known that more people from Mpofana have since gone to Secondary school, this has been made possible by the Government pronouncement of free education for needy and deserving students.

1.9.6 Employment Trends

The employment status in the Municipality is standing at 48.37% as per 2011 Census of the total population in the 15-65 year age group. The rationale for this low employment level is based on non-economically active individuals shows a significant percentage of 30.31%. The majority of the people who are not economically active are still engaged in academic studies.

The unemployment levels are projected at 16%. This is due to a lack of economic activities that provide employment to the municipality. This can also be attributed to the closure of certain areas of Tai Yeun Textiles, lack of entrepreneurs, lack of infrastructure to boost investors' confidence, lack of skilled labour etc.

1.9.7 Demographics

Information presented in this Annual Report is based on the 2021/2022 IDP which captured its data from the 2011 Census as part of the process of understanding the current situation.

The Mpofana Local Municipality in divided into 5 Wards, which cover the area approximately 181 000 hectares. These are:

WARD 1	This is made up of Mooi River, which can be primary described as a formal urban area within denser development, it is also comprises of Riverdale and Townview phase 1 which are semi-urban and Ncubela and Scottfontein which are rural areas
WARD 2	Comprises of what may be termed a small town Rosetta which is a town area. Besides Rosetta the area is rural. This ward's population is mostly made up of the Tendela community. There are other rural areas that exist in this Ward, Sierra Ranch, Manophe and Weston
WARD 3	This is predominantly made up of Bruntville and Gwala Park; which are semi-urban areas.
WARD 4	The area is entirely rural, having been catagorised as one of the poorest wards in the KZN Province, lacking in basic services such as water, houses, electricity and waste management
WARD 5	This made up of Townview area, Phumlasi, Mnandi Farm and Lakeview. This area is predominantly semi-urban.

1.10 SERVICE DELIVERY OVERVIEW

The Municipality has supported its service delivery efforts through Expanded Works Programme (EPWP) and namely Community Works Programme (CWP). A number of areas which were not taken off previously are now be catered for under the EPWP and the CWP Programme.

A number of capital projects were introduced and there were successes in the empowerment of local people where projects were being implemented. Local communities were involved in the construction of the various infrastructure projects including doing sub-constructing opportunities that were as a result of the implementation of the Capital Projects.

The Municipality has continued to embark on poverty alleviation to assist the local communities sustainably. For the 2022/2023 financial year the municipality assisted the public in ensuring that the recycling centre is operational, the center is also supported by Wildlands Conservation Trust. The Municipality has also called on the local emerging business people, especially the youth to register on the Municipal's database (with SCM and LED) so that they can benefit from local economic development initiatives by the Municipality. The Municipality boasted over 200 SMMEs who are registered on its database.

Furthermore a number of capital projects are still ongoing and the progress is shown in the table below, though some have been completed

Source	*Project*	*Project Status as at 30 June 2023*	*Ward*
INEP	Electrification Of 100 Units	Project Not Complete	2 & 4
MIG	Bruntville Internal Tar Road Rehabilitation	Project Not Complete	3
MIG	Phumlaas / Townview Internal Tar Road Upgrade	Project Not Complete	5
MIG	Osuthu Access Road	Project 100% Complete.	2
MAG	Small Town Rehabilitation	In Progress	1

The Municipality has put together a plan to fast-track the completion of the new projects, by having an implementation plan in place. Furthermore more business plans are being put together to source funding to complete all projects that are still needed. It should also be noted that the availability of land is the major issue which prevents the municipality from achieving its vision in terms of Housing delivery, bulk services are also an issue which need urgent attention from uMgungundlovu District Municipality, meetings to this end have been held with the Department of Human Settlements and UMDM, with the revival of Ntuli Housing Project consisting of 92 Units, the conclusion of this project will mean a complete eradication of informal settlements in Ward 2, but on the main the Municipality's Housing Sector Plan should be developed and adopted by the Council in order to address all issues pertaining housing projects with our municipality. The Phumlaas Housing Project came to a stop due to unforeseen circumstances.

It is worth mentioning that Mpofana has also made efforts in terms of universal access to electricity, this has been done by the way of continuously electrification of new areas in the rural areas (Ward 1, 2, and 4) this has been made possible by the grant from Department of Energy which for 2019/20 financial year was

R5 000 000.00. The Municipality will strive to focus on its core mandate which is serving. The Department Of Energy has allocated R12 590 000.00 for 2022/2023 financial year for electrification of households.

1.11 FINANCIAL HEALTH OVERVIEW

Background

The municipality is unable to meet its monthly fixed operating commitments from cash and short term investments without collecting additional revenue [The current cash coverage ratio is -1 month (which is below average of 1- 3 months)].The municipal is unable to generate sufficient income to cover its operating payments, and debt commitments (e.g. Eskom). This causes late payments of monthly consumables.

The Municipality has decided to explore the Distribution Agency Agreement with Eskom and there are continuous engagement between Eskom and the Mpofana Municipality to conclude the agreement arrangements. Currently the discussions are in an advanced stage which is estimated to be concluded in the next six months.

The municipality adopted an unfunded Draft Budget. The municipality is implementing unfunded budget plan to be in the funding position in the 2022-23 financial year. As per Provincial Treasury recommendation, the municipality needs to monitor progress in the tabled plan. Close monitoring mechanism has been put in place. This report is a summary of the progress made and a few challenges on the financial performance of the municipality for the 2022/23 financial year.

Objectives

- Successful monitoring of MSCOA implementation and monitoring for 2017/2018 to 2021/2022
- Successful implementation of new valuation roll with minimum of 5 years supplementary valuation roll
- Improve financial reporting based on MSCOA requirements
- Improve debts collection to boost municipal cash flow
- Striving towards Unqualified Audit Opinion (AGSA)
- Continuous municipal budget related policies
- To manage our assets and liabilities (current ratio norm 2:1)
- To manage our cash coverage norm (3 months)

- Implementing the cost cutting measures
- Create a conducive environment for job creation and economic growth
- Annual preparation of a funded budget every financial year as per the MFMA

Annual Financial Statements

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates. Eskom debt remains the huge risk. The cash coverage remains below the norm.

The Intervention by COGTA

The Municipality continues to be plagued by dysfunctionality, cash flow challenges, and maladministration and service delivery challenges, subsequently, the Executive Council took a decision to place the Mpofana Municipality under administration in 2017.

The Municipality still remains in financial distress despite interventions by COGTA in providing financial support and advice. The unfunded budget could result in the equitable share being withheld by National Treasury and the Municipality has been advised to develop a financial plan that will reduce the budget deficit and present the plan to Provincial Treasury.

MSCOA

The municipality is not yet MSCOA compliant and revise implementation plan, however a Steering Committee has been established and it is effective.

Reporting

The department has done noticeable improvement as far as reporting on financial matters to other stakeholders (e.g. internal departments, provincial, national and other stakeholders), we have achieved almost hundred (100%) percent on reforms as required by National Treasury and compliance departments, this evidenced by relevant circulars informing municipalities on such reporting compliance.

Supply Chain Management

There has been much improvement on the Supply Chain Management Unit. There is effective communication with the suppliers, service providers and management to ensure that we mitigate potential risks that could disrupt the SCM processes.

Financial Analysis

The draft financial statements for the 2022/23 financial year was compiled and forwarded to the Auditor General for audit on the 31 August 2023. The financial Statements shows an upward trend in the municipal finances.

CHAPTER 2- GOVERNANCE

2.1 Introduction to Governance

Mpofana Municipality is totally committed to good governance. The organization is structured in such a way to ensure that the eight major characteristics required for good governance is enshrined in its operations. This ensures that it is participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follows the rule of law. Corruption is minimized, the views of the minorities are taken into account and the voices of the most vulnerable in society are heard in decision-making. It is also responsive to the present and future needs of society. Above all, the commitment from the leadership both political and administrative is essential to maintain good governance.

2.1.1 Political Governance

The Mpofana Municipality Council is the highest decision making body within the Municipality. It is made up of 10 Councillors with 5 Ward Councillors and 5 Party Representatives. The Chairperson of the Council is the speaker. There are three (3) portfolio committees in the Municipality.

The Executive Committee is made up of 3 Councillors. The Chairperson of the Executive Committee is the Mayor.

The following are the committees of Council: Finance Committee, Corporate and Community Services Committee, Technical Services Committee and the Municipal Public Accounts Committee.

Financial Services Committee

The terms of reference of this committee are to advise and make recommendations to the Executive Committee on: budgeting, supply chain, asset management, revenue and expenditure.

Corporate and Community Services

The terms of reference of this committee are to advise and make recommendations to the Executive Committee on:

- All aspects of Human Resources Development,
- Information Technology,
- Record Management,
- Community Halls and other community structures,
- Fleet Management
- All applicable legislation relating to social and economic development, national development programmes, provincial development programmes, trading regulations, investment opportunities, land affairs, law enforcement, library services, tourism, youth, sports, gender, disability and public participation.

Infrastructure Development and Maintenance

The terms of reference of this committee are to advise and make recommendations to the executive committee on:

- The municipality's technical tasks, such as road constructions and maintenance thereof,
- Community Halls and other community structures, crèches and is further responsible the building inspections.
- Community Works Program and Expanded Public Works Program

Municipal Public Accounts Committee

The terms of reference of this committee are to play an oversight role within the municipality. All the reports of the Audit Committee and Council may refer matters to this committee for investigation.

Municipal Council

Name	Position	Political Party
Cllr TM Magubane	Mayor/ PR Councillor, Chaiperson of Exco, and Finance Portfolio Committee Chairperson	ANC
Cllr ZA Dladla	Speaker/Ward 2 Councillor	ANC
Cllr Z Mchunu	Ward 5 Councillor/ Technical Services Portfolio Chairperson, Corporate & Community Portfolio Chairperson and Exco Member	ANC
Cllr MS Mchunu	Ward 1 Councillor/ MPAC Chairperson	ANC
Cllr LW Wynne	Ward 3 Councillor / District Rep / LLF Member	ANC
Cllr EM Majola	Ward 4 Councillor/ LLF Member	ANC
Cllr PB Gunundu	PR Councillor/ LLF Member	ANC
Cllr ES Buthelezi	PR Councillor/ Exco Member	DA
Cllr BX Zikhali	PR Councillor	EFF
Cllr JJ Dlomo	PR Councillor	IFP

The Municipality also consists of forums that are operational and are as follows:

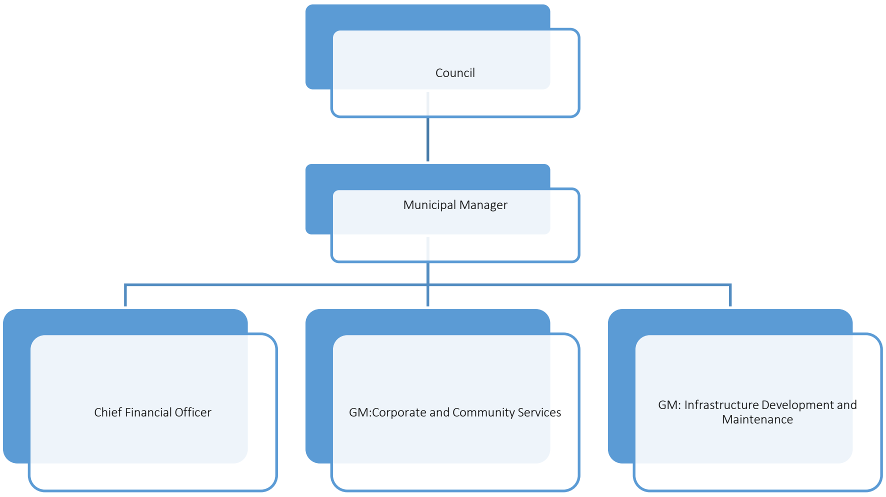
- Local Labour Forum
- Integrated Development Planning Representative Forum
- Disaster Management Forum
- Portfolio Committee

Portfolio Committee	2021/2022	2022/2023
Number of Council Meeting	8	12
Number of Budget & Treasury Portfolio Committee	6	10
Number of Infrastructure Development and Maintenance Portfolio	7	12
Number of Corporate and Community Services Portfolio Committee	7	12

Minutes of all above committees are tabled at Council as recommendations. The Councillors are Chairpersons of their respective Portfolio Committees. Head of Departments provide Technical support in their respective Portfolio Committees.

2.1.2 Administrative Governance

The following structure indicates decision making hierarchy in the Municipality



Departmental Functions

Designation	*Name*	*Responsibility*
Municipal Manager	Dr Hlula Dladla	Implement national and provincial legislation applicable to the municipality
		Internal Audit, Risk Management and Compliance
		The formulation and development of an economic effective, efficient, and accountable administration
		The management of the municipality's administration in accordance with the legislation applicable to the municipality
		The implementation of the municipality's integrated development plan
		Management of the provision of services to the local community in a sustainable and equitable manner

		Manage the communications between the municipality administration and political structure
		Carry on the decision of the structures and functions of the municipality
		Administer and implement the municipal by-laws and other legislation
		Communication Strategy
		Fleet Management
		Public Participation
Chief Financial Officer	Mr Pitso Molefe	Revenue Management
		Expenditure Management
		Asset Management
		Budget and Reporting Management
		Supply Chain Management
Acting GM: Corporate and Community Services	Mr Mhlengi Sithole	Human Resources Management and Development
		Compliance with Legislation
		Enforcing By-laws
		Office and Building Maintenance
		Events Management and Communication Strategy
		Management of Ward Committees
		Information and Communication Technology Administration
		Support the mayoral and council activities
		Local Economic Development
		Social Services
		Management Community Services
		Public Protections Community Safety

		Tourism
		Management of Libraries and Museum
		Youth Development
		Special Programmes
		Waste Management
		Human Settlement Unit
GM: Infrastructure Development and Maintenance	Ms Monkululeko Mbatha	Provision of Basic Services
		Mobilisation of Resources to continually improve the level and quality of service delivery
		Roads
		Electricity
		Project Management Unit
		Infrastructure Planning
		Storm Water Drainage
		Construction Management
		Building Inspector
		Community Works Programme
		Expanded Public Works Programme

2.2 Introduction to Co-operative Governance and Intergovernmental Relations

Operation Sukuma Sakhe operates in all wards (5) of Mpofana Local Municipality. Each ward has a war room and sub-war rooms or satellite war rooms for only Ward 1, Ward 2 and Ward 4, where all stakeholders (Government Departments, Non-Government Organizations (NGOs), Traditional leaders, Faith Based Organizations (FBO), Community Care Givers (CCGs) come to the war room to fight poverty, crime and other issues that are problematic in the community. Each war room has a convener who chairs the Ward Task Team (WTT) meetings and the ward Councillor is the champion of the war room.

The convener comes to the meetings and they meet every month with all stakeholders to discuss community issues that were identified during household profiling by the CCGs and the walk-in registers in the war rooms. The war rooms operate in community halls and Traditional Courts. Some wards are too large, so sub-war rooms or satellite war rooms were established for the benefit of the entire ward. War rooms are open every day of the week for the community to come with their issues that need necessary interventions. Managers are deployed in these 5 Wards to monitor the functionality of the war room.

CCGs do households' profiling whereby they identify different needs that need to be fulfilled through different referrals/ intervention from different stakeholders/ government departments, also the community have an easy access to the war room walk in registers which are nominated by the OSS Office every after 3 months. Each conducts an MBO after finishing analyzing the household profiling forms, where all government departments will come and render their services to people at a ward level.

Local Task Team meetings take place once a quarter in the Municipality Offices whereby all Department Managers, WTT conveners, traditional leaders and NGOs, Ward Councillors and the Mayor come to the meeting to discuss issues that were unresolved in the war room and to get the report of the WTTs from the ward conveners. They also discuss the functionality of the war rooms and come up with solutions for those that need help. The Local Task Team writes a quarterly report to the District Task Team about the operations of the WTTs. OSS celebrate all calendar events.

Challenges

No attendance of some Government Departments in the Local Task Team meetings. Slow interventions are taking place in the war rooms due to non-attendance of Departments at the war rooms. Non-attendance of the Ward Champions in the War room and Local Task Team meetings are also a cause for concern.

2.2.1 Intergovernmental Relations

- The Inter-governmental Relations Act, (Act No. 13 of 2005), requires all spheres of government to coordinate, communicate, align and integrate services delivery effectively, to ensure access to services. In this regard the Municipality complies with the provision of the Act.
- Mpofana Local Municipality participates in the Provincial and District MIG Forum. Those forums provide a platform for engagement on the approval of projects and for coordination and monitoring of expenditure on projects which are funded under Municipal Infrastructure Grant projects.

- UMgungundlovu District has adopted a Cluster Model to share best practices amongst its Local Municipalities. These Clusters
  - The District Inter-governmental Forum (DIF) or the Mayors Forum
  - The District Technical Support Forum (DTSF) or the Municipal Manager’s Forum
- The Municipality also has entered into shared services on Development and Planning Services and Geographic Information System (GSI)

2.3 Overview on Public Accountability and Participation

Mpofana Local Municipality has implemented its Communication Strategy Framework to enhance its effectiveness in all operational spheres. The municipality is committed to provide accurate service delivery and is willing to engage with business, communities and other stakeholders to ensure that service delivery targets are met. The communication strategy ensures that municipal staff are well informed of what is happening in the municipality and well equipped with information.

Communication dissemination methods include the following:

- Communication between internal departments through information sharing meetings such as MANCO.
- Communication between communities, entities, affiliates, partners and staff.
- Cost reduction efforts by using notice boards and internal memos.
- Ensuring quality standards of municipal documents.
- Customer service training.
- Instant Messaging Services such as WhatsApp

External communication flows:

- Traditional Media: newspapers, Municipal newsletter
- Social Media: Email newsletter, SMS Marketing and Facebook
- Loud Hailing
- Instant Messaging Services in the form of WhatsApp

2.3.1 Public Participation

The Municipality adopted its public participation program to involve the community during the Integrated Development Plan (IDP) and Budget Process.

The functional public participation structures for the municipality are:

- IDP Representative Forum
- District Wide Cluster Forums (Municipal Managers Forum, Mayors Forum and District Clusters)

2.3.2 Ward Committee Structures

The primary objective of the ward committee is to enhance public participation of the community of Mpofana in the programmes of the Municipality.

Accordingly, 5 ward committees are operational in the Mpofana Municipality. A Ward Committee consists of the relevant Ward Councillor, who automatically assumes chairpersonship of the committee, and ten (10) other members who represent different sectors.

2.3.3 IDP Participation and Alignment

The Integrated Development Plan (IDP) is a five-year plan which local government is required to compile to determine the development needs of the municipality. Municipality's IDP process has once again gone through the exercise of public participation and the community needs and concerns are recorded. The Municipal System Act has prompted changes in the way in which the Council plans for the future of the Municipality. It also provides greater scope for communities to make their own choices about what the Council does and how. The Integrated Development Plan is a planning tool used to implement a co-operative and integrated development project in South Africa's spatial economy. The 2022/23 IDP was developed in-house and the Representative Forum Meeting was held virtual. The municipality undertook an intense public participation, roadshows were held in February 2023.

2.3.4 Performance Management System (PMS)

The Integrated Development Plan (IDP) is one mechanism and instrument that seeks to give meaning to the developmental local government. At the centre of this process lies the challenge of addressing the extreme poverty, inequality and backlogs in service delivery and the challenge to overcome the enormous racial, gender, and geographic disparities that exist in our communities.

The Municipality has designed a Performance Management System (PMS) that assists with the implementation and monitoring of the IDP. The Mpofana Municipality's Performance Management Framework guides and gives direction to the process of preparing and implementing the Municipality's PMS. The performance management model provides a set of procedures and functional tools that enable effective implementation of a performance management system. It tells what aspects of the municipality's performance are measured and managed.

The 2021/22 Organizational Scorecard was developed at the beginning of the financial year and was adopted. The Service Delivery and Budget Implementation Plan (SDBIP) was approved by the Mayor and the Performance Agreements and Plans were entered into and signed by the Senior Managers. Performance reporting was conducted quarterly and submitted to the Internal Audit section; Audit and Performance Audit Committee; and the Council. Internal audit findings were addressed through the development of action plan and continuous follow-ups from the Internal Audit section. The performance reporting system underwent many challenges and scrutiny from the internal audit and audit and performance audit committee respectively.

2.4 Risk Management

Risk Management is the identification, evaluation and prioritization of risk followed by coordinated and economical application of resources to minimize, monitor and control the probability or impact of unfortunate events or to maximize the realization of opportunities. Strategies to manage threats (uncertainties with negative consequences) typically include avoiding the threat, reducing the negative effect or probability of the threat, transferring all or part of the threat to another party, and even retaining some or all of the potential or actual consequences of a particular threat.

Mpofana has in the 2022/2023 in November 2022, financial year taken drastic measures to ensure that the Risk is managed properly. These measures amongst others include:

- Establishment of a Risk Management Unit

- Appointment of a Risk Management Committee
- Appointment of Risk Champions per Department

Mpofana conducted a Risk Assessment for 2022/2023 and the assessment has in the main identifies the following Strategic Risks

1. Non-financial viability
2. Failure to deliver key services to the Community
3. Unavailability of resources and tools for functioning of the Municipality
4. Poor Leadership and Governance
5. Inadequate Information and Communication Technology.

On the 2021 Auditor-General Road Shows that were done based on the Municipal audit results it was apparent that one of the biggest risk was that Municipalities were at the brink of collapse. Based on our recent assessments it obvious that Mpofana is not an exception to this risk. The continued losses made by the municipality in the recent past, the uncash-backed conditional grants and escalating liabilities are the obvious indicators that the Municipality might not be able to continue in operation for the foreseeable future.

Municipal Management has taken significant steps in trying to address this issue. Such steps have included a strategic planning that seek to establish mechanisms that will ensure that the situation of Mpofana Municipality is turned around. The Risk Management Committee continue to ensure that it monitors the adequate implementation of the following documents that are aimed at turning around this Municipality

- Recovery Plan –
- Strategic
- Audit Action Plan

The Municipality has established a Risk Committee that is responsible to ensure that Risk is managed appropriately. The issue of Risk management has been taken seriously at Mpofana such that each department has appointed a Risk Champion who is responsible to monitor progress on the mitigation of each and every risk falling within a certain department. Mpofana has appointed a Risk Management Committee that is responsible of monitoring the Risk Register and ensuring it continue to reflect the Risk profile of the Municipality. The Committee is mainly responsible to ensure that all mitigating steps are taken to ensure that risks are minimized and managed as effectively as the Municipality can possibly do.

The following is the synopsis on the progress made in the year under review on the operational risk. The following are the top 10 Risk as identified.

No	*Risk Description*	*Department*	*Likelihood*	*Impact*	*Controls*	*Movement*	*Comments*
1	Ineffective Council Governance	MM	Major	Certain	Satisfactory	Improved	All Council Meetings sitting in accordance with the Calendar
2	Non credible Integrated Development Plan	MM	Critical	Likely	Satisfactory	Improved	MEC on IDP ratings remains constant
3	Ineffective Financial management	Finance	Major	Certain	Satisfactory	Regressed	Increase in losses, unfunded budgets and liabilities
4	Ineffective implementation of Supply Chain Management	Finance	Moderate	Likely	Satisfactory	Stagnant	UIFW continue to be incurred
5	Inadequate safeguarding and tracking of municipal records	Corporate & Community Services	Major	Likely	Weak	Stagnant	No effective centralised filing system
6	Inadequate provision of security management services	Corporate & Community Services	Critical	Likely	Satisfactory	Improved	Improved in safeguarding of Assets
7	Delays in completion of project within specified timeframes	Technical	Major	Likely	Weak	Regressed	Delays on MIG projects
8	Ineffective waste management processes	Technical	Critical	Certain	Satisfactory	Stagnant	Rehabilitation of Landfill site remains a challenge
9	Inability or failure to recover municipal data and systems in the event of disaster/disruptions to operations.	ICT	Catastrophic	Almost certain	Weak	Stagnant	No adequately managed off-site backup
10	Inability or failure to provide direction on information technology governance processes	ICT	Major	Likely	Good	Improved	Improved effectiveness on ICT Steering Committee

2.5 Anti-Corruption and Fraud

Fraudulent and corrupt practices undermine the basic values and principles governing public administration as set out in Chapter 10 of the Constitution.

The Municipality expects all its employees, councilors, service providers and the community not only to be fair and honest, but also to provide any help, information and support necessary to combat fraud and corruption.

The Municipality often acknowledges the causes, aggravating factors and debilitating effects of fraud and corruption and consequently the need to root out these elements. It is in this commitment that has seen the development and implementation of numerous policies such as Anti-fraud Policy.

Municipal staff will be encouraged to adhere to value for money principles in carrying out their functions. Council has adopted a zero tolerance approach in respect of both internal and external audit reports and measures will be implemented to ensure that any material or fundamental issues are addressed immediately. It is expected that the internal audit function will raise any material or fundamental issues before external audit. Other issues arising will be prioritized and addressed accordingly.

2.6 Mpofana Municipality Website

The Municipality has been continuously finding new ways of enhancing the image of its website. This helps to ensure a modern, clean and fresh look-and-feel as compared to the older design. The office of the Municipal Manager is gearing itself up to ensure that all documents required upload are uploaded timely.

The municipality does not have a dedicated computer to be accessed by the members of the community, however the community have access to the computers at our libraries for the purpose as envisaged in Section 75 of the MFMA

2.7 By-Laws

Municipal by-laws are public regulatory laws, which apply in a certain area, in this case Mpofana Municipality. A local or municipal government gets its power to pass laws through a law of the national or provincial government, which specifies what things the town or city may regulate through by-laws. The Mpofana Municipality has in terms of section 156 of the Constitution, 1996 (Act 108 of 1996), read in conjunction with section 11 (3) of the Local Government Systems Act, 2000 (Act 32 of 2000) developed the by-laws but still to be promulgated.

2.8 Public Satisfaction on Municipal Services

No Public Satisfaction Survey was done for the year under review, however one was done in the 2017/18 financial year in Ward 4 area through a CDW deployed to the ward. The Municipality therefore still heavily relies on the Community Satisfaction Survey that was conducted in 2016. The survey found that people in the urban area are somewhat satisfied with the level of services from the Municipality, however a greater number of people in the rural areas are not satisfied with the level of service they are receiving from the Local Authority. It is for this reason that the Municipality has implemented projects in the rural areas so that the perception is changed.

CHAPTER 3 – SERVICE DELIVERY PERFORMANCE

3.1 INTRODUCTION

The 2022/23 financial year saw with it several infrastructure development projects funded through the government's largest local government's infrastructure development funding: the Municipal Infrastructure Grant (MIG).

Planned projects for the 2022/23 financial year include: Rehabilitation of Phumlasi/Townview Internal Access Road, Bruntville Internal Access Road Phase 2.

Mpofana Local Municipality received an allocation of R10 225 048.00 for implementation of Municipal Infrastructure Grant (MIG) projects for the financial year under review.

The table below reflect 2022/2023 project breakdowns by name and ward, as well as the source of funding.

SOURCE	*PROJECT*	*PROJECT STATUS AS AT 30 JUNE 2023*	*WARD*	*BUDGET*
MIG	Rehabilitation of Bruntville Internal Access Road	90% Project complete	3	R3 870 451.91
MIG	Rehabilitation of Phumlasi/Townview Internal Access Road	0% Project complete	5	R3 819 569.57
MIG	Rehabilitation of Mzilanyoni Access Road	0% Project complete	4	R4 768 278.52
INEP	Electrification of new 100 Consumer Units by 30 June 2023	0 Number of connections	4	R12 590 000.00
BACKLOG				
MIG	Usuthu Access Road	100% Project Complete	2	R12 085 252.26

Over and above the Capital Projects that under Basic Service Delivery the Municipality boast having maintained 18.90 kilometres worth of roads under its Jurisdiction.

Appended below is a brief summary of budget allocation and commitments for 2023/24 financial year.

No.	Project title	Actual Project Cost	Expenditure to date	Progress / Status	Start Date
1.	Bruntville Sports Field	R8 000 000.00	-	The site has been established.	01 July 2023
2.	Rehabilitation of Mzilanyoni Access Road	R4 768 278.52	R0	Not yet started	01 July 2023

3.1.1 Electrification Project

The Municipality completed its Electrification Project and realize that the current electrification backlog numbers are achievable. As the Municipality, we have achieved 100% universal access to electricity connections by the of 2020/21 financial year. We strongly believed that our target to electrify infills is within our reach. The Municipality received R10 552 048.00 funding in 2022/23 financial year for new electrification.

INEP PROGRAM

The INEP Program is an intervention made by Department of Energy and Minerals to address serious challenges of service delivery in the Electrification of householders.

The following grants were received:

2018/2019 Financial Year, R6 984 000.00 allocated for electrification of households

2019/2020 Financial Year, R5 000 000.00 allocated for electrification of households

2021/2022 Financial Year, R0 allocated for electrification of households.

2022/2023 Financial Year, R12 590 000.00 allocated for electrification of households.

Challenges

The biggest challenges we encountered in this is the increase number of households that were not included in the Project budget.

3.1.2 Housing Projects

In terms of housing, we have made insignificant progress. Problems with bulk infrastructure has affected negatively the ability of Mpofana Municipality to deliver houses, this worsen by a change of approach by the Department of Human Settlement, that no houses would be constructed without some physical work of bulk infrastructure being on the ground. In other instances the land issue proves a challenge in the implementation of housing project.

UMgungundlovu District Municipality has since been made aware of the challenges the Municipality is facing in terms of their slow movement in putting Bulk Infrastructure in place before any commencement of the construction of houses. Municipality is committed to show case with more housing delivery once the aforementioned challenges are addressed.

Phumlaas Housing Project came to a stop, however the meeting has been convened between the Municipal officials and Human Settlement Department to ensure that challenges relating to implementation are addressed speedily.

Hereunder is a list of Housing Projects that were at a standstill due to the aforementioned challenges of lack of Bulk Water Supply. For some projects there are land issues.

Project Name	*Ward*	*Units*	*Status*	*2022/23*	*2023/24*	*2024/25*
Rosetta	2	100	Planning studies completed. The outstanding milestone is WULA which has been submitted to the Department of Water and Sanitation and is awaiting approval; then the project will proceed to construction of services.	R376 808,00	R4 182 056.50	R4 182 056.50
Ekujabuleni (Sierra Ranch)	3	120	Planning – blocked due to unavailability of bulk water services.	R0,00	R0,00	R0,00
Rural Housing Project	4,1,2	Tbc	Identified – rural housing projects for various areas (farms) in ward 4, 1 and 2. A site inspection has been done, and consent forms will be signed by the Trustees of each farm, and copies of Title Deeds are required for each farm portion for the project to be considered for funding approval.	R0,00	R0,00	R0,00
Bruntville (former hostel site)	3	120	Pre-Planning – the project is blocked due to social issues related to the potential beneficiaries of the project.	R0,00	R0,00	R0,00
Tendela	2	250	Pre-Planning – the project is blocked due to the land being privately owned.	R0,00	R0,00	R0,00
Craigieburn	4	850	Planning - blocked due to unavailability of bulk water services.	R0,00	R0,00	R0,00
Phumlas	5	400	Construction – the Department is in the process of appointing an engineer to do structural assessment on the 39 remaining houses.	R6 319 388.04	R4 182 056.50	R50 000,00
Ebuhleni	4	120	Construction – blocked due to land disputes	R0,00	R0,00	R0,00
Town Hall TRU's	1	84	Emergency Housing – Service provider appointed by the Department and has been introduced to the Municipality. Work on site will commence once the contract is signed by all parties.	R0,00	R0,00	R0,00

Disaster	All		155 permanent structures to be built in ward 4 and 3, contract recently signed for a 15-month period. 26 temporal structures have been built in all wards. 10 temporal structures to be built in ward 4 and 1	R0,00	R0,00	R0,00
OSS	4	12	12 houses were recently completed	R0,00	R0,00	R0,00

3.1.3 Road and Storm Water

Road Transport

Municipality is responsible for major access roads that are not maintained by Department of Transport. Due to very bad weather conditions we experienced some dilapidation of some roads. Through many years of use without maintenance or hardening, many have developed in deep dongs where storm-water continuously deepens them. However the municipality, where it can has maintained 13.45 km under very tight budgetary constraints.

Waste Water

There is not storm water master plan resulting in adhoc projects being identified where complaints are received. Problems are experienced in both the CBD and in the township area where concrete pipes are collapsing owing to fatigue from heavy rains and traffic loads. This has resulted in most of the CBD infrastructure becoming aged at a very rapid pace.

In an attempt to clean-up, and revamp the town of Mooi River, emphasis was placed on infrastructure development and maintenance of the town. Our commitment is to ensure quality service delivery to the residents of our Municipality. We are working hard in ensuring that Mpofana Municipality keeps moving forward.

Solid Waste Management

The Municipality continued implementing its Integrated Waste Management Plan (IWMP). It provide strategies in addressing the backlogs in refuse removal collection. The Municipality's landfill site is situated in Lakeview area covers Bruntville, Rosetta, Lakeview and Mooi River.

Waste collection is done on weekly basis in residential areas and daily in the Mooi River CBD. We have donated bins to a number of schools and businesses to encourage recycling and environmentally friendly practices.

The Mpofana Municipality provides some assistance in the recycling center which is monitored closely by the Municipality in consultation with the Wildlands Conservation Trust. The project was founded by S'busiso Dladla in 2007 because there were no employment opportunities in the area, a lot of people including himself were unemployed. Since the project has started it has created 15 jobs. The community seems to ignore the call that has always been made to recycle.

Electricity

There has been a substantial improvement in the percentages of households that use electricity for lighting purposes. The majority of households using electricity are located in the urban centers of the municipality, more especially Mooi River, Bruntville and Rosetta. Within the current context of the electricity crisis in South Africa, it has been seen imperative for the municipality to promote alternative source of electricity, hence Department Of Energy allocated solar panels for rural households.

3.2 SERVICE DELIVERY: ACTUAL PERFORMANCE AGAINST TARGET SET IN THE SCORECARD

This section of the Annual Report will report on the Municipality's actual performance against Municipality targets as per Integrated Development Plan, the planning document of the municipality. A detail report of the Municipality's performance (Annual Performance Report) is also attached to the Annual Report.

3.2.1 Free Basic Service and Indigent Support:

Mpofana Local Municipality adopted Indigent Support Policy to promote social and economic development within the community of Mpofana. The objective is to assist the indigent community with funding from Inter-Governmental Transfer so that the community may enjoy services provided by the municipality irrespective of their financial situation. In order to qualify for such assistance, each indigent household is required to meet certain criteria. The municipality recognizes the high level of poverty that exists within the community and the high number of households whose monthly income is below the poverty line. The number of households who will receive such assistance will be determined by the Council on an annual basis, in relation to the equitable share allocation available for such purposes as determined in the annual budget. An indigent register has been compiled for households with an income of less than R 5000 per month, or R60 000 per annual which is considered indigent.

3.2.2 Road Transport

Road Condition

- The following situation persists in respect of the condition of roads:
  - Most of our roads in Mpofana Local Municipality are gravel,
  - Some of the tarred roads are dilapidated with potholes and storm water is also an issue.
  - There are only few pedestrian crossing facilities that are available.
  - Some of the bridges are damaged due to floods.
  - Access management is a problem.
  - Road safety is a problem.

Public Transport

As many of the community do not have their own motor vehicle, public transport is essential in providing mobility and accessibility of these communities to socio-economic facilities. Transportation within the Municipality is almost exclusively achieved through the use of road vehicles.

Categories of transport are as follows:

- Public Transport - Taxis
- Private Transport - Passenger Vehicle
- Private Transport – Trucks

- The Local Integrated Transport Process Plan has been developed.

3.2.3 Sports and Recreation

Most of the available facilities required significant upgrading and revamping in order to fully benefit in sports, arts and culture aspect of the municipality. The aim of Sports and Recreation is to improve the quality of all South African by promoting participation in sports and recreation in the country. There is recreational facilities that are available, although some areas are still without. The Mpofana Municipality has had a great impact in the performing art and indigenous games and would require the municipality to invest in this aspect.

3.3 PLANNING AND DEVELOPMENT

3.3.1 Planning and Development Overview

The Municipality has reviewed and adopted it's SPLUMA with an aim to improve the spatial structure of the municipality, promoting the efficient use of land as well as economic development through ensuring optimal use of the municipality's available resources.

The Spatial Planning and Land Use Management Act 16 of 2013 (SPLUMA) is national law that was passed by Parliament in 2013. The law gives the Department of Rural Development and Land Reform (DRDLR) the power to pass Regulations in terms of SPLUMA to provide additional detail on how the law should be implemented. The final version of these Regulations (Regulations in terms of SPLUMA) was published on 23 March 2015. The law came into effect on 1 July 2015.

This plan seeks to expose the vision and goals, and context for development. The principles that align that urban planning and development are guided by other spheres of government's policies, strategies and priorities. It is our responsibility therefore, to meet the objectives of the municipality, community members and all other relevant stakeholders regarding future development of project nodes. The existing land use and socio-economic characteristics from the basis for the urban or rural redesign and redevelopment model. This model is to ensure that the planned future development (public and private) not only serve the envisaged changing land use environment within the existing urban fabric of the node, but that it also unlocks the development potential of areas earmarked for future urban expansion.

3.4 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES)

3.4.1 Local Economic Development

An LED Manager has since been appointed in 2017. This has seen the development of LED Strategy in-house with an assistance of COGTA with a clear Implementation Plan. LED component consists of Tourism Information Centre , Advisory Services Centre and SSME Support (One-Stop Shop) located in Woza Woza complex and a Museum that is situated in Mooi River. SMMEs and Co-operatives which are an important stakeholder in micro-economies of scales have been prioritized, and the Municipality has embarked on a process of registering all SMMEs on its database and ongoing support is still being given to SMMEs and Co-operatives. There is still a need to develop more SMMEs that deal with Agri-processing since agriculture possesses immense potential given that the Municipality mostly has agricultural land. The municipality's LED progress bears testimony to the three previous years COGTA Excellent Awards, where the municipality was awarded as the 1st Best Performing municipality in the Province.

3.4.2 Tourism

Tourism continues to play an increasingly important role in the local economy Mpofana Municipality, with the wide asset base including a range of accommodation facilities, outdoor sporting and recreational activities. Although there is a substantial private sector involvement and investment into the tourism industry there appears to be a lack of integration, marketing and a creative approach to local tourism. Mpofana Local Municipality has recently entered into a working relationship will Midlands Meander Tourism Association to enhance local tourism promotion, also seeking support from UMEDA to re-establish the MOOI River Tourism Association.

3.4.3 Informal Traders

The Municipality is trying to organize informal economy actors in order to minimize the number of illegal street traders and enforce by-laws. This will be done through the upgrading of Trading Structures and allocate informal economy actors accordingly, through the Small Rehabilitation Programme funded by COGTA there has been additional 20 Trading Market Stalls for informal Traders in the Taxi Rank. Business License and trading permits are issued using the KZN Automated System since 2020. Both business license and trading permits are valid for 1 year (calendar year), and issued to a business which means it is not transferable.

3.4.4 Co-operatives and SMMEs

Training courses that transpired through the Municipality provides technical skills for Co-operatives and SMMEs and in the 2022/23 financial year 46 Co-operatives and SMMEs benefited from the training. The trainings were conducted in conjunction with EDTEA, the Small Business Development and SEDA, NDA and ADA.

CHAPTER 4 – ORGANISATIONAL DEVELOPMENT AND PERFORMANCE

4.1 INTRODUCTION

Departments

The Municipality has the following 4 administrative department namely, the Office of Municipal Manager, Corporate and Community Services, Budget and Treasury and Infrastructure Development & Maintenance.

Administration

The administration of the municipality is headed by the Municipal Manager. In addition to the Municipal Manager's Office, the municipality has 3 departments, each being headed by a General Manager (GM).

Office of the Municipal Manager

The Office of the Municipal Manager is responsible for the Internal Audit as well as the IDP/PMS, Communication, Legal, Risk Management and Compliance, Disaster Management, Fleet Management, and Messenger.

Budget and Treasury Services

The primary responsibility for ensuring transparency, accountability and sound financial management. This means ensuring that: all statutory requirements are adhered to monthly management reports, National Treasury in-year monitoring reports and annual financial statements are prepared and submitted on time, financial resources are effectively and efficiently utilized, and there is efficient implementation of the Supply Management Policy.

Corporate and Community Services

Responsibilities for this department include Community Facilities, Libraries, Museum, Tourism, Local Economic Development, Traffic/Law Enforcement, Youth, Employment Recruitment, Skills Development, Human Resources related issues, Committee/Secretary, Records Management, Municipal Building, Receptionist, Information Technology, and enhanced administrative system.

Infrastructure Development and Maintenance

This department is responsible for implementation of all MIG projects, INEP projects, EPWP and CWP programmes, Road maintenance, Electricity, and Building infrastructure.

4.2 Employee Totals

Staff Information

The Municipality currently have 133 staff members employed excluding Councillors (10), with 64 vacant posts (with budget and with no budget) as illustrated in the following table:

Function	No. of Positions	No. of Staff	No. of Vacancies
Municipal Manager	12	6	7
Budget and Treasury	33	18	15
Corporate and Community Services	102	77	25
Infrastructure Development and Maintenance	49	32	17
Total	196	133	64

4.3 Occupational Levels

Occupational Level	Males	Females	Total
Top Management	01	0	01
Senior Management	01	01	02
Professionally Qualified and Experienced specialists and Mid Management	08	01	09
Skilled Technical and Academically qualified workers, junior management, supervisors, foreman, foremen, and superintendents	32	25	57
Semi-skilled and discretionally decision making	27	15	40
Unskilled and defined decision making	16	07	23
Total Permanent	72	56	128
Temporary Employee	5	1	6
Grand Total	77	57	134

4.4 Employee Remuneration including Councillors

The total cost to the Employer for the year was R64 462 769 (this amount is inclusive of Councillors who made up R3 158 783.00 of the entire amount)

Occupational Level	Post Level	No of Employees
Top Management	Contract	02
Professional qualified and experienced specialists and mid-management	Task Grade 15-12	14
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	Task Grade 11-5	61
Semi-skilled and discretionary decision making	Task Grade 4	32
Unskilled and defined decision making	Task Grade 3-2	24
Total Permanent		130
Temporary Employees	Task Grade 4	13
Grade Total		133

4.5 Departmental Changes

4.5.1 Appointment per department

Office of the Mayor	1
Office of the Municipal Manager	6
Budget and Treasury	10
Corporate and Community Services	10
Technical Services	2

4.5.2 Deaths per Department

Office of the Municipal Manager	0
Budget and Treasury	0
Corporate and Community Services	1
Infrastructure Development and Maintenance	1

4.5.3 Dismissals per Department 2022/2023

Office of the Municipal Manager	1
Budget and Treasury	0
Corporate and Community Services	0
Infrastructure Development and Maintenance	0

4.5.4 Resignations per department 2022/2023

Office of the Municipal Manager	0
Budget and Treasury	0
Corporate and Community Services	0
Infrastructure Development and Maintenance	0

4.6 Skills Development and Training

The Municipality embarked on an aggressive internship programme, with a view to providing qualified unemployed graduates with practical experience in order that they become employable.

Area of Focus	No. of Interns
Office of the Municipal Manager	2
Budget and Treasury	1
Corporate and Community Services	4
Infrastructure Development and Maintenance	0

4.7 Performance Management and Rewards

The Organizational Performance Management is used to assess the overall performance of the organization using the approved Organizational Scorecard, which is also a tool to assess performance of the Municipal Manager as well as that of individual Senior Managers.

The municipality is striving to introduce the individual performance management system and cascade it down to all lower levels, however, financial implications are thus far a huge impediment, which also was acknowledged by SALGA. Individual performance management would ensure high level of performance and accountability by each employee, if implemented, which would ultimately assist the Municipality to achieve its desired level of performance and service delivery. The municipality did not pay any performance bonuses to its Senior Managers for the year under review. The municipality has obtained Unqualified Audit Opinion (Clean Audit) in PMS for 2022/2023 financial year.

2022/2023 ANNUAL PERFORMANCE REPORT

6.1 MUNICIPAL TRANSFORMATION & ORGANISATIONAL DEVELOPMENT

IDP / SDBIP NO.	OUTCOME 9	NATIONAL KEY PERFORMANCE AREAS	OBJECTIVE (AS PER IDP)	Mscoa Project Ref:	STRATEGIES (AS PER IDP)	SDBIP Indicator Reference No.	INDICATORS	COMPARISON WITH PREVIOUS YEAR		CURRENT YEAR					Status (Achieved / Not Achieved)	Reasons for Under-achievement and over achievement	Measures taken to improve performance	Remarks /Comments	Portfolio of Evidence
								2021/2022 (TARGET)	2021/2022 (ACTUAL)	DEMAND	BACKLOG	2022/2023 (TARGET)	2022/2023 (REVISED TARGET)	2022/2023 (ACTUAL)					
A1	DIFFERENTIATED APPROACH TO MUNICIPAL FINANCING, PLANNING AND SUPPORT	MUNICIPAL INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION	To improve functionality of Municipal Performance Management System	A1.1	Implementation of Municipal PMS Policy and Framework	A1.1.1	Date PMS policy Reviewed and adopted	Adopt PMS Policy	Adopted		Nil	Adopted PMS Policy by 31 March 2023		Reviewed	Achieved	N/A	N/A		Council Resolution and PMS Framework
						A1.1.2	Number of quarterly PMS reports	4	4		4	4 Organisational Performance Reports submitted to Council by 30 June 2023		4	Achieved	N/A	N/A		Council Resolution

						A1.1.3	Date of Implementation of PMS Policy cascaded to lower level	1	0			Date of Implementation of PMS Policy cascaded to lower level by 01 July 2022		0	Not Achieved	The resistance from the labour component and also the the job evaluation process and also due to the lack of capacity within HR Units because HR Manager was on suspension	There will be an engagement with regard to the progress of municipality towards the cascading of PMS to other levels refers in the first quarter of 2023/2024 financial year. The engagement will be between		Copy of Draft APR

																	Mpofana LM and SALGA KZN.		
						A1.1.4	Date section 54/56 performance contracts signed (current appointments only)	4	3			Performance Agreements signed by 31 July 2022		4 Performance Agreement Signed	Achieved	N/A	N/A		Signed Performance Agreement
						A1.1.5	Date 2021/2022 Annual Performance Report submitted to Auditor-General	Submitted	Submitted			Annual Performance Report submitted to Auditor General on or before 31 August 2022		Submitted on 31 August	Achieved	N/A	N/A		Confirmation of submission

						A1.1.6	Date Draft Annual Report submitted to Council	Submitted	Submitted			Draft Annual Report for 2021/2022 Financial year submitted to Council by 31 January 2023		Submitted	Achieved	N/A	N/A		Council Resolution
A2			Reengineer Organisation to enhance strategic needs	A2.1	Implementation of Adopted WSP	A2.1.1	Date Municipal Work Skills Plan submitted to Council for approval	Submitted	Submitted			Work Skills Plan submitted by 30 April 2023		Submitted	Achieved	N/A	N/A		Acknowledgement letter
						A2.1.2	Date of implementation Adopted Work Skills Plan	0	0			Municipal skills audit report submitted to Council for approval by 30 June 2023		Submitted	Achieved	N/A	N/A		Council Resolution
						A2.1.3	Number of staff who completed training against Skills Developm	0	0			10 Staff members who completed training (NQF rated/short		0	Not Achieved	Due to non-existent of Skills Development Committ	To establish the Skills Development Committee that		Training certificates

							ent Plan (NQF rated / Short Courses)					courses)by 30 June 2023				ee, all application request were not processed	will be approved by the LLF. The committee will be responsible for selection of beneficiaries and courses to be undertaken		
						A2.1.4	Number of Cllrs who completed training against Skills Development Plan (NQF rated / Short Courses)	0	0			10 Councillors who completed training (NQF rated/short courses)by 30 June 2023		0	Not Achieved	Due to non-existent of Skills Development Committee, all application request were not processed	To establish the Skills Development Committee that will be approved by the LLF. The committee will be responsi		Training certificates

																	ble for selection of beneficiaries and courses to be undertaken		
				A2.2	Conduct and Implement Organisational design	A2.2.1	Date of Adoption of reviewed organogram	Reviewed	Reviewed			Adoption of reviewed organogram by 31 December 2022		Reviewed	Achieved	N/A	N/A		Council Resolution
A3			Development/ Review and implementation of organisational policies and systems	A3.1	Review of identified HR policies, and procedure in compliance with local government legislation and	A3.1.1	Date HR Policies reviewed and adopted	10	3			Adopted HR Policies by 31 March 2023		Adopted	Achieved	N/A	N/A	Policies that were reviewed and adopted: Recruitment and Selection Policy, Leave Policy, Inductio	Council Resolution

					regulations													n Policy, Probation Policy, Acting Policy, and Exit Management Policy	
						A3.1.2	Date Human Resource Strategy approved by Council	0	0			Human Resource Strategy approved by Council by 30 June 2023		Not Approved	Not Achieved	Due to the lack of capacity within HR Units because HR Manager was on suspension, we were unable to review the HR Strategy	Since the HR Manager is back at work then the HR Strategy will be reviewed in-house in the first quarter of 2023/2024 financial year		Council Resolution

						A3.1.3	Date Customer Complaints Management Policy approved by Council	0	0			Customer Complaints Management Policy approved by Council by 31 March 2023		Approved	Achieved	N/A	N/A		Council Resolution
				A3.2	Ensuring compliance with the Occupational Health and Safety Act and Compensation for occupational injuries and diseases	A3.2.1	Date to adopt the OHS Policy	0	0			OHS Policy approved by the Council by 30 September 2022		Approved	Achieved	N/A	N/A		Council Resolution
						A3.2.2	Date to adopt OHS Guidelines	0	0			OHS Guidelines approved by the Council by 31 March 2023		Adopted	Achieved	N/A	N/A		Council Resolution
						A3.2.3	Number of awareness/ workshops done on OHS compliance held	2	1		1	2 Awareness/ workshops done on OHS compliance by 30 June 2023		2	Achieved	N/A	N/A		Attendance Register

						A3.2.4	Number of EAP Awareness/events held	2	0		2	2 EAP Awareness/ events held by 30 June 2023		0	Not Achieved	Due to financial constrains	To appoint service provider for trauma counselling which will take place in 2023/2024 financial year (Quarter and Quarter)		Attendance Register
				A3.3	Develop required administrative system and structure	A3.3.1	Number of ICT Steering Committee meetings held	4	2		2	4 ICT Steering Committee meetings held by 30 June 2023		4	Achieved	N/A	N/A		Attendance Register and minutes of the meeting
						A3.3.2	Number of Monthly IT back-ups stored offsite	12	3		9	12 Months IT back-ups stored offsite by 30 June 2023		12	Achieved	N/A	N/A		IT back-up reports

				A3.4	Monitor incumbents to ensure that they comply with their current position's minimum requirement	A3.4.1	Number of leave management reports submitted to portfolio	4	2		2	4 Leave management report submitted to portfolio by 30 June 2023		2	Not Achieved	Due to the lack of capacity within HR Units because HR Manager was on suspension, we were unable to review the HR Strategy	Since the HR Manager is back at work then all Leave Management Reports will be submitted to Portfolio Committee in 2023/2024 financial year		Reports on leave management
						A3.4.2	% of new disciplinary matters resolved within 90 days	0	0		0	100% of new disciplinary matters resolved within 90 days by 30 June 2023		50%	Not Achieved	2 cases that we had of which one case is provisional withdrawn and the other	N/A		Disciplinary records or reports

																one is still under investigation			
						A3.4.3	Number of LLF Meetings held	4	3		1	4 LLF Meetings held by 30 June 2023		4	Achieved	N/A	N/A		Attendance Register and minutes of the meeting
				A3.5	Develop and maintain an approved Records Management System	A3.5.1	Number of Quarterly report on implementation of Filing Plan	4	0		4	4 Quarterly reports on the implementation of filing plan submitted to MANCO by 30 June 2023		0	Not Achieved	Approved Register / minutes of the management committee	The file plan developed by Afrocentric and the appointed services provider is still waiting approval by Provincial Archives		Approved Register

6.2 BASIC SERVICE DELIVERY																		
B1	IMPROVED ACCESS TO BASIC SERVICES	BASIC SERVICE DELIVERY	To improve access to Municipal Basic Services	B1.1	Improve access to electricity	B1.1.1	Electrification new 100 Consumer Units	0	0			Electrification of new 100 Consumer Units by 30 June 2023		0	Not Achieved	The constructors were busy with bulk fielder line to enable the connections	The household's connection will resume in the first quarter of 2023/2024 financial year		Council Resolution
						B1.1.2	Number of Monthly report on Electrical Infrastructure maintenance	0	0			12 Monthly report on Electrical Infrastructure maintenance (Pro-Active and Re-Active) by 30 June 2023		12	Achieved	N/A	N/A		Electrical Infrastructure quarterly reports

						B1.1.3	Number of meter auditing conducted	0	0			1000 number of meter auditing conducted by 30 June 2023		107	Not Achieved	There is no Action Plan in place for auditing process	To develop Action Plan for auditing process. To be approved by the Council before its implementation. Action Plan will be developed in 2023/2024 financial year		Reports
				B1.2	Improve access to adequate shelter	B1.2.1	Number of Housing Stakeholders Forum Meeting held	4	3		1	4 Housing Stakeholders Forum Meetings held by 30 June 2023		3	Partially Achieved	There is no housing projects that are implemented in this stage.	Appointment of EIA and finalising of WULA by the Department of Human		Attendance Register

																Awaiting approval of EIA and WULA by Department of Human Settlement (DHS), however there is one on one projects meetings that are currently held.	Settlement so that the stakeholders meetings will be fully functional		
						B1.2.2	Date Human Settlement Sector Plan Reviewed by Council	1	0		1	Date Human Settlement Sector Plan Reviewed by Council by 31 May 2023		0	Not Achieved	The request for assistance has been submitted to DHS for develop	Department Human Settlement is in the process of appointi		Council Resolution for approved reviewed HSSP

																ment of Human Settlement Sector Plan	ng service provider to assist Municipality in developing Human Settlement Sector Plan for 2023/2024 financial year		
				B1.3	To provide an efficient and cost effective basic services to all mandated areas	B1.3.1	Date review and update Indigent Register	1	0			Date reviewed and updated Indigent Register approved by Council by 31 May 2023		0	Not Achieved	The Indigent Process - The item was sent to Portfolio in April to request approval of the Indigent register, which	Council has not adopted the Indigent Register, however, we are currently compiling the register using information with consent		Council Resolution approving the Indigent register

																included 2600 beneficiaries. However, the item was returned to management with the advice that we will recruit more and prolong the registration period to the end of May. The Portfolio felt that the register	forms, which will submitted to National COGTA who will then conduct verification. We are planning to have a verification before the end of second quarter of 2023/2024 financial year.		

																did not reflect the expected number of impoverished households, and that the number was actually too low. We are now capturing all returned forms and continue to receive new applications; once all forms have			

																been captured, we will submit our Indigent Aid Register to our service provider (ClearResult) for verification			
B2			To control waste management	B2.1	Improve access to refuse removal	B2.1.1	Number of report on Refuse Removal submitted to Portfolio Committee	0	0			12 Reports on Refuse Removal submitted to Portfolio Committee by 30 June 2023		12	Achieved	N/A	N/A		Billing Report or Refuse collection report

				B2.2	Develop and implement waste plan	B2.2.1	Date Integrated Waste Management Plan reviewed	0	0			Integrated Waste Management Plan reviewed by Council on or before 31 May 2023		0	Not Achieved	A confusion between two units (Facilities & Cleansing Unit and Waste & Environmental Management Unit) in relation to the development and monitoring the implementation of IWMP.	The responsibilities of ensuring the development and monitoring implementation of IWMP has been delegated to Waste and Environmental Unit). The document will be reviewed in next financial year (2023/2024). Waste		Council Resolution

																	Management Manager post will be filled in the next financial year (2023/2024)		
						B2.2.2	Number of Waste and Environmental Operations & Awareness Campaigns	4	0			4 Waste and Environmental Management Operations & Awareness by 30 June 2023		4	Achieved	N/A	N/A		Reports and Attendance Register
B3			Ensure the optimal use, maintenance and equitable develop	B3.1	Improve access to community amenities and infrastructure	B3.1.1	% of Capital Projects completed on time	0	0			100% of MIG Capital projects completed on time by 30 June 2023		78%	Not Achieved	Delays were caused by the late appointment of service providers	Application for rollover of funds that have not been spent has been		Completion Certificate / Project report

			ment of communal and public facilities														submitted to COGTA. Urgent appointment of Service Providers to implement capital projects. The appointment of Consulting Engineer and Constructor has been made in order to implement the project in 2023/2024 financial year		

						B3.1.2	Number of KM of tar road rehabilitation					0,215 km of Bruntville Internal Tar Road rehabilitation phase 2 by 30 June 2023		0	Not Achieved	Appointment was terminated by mutual agreement for operational reasons because of an error in the appointment letter	The project will completed within first quarter of 2023/2024 financial year		Practical Completion Certificate
						B3.1.3	Number of KM of tar road upgrade	0	0			0,422 km of Phumlaas/Townview Internal Tar Road Upgrade by 30 June 2023		0	Not Achieved	Appointment was terminated by mutual agreement for operational reasons because of an error in	The appointment of Consulting engineer and Constructor has been made in order to implement the		Practical Completion Certificate

																the appointment letter	project in 2023/2024 financial year		
						B3.1.4	Number of KM of gravel road constructed	2km	0		2km	2 km of Usuthu gravel road constructed by 30 June 2022		2 km	Achieved	N/A	N/A		Practical Completion Certificate
						B3.1.5	% of construction of Mzilanyoni Access Road					15% construction of Mzilanyoni Access Road		0	Not Achieved	Appointment was terminated by mutual agreement for operational reasons because of an error in the appointment letter	SCM to appoint Consulting Engineer and Constructor in order to implement the project in 2023/2024 financial year		Progress Report

						B3.1.6	Number of KM for Road maintenance	12 km	13.45 km			12 km for road maintenance by 30 June 2023		18,9 km	Achieved	N/A	N/A		Road Maintenance Report
				B3.2	Implement access roads and storm water drains development and maintenance	B3.2.1	Number of Meters for storm water drains maintenance	0	0			2000 m for storm water drains maintenance by 30 June 2023		1550 m	Not Achieved	Due to insufficient budget allocation for maintenance, the budget allocation for maintenance was 4% instead of 8%.	The target will be viewed for 2023/2024 financial year		Road Maintenance Report
						B3.2.2	Number of cubic meters for patching	0	0			1600m3 for patching by 30 June 2023		192,69 m3	Not Achieved	Due to insufficient budget allocation for maintenance, the budget	The target will be viewed for 2023/2024 financial year	This target was reviewed during the mid-year assessment, howeve	Road Maintenance Report

																allocation for maintenance was 4% instead of 8%.		r there is an inconsistency in terms of update the SDBIP book. The target will remain at 160m3 because that target is achievable	
Indicators that were on the initial SDBIP and were removed on the revised SDBIP																		Reason for Amendments	Supporting Evidence
		BASIC SERVICE DELIVERY		B3.2	Implement access roads and storm water drains develop	B3.2.2	Number of cubic meters for patching	0	0			1600 m3 for patching by 30 June 2023			Not Achieved	This target was reviewed during the mid-year assess		Due to insufficient budget allocation for maintenance,	Road Maintenance Report

					ment and maintenance											ment, however there is an inconsistency in terms of update the SDBIP book		the budget allocation was 4% instead of 8%.	
6.3 LOCAL ECONOMIC DEVELOPMENT																			
C1	COMMUNITY WORK PROGRAMME IMPLEMENTED AND COOPERATIVES SUPPORTED	LOCAL ECONOMIC DEVELOPMENT	Develop and Implement Strategies	C1.1	To improve LED	C1.1.1	Number of LED Forum held by 30 June 2023	4	4			4 LED Forum held by 30 June 2023		3	Partially Achieved	Local LED Forum as normal host our LED Forum on the last Month of the Quarter so in the previous quarter the last	In future we will call meetings in the beginning of the month so we can have fully fledge attendance of our members		Attendance Register

																month falls in December where most members were already on holidays .Only participated on the District LED Forum			
						C1.1.2	Number of tourism promotional initiatives to attract more tourists	1	0		1	02 Tourism promotional initiatives to attract more tourists by 30 June 2023		0	Not Achieved	No budget available and there was no financial support from economic sectors	We are reviving the Mooi River Tourism Forum to attract private partnership and to address promotional	LED Forum has suggested that the LED Office conduct a study on the state of Mpofana Tourism	Report on promotional or attendance register and photos

																	initiatives	, and propose intervention in order to revive Mpofana Tourism	
C2			To strengthen the economic environment	C2.1	To promote sustainability of SSMEs and Co-operatives entrepreneurship	C1.2.1	% of total municipal operating expenditure spent on local emerging service providers doing business within municipal area	10%	10%			20% total municipal expenditure spent on local emerging service providers doing business within the municipal area by 30 June 2023		25,31 %	Achieved	N/A	N/A	The number of local emerging service providers has increased and they provide quality services that why the number exceeded our what was anticipated.	Financial report/ payment doc

						C1.2.2	Number of report on update database of SMMEs and informal traders	4	4			4 report on updated database of SMMEs and informal traders by 30 June 2023		4	Achieved	N/A	N/A		Report on update database for SMMEs
						C1.2.3	Number of training programmes held for SMMEs & Co-operatives	4	3		1	4 SMMEs training programmes held for SMMEs and Co-operatives by 30 June 2023		4	Achieved	N/A	N/A	2 Trainings that were conducted in Quarter 4	Attendance register for attendance at SMMEs & Co-operatives events
						C1.2.4	Average turnaround time taken to process business licence application	100%	100%			100% of new business licences processed within 21 days turnaround time by 30 June 2023		100%	Achieved	N/A	N/A	There were no applications received in the second quarter	Register of business licence received vs business licence approved by the period end

C3			Creation of sustainable jobs	C3.1	Create employment opportunities through labour intensive schemes	C3.1.1	Number of jobs created through municipality's LED initiatives including capital projects	30	87			30 jobs created through municipality's LED initiatives including capital projects by 30 June 2023		53	Achieved	N/A	N/A		Reports and Contracts for beneficiaries
						C3.1.2	Number of EPWP jobs created	79	79			79 EPWP jobs created by 30 June 2023		79	Achieved	N/A	N/A	We don't have record on recruitment that was conducted in August 2022, there was no proper handover after the sadly passing of	EPWP Reports / Employment contracts

																		former EPWP Cordinator in the end of July 2022.	
						C3.1.3	% Expenditure of EPWP Grant	0	0			100% Expenditure of EPWP Grant by 30 June 2023		100%	Achieved	N/A	N/A		EPWP Expenditure Report
				C3.2	Provide training to the SMMEs and Co-operatives	C3.2.1	Number of SMMEs and Cooperatives trained	4	21			20 SMMEs and Cooperatives to be trained by 30 June 2023		46	Achieved	N/A	N/A	There is a huge demand in terms of capacity initiative programmes in order for our SMMEs and Cooperative to be sustainable	Reports and Attendance Register for beneficiaries

6.4 GOOD GOVERNANCE AND PUBLIC PARTICIPATION

D1	DEEPEN DEMOCRACY THROUGH A REFINED WARD COMMITTEE SYSTEM	GOOD GOVERNANCE AND PUBLIC PARTICIPATION	Promote good governance, accountability and transparency and foster sound internal and external communication	D1.1	Implementation of communications strategy to help the organisation to communicate effectively and meet core organisational objectives	D1.1.1	Number of IGR meetings attended	12	16			12 IGR Meetings attended by 30 June 2023		16	Achieved	N/A	N/A		Attendance Register
						D1.1.2	Number of MPAC Meeting held	6	4			6 MPAC meetings held by 30 June 2023		6	Achieved	N/A	N/A		Attendance Registers and minutes of the meeting
						D1.1.3	Number of Council meetings held	12	12			12 Council Meetings held by 30 June 2023		12	Achieved	N/A	N/A		Attendance Register
						D1.1.4	Number of Exco meetings held	6	6			6 Exco meetings held by 30 June 2023		13	Achieved	N/A	N/A	Actually the target is same as the Council Meeting, hence we had 13	Attendance Register

																		EXCO Meeting	
						D1.1.5	Number of Portfolio Committee meetings held	18	16			36 Portfolio Committee Meetings held by 30 June 2023		33	Partially Achieved	BTO not sitting in December 2022 and June 2023 as they were preparing year end financial statements	BTO will adhere to it schedule for the new financial year (20232/2024)	Corporate Services Portfolio did not sit because GM was in hospital	Attendance Register
						D1.1.6	Number of MANCO meeting held	12	9			12 MANCO Meetings held by 30 June 2022		5	Not Achieved	Municipality did not have fully complimented management and has resorted to extende	Manco will adhere to it schedule for the new financial year		Attendance Register

																d management committee meetings at times when there were significant vacancies in Senior Management.			
						D1.1.7	Number of MPAC Reports submitted to Council	6	2			6 MPAC reports submitted to Council by 30 June 2023		2	Not Achieved	Not all MPAC Meetings produced reports as it was anticipated. The chairperson was not	KPI will be reviewed for 2023/2024 financial year to submit 4 MPAC Report to Council instead	The target will be revised accordingly to the new financial year.	MPAC Reports / Council resolution

																aware that a report needs to be produced for each of his quarterly meetings held.	of 6 MPAC Report		
						D1.1.8	% of required documentation and information uploaded into Municipal Website	100%	100%			100% of required documents (IDP, SDBIP, APR, AFR) uploaded into website by 30 June 2023		84%	Partially Achieved	There was no clear indication who is responsible in monitoring that all documents are uploaded in our website as required.	We will develop a plan to track all documents that need to be uploaded to our Website and will be monitored by Risk and Compliance Unit		Report on uploads done vs total doc required / website print out

				D1. 2	Participation in Sukhuma Sakhe Program	D1.2. 1	Number of LAC meetings conducted	4	2			4 LAC Meetings conducted by 30 June 2023		4	Achieved	N/A	N/A		Attendance Registers and minutes
						D1.2. 2	Number of Local Task Team (LTT) meeting conducted	4	2			4 Local Task Team (LTT) meeting conducted by 30 June 2023		4	Achieved	N/A	N/A		Attendance Register / minutes of the meeting
						D1.2. 3	Number of Warrooms meeting conducted	30	9			60 Warrooms Meeting conducted by 30 June 2023		38	Not Achieved	Under staffing i.e. there is one individual who doing 10 sub-section duties	The request for filling of vacant position has been submitted to the Management. Also request for the Ward Support Officers deployed at	We are currently reviewing the organisational structure in order to identify critical post to be filled and also we working toward the develop	Attendance Register / minutes of the meeting

																	Ward Level has been done.	ment of a plan torwards a funded budget.	
				D1.3	Implementation of organisational By-Laws	D1.3.1	Date By-Laws adopted by Council	Adopted	Adopted			By-laws adopted by the Council on 30 June 2023		0	Not Achieved	No by-laws were adopted by Council, while were are sytill waiting for a gazzeting of the by-laws which were approved by Council in the last financial year.	Gazetting of by-laws is included in the budget for 2023/2024 financial year.		By-Laws and Council Resolution adopting the By-Laws

D2			To improve compliance and audit structures	D2.1	Monitor and improve internal control & risk management processes	D2.1.1	% Audit action plan implemented or achieved	100%	50%			100% Audit action plan implemented or achieved by 30 June 2023		20%	Not Achieved	Financial Statements has not been prepared and data Cleansing exercise has not been completed.	The Audit Steering Committee War room has adopted Data Cleansing and Annual Financial Statement preparation plan as standard items and progress is monitored. BTO is positive that 100% of qualifying items will be		Progress Report

																	addressed on the Draft Financial Statements to be reviewed by Audit Committee.		
						D2.1.2	Date of Annual Risk Assessment done (Operational, fraud and IT)	1	0			Annual risk assessment conducted by 30 June 2023		1	Achieved	N/A	N/A	The Risk Assessment was done late for the 2022/23 financial year. The Assessment was conducted in October 2022.	Attendance Register

						D2.1.3	% of AG queries resolved	100%	50%			100% of AG queries resolved by 30 June 2023		20%	Not Achieved	Financial Statements has not been prepared and data Cleansing exercise has not been completed.	The Audit Steering Committee War room has adopted Data Cleansing and Annual Financial Statement preparation plan as standard items and progress is monitored. BTO is positive that 100% of qualifying items will be		AG Action Plan update

																	addressed on the Draft Financial Statements to be reviewed by Audit Committee.		
						D2.1.4	Date of Enterprise Risk Management Framework & Policy reviewed and adopted	1	0			Enterprise Risk Management Framework & Policy reviewed and adopted by Council by 30 June 2023		Adopted	Achieved	N/A	N/A		Council Resolution
						D2.1.5	Number of progress report on AG and Internal Audit Action Plan monitored by Audit Committe	6	3			6 progress report on AG and Internal Audit Action Plan monitored by Audit Committee by 30 June 2023		5	Partially Achieved	There were 4 Audit committee meetings as per SDBIP excluding special meeting	There will be 4 reports as per Audit Committee Meetings for 2023/2024 financial		Progress report, minutes of the meetings

							e by 30 June 2023									s, that why we did not achieve d the target	year which will be four.		
						D2.1. 6	Date Internal Audit Charter approved by Audit Committe e	Appro ved	Appro ved			2023/2024 Internal Audit Charter approved by Audit Committee on 30 June 2023		Approv ed	Achie ved	N/A	N/A		Audit Committe e minutes
						D2.1. 7	Number of Audit Committe e Meetings	4	6			4 Audit Committee Meetings held by 30 June 2023		6	Achie ved	N/A	N/A	Includin g special Audit Commit tee meeting s	Attendanc e register and minutes of the meeting
						D2.1. 8	Number of Performan ce Committe e meetings	4	6			4 Performance Audit Committee meeting held by 30 June 2023		6	Achie ved	N/A	N/A	Includin g special Perform ance Audit Commit	Attendanc e register, minutes of the meeting

																		tee meetings	
						D2.1.9	Number of C88 COGTA PMS quarterly report submitted	4	2			4 C88 COGTA PMS quarterly report submitted to COGTA by 30 June 2023		4	Achieved	N/A	N/A	There was also changes in terms of Reporting Templates and that also caused some delayes	Back to Basics report
				D2.2	To promote Anti-Corruption Strategy	D2.2.1	Percentage of CLLRS who have declared their financial interests	100%	100%			100% of CLLRS declared their financial interest by 30 June 2023		100%	Achieved	N/A	N/A		Signed declarations

						D2.2.2	Percentage of Senior Managers who have declared their financial interests	100%	100%			100% of Senior Managers declared their financial interest by 30 June 2023		75%	Partially Achieved	GM: Corporate and Community Services left the municipality before even signed the financial declaration	N/A	GM: Corporate and Community Services left the municipality before even signed the financial declaration	Signed declarations
D3			To promote a municipal governance system that enhances and embraces the system of	D3.1	Facilitate the functionality of Ward Committees through continuous public participation	D3.1.1	Number of Ward Committee Meetings held	30	26			60 Ward Committee Meetings held for the year ended 30 June 2023		53	Partially Achieved	Ward 4 had to replace ward committee members who were dismissed during the middle of	The replacement has since been made.		Attendance Register

			participatory Governance													quarter 2 before convening meetings			
						D3.1.2	Number of Ward Committee trainings conducted	2	1			2 Ward Committee trainings held by 30 June 2023		0	Not Achieved	There were not trainings conducted in this financial year due to financial constraints.	We submitted proposals to source funding from other sector departments and other private companies and we are waiting for responses.		Training report and the attendance register

						D3.1.3	Number of Ward Community meetings held by 30 June 2023	20	13			20 Ward Community meetings held by 30 June 2023		30	Achieved	N/A	N/A		Attendance registers
						D3.1.4	Number of Ward Based Plans reviewed	5	5			5 Ward Based Plans reviewed by 30 June 2023		5	Achieved	N/A	N/A		Ward Based Plans and Attendance register of participants
6.5 MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT																			
E1	IMPROVED MUNICIPAL FINANCIAL AND	MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT	To increase funding and revenue generation	E1.1	Develop and implement measures to expand revenue	E1.1.1	% Revenue Growth- (Period under review's Total Revenue)	12%	51%			12% Revenue Growth by 30 June 2023		20%	Achieved	N/A	N/A		S71 report (monthly budget statement)

					base and generation	E1.1.2	% Revenue Growth Excluding capital grants	15%	53%			15% Revenue Growth Excluding capital grants by 30 June 2023		31%	Achieved	N/A	N/A		S71 report (monthly budget statement)
						E1.1.3	% Operating Revenue Budget implementation indicator. Actual Operating Revenue / Budget Operating Revenue x 100	95%-100%	90%			95%-100% Actual Operating Revenue over Budgeted Operating Revenue by 30 June 2023		69%	Not Achieved	High Electrical Losses Non billing of interest on outstanding debtors	Implementation of Reduction of Electricity Losses strategy. Billing of interest on outstanding debtors sincedata cleansing has been completed.		S71 report (monthly budget statement)

						E1.1.4	Date valuation roll implemented					Valuation roll implemented by 01 July 2022 on the billing system		Implemented	Achieved	N/A	N/A		Supplimentary valuation roll adjustment notice letters signed with effective date
				E1.2	Develop and implement measures to reduce the level of debt owed to the municipality	E1.2.1	Number of Net Debtors Days - ((Gross Debtors - Bad debt Provision) / Actual Billed Revenue)) x 365					30 or < Net Debtors Days by 30 June 2023		960	Not Achieved	Outdated customer information. Variances on reconciliation between billing and valuation roll.	Perform data collection as to update cusstomer details through engagement with key stakeholders. Completion of the data cleansing exercise.		Signed disconnection reports

						E1.2.2	Number of monthly disconnection report done					12 disconnection report (1 per month) by 30 June 2023		12	Achieved	N/A	N/A		Monthly payrolls reconciliation
						E1.2.3	% Collection Rate - (Gross Debtors Opening Balance + Billed Revenue - Gross Debtors Closing Balance - Bad Debts Written Off)/ Billed Revenue x 100					95 % - 100% Collection Rate by 30 June 2023		69%	Not Achieved	Outdated customer information. Variances on reconciliation between billing and valuation roll	Implementation of Credit Control policy. Improve turnaround time for resolving customer issues.		S71 report
				E1.3	Improve cash and debtors management	E1.3.1	Current Ratio. Number of Current Assets / Current Liabilities					1.5 -2.1 Current Asset ratio by 2023		0,48	Not Achieved	The inclusion of the total eskom debt as current liabilities	Sign payment plan and separate current and non current portion		Section 71 report

																whilst the municipality is unable to honour the total debt in less than 12 months	of the debt		
						E1.3.2	Cash / Cost coverage ratio in months. Cash/Cost Coverage Ratio in Months - ((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investmen					1 - 3 Cash / Cost Coverage Ratio in Months by 30 June 2023		-0,08	Not Achieved	Due to bolloning eskom debt and unspent conditional grant from previous years that has not been cashback the municipality is unable	Municipality has prepared credible recovery plan		Section 71 report / Circular 71 Template report

							t)/ Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, Provision for Bad Debts, Impairment and Loss on Disposal of ASSETS))									to meet it short term obligation as they fall due.			
						E1.3.3	Number of Monthly cash flow projection report prepared	12	12			12 Monthly cash flow reports prepared by 30 June 2023		12	Achieved	N/A	N/A		Monthly cash flow projection
						E1.3.4	Number of Creditors Payment Period in days -	30	595			30 Creditors Payment days by 30 June 2023		1191	Not Achieved	Increasing Eskom debt	The municipality is engaging with all		Creditors Age Analysis

							Trade Creditors Outstanding /Credit Purchases (Operating and Capital) x365										creditors to sign payment plans to reduce outstanding creditors.		
E2			Improve expenditure and maximise the economies of scale	E2.1	To control and account for all Municipal expenditure	E2.1.1	% I,F & W, U Expenditure incurred-(Irregular, Fruitless and Wasteful and Unauthorised Expenditure)/Total Operating Expenditure x100	0%	23%			0% Irregular, Fruitless and Wasteful and Unauthorised Expenditure incurred by 30 June 2023		22%	Not Achieved	Increasing Eskom debt and high interest on Eskom accounts. Non payment of creditors within 30 days	The municipality has advertised all bids that are irregular and will ensure that all scm processes are correctly followed. The municipality is engaging creditors		Report to the Mayor on implementation of supply chain management policy section 52d

																	that are charging interest for write offs		
						E2.1.2	% staff cost over OPEX incurred - remuneration (Employee Related Costs and Councillors' Remuneration) / Total Operating Expenditure x100	25%-40%	30%			25% -40% staff cost over OPEX incurred by 30 June 2023		29%	Achieved	N/A	N/A		S71 report c4
						E2.1.2	% Contract Serv incurred over OPEX - Contracted Services / Total Operating	2%-5%	4%			2% - 5% Contract Serv incurred over OPEX by 30 June 2023		6%	Not Achieved	Increase in contracted services due to non compliance in	Management will review all contracts in place		S71 report c4

							Expenditure x 100									the landsite			
						E2.1.3	%CAPEX BUDGET SPENT - Actual Capital Expenditure / Budget Capital Expenditure x 100	95%-100%	100%			95% -100% CAPEX BUDGET SPENT by 30 June 2023		81%	Not Achieved	Bid appeals on caapital projects bids	KZN PT has finalised Bids appeal		S71 report
						E2.1.4	% OPEX Budget Spent - Actual Operating Expenditure / Budgeted Operating Expenditure x100	95%-100%	98%			95% - 100% OPEX Budget Spent by 30 June 2023		94%	Not Achieved	Cost containment on expenditure	The municipality will continue to implement cost containment until the finance position improves		S71 report
						E2.1.5	% Electricity Grant	0	0			95% -100% Electricity Grant		100%	Achieved	N/A	N/A		S71 Report

							(INEP) Budget Spent - Actual INEP Expenditure / INEP Budget Expenditure x 100					(INEP) Budget Spent by 30 June 2023							
						E2.1.6	Number of budget statement (S71/S72) reports submitted to Treasury	12	12			12 Budget Statement (S71/S72) reports submitted to Treasury by 30 June 2023		12	Achieved	N/A	N/A		Delivery proof / email proof
						E2.1.7	%of electricity losses to be within the 7%-10% thresholds	7%-10%	39%			Electricity losses to be within the 7%-10% thresholds by 30 June 2023		48%	Not Achieved	The Municipality is faced with high losses due to theft and distribution losses due to	Municipality will expore the total agency based concept. Municipality has started the following initiatives: data		S71 Report

																dilapidated infrastructure	cleansing exercise and door to door data collection.		
				E2.2	To enforce a fair and legislatively compliance SCM policy	E2.2.1	Number of report on update contract register submitted to portfolio committee	12	10			12 reports on contract register updated and submitted to portfolio committee by 30 June 2023		12	Achieved	N/A	N/A		Contract Register
						E2.2.2	Date SCM Policy reviewed	Review	Reviewed			SCM Policy reviewed and adopted by Council by 31 March 2023		Reviewed	Achieved	Approved with Final Budget	N/A	The SCM Policy was adopted with the final Budget in 30 May 2023	Council Resolution adopting SCM Policy
						E2.2.3	Number of Quarterly report on the	4	4			4 Report on the implementation of SCM		4	Achieved	N/A	N/A		Council Resolution

							implementation of SCM policy reported to Council					policy reported to Council by 30 June 2023							
						E2.2.4	Date the Organisational procurement plan approved	1	Approved			Organisational procurement plan approved by the CFO on or before 31 March 2023		Approved	Achieved	N/A	N/A	The Organisational Procurement Plan was adopted with the final Budget on 30 May 2023	Final procurement plan signed by CFO
E3			To budget and report on all Municipal financial transactions accordin	E3.1	Compliance with MFMA	E3.1.1	Date Draft Budget tabled approved by Council	1	Approved			Draft Budget tabled approved by Council on or before 31 March 2023		Approved	Achieved	N/A	N/A		Council resolution on draft and final budget
						E3.1.2	Date Final Budget approved by Council	1	Approved			Final Budget approved by Council on or before 31 May 2023		Approved	Achieved	N/A	N/A		Council resolution on draft and final budget

			g to legislation			E3.1.3	Number of meetings conducted to review the Rates and Tariffs (Budget Road Shows)	1	1			1 Meeting conducted to review the Rates and Tariffs (Budget Road Shows) by 30 June 2023		1	Achieved	N/A	N/A		Attendance register / minutes of the meeting
						E3.1.4	Number of Budget Steering Committee meeting held	2	1			2 Budget Steering Committee meetings held by 30 June 2023		0	Not Achieved	The municipality does not have budget steering committee	The municipality will appoint mSCOA/ IDP steering committee members to the Budget Steering committee and will also sits on the same day		Attendance register / minutes of the meeting

						E3.1.5	Date Mid-Year budget review approved by Council	1	Approved			Mid -Year budget reviewed approved by Council on or before 25 January 2023		Approved	Achieved	N/A	N/A		Council resolution adopting Mid-Year report
						E3.1.6	Date Adjustment budget approved	1	Approved			Adjustment budget approved by Council on or before 25 February 2023		Approved	Achieved	N/A	N/A		Council resolution adopting Adjustment Budget
						E3.1.7	Date 2021 / 2022 Financial year AFS submitted to Auditor General	Submitted	Submitted			2021 / 2022 Financial Year AFS submitted to Auditor General on or before 31 August 2022		Submitted	Achieved	N/A	N/A		AG confirm of receipt
						E3.1.8	% of leased properties with valid lease agreements	100%	100%			100% of leased properties with valid lease agreements by 30 June 2023		100%	Achieved	N/A	N/A		Leased property list with related lease agreements

						E3.1.9	Number of VAT returns submitted to SARS	12	12			12 VAT returns submitted to SARS by 30 June 2023		12	Achieved	N/A	N/A		VAT 201 return submitted
6.6 CROSS CUTTING INTERVENTIONS																			
F1	IMPROVED MUNICIPAL FINANCIAL AND ADMINISTRATIVE CAPABILITY	CROSS CUTTING INTERVENTIONS	To promote credible, strategic and spatial municipal planning	F1.1	Improve SDF Planning	F1.1.1	Date Council adopted the reviewed SDF	Reviewed	Not Reviewed			Council Adopting the reviewed SDF by 30 June 2023		Reviewed	Achieved	N/A	N/A		Council Resolutionfor approved reviewed SDF
						F1.1.2	Single Land Use Scheme adopted by Council	1	Not Reviewed			Single Use Scheme & Reports adopted by Council on 30 June 2023		Adopted	Achieved	N/A	N/A		Council Resolution and Reports
						F1.1.3	Percentage of Developmental applications administered	100%	100%			100% of Developmental applications administered by 30 June 2023		25%	Not Achieved	The shared service has been suspended due to non payment	The payment was made and the applications were	(There was no applications received in quarter one)	Reports

																, hence there is no applications administered in Q2 and Q3	processed in Q4		
				F1.2	Development of Risk Management Strategy relating to National Building regulations	F1.2.1	% of building plans approved within 30 days of meeting all requirements	100%	90%			100% of building plans approved within 30 days of meeting all requirements by 30 June 2023		50%	Not Achieved	Building Inspector resigned	The Building Inspector post was filled during the fourth quarter, therefore the applications will be processed accordingly		Building Plans Register

F2			To promote a municipal governance system that enhances and embraces the system of participatory Governance	F2.1	Development of Credible Integrated Development Plan within prescribed legislative guidelines	F2.1.1	Date IDP process plan adopted by council	Adopted	Adopted			IDP Process plan adopted by 31 August 2022		Adopted	Achieved	N/A	N/A		Council Resolution
						F2.1.2	Date IDP Submitted to council for approval	Approval	Approved			IDP Submitted to council for approval by 30 May 2023		Approved	Achieved	N/A	N/A		Council Agenda
						F2.1.3	Date draft SDBIP developed and aligned to IDP	Develop	Developed			Date draft SDBIP developed and aligned to IDP by 30 May 2023		Developed	Achieved	N/A	N/A		Draft SDBIP
						F2.1.4	% of IDP credibility score obtained from	75%>	80%			75% > IDP credibility score achieved for the IDP		85,60 %	Achieved	N/A	N/A		Council Resolution adopting IDP

							Cogta IDP assessment					assessment by Cogta by 30 June 2023							
						F2.1.5	Number of IDP Forum / stakeholder engagements	2	1			2- IDP Forum / stakeholder engagements held by 30 June 2023		2	Achieved	N/A	N/A		Attendance registers and minutes of the IDP Forum with stakeholders
						F2.1.6	Number of IDP/Budget road shows (public participation)	5	5			5 IDP / Budget road shows held by 30 June 2023		17 Road Shows held	Achieved	N/A	N/A	Due to vast of Ward 1, 2 and 4 we divided our meeting according to areas within those Wards	Attendance registers and minutes of the IDP Forum with stakeholders

				F2.2	Development of an organisational strategic planning document	F2.2.1	Date Strategic Planning sessions held	1	1			Strategic Planning Session held by 31 March 2023		0	Not Achieved	The Municipality has been in the process of filling key management positions (GM: Infrastructure Development and Maintenance and GM: Corporate and Community Services). The anticipation was that both positions will be	Due to unforseen circumstances not both positions has been filled but the management had since decided to held the strategic planning session anyway		Attendance register

																filled and a strategic session held. . The other reason war financial constrains since there has not been funds.			
F3			Provide disaster management and emergency services	F3.1	To develop and implement a disaster management plan	F3.1.1	Date Disaster Sector Plan reviewed and adopted by Council	Reviewed	Not Reviewed			Review Disaster Sector Plan and Adopted by Council by 30 June 2023		Adopted	Achieved	N/A	N/A		Council resolution and Disaster Sector Plan
						F3.1.2	Number of disaster incidents reports submitted to Council	4	4			4 Disaster incidents reports submitted to Council by 30 June 2023		4	Achieved	N/A	N/A		Disaster Relief Reports submitted to Council / Council Resolution

						F3.1.3	Hold local disaster advisory forum meeting	4	4			4 Local Disaster Advisory & Community Safety Forum meeting held by 30 June 2023		4	Achieved	N/A	N/A		Attendance Register
						F3.1.4	Number of areas the Lightning conductors is instilled	5	5			5 Areas where the lighting conductors installed by 31 December 2022		18	Achieved	N/A	N/A		Report detailing areas where lightning conductors is installed
F4			Enhance Education	F4.1	Improve access to Libraries	F4.1.1	Number of reports on users who have access to internet					12 monthly reports on users who have access to internet by 30 June 2023		12	Achieved	N/A	N/A		Daily signed register
						F4.1.2	Number of reports on Library activities					4 reports on library activities sumbitted to portfolio committee by 30 June 2023		3	Partially Achieved	There was a communication breakdown with regard to the	N/A		Library activities report submitted and minutes of porfolio

																submission of the report to Portfolio, since the library services was moved from LED Unit to Social Services Unit			meeting / resolution
F5			To ensure safer, effective and efficient system for all	F5.1	Monitor and assess drivers fitness and vehicle roadworthiness through road blocks	F5.1.1	Number of vehicle stopped and checked					Vehicle stopped and checked by 30 June 2023		2745	Achieved	N/A	N/A		Daily Crime Returns
						F5.1.2	Number of days speed camera set-up done on roads					Speed camera set-ups in days done on roads by 30 June 2023		98	Achieved	N/A	N/A		Registers, Daily Crime Return and Quarterly reports

						F5.1.3	Number of Road Safety Campaign					Road Safety Campaign done by 30 June 2023		79	Achieved	N/A	N/A		Attendance register / Reports and Photos
F6			Support the implementation to promote and develop support programmes for Youth and vulnerable groups within the community	F6.1	Develop and implement projects targeting Youth and vulnerable groups	F6.1.1	Number of youth programmes implemented	4	4			4 Youth programmes implemented by 30 June 2023		9	Achieved	N/A	N/A		Attendance registere, relevant report and photos
						F6.1.2	Organise and hold sports tournament	4	4			4 Number of Sport tournaments organised by 30 June 2023		9	Achieved	N/A	N/A		Attendance registers, relevant report and photos
						F6.1.3	Number of Special Programmes for women, children, people living with disability and vulnerable groups	4	8			4 Special Programmes for women, children, people living with disability and vulnerable groups conducted by 30 June 2023		15	Achieved	N/A	N/A		Attendance register / reports and photos

			To develop and implement programmes that target high risk groups	F6.2	To develop and implement programmes that target high risk groups	F6.2.1	Date World AIDS day event held	1	1			World AIDS day event held before or on 31 December 2022		2	Achieved	N/A	N/A		Attendance register / reports and photos

CHAPTER 5: FINANCIAL PERFORMANCE

Ultimately, the implementation of the capital budget is based on availability of funds, the need to develop services, especially to the poor and for economic development, it is vital for the future, but this will not be possible should the collection rate not improve. It would then be prudent to stress that the implementation of the capital projects is reliant on the cash flow position for the Municipality.

The Municipality has since established a Project Management Unit, and will be in a position to execute the Capital Projects speedily.

Mpofana Local Municipality adopted Indigent Support Policy to promote social and economic development within the community of Mpofana. The objective is to assist the indigent community with funding from Inter-Governmental Transfer so that the community may enjoy services provided by the municipality irrespective of their financial situation.

The main goal of Mpofana Local Municipality is to create an economic environment in which investment can grow and jobs be created. Increase in employment opportunities will result in empowered citizens who take full responsibility to pay for basic services and improved Municipal revenue. It is Municipal's strategic goal to, attract big corporations to establish their industries in Mpofana. It is desirable state of affairs to have sectors that we have competitive advantage, like the agro-processing, tourism, retail and golf estate, to expand this Municipality's generated revenue.

The high levels of unemployment in the municipality's jurisdiction have impacted negatively on our ability to collect outstanding debt. Consequently, an increased number of indigents characterize the municipality revenue base. As a result long outstanding debtors have been significantly been impaired.

Although the municipality is vast geographically, the size relative to population is very small. Therefore, this is reflected in the small equitable share allocation because the formula put significant weight on the population size. In light of the above, the municipality is still exploring ways of funding indigents as the equitable share is not enough. The Municipality has developed indigent register which in turn will see the Municipality benefit through increased Equitable Share Grant.

The aging municipal electricity infrastructure is also impacting negatively on revenue collection as electricity is lost in transmission, illegal connections and incomplete billings attributed to the old infrastructure.

The electricity supply in the Municipality is being supplied by the Municipality in Ward 1, 3 and 5 which is predominantly the urban area and Eskom supply in Ward 2 and 4 and some of the areas in Ward 1 which is predominantly the rural areas.

Our municipal accounts consist of mainly electricity supply, rates, refuse removal and other revenue. Water supply and sanitation is the function of the District Municipality.

Supply Chain Management

The Municipality has a unit for Supply Chain Management which is part of the Budget & Treasury Office. The unit currently consist of three (3) officials (SCM Manager, Procurement Officer and Buyer). The unit is under the supervision of the SCM Manager who directly reports to the Chief Financial Officer. Supply Chain Management is the process of managing the flow of goods and services and the goal of the unit for the municipality is to optimize the processes to deliver goods and services efficiently, cost-effectively and with high end quality. The Municipality has a policy which was reviewed by Treasury (SCM Support) and adopted by the Municipal Council on the 25th January 2023. There has been much improvement on the Supply Chain Management Unit. There is effective communication with the suppliers, service providers and management to ensure that we mitigate potential risks that could disrupt the SCM processes.
The SCM unit has undergo workshop on the proper implementation of the Contract management and the unit also ensures that all the new legislations, regulations and processes from Treasury are being implemented effectively. With the use of the CSD the SCM unit is able to identify suppliers with non-compliant tax status therefore improving on the Audit findings for the award of non-compliant tax status suppliers. The Supply Chain Management has developed SOPs through the assistant from Treasury therefore making it much easier to work with a manual that has all the appropriate and accepted procedures.

Assessment of the performance of External Service Provider

The monitoring of the service provider performance is ensured through the signing of the Service Level Agreement. It is currently being done by user department levels. The end user department is providing monthly reports to the SCM unit as well. Service providers who fail to perform are reported to SCM and the necessary action is taken including the termination of the contract or cancellation of an order.

Example:

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

LONG-TERM SERVICE PROVIDERS ASSESSMENT OF PERFORMANCE FOR A FINANCIAL PERIOD ENDING 2022/2023

E	*Name of external Service Provider*	*Date Contract Awarded*	*Service provided in terms of the SLA*	*Value of project*	*Assessment of Service Providers Performance*				*Comments*
					Target	*G*	*S*	*P*	
01	*Inkazimulo Business Advisory Services*	*2020-09-02*	*Provision of Internal Audit Services*	*R 1 216 521.74*		X			*The service providers exceeded the expectations that are set out on their contract. The Municipality is very satisfied by their performance.*
02	*CleaResult 77 (Pty) Ltd*	*2021/01/01*	*Debt Collection Services & Data Cleansing*	*Charges are rate based*			*X*		*The service provider is somewhat performing on a satisfactory level, would like to see some improvement on their delivery and performance rates.*
03	*Indwe Risk Management*	*2020-05-01*	*Short-Term Insurance*	*R 831 912.00*		X			*The service provider exceeds the expectations and is always responsive timely on the claims made by the Municipality.*
04	*MaxProf Recovery (Pty) Ltd*	*2020-06-01*	*Provision of VAT Specialists*	*12.5% Financial Benefits*		X			*The service provider exceeds the performance as per the Service level Agreement. They are always willing to assist in the request made by the Municipality.*
05	*Fedility*	*2021/10/01*	*Cash Management Services*	*R 338 076.00*		X			*The Service Provider has improved their performance from a satisfactory level to a level that is expected.*
06	*Conlog*	*Monthly Renewal*	*Hosted, Vending of Prepaid Electricity*	*5% of the total monthly sales value*		X			*The service provider exceeds the performance as per the Service level Agreement. They are always willing to assist in the request made by the Municipality.*
07	*Genix Valuation (Pty) Ltd*	*2019/07/01*	*General Valuation and Preparation of Valuation Roll*	*R 2 715 008.83*		*X*			*The service provider has improved their performance and is willing to assist in issues that the Municipality is experiencing.*
08	*Surg Suit (Pty) Ltd*	*2022/01/03*	*The Upgrading of Landfill- GeoTech Analysis, Design and Construction of Leachate Management System and Drainage*	*R 14 835 287.50*		X			*The service provider is performing at an acceptable rates as per their contracts and service level agreement.*
09	*Bidvest Steiner Hygiene*	*2022/07/01*	*Supply, Installation & Management of Hygiene Equipment*	*R 649 913.83*			*X*		*The service provider needs to improve their performance on certain levels of performance*
10	*Siyejabula Security Solutions*	*2023/02/01*	*Provisions of Security Services to Mpofana Local*	*R 14 464 153.15*		X			*The service providers are exceeding their performance and are always available to assist and keeping the Municipality safe for its employees and customers.*

			Municipality for a period of 36 months						
11	*Sihlahlasiyahluma Construction (Pty) Ltd*	*2023/03/23*	*Construction of Bruntville Internal Road Phase 2*	*R 4 826 398.36*		X			*The service provider is performing at an acceptable rates as per their contracts and service level agreement.*
12	*Kamawewe Development Consultants*	*2023/01/12*	*Project Manager & Concept Design for Mooi River Small Town Rehabilitation*	*R 3 150 923.49*		X			*The service provider is performing at an acceptable rates as per their contracts and service level agreement.*

CHAPTER 6: REPORT OF THE AUDITOR GENERAL

REPORT OF THE AUDITOR-GENERAL
2022-23

Mpofana Local Municipality

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Report of the auditor-general to the KwaZulu-Natal Provincial Legislature and the council on the Mpofana Local Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Mpofana Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2023, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Mpofana Local Municipality as at 30 June 2023, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 5 of 2022 (Dora).

Basis for qualified opinion

Receivables from non-exchange transactions

3. I was unable to obtain sufficient appropriate audit evidence that receivables from non-exchange transactions had been properly accounted for, due to the status of accounting records. I was unable to confirm receivables from non-exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the receivables from non-exchange transactions stated at R112,54 million (2021-22: R104,06 million), the allowance for impairment of receivables from non-exchange transactions stated at R100,47 million (2021-22: R93,82 million) as disclosed in note 6 and to the debt impairment stated at (R6,65 million (2021-22: R5,59 million) as disclosed in note 34 to the financial statements.

Receivables from exchange transactions

4. I was unable to obtain sufficient appropriate audit evidence that receivables from exchange transactions had been properly accounted for, due to the status of accounting records. I was unable to confirm receivables from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the receivables from exchange transactions stated at R76,09 million (2021-22: R66,59 million), the allowance for impairment of receivables from exchange transactions stated at R43,52 million (2021-22: R38,96 million) as disclosed in note 8 and to the debt impairment stated at (R4,44 million (2021-22: R5,20 million) as disclosed in note 34 to the financial statements.

Context for opinion

5. 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.

6. 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.

7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Material uncertainty relating to going concern

8. I draw attention to the matter below. My opinion is not modified in respect of this matter.
9. I draw attention to note 45 to the financial statements, which indicates that unspent conditional grants were not fully cash backed and current liabilities exceed the current assets. As stated in note 45, these events or conditions, along with the other matters set forth in note 45, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Emphasis of matters

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

Restatement of corresponding figures

11. As disclosed in note 43 to the financial statements, the corresponding figures for 30 June 2022 were restated as a result of an error in the financial statements of the municipality at, and for the year ended 30 June 2023.

Material losses – electricity

12. As disclosed in note 52 to the financial statements, material electricity losses of R42,47 million (2021-22: R46,18 million) was incurred, which represents 48,05% (2021-22: 40,28%) of total electricity purchased. The electricity losses were mainly due to transmission and distribution losses and illegal connections.

Other matter

Unaudited disclosure note

13. 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

14. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with GRAP and the requirements of the MFMA and Dora, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

15. In preparing the financial statements, the accounting officer is responsible for assessing the Mpofana Local 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

16. 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 financial statements.

17. 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

18. 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.

19. I selected the following material performance indicators related to basic service delivery presented in the annual performance report for the year ended 30 June 2023. 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.

    - Electrification new 100 consumer units
    - Number of km of tar road rehabilitation
    - Number of km of tar road upgrade
    - Number of km of gravel road constructed
    - % of construction of Mzilanyoni access road

20. 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.

21. I performed procedures to test whether:

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

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

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

Other matter

24. I draw attention to the matter below.

Achievement of planned targets

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

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

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 revenue, expenditure, current assets, current liabilities, cash flow statement and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, but the uncorrected material misstatements resulted in the financial statements receiving a qualified audit opinion.

Consequence management

31. Unauthorised expenditure incurred by the municipality was not investigated to determine whether any person was liable for the expenditure, as required by section 32(2)(a) of the MFMA.

Expenditure management

32. Reasonable steps were not taken to prevent unauthorised expenditure of R76,04 million as disclosed in note 47 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was due to actual expenditure exceeding the approved operating expenditure budget.

33. Reasonable steps were not taken to prevent irregular expenditure of R32,79 million as disclosed in note 48 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the disclosed irregular expenditure was due to non-compliance with supply chain management (SCM) regulations.

34. Reasonable steps were not taken to prevent fruitless and wasteful expenditure of R32,65 million, as disclosed in note 50 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest incurred on late payments to suppliers.

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

Revenue management

36. An effective system of internal control for debtors and revenue was not in place, as required by section 64(2)(f) of the MFMA.

Procurement and contract management

37. Some goods and services with a transaction value below R200 000 were procured without obtaining the required price quotations, in contravention of SCM regulation 17(1)(a) and (c).

38. Some quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).

39. Some quotations were accepted from bidders whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of SCM regulation 43.

40. Goods and services with a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a).

41. Contracts were awarded to providers whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of SCM regulation 43.

42. Contracts were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).

43. Sufficient appropriate audit evidence could not be obtained that construction contracts were awarded to contractors that were registered with the Construction Industry Development Board (CIDB) and qualified for the contract in accordance with section 18(1) of the CIDB Act and CIDB regulations 17 and 25(7A).

Utilisation of conditional grants

44. The municipal infrastructure grant was not spent for its intended purposes in accordance with the applicable grant framework, as required by section 16(1) of the Dora.

45. Performance in respect of programmes funded by the municipal infrastructure grant was not evaluated within two months after the end of the financial year, as required by section 12(5) of the Dora.

Other information in the annual report

46. The accounting officer is responsible for the other information included in the annual 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.

47. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

48. 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.

49. 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

50. 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.

51. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion and the material findings on compliance with legislation included in this report.

52. Key preventative controls and diligence around the preparation of the financial statements as well as effective oversight and monitoring over compliance activities were lacking. This is evidenced by the material misstatements and non-compliances identified during the audit. Coupled with ineffective management supervision and review, the audit action plans were not steadfastly monitored to address repetitive findings.

Material irregularities

53. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit and on the status of material irregularities as previously reported in the auditor's report.

Status of previously reported material irregularities

Eskom debt not paid within 30 days

54. The municipality did not comply with section 65(2)(e) of the MFMA which requires that the accounting officer must for the purpose of subsection (1) take all reasonable steps to ensure that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure.

55. The municipality failed to ensure that the payments due to Eskom were made within 30 days of the invoice date and thus incurred interest on the outstanding amounts due amounting to R17,66 million for the period 1 April 2019 to 31 March 2020. The non-compliance resulted in a material financial loss of R17,66 million. The accounting officer was notified of the material irregularity on 3 February 2022.

56. The following action was taken to address the material irregularity:

- The municipality has embarked on a data cleansing exercise to ensure that electricity consumers are billed accurately.

- There have been improvements in the payment pattens by the municipality.

57. The actions taken by the accounting officer have adequately addressed the material irregularity.

Auditor-General

Pietermaritzburg

30 November 2023

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

- The auditor-general's responsibility for the audit
- The selected legislative requirements for compliance testing

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected material performance indicators and on the municipality's compliance with selected requirements in key legislation.

Financial statements

In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the municipality to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipality to cease operating as a going concern

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Municipal Finance Management Act 56 of 2003	Section 1 – paragraph (a), (b) & (d) of the definition: irregular expenditure, Section 1 – definition: service delivery and budget implementation plan, Sections 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 29(1), Sections 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), 32(2)(b), Sections 32(6)(a), 32(7), 53(1)(c)(ii), 54(1)(c), 62(1)(d), 62(1)(f)(i), Sections 62(1)(f)(ii), 62(1)(f)(iii), 63(1)(a), 63(2)(a), 63(2)(c), 64(2)(b), Sections 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), Sections 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1), Sections 122(2), 126(1)(a), 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii), Sections 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 170, Sections 171(4)(a), 171(4)(b)
MFMA: Municipal Budget and Reporting Regulations, 2009	Regulations 71(1), 71(2), 72
MFMA: Municipal Investment Regulations, 2005	Regulations 3(1)(a), 3(3), 6, 7, 12(2), 12(3)
MFMA: Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014	Regulations 5(4), 6(8)(a), 6(8)(b), 10(1)
MFMA: Municipal Supply Chain Management Regulations, 2017	Regulations 5, 12(1)(c), 12(3), 13(b), 13(c), 13(c)(i), 16(a), 17(1)(a), Regulations 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a), Regulations 27(2)(e), 28(1)(a)(i), 28(1)(a)(ii), 29(1)(a), 29(1)(b), Regulations 29(5)(a)(ii), 29(5)(b)(ii), 32, 36(1), 36(1)(a), 38(1)(c), Regulations 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43, Regulations 44, 46(2)(e), 46(2)(f)
Municipal Systems Act 32 of 2000	Sections 25(1), 26(a), 26(c), 26(h), 26(i), 29(1)(b)(ii), 29(3)(b), 34(a), 34(b), Sections 38(a), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, 43(2), 56(a), 57(2)(a), Sections 57(4B), 57(6)(a), 66(1)(a), 66(1)(b), 67(1)(d), 74(1), 93J(1), 96(b)
MSA: Municipal Planning and performance Management Regulations, 2001	Regulations 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 3(6)(a), 7(1), 8, 9(1)(a), 10(a), Regulations 12(1), 15(1)(a)(i), 15(1)(a)(ii)
MSA: Municipal Performance Regulations for Municipal Managers and Managers directly Accountable to Municipal Managers, 2006	Regulations 2(3)(a), 4(4)(b), 8(1), 8(2), 8(3)
MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014	Regulations 17(2), 36(1)(a)

MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations 5(2), 5(3), 5(6), 8(4)
Annual Division of Revenue Act	Section 11(6)(b), 12(5), 16(1); 16(3)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations	Regulations 17, 25(7A)
Municipal Property Rates Act 6 of 2004	Section 3(1)
Preferential Procurement Policy Framework Act 5 of 2000	Sections 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), 6(8), Regulations 7(1), 7(2), 7(3), 7(6), 7(8), 8(2), 8(5) 9(1), 10(1), 10(2), Regulations 11(1), 11(2)
Preferential Procurement Regulations, 2022	Regulations 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)

CHAPTER 7: AUDIT ACTION PLAN

ANNEXURE A

MPOFANA MUNICIPALITY																	
MANAGEMENT CORRECTIVE ACTION PLAN																	
ANNEXURE A: MATTERS AFFECTING THE AUDIT REPORT																	
						Rating			Corrective Action								
										Responsible Person					STATUS		
No.	Category/ Workstream	Audit Finding	Root Causes	Financial Period	Page. no.	Matters affecting the	Other important	Administrative	Description of Required Management Action _ MPOFANAS INITIAL ACTIONS	Responsible Manager (Driver)	Reviewer	Preparer	Start date	Targeted Completion Date	Resolved (Yes/No/In Progress)	Evidence available	Comments from Audit Warroom
1	Receivables from Exchange Transactions	The amount of receivables from non-exchange transactions disclosed in the annual	Inexperienced staff, compounded by lack of proper training that is responsible for debtors manage	2017 to 2023	Various Pages	✓			The debtor's age analysis for exchange and non-exchange transactions must be reconciled to the General Ledger or	Director: Budget and Treasury Office (P Molefe)	Manager: SCM (SS Sithole)	Accountant: Income (Khethiwe Buthelezi)	31-Dec-23	12-Jul-24			

		financial statements does not agree to debtors age analysis as at 30 June (2017 to 2023)	ment; The Manager Revenue position that has been vacant for a long time that could have done oversight on Debtors Management. [No supervision]						Trial Balance montly and at year-end before the financial statements can be submitted for review to Auditors.								
		The transactional codes of the financial system (SAGE) are posting	Lack of understanding of system and accounting by the system consultants who						The transactional codes on the financial system must be revised to ensure that transactions			Accountant: Income (Khethiwe Buthelezi) with CCG System Consult	31-Dec-23	29-Feb-24			

		to incorrect general ledger accounts which results to misallocation of receivables per category.	were assisting the municipality during migration.						are posting to the correct accounts in the General Ledger or Trial Balance. Prior period adjustments must be processed to correct all the prior period misstatements that has been identified and reconcile to the debtors age analysis.			ants Assistance					
		Debt impairment differences between the trial	Lack of understanding of system and accounting by the	2018					The impairment of receivables must be calculated and			Accountant: Income (Khethiwe Buthelezi)	31-Dec-23	12-Jul-24			

		balance or general ledger to the annual financial statements.	system consultants who were assisting the municipality during migration.						journals processed on the financial statements and be reviewed by the senior personnel before it can be submitted for review.								
		Sundry Debtors differences between the trial balance or general ledger to the amounts disclosed in the annual financial statements	Lack of understanding of system and accounting by the system consultants who were assisting the municipality during migration. The	2018					The sundry debtors schedule must be reconciled to the General Ledger or Trial Balance montly and at year-end before the financial statements can be submitted			Controller: Debtors (Themba Xaba)	31-Dec-23	12-Jul-24			

			vacant position of the Manager Revenue that was not filled for a long that could have done oversight in the Revenue Department (There is no supervision]						for review to Auditors.								
		Debtors with credit balances were not valid as they were due to system	Error occurred when system configuration was being done because of	2019	76				The debtors with credit balances must be individual investigated in order to determine the root cause of			Senior Credit Controller (Prudence Maharaj)	31-Dec-23	29-Feb-24			

		error and not overpayment by debtors.	complexities of the system and the accounting requisites for the accounting of receivables at the migration from old to the new financial system.						account to have a credit balance. Where the account has not been billing in the current and prior period, preparer must ensure that such accounts are billed throughout the prior and current financial period.								
		Debtors with credit balances were as result of no monthly billing or raised by the municip	Lack of proper training to staff assigned for debtors and also long overdue vacant position	2019	88												

		ality system while the customers continued to pay the monthly estimated services.	for Manager Revenue which resulted to poor revenue and debtors management because there is No supervision of staff in the section														
		Debtors with credit balances were not investigated to support the journal to	Inexperienced staff assigned to debtors (compounded by the lack of proper training) and also	2019	91				All the customer accounts that has a closed account status must be investigated as to determine as to why			Senior Credit Controller (Prudence Maharaj)	31-Dec-23	29-Feb-24			

		transfer of the debtors with credit balances from Receivables to Payables from Exchange Transactions.	long overdue vacant position for Manager Revenue which resulted to poor revenue and debtors management. [No supervision]						the accounts were closed and the balance owed/owing was not settled. Determine as to why the closed accounts were not billing when the account should have been active.								
2	Receivables from Non-Exchange Transactions	Debtors that are in the valuation roll that could not be traced to their billing to debtors age	There are no reconciliations performed between the billing reports and valuation roll to	2020	77	✓			All the properties as per Valuation Roll must be individual agreed to the billing report to ensure that all the accounts as	Director: Budget and Treasury Office (P Molefe)	Manager: SCM (SS Sithole)	Accountant: Income (Khethiwe Buthelezi)	31-Dec-23	12-Jul-24			

		analysis as at year end. Auditors could not confirm that the debtors’ age analysis is complete.	ensure that all properties as per valuation roll are included in the billing report. No review of reconciliations by the Senior Supervisor for receivables.						per valuation report are billed accordingly.								
		The debtors’ age analysis does not contain detailed information for individual	Inexperienced staff assigned to debtors (compounded by the lack of proper training)	2020	81				The debtors’ details in the accounts database must be updated with the outstanding details such			Accountant: Income (Khethiwe Buthelezi)	31-Dec-23	12-Jul-24			

		debtors' i.e Customer Name, Physical Address, Services being provided to customers etc…	and also long overdue vacant position for Manager Revenue which resulted to poor revenue and debtors' management. [No supervision]						as Customer Name, Physical and Electronic Address to ensure that customers receive their account statements and enable to ensure accounts are recovered.								
		The balances of debtors age analysis has accounts that are closed and are	Lack of policies and clear business processes in the municipality for opening of new accounts to the	2023	1				All the customer accounts that has a closed account status must be investigated as to determine as to why			Senior Credit Controller (Prudence Maharaj)	31-Dec-23	12-Jul-24			

		not billed since 2020 financial period. The existence and valuation of the debtors could not be confirmed as the accounts are not included in the valuation roll.	finalisation of the account for customers. Monthly reconciliations for all debtors are not performed						the accounts were closed and the balance owed/owing was not settled. Determine as to why the closed accounts were not billing when the account should have been active.								

ANNEXURE B

No.	Finding	Root Causes	Page. no.	Rating: Matters affecting the auditor's report	Rating: Other important matters	Rating: Administrative matters	Corrective Action: Description of Required Management Action	Responsible Person: Accountable Person	Responsible Person: Reviewer	Responsible Person: Preparer	Start date	Targeted Completion Date	STATUS: Resolved (Yes/No/In Progress)	STATUS: Evidence or an update available	Comments from Internal Audit
1	Unauthorised Expenditure that has been disclosed in the annual fianncial statements was not investigated in accordance with S32(2) of the MFMA.	Non adherence to SCM policies by the municipality officials and the malfunction of Consequence Management in the municipality that could have been utilised as a tool to prevent officials from negligence ; The MPAC's Lack of understanding on what the unauthorised expenditure is all about so that they can put necessary steps to those	44	ü			The MPAC with the assistance of the Internal Audit Function must perform investigations of the unathorised expenditure that has been incurred in the current and prior period before it can be submitted for review by the Council. The Council must implement the recommendations of MPAC.	Accounting Officer: Dr EH Dladla	Manager: Risk & Internal Audit (M Mkhize)	Officer: Budget & Reporting (Thandi Cele)	31-Dec-23	29-Feb-24			

		responsible for the occurence.												
2	The municipality did not take all reasonable steps to prevent unauthorised expenditure as evidenced by the unauthorised expenditure incurred during the period.	There are no processes in place for budgeting. Lack of internal controls for monitoring the budget to ensure that there is no spending over and above the budgeted amount and there is no expenditure allowed in the accounts with no budget.	45	ü			The management must ensure that controls are in place to prevent that there is no spending being incurred without prior approval from budget. However where the unauthorised expenditure has already been incurred the adjustments budget must prepared in order to authorise the such expenditure.	Director: Budget and Treasury Office (P Molefe)	Officer: Budget & Reporting (Thandi Cele)	End User Department (All Departments)	31-Dec-23	12-Jul-24		

3	The municipality did not take all reasonable steps to prevent fruitless and wasteful expenditure as evidenced by the fruitless and wasteful expenditure incurred during the period.	The non-active Consequence Management in the municipality; The poor administration of cash at bank in the municipality that resulted into poor spending due to no budget . The municipality at any time spend the money as they wish and not according to budget as it is required by the MFMA.	48	ü			The management must ensure that controls are in place to prevent fruitless and wasteful expenditure incurred during the period. However where the fruitless and wasteful expenditure has already been incurred inestigations must be performed and where recovery is necessary consequence management must be applied.	Director: Budget and Treasury Office (P Molefe)	Manager: Supply Chain Management (SS Sithole)	Accountant: Expenditure (Nosipho Govender)	31-Dec-23	12-Jul-24		
4	The municipality does not pay invoices within 30 days from date of receipt.	The poor administration of cash at bank in the municipality that resulted into poor spending due to no budget . The municipality at any time spend the money as they wish and end up not catering for	49	ü			The municipality must avoid to incur expenditure that is not budgeted or included in the cashflow budget to ensure that obligations are met as they fall due.	Director: Budget and Treasury Office (P Molefe)	Officer: Budget & Reporting (Thandi Cele)	Accountant: Expenditure (Nosipho Govender)	31-Dec-23	12-Jul-24		

		suppliers which are suppose to be paid on 30 days after receipt of invoice as it is required by the MFMA.													
5	Conditional grants were not spent in accordance with intended purposes, unspent conditional grants exceeds the sum of the closing balance of all the municipal bank accounts. The remaining portion of the grants are not funded.	Poor management of cash at bank by the municipality; incompetent staff responsible for reporting and management of grants allocated for the municipality that led them to the spending of the earmarked grants for other purposes other than the intended one.	52	ü			The conditional grants must be spent in accordance with the Memorundum of Understanding (MoU) and there are no funds from conditional grants used for operational expenditure. All the grants must be kept on the separate bank accounts and be only used for grant expenditure in accordance with Memorundum of Understanding (MoU).	Director: Budget and Treasury Office (P Molefe)	Manager: Supply Chain Management (SS Sithole)	Officer: Budget & Reporting (Thandi Cele)	31-Dec-23	12-Jul-24			

CHAPTER 8: MONITORING, EVALUATION REVIEW

At the end of every quarter, Managers were to prepare and submit quarterly performance reports with the assistance of the performance management section within the Municipal Manager's Office for monitoring and evaluation of actual set targets.

APPENDENCES

Appendix A: Council Meeting Attendance

Name	Council	Budget and Treasury	Corporate and Community Services	Infrastructure Development and Maintenance	MPAC
Cllr TM Magubane	12	9	N/A	N/A	N/A
Cllr MS Mchunu	11	N/A	N/A	N/A	2
Cllr ZA Dladla	12	N/A	N/A	N/A	N/A
Cllr LW Wynne	10	N/A	10	N/A	2
Cllr EM Majola	10	N/A	N/A	8	N/A
Cllr Z Mchunu	10	N/A	11	12	N/A
Cllr PB Gunudu	11	9	N/A	N/A	N/A
Cllr ES Buthelezi	11	N/A	N/A	10	2
Cllr JJ Dlomo	11	2	N/A	N/A	0
Cllr BX Zikhali	12	N/A	11	N/A	N/A

Appendix B: Third Tier Administrative Structure

Directorate	Director
Executive and Council	Mr. EH Dladla (Municipal Manager)
Budget and Treasury Office	Mr. P Molefe (Chief Financial Officer)
Corporate and Community Services	Mr. M. Sithole (Acting General Manager)
Infrastructure Development and Maintenance	Ms M. Mbatha(General Manager)

Appendix C: Functions of Municipality

Municipal Functions	Function Applicable to Municipality (Yes/No)
Constitution Schedule 4, Part B Functions:	
Air pollution	No
Building Regulations	Yes
Child care facilities	Yes
Electricity and gas reticulation	Yes
Firefighting Services	No
Local Tourism	Yes
Municipal Airport	No
Municipal Planning	Yes
Municipal Health Services	No
Municipal Public Transport	Yes
Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under the Constitution of any other	Yes
Pontoons, ferries, jetties, piers, and harbors, excluding the regulation of international and national shipping and matters related	No
Storm Water Management Systems in built-up area	Yes
Trading Regulations	Yes
Water and Sanitation Services limited to Potable Water Supply system and domestic waste-water and sewage disposal systems	No
Beaches and Amusement Facilities	Yes
Billboards and the display of advertisements in public places	Yes
Cemeteries, Funeral Parlous and Crematoria	Yes
Cleansing	Yes

Control of public nuisances	Yes
Control of undertakings that sell liquor to the public	Yes
Facilities for the accommodation and burial of animals	Yes
Fencing and Fences	Yes
Licensing of Dogs	No
Licensing and control of undertakings that sell food to the public	Yes
Local Amenities	Yes
Local Sport Facilities	Yes
Markets	Yes
Municipal Abattoirs	No
Municipal Parks and Recreation	Yes
Municipal Roads	Yes
Noise Pollution	Yes
Pounds	Yes
Public Places	Yes
Refuse removal, refuse dumps and solid waste disposal	Yes
Street Trading	Yes
Street Lighting	Yes
Traffic and Parking	Yes

Appendix D- Ward Reporting

Functionality of Ward Committees					
Ward Name (Number)	Name of Ward Councillor	Committee Established (Yes/No)	No of monthly committee meetings held during the year (2022/2023)	No. of monthly reports submitted to Mayor/Speaker's Office timely	No. of quarterly public meetings held during the year
1.	Councillor MS Mchunu	Yes	12	4	8
2.	Councillor ZA Dladla	Yes	12	4	4
3.	Councillor LW Wynne	Yes	12	4	6
4.	Councillor EM Majola	Yes	5	2	6
5.	Councillor Z Mchunu	Yes	12	4	6

Appendix E: Annual Financial Statements 2022/2023 Financial Year

1.

Mpofana Local Municipality
(Registration number KZ223)
Annual Financial Statements
for the year ended June 30, 2023

General Information

Nature of business and principal activities	Providing Municipal Services
Members of Council	
Mayor	Cllr TM Magubane
Councillors	Speaker - Cllr ZA Dladla
	Member of EXCO -Cllr Z Mchunu
	Member of EXCO - Cllr ES Buthelezi
	Cllr ME Majola
	Cllr LW Wayne
	Cllr PB Gunundu
	Cllr SM Mchunu
	Cllr JJ Dlomo
	Cllr XB Zikhali
Grading of local authority	2
Accounting Officer	Dr. EH Dladla
Chief Financial Officer (CFO)	Mr P Molefe
Registered office	10 Claughton Terrace Mooi River 3300
Municipal Contact Details	033 263 1221/7700
Postal Address	P O Box 47 Mooi River 3300
Bankers	First National Bank (FNB)
Auditors	Auditor General South Africa (AGSA)

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

Abbreviations used:

GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
SARS	South African Revenue Services
PAYE	Pay As You Earn
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
iGRAP	Interpretation of the Standards of Generally Recognised Accounting Practice
VAT	Value Added Tax
LGSETA	Local Government Sector Education and Training Authority
SANRAL	South African National Road Agency Limited
N3TC	N3 Toll Concession
INEP	Intergrated National Electrification Programme

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

In December 2017, the municipality was placed under Administration, in terms of Section 139(1)(b) of the Constitution which requires the Provincial government to assume responsibility because the municipality could not fulfil an obligation. The following Administrators were appointed:
1. Mr M Sithole was appointed in January 2018 to March 2019
2. Mr K. Perumal was appointed in April 2019 to August 2019.
3. Mr M.E. Ngonyama was appointed in September 2020 to October 2021
4. Ms N Khanyile was appointed in November 2021 and is current Administrator.

a) The municipality has deficit of R108,5 million and that the municipality total liabilities exceeded its assets by R184,5 million.
b) The liquidity ratio of the municipality is below 1 which means that the municipality is not able to pay its creditors as they fall due. The cash coverage ratio is less than 1 month.
c) The unspent conditional grant funding has for several years not been cash backed.

The above implies that the municipality is not in a position to meet its short term obligations if they fall due at a specific point in time.

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

The accounting officer certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officers Bearers Act and the Minister of Provincial and Local Governments's dertemination in accordance with this Act.

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

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's internal auditors.

Accounting Officer's Responsibilities and Approval

The annual financial statements set out on page 7, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2023 and were signed on its behalf by:

Accounting Officer
Dr. EH Dladla

Audit Committee Report

We are pleased to present our report for the financial year ended June 30, 2023.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet four(4) times per annum as per its approved terms of reference. During the current year four (4) number of meetings were held.

Number of members	Number of meetings
Mr. Z. Zulu	4
Miss S. Keshav	4
Prof. B. Stobie	4
Mr. A. Singh	4
Mr. S. Mabaso	4

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the accounting officer of the municipality during the year under review.

Evaluation of annual financial statements

The audit committee has:
- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the accounting officer; on the 29 August 2023
- reviewed the Auditor-General of South Africa's management report and management’s response thereto;
- reviewed changes in accounting policies and practices;
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

These financial statements are prepared in accordance with the South African standards of Generally Recognised AccountingPractice (GRAP)and in the manner required by the Municipal Finance Management Act and Division of Revenue.

The audit committee concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Systems of Internal Control

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Audit Committee Report

Chairperson of the Audit Committee

Date: ______________________

Statement of Financial Position as at June 30, 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Inventories	4	33 413 014	33 476 648
Other financial assets	5	4 023 811	3 857 478
Receivables from non-exchange transactions	6	23 083 112	18 096 311
VAT receivable	7	40 902 934	31 226 630
Receivables from exchange transactions	8	32 576 517	27 632 940
Loan receivables	9	399 638	399 638
Cash and cash equivalents	10	1 407 394	3 518 780
		135 806 420	**118 208 425**
Non-Current Assets			
Investment property	11	-	2 200 000
Property, plant and equipment	12	213 411 781	214 811 019
Intangible assets	13	104 805	209 609
Heritage assets	14	192 000	185 000
		213 708 586	**217 405 628**
Non-Current Assets		213 708 586	217 405 628
Current Assets		135 806 420	118 208 425
Total Assets		**349 515 006**	**335 614 053**
Liabilities			
Current Liabilities			
Operating lease liability	15	3 422	38 707
Payables from exchange transactions	16	481 424 178	363 259 144
Consumer deposits	17	369 759	358 847
Employee benefit obligation	18	1 120 603	674 998
Unspent conditional grants and receipts	19	17 867 457	15 132 913
Provisions	20	2 041 346	2 204 004
		502 826 765	**381 668 613**
Non-Current Liabilities			
Employee benefit obligation	18	16 361 486	16 715 407
Provisions	20	14 870 079	13 226 935
		31 231 565	**29 942 342**
Non-Current Liabilities		31 231 565	29 942 342
Current Liabilities		502 826 765	381 668 613
Total Liabilities		**534 058 330**	**411 610 955**
Assets		349 515 006	335 614 053
Liabilities		(534 058 330)	(411 610 955)
Net Assets		**(184 543 324)**	**(75 996 902)**
Accumulated surplus /(deficits)		(184 543 324)	(75 996 902)
Total Net Assets		**(184 543 324)**	**(75 996 902)**

* See Note 43

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	54 343 972	69 273 186
Rental of facilities and equipment	22	218 516	243 465
Licences and permits	23	4 768 032	4 561 486
Construction contractor revenue (INEP)	53	10 701 500	-
Other income	24	7 272 254	6 011 361
Interest received	25	14 117 118	4 389 945
Gain on disposal of assets and liabilities		89 482	335 970
Actuarial gains		2 334 933	1 007 071
Total revenue from exchange transactions		**93 845 807**	**85 822 484**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	16 186 301	18 655 940
Transfer revenue			
Government grants & subsidies	27	63 842 394	63 018 000
Fines, Penalties and Forfeits	28	7 278 947	5 796 762
Total revenue from non-exchange transactions		**87 307 642**	**87 470 702**
		93 845 807	85 822 484
		87 307 642	87 470 702
Total revenue		**181 153 449**	**173 293 186**
Expenditure			
Employee related costs	29	(58 757 252)	(54 901 316)
Remuneration of councillors	30	(3 158 783)	(3 019 771)
Construction contract expenditure (INEP)	54	(10 701 500)	-
Depreciation and amortisation	31	(18 104 162)	(17 975 805)
Reversal of impairments	32	-	(646 447)
Finance costs	33	(35 854 766)	(17 347 533)
Debt Impairment	34	(14 104 817)	(14 854 938)
Bulk purchases	35	(73 717 692)	(86 494 282)
Contracted services	36	(7 037 865)	(3 848 359)
General Expenses	37	(68 270 034)	(53 060 587)
Total expenditure		**(289 706 871)**	**(252 149 038)**
		-	-
Total revenue		181 153 449	173 293 186
Total expenditure		(289 706 871)	(252 149 038)
Operating surplus/deficit		-	-
Deficit before taxation		(108 553 422)	(78 855 852)
Taxation		-	-
Deficit for the year from continuing operations		**(108 553 422)**	**(78 855 852)**
Fair value adjustment		7 000	116 249
Deficit for the year		**(108 546 422)**	**(78 739 603)**

* See Note 43

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / (deficit)	Total net assets
Opening balance as previously reported	37 563 936	37 563 936
Adjustments		
Correction of errors 43	(34 821 235)	(34 821 235)
Balance at July 1, 2021 as restated*	**2 742 701**	**2 742 701**
Changes in net assets		
Deficit for the year	(78 739 603)	(78 739 603)
Total changes	(78 739 603)	(78 739 603)
Opening balance as previously reported	(39 866 016)	(39 866 016)
Adjustments		
Correction of errors 43	(36 130 886)	(36 130 886)
Restated* Balance at July 1, 2022 as restated*	**(75 996 902)**	**(75 996 902)**
Changes in net assets		
Deficit for the year	(108 546 422)	(108 546 422)
Total changes	(108 546 422)	(108 546 422)
Balance at June 30, 2023	**(184 543 324)**	**(184 543 324)**

* See Note 43

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Taxation		18 478 448	33 596 535
Service charges		35 306 489	38 111 840
Grants and subsidies received		66 576 938	63 018 000
Interest income		14 117 118	4 389 945
Other receipts		13 284 001	(925 182)
		147 762 994	138 191 138
Payments			
Employee costs		(58 162 128)	(54 883 966)
Suppliers		(41 380 516)	(42 503 452)
Finance charges		(35 854 766)	(17 347 533)
		(135 397 410)	(114 734 951)
Total receipts		147 762 994	138 191 138
Total payments		(135 397 410)	(114 734 951)
Net cash flows from operating activities	39	**12 365 584**	**23 456 187**
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(14 400 119)	(19 674 211)
Proceeds from sale of property, plant and equipment	12	89 482	335 970
Proceeds from sale of financial assets		(166 333)	(221 778)
Net cash flows from investing activities		**(14 476 970)**	**(19 560 019)**
Cash flows from financing activities			
Finance lease payments		-	(4 011 718)
Net increase/(decrease) in cash and cash equivalents		**(2 111 386)**	**(115 550)**
Cash and cash equivalents at the beginning of the year		3 518 780	3 634 330
Cash and cash equivalents at the end of the year	10	**1 407 394**	**3 518 780**

* See Note 43

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	78 145 272	353 082	**78 498 354**	54 343 972	**(24 154 382)**	(a)
Rental of facilities and equipment	222 201	29 258	**251 459**	218 516	**(32 943)**	(b)
Licences and permits	4 928 713	-	**4 928 713**	4 768 032	**(160 681)**	(c)
Construction contractor revenue (INEP)	-	-	**-**	10 701 500	**10 701 500**	(d)
Other income	6 057 631	6 840 000	**12 897 631**	7 272 254	**(5 625 377)**	(e)
Interest received	3 968 333	21 935 155	**25 903 488**	14 117 118	**(11 786 370)**	(f)
Total revenue from exchange transactions	**93 322 150**	**29 157 495**	**122 479 645**	**91 421 392**	**(31 058 253)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	17 560 215	102 621	**17 662 836**	16 186 301	**(1 476 535)**	(g)
Transfer revenue						
Government grants & subsidies	56 285 700	(5 341 608)	**50 944 092**	63 842 394	**12 898 302**	
Fines, Penalties and Forfeits	5 812 275	1 827 057	**7 639 332**	7 278 947	**(360 385)**	
Total revenue from non-exchange transactions	**79 658 190**	**(3 411 930)**	**76 246 260**	**87 307 642**	**11 061 382**	
'Total revenue from exchange transactions'	93 322 150	29 157 495	**122 479 645**	91 421 392	**(31 058 253)**	
'Total revenue from non-exchange transactions'	79 658 190	(3 411 930)	**76 246 260**	87 307 642	**11 061 382**	
Total revenue	**172 980 340**	**25 745 565**	**198 725 905**	**178 729 034**	**(19 996 871)**	
Expenditure						
Personnel	(54 337 252)	(541 011)	**(54 878 263)**	(58 757 252)	**(3 878 989)**	(h)
Remuneration of councillors	(3 109 810)	(39 622)	**(3 149 432)**	(3 158 783)	**(9 351)**	
Construction contractor expenditure (INEP)	-	-	**-**	(10 701 500)	**(10 701 500)**	(i)
Depreciation and amortisation	(18 945 947)	951 697	**(17 994 250)**	(18 104 162)	**(109 912)**	
Finance costs	-	(17 628 120)	**(17 628 120)**	(35 854 766)	**(18 226 646)**	(j)
Debt Impairment	(7 431 768)	(1 814 043)	**(9 245 811)**	(14 104 817)	**(4 859 006)**	(k)
Bulk purchases	(71 789 780)	(4)	**(71 789 784)**	(73 717 692)	**(1 927 908)**	
Contracted Services	(10 441 596)	(5 498 860)	**(15 940 456)**	(7 037 865)	**8 902 591**	(l)
General Expenses	(22 786 000)	(11 969 577)	**(34 755 577)**	(68 270 034)	**(33 514 457)**	(m)
Total expenditure	**(188 842 153)**	**(36 539 540)**	**(225 381 693)**	**(289 706 871)**	**(64 325 178)**	
	172 980 340	25 745 565	**198 725 905**	178 729 034	**(19 996 871)**	
	(188 842 153)	(36 539 540)	**(225 381 693)**	(289 706 871)	**(64 325 178)**	
Operating deficit	**(15 861 813)**	**(10 793 975)**	**(26 655 788)**	**(110 977 837)**	**(84 322 049)**	
Gain on disposal of assets and liabilities	-	89 000	**89 000**	89 482	**482**	
Actuarial gains/losses	-	-	**-**	2 334 933	**2 334 933**	
	-	**89 000**	**89 000**	**2 424 415**	**2 335 415**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	(15 861 813)	(10 793 975)	**(26 655 788)**	(110 977 837)	**(84 322 049)**	
	-	89 000	**89 000**	2 424 415	**2 335 415**	
Deficit before taxation	**(15 861 813)**	**(10 704 975)**	**(26 566 788)**	**(108 553 422)**	**(81 986 634)**	
Surplus before taxation	(15 861 813)	(10 704 975)	**(26 566 788)**	(108 553 422)	**(81 986 634)**	
Taxation	-	-	**-**	-	**-**	
Deficit for the year from continuing operations	**(15 861 813)**	**(10 704 975)**	**(26 566 788)**	**(108 553 422)**	**(81 986 634)**	
Fair value adjustments	-	-	**-**	7 000	**7 000**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(15 861 813)**	**(10 704 975)**	**(26 566 788)**	**(108 546 422)**	**(81 979 634)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	35 692 797	(2 216 149)	**33 476 648**	33 413 014	**(63 634)**	
Other financial assets	-	-	**-**	4 023 811	**4 023 811**	
Receivables from non-exchange transactions	23 065 316	40 581 478	**63 646 794**	23 083 112	**(40 563 682)**	
VAT receivable	-	-	**-**	40 902 934	**40 902 934**	(n)
Receivables from exchange transactions	150 348 479	(45 187 005)	**105 161 474**	32 576 517	**(72 584 957)**	(o)
Loan receivables	5 109 342	(4 709 704)	**399 638**	399 638	**-**	
Cash and cash equivalents	10 870 571	(5 655 657)	**5 214 914**	1 407 394	**(3 807 520)**	(p)
	225 086 505	**(17 187 037)**	**207 899 468**	**135 806 420**	**(72 093 048)**	
Non-Current Assets						
Investment property	2 100 001	99 999	**2 200 000**	-	**(2 200 000)**	
Property, plant and equipment	135 034 306	84 674 581	**219 708 887**	213 411 781	**(6 297 106)**	(q)
Intangible assets	314 413	(104 804)	**209 609**	104 805	**(104 804)**	
Heritage assets	168 750	16 250	**185 000**	192 000	**7 000**	
	137 617 470	**84 686 026**	**222 303 496**	**213 708 586**	**(8 594 910)**	
Non-Current Assets	137 617 470	84 686 026	**222 303 496**	213 708 586	**(8 594 910)**	
Current Assets	225 086 505	(17 187 037)	**207 899 468**	135 806 420	**(72 093 048)**	
Total Assets	**362 703 975**	**67 498 989**	**430 202 964**	**349 515 006**	**(80 687 958)**	
Liabilities						
Current Liabilities						
Operating lease liability	4 298 455	(4 259 748)	**38 707**	3 422	**(35 285)**	
Payables from exchange transactions	260 825 506	107 510 616	**368 336 122**	481 424 178	**113 088 056**	(r)
Consumer deposits	349 049	9 798	**358 847**	369 759	**10 912**	
Employee benefit obligation	-	-	**-**	1 120 603	**1 120 603**	
Unspent conditional grants and receipts	-	-	**-**	17 867 457	**17 867 457**	(s)
Provisions	1 245 630	1 633 372	**2 879 002**	2 041 346	**(837 656)**	
	266 718 640	**104 894 038**	**371 612 678**	**502 826 765**	**131 214 087**	
Non-Current Liabilities						
Operating lease liability	-	2 373 000	**2 373 000**	-	**(2 373 000)**	
Employee benefit obligation	-	-	**-**	16 361 486	**16 361 486**	(t)
Provisions	11 294 921	18 647 421	**29 942 342**	14 870 079	**(15 072 263)**	(u)
	11 294 921	**21 020 421**	**32 315 342**	**31 231 565**	**(1 083 777)**	
	266 718 640	104 894 038	**371 612 678**	502 826 765	**131 214 087**	
	11 294 921	21 020 421	**32 315 342**	31 231 565	**(1 083 777)**	
	-	-	**-**	-	**-**	
Total Liabilities	**278 013 561**	**125 914 459**	**403 928 020**	**534 058 330**	**130 130 310**	
Assets	362 703 975	67 498 989	**430 202 964**	349 515 006	**(80 687 958)**	
Liabilities	(278 013 561)	(125 914 459)	**(403 928 020)**	(534 058 330)	**(130 130 310)**	
Net Assets	**84 690 414**	**(58 415 470)**	**26 274 944**	**(184 543 324)**	**(210 818 268)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus /(deficits)	84 690 414	(58 415 470)	**26 274 944**	(184 543 324)	**(210 818 268)**	

(a) Actual service charges are reduced as result of loadshadding and main industrial customer that consume about 60% of electricty has shutdown during financial period.

(b) The rental received from WozaWoza has been reduced as from 01 August 2022 due to investment property becoming an owner occupied as some of the offices has been occupied by municipal official and parking has been used for municipal vehicles.

(c) There has been an increase in the rate of commission that is receivables from KZN DOT from 8,55% to 8,62%.

(d)The amount is for INEP (Construction Revenue) which was budgeted as per GRAP109 and now disclosed as GRAP 11 due changes to disclosure requirements
(e) The agreement with SANRAL and N3 TC has been revised and some of the costs that were recoverable from SANRAL and N3 TC has been absorbed by the municipality. Hence the billing for SANRAL and N3 TC has been reduced.

(f) Interest received has decreased as the municipality has been trying to meets its obligations as they fall due to avoid interest charge hence the decrease in the fruitless and wasteful expenditure as result of non-payment of invoices on time.

(g) The amount of property rates that has been budgeted was based on the valuation roll suppliment for the 2021/22 fianncial perood of which has been revised in the 2022/23 fianncial period.

(h) There has been promotions of the staff member to new positions that were vacant positions during the period and the Chief Financial Officer and Director Technical were appointed during the period.
(i) The amount is for INEP (Construction Expenditure) which was budgeted as per GRAP109 and now disclosed as GRAP 11 due changes to disclosure requirements
(j) The amount of finance costs that has been budgeted do not include the interest from ESKOM, SARS and other penalties. The increase to the amount of finance costs is in line with increase in ESKOM debt.

(k) The municipality's debtors balances have actually reduced from the prior to the current period. However when the budget was prepared based on the recent audited figures and it was anticipated that debtors balance would increase. However the debtors balances decreased, hence the contribution to provision for doubtful debts decreased.

(l) The payments for the finance leases of motor vehicles and photocopy machines has been capitalised to finance leases. Decrease in the amount of contracted services.

(m) The general expenses were under budgeted and the amount of expenditure has increased significantly due to aging electricty infrastructure that needs substantial amount of repairs and maintenance, raod infrastructure maintenance.

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property Rates	10 536 129	7 126 707	**17 662 836**	18 478 448	**815 612**	
Service charges	76 210 770	(1 515 326)	**74 695 444**	35 306 489	**(39 388 955)**	
Government - operating	56 285 700	7 248 993	**63 534 693**	53 117 544	**(10 417 149)**	
Interest income	124 333	233 951	**358 284**	14 117 119	**13 758 835**	
Government - capital	25 048 000	(9 495 992)	**15 552 008**	13 459 394	**(2 092 614)**	
Other Revenue	14 405 296	5 964 307	**20 369 603**	13 284 001	**(7 085 602)**	
	182 610 228	**9 562 640**	**192 172 868**	**147 762 995**	**(44 409 873)**	
Payments						
Suppliers and Employees	(144 875 660)	(27 168 061)	**(172 043 721)**	(99 542 646)	**72 501 075**	
Finance charges	-	-	**-**	(35 854 766)	**(35 854 766)**	
Transfers and grants	-	(597 000)	**(597 000)**	-	**597 000**	
	(144 875 660)	**(27 765 061)**	**(172 640 721)**	**(135 397 412)**	**37 243 309**	
Total receipts	182 610 228	9 562 640	**192 172 868**	147 762 995	**(44 409 873)**	
Total payments	(144 875 660)	(27 765 061)	**(172 640 721)**	(135 397 412)	**37 243 309**	
Net cash flows from operating activities	**37 734 568**	**(18 202 421)**	**19 532 147**	**12 365 583**	**(7 166 564)**	
Cash flows from investing activities						
Proceeds on disposal of PPE	-	89 000	**89 000**	89 482	**482**	
Decrease (increase) in non-current receivables	-	-	**-**	(166 333)	**(166 333)**	
Capital assets	(25 048 000)	9 495 992	**(15 552 008)**	(14 400 119)	**1 151 889**	
Net cash flows from investing activities	**(25 048 000)**	**9 584 992**	**(15 463 008)**	**(14 476 970)**	**986 038**	
Cash flows from financing activities						
Repayment of borrowing	(2 973 000)	600 000	**(2 373 000)**	-	**2 373 000**	
Net increase/(decrease) in cash and cash equivalents	9 713 568	(8 017 429)	**1 696 139**	(2 111 387)	**(3 807 526)**	
Cash and cash equivalents at the beginning of the year	1 157 000	2 361 780	**3 518 780**	3 518 780	**-**	
Cash and cash equivalents at the end of the year	**10 870 568**	**(5 655 649)**	**5 214 919**	**1 407 393**	**(3 807 526)**	
Reconciliation						

2. Significant accounting polices

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

1.1 Basis of preparations

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

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

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 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, loans and receivables

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

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

Allowance for slow moving, damaged and obsolete stock

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

1.4 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

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

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

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

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including service delivery, together with economic factors such as exchange rates inflation interest.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 20 - Provisions.

Useful lives of property, plant and equipment and other assets

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

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 18.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Effective interest rate

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

Allowance for doubtful debts

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

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

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

Subsequent measurement

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

The fair value of investment property is the price at which property could be exchanged between knowledgeable willing parties in an arms length transaction. Fair value specifically excludes an estimated price inflated or deflated by special terms or circumstances such as sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale.
An entity determines fair value without any deductions for transaction costs it may incur on sale or other disposal.

Derecognition

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

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

1.6 Property, plant and equipment

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

1.6 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

Major spare parts and standby equipments which are expected to be used for more than one period are included in the property, plant and equipment, In addition spare parts and standby equipments which can only be used in connection with an item of property , plant and equipment are accounted for as property, plant and equipment.

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

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

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

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

Item	Depreciation method	Average useful life
Land	Not Applicable	Not Applicable
Buildings	Straight-line	5-25 years
Leased assets	Straight-line	3-5 years
Infrastructure	Straight-line	3-60 years
Other property, plant and equipment	Straight-line	3-10 years

The residual value, the useful life and depreciation method of each asset are reviewed at the reporting date. If the expectations differ from the previous estimate the change is accounted for as the change of estimates.

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

Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 12).

The municipality discloses relevant information relating to assets under construction or development in the notes to the financial statements (see note 12).

1.7 Site restoration and dismantling cost

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

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

1.8 Intangible assets

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

Accounting Policies

1.8 Intangible assets (continued)

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits or service potential;
- there are available technical, financial and other resources to complete the development and to use or sell the asset;
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

When an intangible asset is acquired through a non exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.
An Intangible asset is regarded as having an indefinite useful life when based on all relevant factors there is no foreseeable limit to the amortisation method for intangible assets are viewed at each reporting date.
Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets on a straight-line basis to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software, internally generated	Straight-line	2-5 years
Computer software, other	Straight-line	2-5 years

Intangible assets are initially recognised at cost and are carried at cost less any accumulated amortisation and any impairments losses. An intangible asset is recognised when it is probable that the expected future economic benefit or service potential that attributable the asset to the municipality and cost can be measured reliable.

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

1.8 Intangible assets (continued)

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

1.9 Heritage assets

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

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

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

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

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

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

Recognition

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

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost being the fair value on initial recognition. The cost of an item of heritage assets is the purchase price and other costs attributable to bring the asset to the location and condition for it to be capable of operating in the manner intended by the municipality.
Trade discounts and rebates are deducted in arriving at the cost. The cost also include the necessary cost of dismantling and removing the asset and restoring the site on which it is located.
Where an asset is acquired by the municipality for no or nominal consideration (i.e non exchange transaction) the cost is deemed to be equal to the fair value of that asset on the date acquired.
The cost of an item of heritage assets acquired in exchange for a non monetary asset or monetary asset or a combination of monetary and non monetary assets, is measured at the fair value of the assets given up, unless the fair value of the asset received is more clearly evident if the required item could not be measured at its fair value its costs is measured at the carrying amount of the asset given up.

Subsequent measurement

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

Derecognition

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

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

Accounting Policies

1.10 Financial instruments

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

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

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

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

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

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

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

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

A financial asset is:

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

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

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

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

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

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

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.

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

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

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 bank	Financial asset measured at fair value
Receivables from exchange and non exchange transactions	Financial asset measured at amortised cost
VAT receivables	Financial asset measured at amortised cost
Bank investments	Financial asset measured at fair value
Loan Receivables	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent grants and subsidies	Financial liability measured at amortised cost
Provisions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

Initial recognition

The entity 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.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity 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.

1.10 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

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:

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 entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity 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.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

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.

1.10 Financial instruments (continued)

Financial liabilities

The entity 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.

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.

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.

1.11 Statutory receivables

Identification

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

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

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

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

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

Recognition

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

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.

Derecognition

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

Accounting Policies

1.11 Statutory receivables (continued)

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

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

1.12 Leases

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

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

Operating leases - lessor

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

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

Operating leases - lessee

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

1.13 Inventories

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

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

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

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

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

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

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

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

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

1.13 Inventories (continued)

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

When municipality hold inventories whose future economic benefits or service potential are not directly related to their ability to generate net cash inflows. These types of inventories may arise when an municipality has determined to distribute such inventories through a non-exchange transaction. In these cases, the future economic benefits or service potential of the inventory for financial reporting purposes is reflected by the amount the entity would need to pay to acquire the economic benefits or service potential if this was necessary to achieve the objectives of the entity. Where the economic benefits or service potential cannot be acquired in the market, an estimate of replacement cost will need to be made.

1.14 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

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

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 of 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.

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

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;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructurings or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years unless a longer period can be justified; and

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

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

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.

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

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

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

1.14 Impairment of cash-generating assets (continued)

Redesignation

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

1.15 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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

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.

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.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

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

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

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.

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

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

Redesignation

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

1.16 Employee benefits

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

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

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

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

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

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

Post-employment benefits

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

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

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

1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.16 Employee benefits (continued)

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

The entity recognises the net total of the following amounts in surplus or deficit except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

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

1.17 Provisions and contingencies

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

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

Accounting Policies

1.17 Provisions and contingencies (continued)

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

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

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

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

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

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

Provisions are not recognised for future operating (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

1.18 Long service awards

The municipality has the obligation to provide long service benefit to all its employees according the policy of the long service allowance scheme, which the municipality instituted and operates, an employee (who is in the current conditions of service), is entitle to cash allowance calculated in terms of rules of the scheme after 5 years of continued service and every 5 years subsequently.

The municipality liability is based on the actuarial valuations. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long term incentives are accounted for in surplus or deficit for the year.

1.19 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.

These preconditions ensure that the information relating to commitments is relevant and capable of reliable measurement.
A municipality may enter on or before the reporting date for expenditure over subsequent accounting periods e.g a contract for construction of infrastructure assets ,the purchase of major items of plant and equipment or significant consultancy contracts.
In these events , a commitment exists at the reporting date as the municipality has contracted for expenditure but work has not commenced and no payments have been made.
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-cancelable at significant cost (for example, contracts for computers or building maintenance, services) ; and
- Contracts should relate to something other than the routine, steady, state business of the of the entity - therefore salary commitments relating to employment contracts or social security benefit commitment are excluded.

1.20 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.

Accounting Policies

1.20 Revenue from exchange transactions (continued)

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.

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.

Interest received

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

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

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

Accounting Policies

1.21 Revenue from non-exchange transactions

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

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

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

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

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

Fines are economic benefits or service potential received or receivable by entities as determined by a court or other law enforcement bodies 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.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

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

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

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

1.21 Revenue from non-exchange transactions (continued)

Transfers

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

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

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

1.22 Investment income

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

1.23 Borrowing costs

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

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

1.24 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.

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.

1.24 Accounting by principals and agents (continued)

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; and
- It is not exposed to variability in the results of the transaction.

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

1.25 Comparative figures

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

1.26 Unauthorised expenditure

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

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

1.27 Fruitless and/or wasteful expenditure

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

1.28 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).

1.29 Investments

When the carrying amount of an investment is greater than the estimated recoverable amount it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

Accounting Policies

1.30 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 functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 22/07/01 to 23/06/30.

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

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

1.31 Related parties

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

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

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

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

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

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

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

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

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

1.32 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).

1.32 Events after reporting date (continued)

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.

1.33 Prior period error accounting

Prior period errors are omission from and misstatements in the municipality financial statements for one or more prior periods arising from failure to use or misuse of available reliable information

Unless it is impracticable to determine the effects of the error the municipality corrects material prior period retrospectively by restating the comparative amounts for the prior period.

1.34 Use of estimates

The preparation of financial statements in conformity with standards of GRAP requires use of certain critical accounting estimates.

Sections of the financial statements. Although these estimates are based on managements best knowledge of current events and actions they may undertake in the future actual results ultimately may differ from those estimates

1.35 Offsetting

Assets and liabilities, revenue and expenses should not be offset; these items should be reported separately. Offsetting is permitted only if it is required or permitted by other standards of GRAP (GRAP 25) , Legislation or where offsetting reflects the substance of the transaction or the event.

1.36 Loan receivable

Loan and receivables are non- derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loan and receivables are subsequently measured at amortized cost using the effective interest rate.

The effective interest method is a method of calculating the amortised cost of financial asset or 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 and financial liability.

When calculating the effective interest rate the municipality estimates cash flows considering all contractual terms of the financial instrument but does 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, transaction costs and all other premiums or discounts. In those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments) the municipality uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Figures in Rand	2023	2022

3. New standards and interpretations

3.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2023 or later periods:

• Guideline: Guideline on Accounting for Landfill Sites	July 1, 2023	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	No effective date	Unlikely there will be a material impact
• GRAP 25 (as revised): Employee Benefits	July 1, 2023	Unlikely there will be a material impact
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	July 1, 2023	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	No effective date	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	July 1, 2025	Unlikely there will be a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	July 1, 2023	Unlikely there will be a material impact
• GRAP 2020: Improvements to the standards of GRAP 2020	July 1, 2023	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	July 1, 2023	Unlikely there will be a material impact

4. Inventories

Maintenance materials	48 014	111 648
RDP properties held for distribution	33 365 000	33 365 000
	33 413 014	**33 476 648**

RDP houses that are in the name of the Municipality and were not officially transferred to beneficiaries that were identified during the 2021/22 and 2022/23 financial years respectively. These RDP housing stock are included in inventory as per GRAP 12.

None of the inventory items are pledged as security.

5. Other financial assets

At amortised cost		
Other Receivables The Municipality entered into an agreement with Umsunduzi Munipality to loan 13 motor vehicles. The vehicles would be returned to Mpofana Local Municipality as at the end of March 2023, brand new of the same make and specifications. The amount of vehicles loaned to Msunduzi was determined by using the fair value of the brand new vehicles of the same make and specifications as at 30 June 2023. The future value of the vehicles loaned to Msunduzi was determined to be R 4,023,811 using the Vehicle Pricing Index of 6.1%.	4 023 811	3 857 478
	-	-
	-	-
	4 023 811	3 857 478
Current assets		
At amortised cost	4 023 811	3 857 478
Non-current assets	-	-
Current assets	4 023 811	3 857 478

Figures in Rand	2023	2022

6. Receivables from non-exchange transactions

Property Rates	112 542 374	104 060 365
Fines	72 057 324	65 890 295
Sundry debtors	352 841	352 841
Provision for bad debt - sundry debtors	(352 841)	(352 841)
Provision for bad debts - Rates	(100 466 098)	(93 815 478)
Provision for bad debts - Fines	(61 050 488)	(58 038 871)
	23 083 112	**18 096 311**

Statutory receivables general information

Transaction(s) arising from statute

Determination of transaction amount

Figures in Rand	2023	2022

6. Receivables from non-exchange transactions (continued)

Property Rates		
Current(0-30 days)	1 008 468	3 861 325
31-60 days	1 777 348	1 235 356
61-90 days	808 729	1 138 938
91-120 days	940 296	1 019 819
120+ days	104 737 172	92 331 743
	109 272 013	**99 587 181**

Agriculture		
Current(0-30 days)	275 310	247 156
31-60 days	214 137	199 360
61-90 days	143 864	181 770
91-120 days	152 709	118 637
120+ days	7 064 797	5 524 680
	7 850 817	**6 271 603**

Business and Commercial		
Current(0-30 days)	217 671	1 100 845
31-60 days	624 929	666 967
61-90 days	370 691	618 542
91-120 days	469 692	576 951
120+ days	26 254 596	23 968 803
	27 937 579	**26 932 108**

Industrial		
Current(0-30 days)	12 310	54 830
31-60 days	7 895	9 851
61-90 days	6 326	8 318
91-120 days	6 326	5 996
120+ days	934 204	876 510
	967 061	**955 505**

Public Benefit Organisation		
Current(0-30 days)	45 718	19 491
31-60 days	1 381	17 430
61-90 days	718	16 580
91-120 days	718	14 696
120+ days	507 888	457 285
	556 423	**525 482**

Public Service Purpose		
Current(0-30 days)	35 754	34 213
31-60 days	38 405	32 241
61-90 days	33 789	32 241
91-120 days	33 789	32 241
120+ days	1 537 903	1 233 637
	1 679 640	**1 364 573**

Vacant Land		
Current(0-30 days)	-	62 370
31-60 days	6 886	1 131
61-90 days	12 651	3 598
91-120 days	12 726	3 298

Figures in Rand	2023	2022

6. Receivables from non-exchange transactions (continued)

120+ days	3 329 029	2 917 960
	3 361 292	**2 988 357**

Residential		
Current(0-30 days)	439 342	2 208 981
31-60 days	754 222	287 936
61-90 days	220 873	259 773
91-120 days	244 134	245 454
120+ days	56 870 387	49 835 626
	58 528 958	**52 837 770**

State Owned		
Current(0-30 days)	10 608	104 096
31-60 days	67 166	5 677
61-90 days	5 664	5 677
91-120 days	6 048	5 993
120+ days	6 265 945	5 750 489
	6 355 431	**5 871 932**

Public Service Infrastructure		
Current(0-30 days)	6 342	18 062
31-60 days	9 765	8 989
61-90 days	6 244	8 988
91-120 days	6 244	8 988
120+ days	661 683	570 371
	690 278	**615 398**

Protected Area		
Current(0-30 days)	4 428	5 246
31-60 days	4 636	4 294
61-90 days	4 428	4 294
91-120 days	4 428	4 294
120+ days	191 898	137 059
	209 818	**155 187**

Place of worship		
Current(0-30 days)	490	2 090
31-60 days	2 153	444
61-90 days	359	444
91-120 days	359	444
120+ days	490 338	469 600
	493 699	**473 022**

Fines		
	11 006 836	7 851 424

7. VAT receivable

VAT	40 902 934	31 226 630

VAT is payable on the payment basis. Once cash has been received from customers/receivables, VAT is payable to SARS.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

8. Receivables from exchange transactions

	2023	2022
Gross balances		
Electricity	7 770 854	7 593 190
Refuse	67 027 396	56 862 240
Housing rental	130 498	146 392
Sundry debtors	1 163 956	1 986 531
	76 092 704	**66 588 353**
Less: Allowance for impairment		
Electricity	(6 432 687)	(5 784 811)
Refuse	(36 775 162)	(32 871 034)
Housing rental	(308 338)	(299 568)
	(43 516 187)	**(38 955 413)**
Net balance		
Electricity	1 338 167	1 808 379
Refuse	30 252 234	23 991 206
Housing rental	(177 840)	(153 176)
Sundries	1 163 956	1 986 531
	32 576 517	**27 632 940**

	2023	2022
Electricity		
Current(0-30 days)	2 071 510	2 344 774
31-60 days	456 246	483 127
61-90 days	1 169 777	560 544
91-120 days	250 259	163 528
120+ days	3 823 062	4 041 217
	7 770 854	**7 593 190**
Refuse		
Current(0-30 days)	1 222 674	2 135 861
31-60 days	1 202 465	406 226
61-90 days	444 646	401 621
91-120 days	438 149	612 130
120+ days	63 719 462	53 306 402
	67 027 396	**56 862 240**

	2023	2022
Rentals		
Current (0 -30 days)	14 120	16 780
31 - 60 days	9 598	9 905
61 - 90 days	8 011	9 905
91 - 120 days	8 011	15 405
121 - 365 days	90 758	94 397
	130 498	**146 392**

9. Loan receivables

	2023	2022
Loan receivables	399 638	399 638

This loan pertains to Umgungundlovu District Municipality that owes Mpofana Local Municipality for the DBSA Loan that Mpofana Local Municipality paid for water and sanitation works in prior years. The water function was subsequently transferred to Umgungundlovu District Municipality thus Mpofana Local Municipality needed to be reimbursed from Umgungundlovu District Municipality with regards to the loan repayments. The loan is interet free and not secured by any liabilities.

10. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	1 407 394	3 518 780

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2023	June 30, 2022	June 30, 2021
First National Bank- Current Account 53050399907	564 496	2 503 912	3 012 839	564 097	2 503 912	3 059 285
First National Bank- Current Account 62101108034	59 508	126 753	78 150	59 508	126 753	78 150
First National Bank - Call Account 62134172890	4 859	2 482	2 482	4 859	2 482	2 482
Fisrt National Bank - Call Account 62172493935	3 853	39 001	38 198	3 853	39 001	38 198
First National Bank - Call Account 62173946040	702 312	667 456	336 654	702 312	667 456	336 654
First National Bank- Call Account 62187203957	2 223	21 597	21 145	2 223	21 597	21 145
First National Bank - Call Account 62237621760	2 324	30 924	30 299	2 324	30 924	30 299
First National Bank - 62854534990	8 789	5 042	5 011	8 789	5 042	5 011
First National Bank - Call Account 62854535790	7 718	55 977	48 073	7 718	55 977	48 073
First National Bank - Call Account 62854536607	20 304	5 042	5 011	20 304	5 042	5 011
First National Bank - Call Account 62854537449	3 758	32 821	5 011	3 758	32 821	5 011
First National Bank - Call Account 62854538786	18 732	18 086	5 011	18 732	18 086	5 011
First National Bank - Call Account 62920117969	8 917	9 687	-	8 917	9 687	-
Total	**1 407 793**	**3 518 780**	**3 587 884**	**1 407 394**	**3 518 780**	**3 634 330**

11. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	-	-	-	2 200 000	-	2 200 000

Figures in Rand	2023	2022

11. Investment property (continued)

Reconciliation of investment property - 2023

	Opening balance	Transfers	Total
Investment property	2 200 000	(2 200 000)	-

The investment property has been transferred to land and buildings as a result of change of use on 1 August 2022. The municipality moved into the Woza-Woza to occupy the offices and the vehicles of the municipality has been moved to park at Woza-Woza Tourism Centre and the rent income has been revised.

Reconciliation of investment property - 2022

	Opening balance	Fair value adjustments	Total
Investment property	2 100 001	99 999	2 200 000

	2023	2022
Fair value of investment properties	2 200 000	2 200 000

Pledged as security

No investment properties has been pledged as collactoral for liabilities for the Municipality.

Details of property

Genix valuation group was appointed by the Municipality as experts for the valuation of investment property.
The Municipality has the Woza-Woza Tourism Centre as investment property.
The Municipality uses fair value model to measure its investment property as at 30 June 2023 and 30 June 2022.

The valuation methodology applied was based on the current market value of similar properties within the Municipal Region fair value adjustmentt has been effected in the financial statements valuation.

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.

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.

Amounts recognised in surplus or deficit

	2023	2022
Rental revenue from Investment property	97 780	105 600

The investment property lease agreement with Gateway/Hartcourt Midlands expired in July 2019. A new three year lease agreement was entered with Woza-Woza as from June 2020.

For detailed analysis and segmental analysis of investment property please refer to Appendix B & C.

Notes to the Annual Financial Statements

Figures in Rand

12. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	21 512 716	(110 000)	21 402 716	20 562 716	(110 000)	20 452 716
Buildings	59 269 084	(15 230 145)	44 038 939	57 169 084	(12 745 684)	44 423 400
Infrastructure	266 296 819	(135 441 139)	130 855 680	243 938 181	(125 697 969)	118 240 212
Other property, plant and equipment	17 216 523	(13 412 921)	3 803 602	15 679 889	(11 556 910)	4 122 979
Work in progress	8 696 667	-	8 696 667	19 144 129	-	19 144 129
Leased assets	23 551 510	(21 268 233)	2 283 277	21 691 633	(17 709 375)	3 982 258
Landfil site	13 827 800	(11 496 900)	2 330 900	13 723 999	(9 278 674)	4 445 325
Total	**410 371 119**	**(196 959 338)**	**213 411 781**	**391 909 631**	**(177 098 612)**	**214 811 019**

12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Transfers received	Transfers	Other changes, movements	Depreciation	Total
Land	20 452 716	-	950 000	-	-	-	21 402 716
Buildings	44 423 400	850 000	1 250 000	-	-	(2 484 461)	44 038 939
Infrastructure	118 240 212	-	22 358 639	-	-	(9 743 171)	130 855 680
Other property, plant and equipment	4 122 979	1 535 141	-	-	-	(1 854 518)	3 803 602
Work in progress	19 144 129	11 911 177	-	(22 358 639)	-	-	8 696 667
Leased assets	3 982 258	-	-	-	-	(1 698 981)	2 283 277
Landfil site	4 445 325	-	-	-	103 801	(2 218 226)	2 330 900
	214 811 019	**14 296 318**	**24 558 639**	**(22 358 639)**	**103 801**	**(17 999 357)**	**213 411 781**

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Transfers received	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	20 452 716	-	-	-	-	-	-	20 452 716
Buildings	43 263 364	-	3 509 058	-	-	(2 349 022)	-	44 423 400
Infrastructure	119 016 177	-	8 537 250	-	-	(9 179 639)	(133 576)	118 240 212
Other property, plant and equipment	5 220 045	852 226	-	-	-	(1 611 899)	(337 393)	4 122 979
Capital Work in Progress	13 450 349	17 740 088	-	(12 046 308)	-	-	-	19 144 129
Finance lease assets	7 210 904	-	-	-	-	(3 053 169)	(175 477)	3 982 258
Landfill site	5 040 699	-	-	-	1 081 898	(1 677 272)	-	4 445 325
	213 654 254	**18 592 314**	**12 046 308**	**(12 046 308)**	**1 081 898**	**(17 871 001)**	**(646 446)**	**214 811 019**

For detailed analysis and segmental anaylisis of the property, plant and equipment please refer to Appendix B & C.

No property, plant and equipment has been pledged as collateral of liabilities of the municipality.

The useful lives of the assets that are approaching the end of its useful lives has been assessed as at 30 June 2023. The impact of reassessment of the useful lives in the current period and subsequently.

Figures in Rand	2023	2022

12. Property, plant and equipment (continued)

Assets subject to finance lease (Net carrying amount)

	2023	2022
Lease of motor vehicles	2 283 277	3 982 258

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Total
Opening balance	19 144 128	-	19 144 128
Additions/capital expenditure	9 171 382	2 739 795	11 911 177
Transferred to completed items	(22 358 638)	-	(22 358 638)
	5 956 872	**2 739 795**	**8 696 667**

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Total
Opening balance	11 276 056	2 174 294	13 450 350
Additions/capital expenditure	16 405 322	1 334 764	17 740 086
Transferred to completed items	(8 537 250)	(3 509 058)	(12 046 308)
	19 144 128	**-**	**19 144 128**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure included in Statement of Financial Performance		
General expenses	17 538 797	10 847 052

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.

13. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1 272 258	(1 167 453)	104 805	1 272 258	(1 062 649)	209 609

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software, other	209 609	(104 804)	104 805

Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software, other	314 413	(104 804)	209 609

For detailed analysis and segmental anaylisis of intangible assets please refer to Appendix B & C.

14. Heritage assets

	2023			2022		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral Chain	192 000	-	192 000	185 000	-	185 000

Reconciliation of heritage assets 2023

	Opening balance	Revaluation increase/(decrease)	Total
Mayoral Chain	185 000	7 000	192 000

Reconciliation of heritage assets 2022

	Opening balance	Revaluation increase/(decrease)	Total
Mayoral Chain	168 750	16 250	185 000

The Mayoral chain has been revalued as at 30 June 2023 by Afrokwazi.
The effective date of the revaluation was 28 July 2023.
The nature of material and the respective weight was utilised to determine the fair value based on the prevailing market prices of silver as at 30 June 2023.
The Fair value as at 30 June 2023 was R192 000 (2022: R185 000).

For detailed analysis and segmental anaylisis of the heritage assets please refer to Appendix B & C.

15. Operating lease asset (liability)

	2023	2022
Current liabilities	(3 422)	(38 707)

Operating leases are recognised on the straight-line basis as per the requirement of GRAP 13

Figures in Rand	2023	2022

15. Operating lease asset (liability) (continued)

Opening balance	(38 707)	(34 525)
Operating lease expenses recorded	565 706	526 239
Operating lease payments from smoothing	(530 421)	(530 421)
	(3 422)	**(38 707)**

Lease arrangements

The Municipality as lessee

Operating leases relate to property, plant and equipment with lease terms not longer than 5 year with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the Municipality exercises its option to renew. The Municipality does not have an option to purchase the leased asset at the expiry of the lease period.

Amounts payable under operating lease

At the reeporting date the Municipality had outstanding commitments under non-cancellable operating leases for property, plant and equipment, which fall due as follow:

Within one year	50 218	565 706
In the second to third years, inclusive	-	50 218
	50 218	**615 924**

The following payments have been recognised as an expense in the Statement of Financial Performance:

Minimum lease payments

The Municipality has operating lease agreements for the following classes of assets which are only significant collectively:

- **Office equipment**

The following rrestrictions have been imposed on the Municipality in terms of the lease agreements on office equipment:

(i) The equipment shall remain the property of the lessor;

(ii) The hirer shall not sell, sublet, cede, assign or delegate any of its rights or obligations on the equipment.

(iii) The equipment shall be returned in good order and condition to the lessor upon termination of the agreement; and

(iv) The Municipality is obliged to enter into a maintenance agreement with the lessor for the equipment rented.

16. Payables from exchange transactions

Trade payables	462 261 629	344 433 935
Retentions	4 068 129	3 794 786
Accrued leave pay	4 526 239	3 960 384
Debtors received in advance	4 969 650	6 548 900
Unallocated receipts	924 543	875 050
Salary Suspense	3 550 126	2 596 618
13th Cheque accrual	1 123 862	1 049 471
	481 424 178	**363 259 144**

Figures in Rand	2023	2022

17. Consumer deposits

Electricity	363 319	353 989
Other	6 440	4 858
	369 759	**358 847**

18. Employee benefit obligations

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(13 201 890)	(13 554 215)
Present value of the defined benefit obligation-partly or wholly funded	(4 280 199)	(3 836 190)
	(17 482 089)	**(17 390 405)**

Non-current liabilities	(16 361 486)	(16 715 407)
Current liabilities	(1 120 603)	(674 998)
	(17 482 089)	**(17 390 405)**

The fair value of plan assets includes:

Defined benefit plan

Post retirement medical aid plan		
Balance at the beginning of the period	13 554 215	14 210 074
Contribution to provision	2 410 688	2 230 315
Transfer of current liabilities	(438 072)	(632 416)
Actuarial gains	(2 324 941)	(2 253 758)
	13 201 890	**13 554 215**

The municipality has a post-employment health care liability consists of a commitment to pay a portion of the pensioners' post-employment medical scheme contributions. This liability is also generated in respect of dependants who are offered continued membership of the medical scheme on the death of the primary pensioner.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2023 by Mr DT Mureriwa , 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.

The members of the post-employment health care benefit plan are made up as follows:

In-service members (employees)	100	91
Continuation members	12	9
	112	**100**

The unfunded liability in respect of past service has been estimated as follows:

In-service members	7 306 536	9 228 451
Continuation members	5 895 354	4 325 764
	13 201 890	**13 554 215**

The current-service cost for the year ending 30 June 2023 is estimated to be R686 449, whereas the cost for the ensuing year is estimated to be R713 616 (30 June 2022: R576 945 and R686 449 respectively).

Figures in Rand	2023	2022

18. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	14.47 %	12.93 %
Consumer Price Inflation	8.14 %	7.95 %
Health care cost inflation rate	9.64 %	9.45 %
Net effective discount rate	4.13 %	3.18 %
Expected retirement age - females	63	63
Expected retirement age - males	60	60

Changes in the present value of the defined benefit obligation are as follows:

Balance at beginning of the year	13 554 215	14 210 074
Current service costs	686 449	576 945
Interest cost	1 724 239	1 653 370
benefits paid	(438 072)	(632 416)
	15 526 831	15 807 973
Actuarial loss/(gain)	(2 324 941)	(2 253 758)
	13 201 890	**13 554 215**

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	686 449	576 945
Interest cost	1 724 239	1 653 370
Actuarial losses/(gains)	(2 324 941)	(2 253 758)
	85 747	**(23 443)**

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

2023	One percentage point increase	One percentage point decrease
Effect on the aggregate of the current service cost	182 215	(140 077)
Effect on the aggregate of interest cost	320 501	(256 387)
Effect on defined benefit obligation	2 263 181	(1 810 719)
	2 765 897	**(2 207 183)**

2022	One percentage point increase	One percentage point decrease
Effect on the aggregate of the current service cost	2 464 748	(1 949 228)
Effect on the aggregate of interest cost	187 915	(141 776)
Effect on defined benefit obligation	318 562	(251 906)
	2 971 225	**(2 342 910)**

The municipality expects to make contribution of R2,452 million (2022: R2,411 million) to the defined benefit plans during the next financial year.

Figures in Rand	2023	2022

18. Employee benefit obligations (continued)

Other assumptions

It is assumed that healthcare cost trends rates have a significant effect on the amounts recognised is surplus or deficit

Defined contribution plan
Certain councillors and certain employees belong to the defined benefit plan of the Natal Joint Superannuation and retirements funds, and the Municipal Councillors Pension Fund. Employees of Mpofana make up less than 1% of the total members of the funds. Mpofana's liability in these funds could not be dertemined owing mainly to the assets not being allocated to each municipality and one set of financial being prepared for each fund and not per municipality. These funds are subject to triennial acturial valuations. The last statutory valuations was perfomed in March 2022 on the retirement and provident funds and in March 2018 on the Superannuation Fund. An interim valuation of the Superannuation fund was done in March 2022.

Superannuition Fund
The actuarial value of total assets was R10 113 227 million at the acturial date.
1.surplus of R0.00 in respect of pensioners (Funding level 100%)
2.surplus of R0.00 in respect of members (funding level 100%)
3. the fund was thus 100% funded
4. the fund did not hold any an investment reserve.
5.the total contribution rate payable, including the surcharge by and on behalf of members, exceeded that required for future services by 1.41% of members pensionable emoluments.
6. An additional contribution by the way of surcharge amounting to 9.5% of salaries is currently in place to fund the deficit. The surcharge will build up the Solvency Reserve.

Retirement Fund
The acturial value of total assets was R3 650 776 million at the acturial valuation date .
1. surplus of R0.00 in respect of pensioners (funding level 100%)
2. deficit of R148 694 million in respect of members (funding level 91.1%)
3. the fund was thus 96.1% funded
4.the fund did not hold an investment reserve
5. the total contribution rate payable will include a surcharge of 17.5% payable to reduce the deficit in the fund

Provident Fund
The acturial value of the total assets was R2 636 064 million at the acturial valuation date
1. surplus/deficit of R0.00 and the funding levels is 107.4%
2. the fund was thus 107.4 funded
3. the fund did not hold an investment reserve

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

Figures in Rand	2023	2022

18. Employee benefit obligations (continued)

Long service awards

Provision for long service awards	4 280 199	3 836 190

The movement in non-current provisions are reconciled as follows:.

Long-term service		
Balance at beginning of year	3 836 190	2 206 435
Contributions to provision	778 398	1 660 800
Transfer to current provisions	(334 389)	(31 045)
	4 280 199	**3 836 190**

A long-service award is payable after 5 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2023 by Mr DT Mureriwa, 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 year-end, 120 (2022: 130) employees were eligible for long-service awards.

The current service costs for the year ending 30 June 2022 is estimated to be R205 538, whereas the cost for the ensuing year is estimated to be R362 306 (30 June 2022: R352 301 and R205 538 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rates	11.47 %	11.73 %
Consumer Price Inflation	5.85 %	6.96 %
Salary Increase Rate	6.85 %	7.96 %
Net effective discount rate	4.32 %	3.49 %
Expected retirement age - females	63	63
Expected retirement age - males	60	60

Movements in the present value of the defined benefit obligation were as follows:		
Balance at beginning of the year	3 836 190	2 206 435
Current service costs	352 301	205 538
Interest cost	436 089	208 575
Benefits paid	(334 389)	(31 045)
Actuarial losses/(gains)	(9 992)	1 246 687
	4 280 199	**3 836 190**

In accordance with transitional provisions for the amendments to GRAP 25 employee benefits in December 2004, the disclosures above are determined prospectively from the 2006 reporting.

The effect of a 1% movement in the assumed rate of long-service cost inflation is as follows:

2023	One percentage point increase	One percentage point decrease
Effect on the aggregate of the current service cost	30 676	(27 253)
Effect on the aggregate of interest cost	36 450	(32 670)

Figures in Rand	2023	2022

18. Employee benefit obligations (continued)

Effect on defined benefit obligation	317 786	(284 831)
	384 912	**(344 754)**

2022	One percentage point increase	One percentage point decrease
Effect on the aggregate of the current service cost	309 534	(275 991)
Effect on the aggregate of interest cost	32 338	(28 515)
Effect on defined benefit obligation	36 309	(32 373)
	378 181	**(336 879)**

The municipality expects to make a contribution of R788 390 (2022: R414 113) to the defined benefit plans during the next financial year.

19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	2 561 952	-
Craigburn Housing Project Grant	5 840 388	5 840 388
Municipal Assistant Grant - Small Town Grant	718 239	625 585
Townview Housing Project Grant	8 168 481	8 168 481
Local Government SETA	78 738	-
Title Deeds Grant	499 659	498 459
	17 867 457	**15 132 913**

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

See note 26 for reconciliation of grants from National/Provincial Government.

Figures in Rand	2023	2022

20. Provisions

Reconciliation of provisions - 2023

Current liabilities		
Provisions	2 041 346	2 204 004
Non-current liabilities		
Provisions	14 870 079	13 226 935

	Opening Balance	Utilised during the year	Reversed during the year	Reduction due to re-measurement or settlement without cost to entity	Total
Provision for restoration of landfill site	14 870 079	1 643 144	-	103 801	16 617 024
Provision for performance bonus	560 860	-	(266 459)	-	294 401
	15 430 939	**1 643 144**	**(266 459)**	**103 801**	**16 911 425**

Reconciliation of provisions - 2022

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Total
Provision for restoration of landfill site	12 541 551	-	1 246 630	1 081 898	14 870 079
Provision for performance bonus	-	560 860	-	-	560 860
	12 541 551	**560 860**	**1 246 630**	**1 081 898**	**15 430 939**

Non-current liabilities	14 870 079	13 226 935
Current liabilities	2 041 346	2 204 004
	16 911 425	**15 430 939**

The landfill site provision is raised for the rehabilitation of the waste disposal site to its original state once the site has reached the end of its useful life.

A discount factor was applied based on prime interest and adjustment for Municiapl specific risk.

The timing or amounts of any resulting outflows or economic benefit cannot be estimated.

21. Service charges

Sale of electricity - Metered	37 513 033	50 559 876
Refuse removal	4 655 455	4 717 075
Sale of electricity - Prepaid	12 175 484	13 996 235
	54 343 972	**69 273 186**

22. Rental of facilities and equipment

Premises		
Rental of facilities	218 516	243 465

23. Licences and permits (exchange)

Road and Transport	4 768 032	4 561 486

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

23. Licences and permits (exchange) (continued)

The Municipality has entered into an arrangement with the KwaZulu-Natal Department of Transport for collecting licences and permit fees for all vehicles and customers with the Municipal arrear. The Municipality is an agent to the transaction and all licence and permit fees are determined and handed over to KwaZulu-Natal Department of Transport. The Municipality has the responsibility to appoint the employees to render the services. Therefore, the arrrangement has been accounted for as an agent in terms of GRAP 109.

24. Other income

	2023	2022
Tender Documents	28 456	16 087
Income from N3 TC	902 303	921 468
Sundry Income	300	-
Cemetery fees	61 600	73 166
Town Hall Hire	11 430	-
Rates Clearance	89 044	12 069
Business Licences	11 158	7 818
Building Plans	27 827	58 187
Cemetery fee income	1 217	2 435
Commission received	15 919	12 131
Income from Sanral	6 123 000	4 908 000
	7 272 254	**6 011 361**

25. Investment revenue

	2023	2022
Interest revenue		
Bank	13 950 785	4 168 167
Interest on other receivables	166 333	221 778
	14 117 118	**4 389 945**

Figures in Rand	2023	2022

26. Property rates

Rates received

Residential	9 722 505	9 615 438
Commercial	4 181 625	5 114 996
State	2 586 940	2 448 560
Municipal (Agricultural)	3 746 249	4 863 744
Communal Property Land	255 071	77 346
Public Benefit Organisation	244 715	190 873
Public Service Infrastructure	170	8
Less: Income forgone	(4 550 974)	(3 655 025)
	16 186 301	**18 655 940**

Valuations

Agriculture	2 975 715 000	2 958 865 000
Commercial	457 905 000	443 480 000
Residential	1 205 055 500	1 194 830 500
Municipal	97 733 000	96 533 000
Industrial	74 030 000	74 030 000
Place of Worship	26 170 000	26 170 000
Public Benefit Organisation	125 790 000	125 790 000
Public Service Infrastructure	15 710 000	15 710 000
Other	231 223 000	230 324 000
	5 209 331 500	**5 165 732 500**

Property rates levied in terms of the Local Government: Municipal Property Rates Act. No. 6 of 2004 (MPRA) with effect from 01 July 2007.

Valuations on Land and Buildings are performed every 5 years.

The last general valuation came into effect on 01 July 2020.

Adjustments to the valuation roll in terms of Section 78 of the Municipal Property Rates Act No. 6 of 2004 (as amended) are effected on an on-going basis. The adjustments take into account consolidations and sub-divisions as well as property category changes. Thus, interim valuations are processed on an annual basis.

Assessment Rates: Cents per Rand on market valuations are as follow	Rebates 2022/23	Rebates 2021/22	Tariff 2022/23	Tariff 2021/22
Agriculture	- %	- %	0.001227	0.001489
Business and Commercial	- %	- %	0.007446	0.010153
Industrial	- %	- %	0.014188	0.013538
Municipal	100.00 %	100.00 %	0.000000	0.000000
Place of worship	100.00 %	100.00 %	0.000000	0.000000
Protected area	100.00 %	100.00 %	0.000000	0.000000
Public benefit Organisation	- %	- %	0.001560	0.001489
Public service infrastructure	100.00 %	100.00 %	0.001560	0.001489
Public service purpose	- %	- %	0.015607	0.014892
Residential - Urban	35.00 %	- %	0.007803	0.007446
Residential - Rural	35.00 %	35.00 %	0.007803	0.007446
Vacant land	- %	- %	0.007803	0.007446
Vacant land (Rural)	- %	- %	0.000000	0.001489

For the calculation of rates, residential properties are subject to an exemption of R90 000 (2022: R90 000) of the valuation of the properties.

Pensioners rebate: Oldeer than 65 years at 35% for both urban and rural.

26. Property rates (continued)

Rate are levied on an annual basis for government entities. Rates are levied on a monthly basis for all other customers.

Rates are payable monthly in twelve (12) equal installments with the first installment payable on the 1st July 2022 and the last instalment payable on the 30th June 2023.

27. Government grants & subsidies

	2023	2022
Operating grants		
Equitable share	43 460 000	39 181 000
Provincial Library Subsidy	2 472 000	2 113 000
Museum Subsidy	235 000	225 000
Finance Management Grant (FMG)	3 000 000	2 900 000
Expanded Public Works Program (EPWP)	1 216 000	1 136 000
	50 383 000	**45 555 000**
Capital grants		
Municipal Infrastructure Grant (MIG)	10 552 048	17 463 000
Municipal Assistant Grant - Small Town	2 907 346	-
	13 459 394	**17 463 000**
	50 383 000	45 555 000
	13 459 394	17 463 000
	63 842 394	**63 018 000**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

	2023	2022
Conditional grants received	20 099 052	23 837 000
Unconditional grants received	43 460 000	39 181 000
	63 559 052	**63 018 000**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

	2023	2022
Current - year receipts	43 460 000	39 181 000
Current - year transfer to revenue	(43 460 000)	(39 181 000)
	-	-

Municipal Infrastructure Grant

	2023	2022
Current-year receipts	13 114 000	17 463 000
Conditions met - transferred to revenue	(10 268 706)	(17 463 000)
	2 845 294	**-**

This grant was used to address backlogs in municipal infrastructure required for the provision of basic services.

Craigburn Housing Project Grant

	2023	2022
Balance unspent at beginning of year	5 840 388	5 840 388

The grant is provided by Provincial Department of Human Settlement to deliver the service of housing infrastructure.

27. Government grants & subsidies (continued)

Municipal Assistance Grant - Small Town Grant

Balance unspent at beginning of year	625 585	625 585
Current-year receipts	3 000 000	-
Conditions met - transferred to revenue	(2 907 346)	-
	718 239	**625 585**

This subsidy is provided by the Department of Cooperative Governance and Traditional Affairs to perform feasibility studies with a view to developing the town by improving its economic state and attracting investment.

Townview Housing Project Grant

Balance unspent at beginning of year	8 168 481	8 168 481

The grant is from Provincial Department of Human Settlements to provide service of housing infrastructure.

Finance Management Grant

Current-year receipts	3 000 000	2 900 000
Conditions met - transferred to revenue	(3 000 000)	(2 900 000)
	-	-

To promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

Expanded Public Works Programme Grant

Current-year receipts	1 216 000	1 136 000
Conditions met - transferred to revenue	(1 216 000)	(1 136 000)
	-	-

This subsidy was provided by Department of Public Works to assist with the alleviation of poverty in the municipal area by providing temporary employment for the unemployed.

Library Grant

Current-year receipts	2 472 000	2 113 000
Conditions met - transferred to revenue	(2 472 000)	(2 113 000)
	-	-

The library subsidy was provided by Department of Arts and Culture in order to assist municipalities to deliver on the unfunded mandate of the provision of library services in their respective areas.

Leanership Awareness Programme Grant

Balance unspent at beginning of year	-	-
Current-year receipts	78 738	-
	78 738	-

The grant is provided by SETA for training and development of municipal employees.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

27. Government grants & subsidies (continued)

Title deed Grant

Balance unspent at beginning of year	498 459	498 459
Current-year receipts	1 200	-
	499 659	**498 459**

The grant is provided by Department of Human Settlement to accelerate the transfer of ownership to qualifying occupants.

Museum subsidy grant

Current-year receipts	235 000	225 000
Conditions met - transferred to revenue	(235 000)	(225 000)
	-	**-**

The subsidy was granted to the municipality for operational upkeep of the museum.

28. Fines, Penalties and Forfeits

Municipal Traffic Fines	7 278 947	5 796 762

Figures in Rand	2023	2022

29. Employee related costs

Basic	37 459 530	34 250 293
Bonus	2 571 509	3 071 348
Medical aid - company contributions	3 672 916	3 247 542
UIF	303 532	255 914
SDL	474 705	439 475
Leave pay provision charge	586 434	(250 178)
Defined contribution plans	7 647 686	6 772 849
Travel, motor car, accommodation, subsistence and other allowances	2 748 376	2 789 225
Overtime payments	1 753 878	1 918 624
Long-service awards	17 912	458 870
Acting allowances	186 840	497 917
Housing benefits and allowances	834 084	1 174 228
Medical Aid - company contributions	231 661	219 299
Redemption of leave	250 597	38 764
Other payroll levies	17 592	17 146
	58 757 252	**54 901 316**

Remuneration of Municipal Manager

Dr. E.H. Dladla		
Annual remuneration	567 134	735 661
Car allowance	180 366	122 610
Cellphone allowance	8 000	24 000
Housing allowance	331 854	367 831
Company contribution	12 031	12 273
	1 099 385	**1 262 375**

Remuneration of Chief Finance Officer

Mr. P. Molefe		
Annual remuneration	446 357	480 072
Car allowance	194 545	240 036
Housing allowance	251 812	240 036
Company contribution	10 996	11 125
	903 710	**971 269**

Remuneration of General Manager - Technical Services

Mrs. S.R. Zwane		
Annual remuneration	129 619	480 072
Car allowance	19 840	420 036
Cellphone allowance	96 810	14 400
Housing allowance	64 809	240 036
Company contribution	3 899	12 709
	314 977	**1 167 253**

General Manager:Technical Services (Mrs SR Zwane) has resigned as of 07 October 2022.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

29. Employee related costs (continued)

Remuneration of General Manager Technical Services

Miss. M. Mbatha		
Annual remuneration	55 869	-
Car allowance	10 000	-
Company contribution	826	-
	66 695	**-**

Miss M Mbatha resumes the duties as General Manager: Technical Services as of 01 June 2023

General Manager Corporate and Community Services

Mr. M.E. Ngonyama		
Annual remuneration	96 014	346 847
Car allowance	16 002	62 801
Housing allowance	48 007	188 402
Company contribution	1 944	7 202
	161 967	**605 252**

General Manager:Corporate and Community Services (Mr ME Ngonyama) has resigned as of 31 August 2022

30. Remuneration of councillors

Mayor	683 514	728 608
Speaker	444 142	342 274
Councillors	1 353 457	1 276 439
Councillors' pension contribution	-	30 441
Councillors' medical contribution	13 776	11 847
Councillors' allowances	621 576	593 107
UIF	20 193	13 123
SDL	22 125	23 932
	3 158 783	**3 019 771**

In-kind benefits

The Mayor and the Speaker are full-time. The Mayor and the Speaker are provided with an office and secretarial support at the cost of the Council.

The Mayor and Speaker have use of a Council owned vehicles for official duties.

The Mayor and the Speaker have bodyguards.

Arrears owed by Councillors

There were no Councillors in arrears as at 30 June 2023.

31. Depreciation and amortisation

Property, plant and equipment	17 999 358	17 871 001
Intangible assets	104 804	104 804
	18 104 162	**17 975 805**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

32. Impairment loss

Impairments		
Property, plant and equipment	-	646 447
There were two vehcles that were involved in the accidents during the 2021/22 financial period. The vehicles were written off by the insurance company.		
One vehicle waas stolen from the Municipality and was never recovered in the 2021/22 financial period.		
There were assets that were identified during the verification in 2021/22 financial period that are no longer in the condition that can be used to generate economic benefits or for service delivery. The items that were identified to be impaired includes the movable assets, leased assets and road infrastructure.		
The main classes of assets affected by impairment losses are: Vehicles involved in the car accidents		
Vehicles that was stolen from the Municipality		
Assets that were no longer in use as they are not functional and/or do not serve the intended purposes.		
	-	646 447
	-	-

33. Finance charges

Finance cost post retirement plan	1 724 239	1 653 370
Interest and penalties	32 051 294	14 065 681
Interest on finance leases	-	173 277
Provision of landfill site (unwinding)	1 643 144	1 246 630
Finance cost long service awards	436 089	208 575
	35 854 766	**17 347 533**

34. Debt impairment

Contributions to debt impairment provision -Fines	3 011 617	4 066 626
Contributions to debt impairment provision- Exchange transactions	4 442 581	5 202 627
Contributions to debt impairment provision- Rates	6 650 619	5 585 685
	14 104 817	**14 854 938**

35. Bulk purchases

Electricity - Eskom	73 717 692	86 494 282

36. Contracted services

Outsourced Services		
Administrative and Support Staff	1 590 085	-
Hygiene Services	209 932	179 770
Security Services	4 499 293	2 988 771
Contractors		
Maintenance of Equipment	738 555	679 818

Figures in Rand	2023	2022

36. Contracted services (continued)

Presented previously	-	-
Outsourced Services	6 299 310	3 168 541
Consultants and Professional Services	-	-
Contractors	738 555	679 818
	7 037 865	**3 848 359**

37. General expenses

Advertising	136 495	162 280
Auditors remuneration	1 534 882	2 035 480
Bank charges	271 578	264 008
Consulting and professional fees	4 810 179	5 264 722
Consumables	115 212	175 970
Entertainment	54 515	29 000
Hire	14 774 404	11 677 858
Insurance	652 052	498 838
Conferences and seminars	-	8 000
IT expenses	632 275	540 774
Motor vehicle expenses	490 796	60 791
Fuel and oil	4 647 241	2 542 247
Arbitration Award	597 242	-
Postage and courier	58 335	67 310
Printing and stationery	267 815	242 290
Electricity Maintenance (Material & Supplies)	12 914 335	9 293 318
EPWP Casuals	1 263 946	1 182 074
Repairs and maintenance	4 428 303	2 511 147
Software expenses	5 405 134	4 603 689
Water Expenses	1 298 235	730 544
Subscriptions and membership fees	41 000	10 500
Telephone and fax	903 702	952 856
Training	-	37 826
Title deed search fees	243 048	-
Assets Expensed	-	2 763 021
Uniforms	469 437	464 855
Sundry cost	434 487	463 203
Ward committee support	355 200	131 500
Legal expenses	11 099 494	5 401 598
Write off	5 050	12 255
Debt collection	-	488 070
Accomodation	18 671	19 834
Other expenses	302 290	377 981
District shared services	44 681	46 748
	68 270 034	**53 060 587**

38. Auditors' remuneration

Audit commitee	95 850	122 364
Audit Fees	1 439 032	1 913 116
	1 534 882	**2 035 480**

Figures in Rand	2023	2022

39. Cash generated from operations

Deficit	(108 546 422)	(78 739 603)
Adjustments for:		
Depreciation and amortisation	18 104 162	17 975 805
Loss on sale of assets and liabilities	(89 482)	(335 970)
Impairment deficit	-	646 447
Debt impairment	14 104 817	14 854 938
Movements in operating lease assets and accruals	(35 285)	4 183
Movements in retirement benefit assets and liabilities	91 684	973 896
Movements in provisions	1 480 486	2 889 388
Fair Value adjustment heritage asset	(7 000)	(116 249)
Changes in working capital:		
Inventories	63 634	121 149
Receivables from exchange transaction	(19 048 394)	(31 171 144)
Other receivables from non-exchange transactions	(4 986 802)	9 143 829
Payables from exchange transactions	118 165 034	98 941 215
VAT	(9 676 304)	(11 741 495)
Unspent conditional grants and receipts	2 734 544	-
Consumer deposits	10 912	9 798
	12 365 584	**23 456 187**

40. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Bruntville Sport field	495 500	-
• Bruntville Internal Road	1 608 384	-
• Phumlaas and Townview road	625 958	-
• Osuthu Access road	-	3 771 531
• Rehabilitation of phumlaas road	-	408 354
• Rondebosch community hall	-	25 783
• Mooi River Town Renewable	159	-
	2 730 001	**4 205 668**

Total capital commitments		
Already contracted for but not provided for	2 730 001	4 205 648

Authorised operational expenditure

Already contracted for but not provided for		
• Approved and contracted	21 906 208	16 066 034

Total operational commitments		
Already contracted for but not provided for	21 906 208	16 066 034

Operaing commitments is made up of internal audit services, operational costs for landfill site, cash management services, cellphone contracts and valuation roll services.

Total commitments

Total commitments		
Authorised capital expenditure	2 730 001	4 205 648
Authorised operational expenditure	21 906 208	16 066 034
	24 636 209	**20 271 682**

41. Contingencies

Contingent Liabilities

Name of Plaintiff	Nature of Case	2023	2022
Mpofana v L.Sthole & others	Mpofana v L.Sthole & others - Eviction of occupiers from the town hall	-	-
ESKOM SOC	ESKOM SOC v Mpofana Muncipality- Claim against the municipality Electricity Account	-	1
Mill Fitchet (Pty) Ltd	Mill Fitchet (Pty) Ltd v Mpofana Municipality- Service Provider claiming monies due	1 500 000	1 200 000
Tanya Stephanie Sango	Tanya Stephanie Sango v Mpofana Municipality - Claim against damages of vehicle cused by potholes	-	20 561
Saquilla Trust	Saquilla Trust v Mpofana Municipality - damages caused by potholes	-	142 107
Kenneth Murdoch	Kenneth Murdoch v Mpofana Municipality - claim against medical expenses and damages arising from vehicle caused by potholes	5 000 000	3 200 000
KSA Security	Payment Outstanding	8 225 123	-
Etilweni (Pty) Ltd	Outstanding Fees	1 148 000	-
Kamawewe Development Consultants (KDC) v Mpofana Municipality	the matter is to argue the point of law. The municipality maintained that no contract was entered into with KDC.	-	1 310 190
		15 873 123	**5 872 859**

Contingent assets

Name of Defendant	Nature of Case	2023	2022
Big 5 Hlabisa Local Municipality/ JM Bird	Proceeds from the sale of property	-	250 000
Illegal invaders of property R622/Greytown Main Road intersection Mooi River/Bruntville/link Road (Erf 13025,Erf 1049, Erf 1464) Adjacent to Erf 5/13025	Interdict and Restrain the Respondents from invading, erecting structures and attempting to occupy the immovable property.	-	-
Mpofana Municipality v Kamawewe Development Consultant	Counterclaim of R7.0 million	-	7 000 000
		-	**7 250 000**

42. Related parties

Relationships	
Accounting Officer	Refer to accounting officers' report note 29
Chief Financial Officer	Refer to note 29
General Manager Technical Services	Refer to note 29
General Manager Corporate and Community Services	Refer to note 29
Councillors	Refer to note 29

Remuneration of key management personnel and Councillors is set out in Note 28 and 30 respectively.

There were no awards to close family members of persons in the service of the Municipality.

43. Prior period errors

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

Statement of Financial Position	Previously reported	Reclassification	Restatement	Restated balance
Current assets				
Receivable from exchange transactions	14 852 279	-	12 780 662	27 632 941
Receivable from non-exchange transactions	68 682 921	-	(50 586 610)	18 096 311
VAT receivables	28 503 435	-	2 723 195	31 226 630
	112 038 635	**-**	**(35 082 753)**	**76 955 882**
Non-current assets				
Property, plant and equipment	216 160 520	-	(1 349 505)	214 811 015
Liabilities				
Current liabilities				
Payables from exchange transactions	363 560 513	-	(301 371)	363 259 142
Subtotal	363 560 513	-	(301 371)	363 259 142
	363 560 513	**-**	**(301 371)**	**363 259 142**

1. **Receivables from exchange transactions** - Receivables from exchange transactions has been adjusted with the revised billing after the data cleansing exercise. The billing and debtors balances for electricity and refuse for the prior period.

2. **Receivables from non-exchange transactions** -Receivables from non-exchange transactions has been adjusted with the revised billing after the data cleansing exercise. The billing and debtors balances for property rates for the prior period.

3. **VAT receivables** -The VAT effect of the adjustment that has been made to the receivables from exchange and non-exchange transactions as result of data cleansing and correction of the billing.

4. **Property, plant and equipment** - There were projects that were completed in the prior years however there were no completion certificates that were proveded by the engineers as there was a dispute in terms of payments with regards to engineering consultants. Hence the correction of the prior projects transferred to infrastructure and were depreciated.

5. **Payables from exchange transactions** - The balance of debtors with credit balances that has been reclassified from receivables to accounts payables in the prior period has been revised as result of the cleansing exercise that has been performed on received hence the balance of debtors with credit balances been adjusted in the prior period.

Statement of Financial Performance	Previously reported	Reclassification	Restatement	Restated balance
Revenue				
Service charges	69 220 550	-	52 636	69 273 186
Property rates	17 937 465	-	718 477	18 655 942
Interest received	347 437	-	4 042 508	4 389 945

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

43. Prior period errors (continued)

	87 505 452	**-**	**4 813 621**	**92 319 073**
Expenditure				
Depreciation and amortisation	17 461 649	-	514 156	17 975 805
Debt impairment	9 245 809	-	5 609 129	14 854 938
	26 707 458	**-**	**6 123 285**	**32 830 743**

1. **Service charges** - Corrections of billings for electricy and refuse from the exercise of data cleansing for the prior period.

2. **Property rates** - Corrections of billings for property rates from the exercise of data cleansing for the prior period.

3. **Interest received** - Interest received has not been charged on outstanding accounts in the prior years, the municipality has revised and corrected the accounts and has started to charge interest for current and prior period.

4. **Depreciation and amortisation** - There were projects that were completed in the prior years however there were no completion certificates that were proveded by the engineers as there was a dispute in terms of payments with regards to engineering consultants. Hence the correction of the prior projects transferred to infrastructure and were depreciated.

5. **Debt impairment** - The provision for doubtful debts has been revised as result of the restatement of receivables from exchange and non-exchange. The balances were corrected and interest has been charged on those accountbalances for current and prior period.

Statement of Cash Flows		Previously reported	Reclassification	Restatement	Restated balance
Cash flow from operating activities					
Receipts					
Taxation revenue	-	15 858 632	-	17 737 903	33 596 535
Service charges	-	58 185 401	-	(20 073 561)	38 111 840
Other receipts	-	480 299	-	(1 405 481)	(925 182)
Interest Income	-	347 437	-	4 042 508	4 389 945
Payments					
Employee costs	-	55 444 827	-	(560 861)	54 883 966
Suppliers	-	41 641 223	-	862 228	42 503 451
	-	**171 957 819**	**-**	**602 736**	**172 560 555**

Disclosure note		**Previously reported**	**Reclassification**	**Restatement**	**Restated balance**
Material losses					
Material losses	-	39 398 443	-	6 785 051	46 183 494
Contigent Liabilities					
ESKOM SOC	-	300 000 000	-	(300 000 000)	-
	-	**339 398 443**	**-**	**(293 214 949)**	**46 183 494**

44. Risk management

Financial risk management

Figures in Rand	2023	2022

44. Risk management (continued)

Liquidity risk

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

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.

Trade and other payables	482 511 652	363 560 513
Unspent conditional grants	18 150 800	15 132 913
	500 662 452	**378 693 426**

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

Financial instrument		
Cash and cash equivalent	1 407 394	3 518 780
Receivables from non-exchange transactions	80 015 083	70 621 081
Receivables from exchange transactions	20 175 910	16 628 383

Market risk

Interest rate risk

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

45. Going concern

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

The municipality has a deficit of R108 546 426 on in the current year. The current liabilities exceeded the current assets by R184 543 328 and the available cash resource did not cover the commitment for unspent conditional grants with an amount of R17.8 million being recovered

There has been major challenges with the debtors system over several years. This has affected the municipality's collections and revenue stream. In the prior year a decision was taken by Council to suspend the charging of interest on overdue debt accounts whilst management addresses the debtors system challenges. Whilst progress has been noted in some aspects of the debtors system, this process is still ongoing.

The liquidity ratio of the municipality is 0.35:1 which means that the municipality is not able to pay its creditors as they fall due . This is evident in the increase on the trade payables that is disclosed at +R481.4 mil (2022: R363.2 mil).

Despite the adverse liquidity position of the municipality , the following should be noted:
1. The municipality is in a net liability position of R184,543 million.
2. The Municipality is to consider payments plans for some customers to improve collections.
3. Municipality has also taken legal action against some customers that have large unpaid accounts.
4.Debtor collectors are assisting the municipality with recovery of debts that are over 90 days.
5. Other forms of income streams and prevention of electricity losses can be considered by the municipality with the assistance of Municipal Infrastructure Support Agent (MISA)

46. Events after the reporting date

At the time of completion of the annual financial statements there were no events after the reporting date affecting these financial statements.

47. Unauthorised expenditure

Opening balance as previously reported	271 652 126	209 277 463
Add: Unauthorised expenditure - current	76 038 564	62 374 663
Closing balance	**347 690 690**	**271 652 126**

Unauthorised expenditure: Budget overspending

Employee related cost	3 878 989	3 521 230
Remuneration of Councillors	9 351	475 772
Depreciation and amortisation	109 912	-
Construction contract expenditure (INEP)	10 701 500	-
Finance cost	18 226 646	7 967 975
General expenses	33 514 457	41 068 754
Bulk purchases	1 927 908	6 483 274
Capital expenditure	-	2 211 211
Impairment loss / reversal of impairment	-	646 447
Debt impairment	4 859 006	-
Grants spent for unintended purposes	2 810 795	-
	76 038 564	**62 374 663**

Disciplinary steps taken/criminal proceedings

Investigations are being conducted by MPAC

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

48. Irregular expenditure

Opening balance as previously reported	122 743 993	84 586 999
Add: Irregular expenditure - current	24 339 357	21 178 998
Add: Irregular expenditure - prior period	8 452 972	16 977 996
Less: Amount written off - current	(58 873 519)	-
Closing balance	**96 662 803**	**122 743 993**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

48. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings		
SCM processes not followed - quotations were not obtained	The incident has been reported to Council and MPAC is dealing with the matter.	2 173 153	7 233 490
Service provider appointed during the time where the PPPFA Regulation was suspended	The incident has been reported to Council and MPAC is dealing with the matter.	3 755 892	-
Competitive bidding not followed	The incident has been reported to Council and MPAC is dealing with the matter.	23 666 435	18 417 013
Tender was not advertised for required time	The incident has been reported to Council and MPAC is dealing with the matter.	2 808 892	9 503 795
Contract expired	The incident has been reported to Council and MPAC is dealing with the matter.	387 957	368 328
CSD report reflecting a non-tax compliant status	The incident has been reported to Council and MPAC is dealing with the matter.	-	2 634 368
		32 792 329	**38 156 994**

49. Deviation from supply chain management regulations

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by council, any deviations from the Supply Chain management Policy needs to be approved / condoned by the Municipal Manager and noted by Council The municipality incurred deviations in terms of section 36(2) of the Municipal Supply Chain Regulations and noted by Council

Total Section 36 Deviations for the financial year		
Emergencies	1 011 879	766 691
Sole provider	72 622	63 841
Exceptional case	908 803	420 799
	1 993 304	**1 251 331**

Figures in Rand	2023	2022

50. Fruitless and wasteful expenditure

Opening balance as previously reported	871 355	4 682 376
Add: Fruitless and wasteful expenditure identified - current	32 648 537	14 511 953
Less: Amount written off - current	(32 648 537)	(14 397 051)
Less: Amount written off - prior period	-	(3 925 923)
Closing balance	**871 355**	**871 355**

Figures in Rand		2023	2022

50. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings		
Interest	Investigations are being conducted by MPAC	30 996 781	13 882 151
Overpayments	Investigations are being conducted by MPAC	-	81 000
Penalties	Investigations are being conducted by MPAC	1 054 514	514 177
Arbitration award	Investigations are being conducted by MPAC	597 242	92
Duplicated payments	Investigations are being conducted by MPAC	-	34 534
		32 648 537	**14 511 954**

51. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	3 363 642	4 000 000
Current year subscription / fee	614 108	563 642
Amount paid - previous years	-	(1 200 000)
	3 977 750	**3 363 642**

The municipality is committed to settle the amount that has not been honoured in the previous years due to limited resources.

Audit fees

Opening balance	-	61 195
Current year subscription / fee	2 225 939	2 200 083
Amount paid - current year	(1 940 245)	(2 200 083)
Amount paid - previous years	-	(61 195)
	285 694	**-**

Notes to the Annual Financial Statements

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

PAYE and UIF

Opening balance	1 329 970	607 560
Current year subscription / fee	9 045 034	8 080 260
Amount paid - current year	(7 529 845)	(6 750 290)
Amount paid - previous years	(1 464 928)	(607 560)
	1 380 231	**1 329 970**

Pension and Medical Aid Deductions

Opening balance	1 322 780	1 190 542
Current year subscription / fee	16 347 850	14 754 112
Amount paid - current year	(15 042 124)	(13 431 331)
Amount paid - previous years	(1 257 250)	(1 190 543)
	1 371 256	**1 322 780**

VAT

VAT receivable	71 589 266	58 433 214
VAT payable	(30 686 332)	(27 206 584)
	40 902 934	**31 226 630**

VAT output payables and VAT input receivables are shown in note 7.

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

Councillors' arrear consumer accounts

The municipal Councillors do not hold any account either for electricity, refuse or rates with the municipality hence there are no account balances receivable from councillors as at 30 June 2023:
It has been noted that some councillor have prepaid meters and some councillors are living in residences where ownership is not in their names, some councillors are living in the rural arears where Eskom supplies electricity directly.

Non-payment of creditors within 30 days

Due to severe financial constraints, the municipality has not complied with the regulation of paying creditor within 30 days in terms of the MFMA and Treasury Regulation 8.2.3. A process plan to address this has been designed to ensure compliance which will be monitored quartely by Council.

52. Material Losses

Electricity distribution losses	42 467 970	46 183 494

Electricity energy losses of 21 873 296 kWh as at June 2023 (June 2022: 25 544 747 kWh) occurred during the year which resulted in revenue loss amounting to R42 467 970 (June 2022: R46 183 494). The National norm for electricity losses range from 6% to 12 % . The energy loss incurred by the municipality as at June 2023 is 48.05% (June 2022: 40.28%) and is mainly due to transmission / distribution losses and illegal connections.

53. Construction contractor revenue (INEP)

Construction contractor revenue (INEP)	10 701 500	-

54. Construction contract expenditure (INEP)

Construction contract expenditure (INEP)	10 701 500	-

Appendix F: Municipal Audit Committee Report

REPORT OF THE AUDIT AND PERFORMANCE AUDIT COMMITTEE TO THE COUNCIL OF MPOFANA MUNICIPALITY

FOR THE 2022/23 FINANCIAL YEAR

The Mpofana Municipality's Audit and Performance Audit Committees (AUDCOM) is pleased to present their report to the Council for the year ended 30 June 2023.

Audit and Performance Audit Committee Mandate

The Mpofana Municipality established an Audit Committee in terms of section 166 of the Municipal Finance Management Act (MFMA) and section 14(2)(c) of the Local Government Municipal Planning and Performance Regulations, 2001 (Regulations). Consideration has also been given to Circular No. 65 issued by the National Treasury in November 2012 as well as the recommendations contained in the King Report on Governance for South Africa 2016 (King IV).

Role of the Audit Committees

The role of the AUDCOM is to assist the Mpofana Municipality and officials in achieving their strategic goals and objectives, by helping to maintain effective internal controls; effective risk management, accurate financial reporting and corporate governance principles, compliance with applicable legal and regulatory requirements, and other such duties as may be directed by the Council and the Accounting Officer.

The AUDCOM does not assume the functions of management which remain the responsibility of the Accounting Officer, Council and the delegated officials.

Members and attendance at meetings

The Mpofana Council appointed five (5) independent, external members in its meeting in 22 December 2022. The four (4) members were re-appointed while the other one (1) member was joining for the first time.

AUDCOM members are Mr Z Zulu (Chairperson), Mr A Singh, Prof B Stobie, Mr Mabaso and Ms S Keshav. The five (5) members have attended three ordinary meetings of the Audit and Performance Committee.

The audit committee had to have a special audit committee on 23 February 2023 to discuss and recommend the Adjustment Budget for Council approval and another special meeting on 24 May 2023 for review of 2023/24 draft Annual Budget and 2023/24 draft SDBIP.

The AUDCOM also had to have two (2) special meetings to review the draft annual Financial Statements (AFS), Annual Performance Report (APR) and Annual Report (AP). The first special meeting was on the 23rd of August 2023 while the second and third special meetings were on the 30 & 31st of August 2023.

Audit Committee Responsibility

The legal responsibilities of AUDCOM are set out in terms of section 166 of the MFMA and operate within the terms of the Audit and Performance Audit Committee Charter approved by the Council.

In the conduct of its duties, the AUDCOM has performed the following statutory duties relating to the year ended 30 June 2023:

1. ***Reviewed internal financial controls and internal audit***

The internal audit function was co-sourced, and it was operational for the financial year, completing the majority of the approved audit plan. The AUDCOM noted and appreciated the work done by the current co-sourced Company: Inkazimulo Consulting. During the period under review, the Internal Audit Charter and Internal Audit Plan was approved by AUDCOM on 15 August 2022.

The internal audit plan for 2022/2023 took into consideration the critical risks of the operations of the Municipality, addressed the findings of the Auditor-General and Internal Audit from the audit of the previous financial year, and was prepared for a period of 3 years.

Internal audit reports included recommendations to improve internal controls together with agreed management action plans to resolve the issues reported on. Areas of concern with a high-risk rating were discussed with management and the risks were verified with various departments. AUDCOM recommended that management and Internal Audit focus on identifying the root causes of the issues highlighted, and that they ensure that an implementation date is included in the management response.

The internal audit reports that were discussed and considered by the AUDCOM during the financial year included the following reviews;

- SCM & Expenditure Management;
- HR & Payroll Management;
- Fleet Management;
- Revenue Management;
- Contract & Project Management;
- Waste Management; and
- Performance Management (Q1 to Q4)

The AUDCOM expressed concern at the number of instances where audit findings were repeated, particularly with regards to Performance Management. The AUDCOM also expressed concern at the delay experienced in obtaining management comments on some of the Internal Audit reports and urged management to address this. The AUDCOM urged management to provide detailed responses to audit findings which clearly outline the corrective action to be taken with clear timelines.

The AUDCOM reviewed and commented on the audit action plans for 2021/22 to address internal as well as external audit findings. The Committee monitored management progress against this plan on a quarterly basis and the Internal Audit provided independent assurance on completed action plans. The AUDCOM will continue to monitor progress against the plan in response to audit findings at each of its future meetings.

Management is required to implement appropriate systems of internal controls and/or corrective action to address the identified weaknesses and possible irregularities. Although there are controls in place, the existing systems and procedures require enhancement and continued monitoring in particular SCM Management, Revenue & Debtors Management, Fleet Management and Performance Management.

The AUDCOM has expressed concern that the internal control environment is not yet fully effective to ensure clean administration, based mainly on the internal and external audit findings as well as the inadequate progress to implement corrective actions.

2. *Risk Management*

Internal Audit does not assume the functions, systems and processes of risk management but assists Council and management in the monitoring of risk management in the Municipality, through its own assurance processes and the progress of the different departments in the Municipality in managing their risk.

Risk management is the identification, assessment, and prioritisation of risks and the application of resources to minimise, monitor, and control the probability and/or impact of the risks.

The AUDCOM is responsible for oversight of the internal and external auditors as well as financial reporting. Because the assessment of internal controls over financial reporting is risk-based, the AUDCOM is responsible for overseeing management's risk framework and policies and discussing the Municipality's key risk exposures with management.

As part of the annual risk review, management identified current controls that may be in place to mitigate risks identified, as well as possible action plans to be implemented to improve the mitigation of risk. These risks were logged onto a risk register, which formed the basis of the risk-based audit plan.

AUDCOM noted the updated risk registers and the establishment of the Municipal Risk Management Committee and expressed its appreciation for the effort made in ensuring that the external Risk Chairperson or Champion has now been appointed by the municipality.

3. *Review of the financial statements*

The financial statements for the financial year ending 30 June 2023 were prepared and submitted on the 31st August 2023. The AUDCOM evaluated the unaudited financial statements on 23rd August 2023 for reasonableness, completeness and accuracy and considered the efficiency and effectiveness of internal controls over the preparation and reporting. The AUDCOM also considered an Internal Audit report on the review of the financials and all supporting working papers as per MFMA circular 50. The AUDCOM made recommendations for improvement and a date of 30th August 2023 to review prior to submission to the Auditor-General was set for the Audit Committee to sign off.

4. *The credibility, reliability and accuracy of financial reporting and information as well as accounting policies*

Regular management reports were reviewed by the AUDCOM. These included debtors age analyses, income and expenditure reports, budget and variance reports. AUDCOM agreed to follow the MFMA calendar with regards to Sec 52(d) and Section 72 reports. Several pertinent matters were raised with management who in turn furnished satisfactory answers. In many instances suggestions, recommendations, and/or requests from the AUDCOM were implemented by management.

Information furnished by the Internal Audit and Management has allowed the AUDCOM to form an opinion that the Municipality's system of internal financial control was effective and formed a basis for the preparation of reliable financial statements. However, the Municipality's system of internal financial controls and reporting is not yet fully effective and there is room for improvement to achieve overall clean administration.

Some of the key challenges for the Municipality continue to be:

- Debt collection;
- Irregular, fruitless and wasteful expenditure and the investigation thereof. The overall consequence management is not yet evident and AUDCOM recommends that Council take action;
- Unauthorised expenditure and the investigation thereof;
- Payment of creditors within 30 days;
- Growing Eskom debt;
- Supply Chain Management; and
- High electricity loses.

5. *Performance Management*

The AUDCOM also serves as the Performance Audit Committee. Internal Audit reviewed the Municipality's performance and tabled reports at all ordinary meetings of AUDCOM. The AUDCOM noted with concern the shortcomings highlighted in the Internal Audit reports and urged management to address them. AUDCOM recommended that the municipality must begin a process of evaluation of the performance of the Sec 57 employee. AUDCOM is not pleased that the reviews for the 2022/2023 financial year were not done by the end of the FY 2022/23.

The AUDCOM is of the view that the monitoring function of the Performance Management System could improve and Executive Directors must take ownership of their scorecards. The AUDCOM noted the filling of the key positions of Section 56/7 employees during the financial year and it looks forward to improved performance of the Municipality as a result.

6. *Effective Governance*

The AUDCOM fulfils an oversight role regarding the Municipality's governance processes. It is responsible for ensuring that the internal audit function is independent and has the necessary resources, standing and authority to enable it to discharge its duties. Furthermore, it oversees cooperation between the internal and external auditors, and serves as a link between the Council and these functions.

The internal and external auditors have unlimited direct access to the AUDCOM, primarily through its Chairperson. The Mayor and the Chairperson of the Municipal Public Accounts Committee (MPAC), and representatives from COGTA, Provincial Treasury and the Auditor-General have a standing invitation to attend AUDCOM meetings. The AUDCOM is not aware of any matters referred to them by Council.

7. Compliance with Legislation

The AUDCOM has noted instances of non-compliance with policies and procedures, MFMA and SCM Regulations, and these have been brought to the attention of management.

The progress to move to full compliance by means of comprehensive checklists will be monitored on a quarterly basis.

8. Key issues dealt with and recommendations

- Management should ensure that credible, reliable and accurate financial and performance information is submitted on a timely basis to the AUDCOM for review. In this regard, the Municipal Manager should ensure that AUDCOM agenda packs contain complete, credible and accurate information, including interim Financial Statements.
- Although internal controls are in place, the AUDCOM requested that there must be consequences for non-adherence with internal controls and non-compliance with laws and regulations.
- The Municipal Manager should ensure that recommendations of internal and external audit are implemented as per the action plans and report on progress on a quarterly basis. This should assist to obtain a clean audit.
- The Council should monitor progress of the performance against planned objectives on a monthly basis to improve on the actual achievements based on adequate supporting documentation.
- Alignment of resolutions of management meetings, MPAC meetings, Council meetings and those of AUDCOM should be standard agenda items of meetings of any of the structures above.

9. Conclusion

The AUDCOM confirms its commitment to assist Council to make significant progress towards clean administration and also wishes to thank Council and management for its support, and the teams from internal and external audit for their contributions.

On behalf of the Audit Committee

Mr Zwile Zulu (Chairperson)

3 YEAR CAPITAL WORKS PLAN

The following table summarises the 2023/2024 – 2025/2026 Capital Budget

Project Title	Total Project Cost	Total Planned Expenditure on MIG for 2023/2024	Total Planned Expenditure on MIG Funds for 2024/2025	Total Planned Expenditure on MIG Funds for 2025/2026
Construction of Mzilanyoni Gravel Road	R31 205 624.79	R4 674 127.95	R9 274 543.00	R13 625 850.00
Upgrade Phumlaas/Townview Internal Roads	R12 285 164.40	R5 800 967.83	R3 969 807.00	-
Bruntville Internal Road Rehabilitation Phase 2	R4 300 502.12	R1 002 454.22	-	-
Upgrade of Bruntville Sports Field	R8 000 000.00	R8 000 000.00	-	-
Construction of Riversdale Sporting Centre	R655 700.00	R1 350 300.00	-	-
TOTAL		R20 827 850.00	R13 244 350.00	R13 625 850.00

Project Title		INEP Expenditure 2023/2024	INEP Expenditure 2024/2025	INEP Expenditure 2025/2026
INEP Grant (Electrification of Households)		R42 692 000.00	R15 000 000.00	R15 672 000.00
TOTAL		R42 692 000.00	R15 000 000.00	R15 672 000.00