2024/25

ANNUAL REPORT

OF

OKHAHLAMBA

LOCAL

MUNICIPALITY

2024/
2025

LOCAL MUNICIPALITY • UMKHANDLU WENDAWO

DRAFT ANNUAL REPORT 2024/25 FINANCIAL YEAR

[Okhahlamba Municipality, 259 Kingsway Street, Bergville, 3350]

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CHAPTER 1 – MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

COMPONENT A: MAYOR'S FOREWORD

MAYOR'S FOREWORD FOR THE AR 2024/2025 FINANCIAL YEAR

It is with great honour and a deep sense of responsibility that

I present the 2024/25 Annual Report of Okhahlamba Local Municipality on behalf of our dedicated

Council and administration.

Before reflecting on the achievements and challenges of the past financial year,

I would like to take a solemn moment to acknowledge the passing of four of our valued employees.

Their contributions to the municipality were significant, and we extend our heartfelt condolences

and prayers to their families, friends, and colleagues. May their souls rest in peace.

Despite operating under difficult financial conditions—conditions that continue to affect all three spheres of government—we have made commendable progress in fulfilling our mandate to deliver services to the people of Okhahlamba. We remain firmly committed to improving the functionality of our municipality through innovative approaches, ethical leadership, and an unwavering focus on community needs.

This year, we have made tangible strides in infrastructure development. We successfully constructed several gravel access roads in wards 2, 8, 10, 11, and 14, including the Nkoxo Access Road and Bridge. Early childhood development remains a priority, and I am pleased to report the completion of Reserve C Crèche in Ward 9 and Phola Park Crèche in Ward 7. The upgrade of the Bergville Sports Complex in Ward 11 is progressing steadily, and once completed, will be a vibrant space for youth and community development.

Electrification remains a cornerstone of our development strategy. Through the completion of the Potshini Electrification Phase II (Ward 12) and Vimbukhalo Electrification Phase II (Ward 14), we have brought electricity to 140 households—transforming lives and enhancing dignity for families who previously lived without this basic service.

Housing delivery has also been a major focus. The municipality advanced work on 27 housing projects and delivered 227 new homes in areas such as Moyeni B, Potshini, and Emmaus. We distributed 283 title deeds in Nhlanhleni, and final documentation is being finalised for 500 households in Gugulethu. We are also responding to emergency housing needs and farm-dweller accommodation, with 140 disaster relief units delivered and plans underway for 17 temporary units and new rental housing, pending land transfers.

Maintaining local roads and public amenities is a critical function of our municipality. This year, we received R8.858 million through the Municipal Disaster Recovery Grant (MDRG) to rehabilitate five pedestrian bridges damaged by floods. In a bold effort to meet community needs amid constrained funding, Council resolved to allocate R18.74 million from municipal reserves to re-gravel 18 access roads across several wards. Additionally, we undertook key maintenance tasks such as manhole unblocking, stormwater drainage, and pothole repairs in the Bergville and Winterton CBDs. Community halls in Wards 3, 9, and 10 were also successfully refurbished.

However, we must be candid about the challenges we face. A limited maintenance budget, staff shortages, and delayed national transfers have impacted the rollout of critical services. Some programmes have had to be temporarily suspended. Yet, even under such conditions, we continue to serve with commitment and purpose.

We are equally proud of our efforts to empower our staff through learning and development. Twelve employees have pursued academic qualifications through our bursary programme—four of whom have graduated. A further 20 employees completed the Municipal Finance Management Programme (MFMP), 30 were certified in First Aid, and five drivers/operators were assessed for competency. Our OHS Committee also received safety training, and we continue to support in-service trainees and internships as part of our youth development strategy.

Financially, we have maintained stability, spending 100% of our Municipal Infrastructure Grant (MIG) and Small Business Development grant funding. However, the 2024/25 audit outcome from the Auditor-General of South Africa resulted in an unqualified opinion with findings. Irregular expenditure, fuel management issues, and internal control deficiencies were highlighted. These concerns are being addressed with urgency and resolve. We have enhanced our internal control systems and risk management practices, and our Risk Management and Internal Audit Units are operating effectively to uphold compliance, particularly in supply chain and human resource management.

Our municipality continues to be guided by principles of transparency, accountability, and ethical leadership. We are dedicated to strengthening our institutional capacity and ensuring our municipality becomes increasingly responsive, resilient, and people-centred.

In conclusion, I wish to extend my gratitude to the Council, municipal officials, community leaders, partners, and most importantly, the residents of Okhahlamba. Your patience, support, and engagement remain the foundation upon which we build our collective progress. While we acknowledge the challenges before us, we are confident that through unity, commitment, and good governance, we will continue to move Okhahlamba forward—delivering services, restoring dignity, and building a better future for all.

His Worship, Councillor: V.R Mlotshwa
Mayor of Okhahlamba Local Municipality

COMPONENT A: EXECUTIVE SUMMARY

1.1. MUNICIPAL MANAGER'S OVERVIEW

Municipal Manager's Overview

The Okhahlamba Local Municipality continues to demonstrate its unwavering commitment to fulfilling its constitutional mandate of service delivery and accountable governance, despite operating under increasingly complex and financially constrained conditions. The municipality's vision remains rooted in responsiveness, transparency, and development — even as we navigate a harsh socio-economic climate marked by rising poverty levels, infrastructure backlogs, limited internal revenue, and global economic volatility.

The current budgetary pressures facing all three spheres of government have had a significant impact on service delivery, particularly in rural municipalities like ours, where grant funding plays a critical role in enabling core functions. These fiscal constraints have made the prioritisation of resources essential, often forcing difficult trade-offs between urgent community needs and long-term developmental goals.

Our work continues to be guided by national and provincial development strategies, most notably the National Development Plan 2030. Through alignment with frameworks such as the Municipal Finance Management Act, the Municipal Systems Act, and the Municipal Structures Act, we have ensured that our planning, budgeting, and implementation remain compliant and performance-driven. The Integrated Development Plan (IDP), Organisational Scorecard, and Municipal Performance Plan serve as living tools through which we track progress, enhance accountability, and ensure alignment with community priorities.

Meaningful community engagement remains a cornerstone of our governance approach. Through structured public participation platforms, we continue to ensure that the voices of our residents are heard, respected, and reflected in our annual planning and service delivery processes.

Despite constrained resources, Okhahlamba achieved over 90% of its infrastructure delivery targets for the year under review. These include the successful completion of key projects such as access roads and market facilities, demonstrating the municipality's ability to deliver on its promises when provided with the necessary support.

On the revenue front, we remain focused on enhancing financial sustainability and improving municipal performance. Our revenue and financial highlights for the year are as follows:

- All suppliers with valid invoices were paid within 30 days.
- The proportion of grant income to total revenue has decreased to 79.36%, reflecting gradual gains in local revenue generation.
- The collection rate for the year stood at 70%, in line with our target.
- All conditional grants are not fully cash-backed, with a strong cash-backing rate of 21%.

- The council's cash coverage ratio decreased from 1 months to -0.41 month, underscoring the pressure on liquidity.

However, not all areas met our high standards. After achieving nine consecutive clean audits, the municipality received an unqualified audit opinion with findings for the 2023/2024 financial year. Key concerns raised by the Auditor General included irregular expenditure, internal control deficiencies in financial record keeping, and ineffective fuel and fleet management systems. These findings are receiving urgent attention, with remedial steps being implemented to restore compliance and accountability.

Our challenges are real, but so too is our resolve. The municipality remains committed to improving its overall functionality, enhancing service delivery, and deepening public trust through ethical leadership and sound administration.

I wish to express my sincere appreciation to the political leadership, councillors, management team, and municipal staff whose dedication and resilience have enabled us to maintain institutional stability in an increasingly constrained environment. Together, we will continue striving for a municipality that is responsive, capable, and community-focused.

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Mr. S.N Malinga

Municipal Manager

1.2. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

Municipal Powers & Functions

Schedule 4 Part B	Function Allocated to Okhahlamba Municipality	Function Allocated to District Municipality
Air pollution	YES	
Building regulations	YES	
Child care facilities	YES	
Electricity and gas reticulation	NO	NO
Fire-fighting services	NO	YES
Local tourism	YES	
Municipal airports	YES	
Municipal planning	YES	
Municipal health services	NO	NO
Municipal public transport	YES	
Municipal public works only in respect of the needs of municipalities in the administer function specifically assigned to them under this Constitution or any other law	YES	
Pontoons, farriers, jetties, piers and harbours, excluding the regulations of international and national shipping and related thereto	YES	
Storm water management systems in built-up areas	YES	
Trading regulations	YES	
Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems	NO	YES

DEMOGRAPHIC CHARACTERISTICS

Statistics South Africa has released Municipal level Census information. This information will be used to analysis the trends in demographic and social economic profiles. The Census 2022 and Census 2016 information will be compared and contrasted against one another identifying traits and trends.

It should be noted that the Municipal Demarcation Board delimitated the existing 14 wards into 15 wards. Analysis of data is however, based on the 15 wards for which the Census 2022 data is available.

2.11 POPULATION SIZE AND GROWTH

Okhahlamba experienced a positive growth on its population as the population size increased from 132 068 in 2011 to 143 132 in 2022 recording a 8.3% positive growth (see table 4). This increase in population can be attributed to various factors, some of which include reduced mortality rate, better medical facilities. This increase in population has significant implications particularly in development related issues.

TABLE 4: DISTRICT POPULATION GROWT TREDS

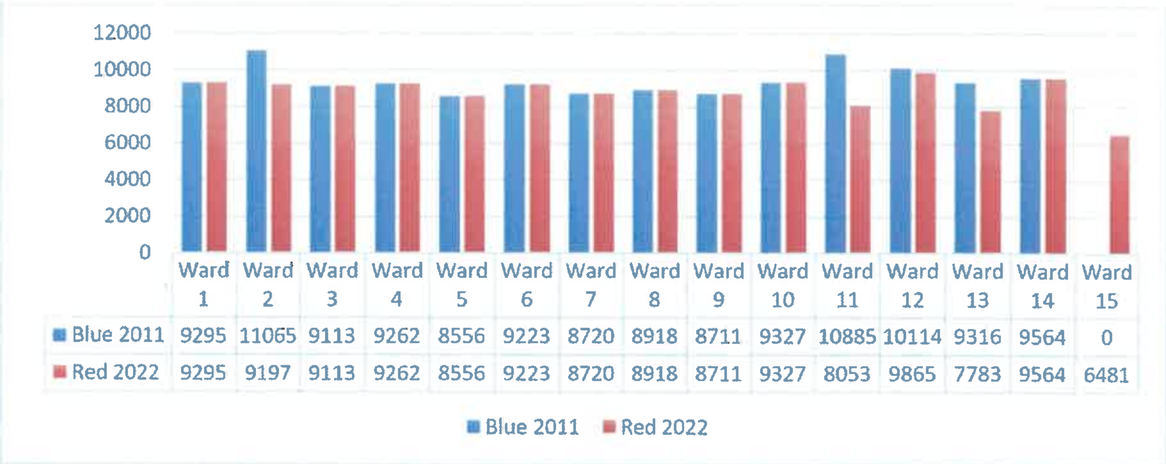
Municipality	**Municipal Population**			
	2011		**2022**	
	Number	**%**	**Number**	**%**
DC23: uThukela	668,849	0.17%	706,588	6.4%
KZN235: Okhahlamba	132,068	-0.43%	143,132	8.3%
KZN238: Alfred Duma	340,554	-0.45%	356,274	3.2%
	196,227	2.59%	215,182	1.2%

Source: Stats SA, Census 2022

2.1.2 POPULATION DISTRIBUTION

Although the population are distributed fairly even between the fifteen (15) wards, it is clear that the wards with the most people are wards 12, 14 and 10 (figure 1). All of these wards have population of more than 9000+ people.

FIGURE 1: POPULATION DISTRIBUTION PER WARD



Source: IEC 2024 data

2.1.3 HOUSEHOLD SIZE

According to the Census 2022 data, the number of households slightly increased from 27 576 in 2011 to 29 095 in 2022, marking an increase of 1 519 households. This is in contradiction with the decline in population numbers and can possibly be attributed to circular migration, where the head of the household might be working somewhere else and was not counted during the Census.
In 2011, the average household size was 4.8, which increased to 4.9 in 2022. The number of households increase as the average size of the households increased. This suggests that in 2022 there was no significant nuclear family structures within Okhahlamba as opposed to larger extended families

TABLE 5: HOUSEHOLD SIZE

Population characteristics	2011	2022
Number of households	27,575	29,095
Average household size	4.8	4.9
Female headed households	51.2	53.8

Source: Stats SA, Census 2022

2.1.4 POPULATION GROUPS

FIGURE 2:
POPULATION GROUPS

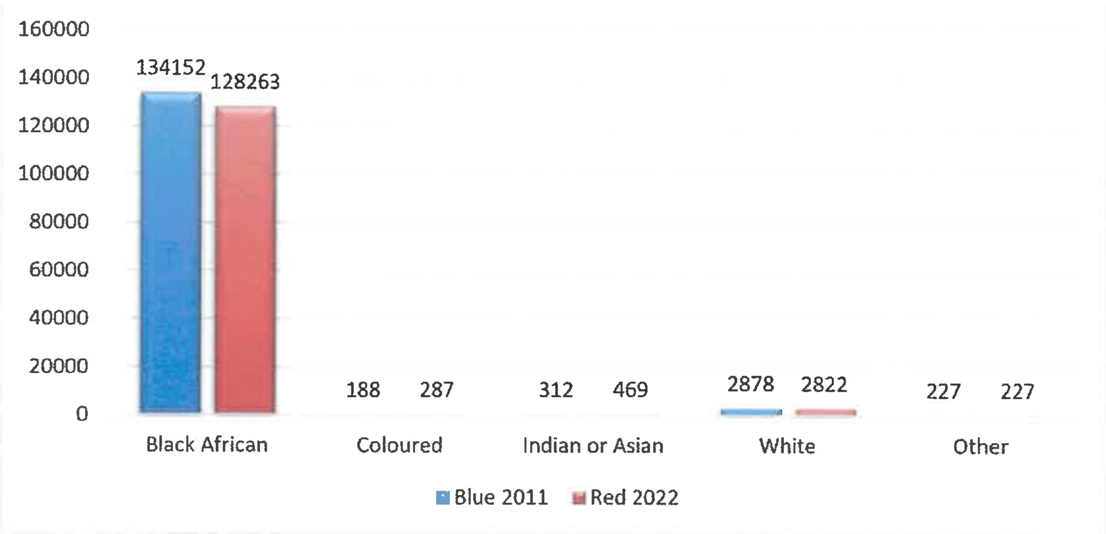
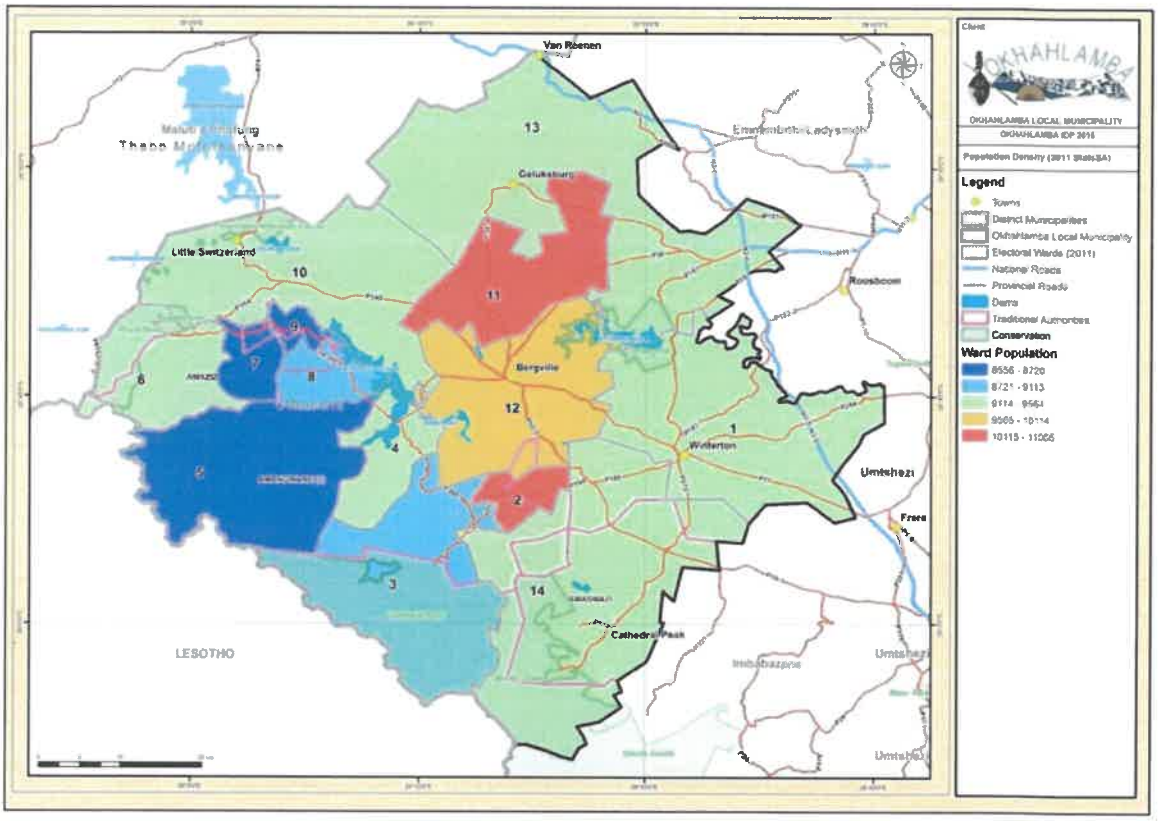


Figure 2 above indicates population groups that form the majority of the population of Okhahlamba Municipality. It illustrates that the majority of population is formed by Black Africans and very few from the White population. This graph re-emphasizes the decrease that has taken place between 2011 and 2022, however it is shown more specifically that it has been the Black Africans that have decreased in.

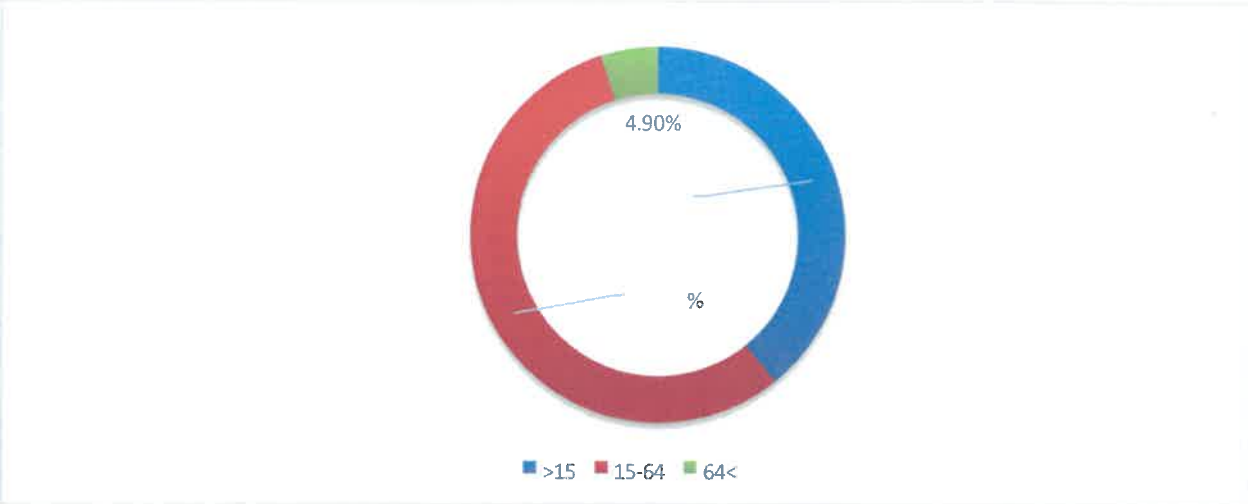
MAP 2: POPULATION DENSITY



The majority of the municipality in particular the northern area and the north-western and south-western boundaries (Drakensberg) is sparsely populated (refer to map 2). Higher concentrations of people are found surrounding the towns of Bergville and Winterton and in the Traditional Authority areas along the foothills of the Drakensberg. In terms of service delivery, the provision of services will be more cost effective in the established nodes, which are more densely populated and where economic opportunities could be enhanced.

2.1.5 AGE DISTRIBUTION

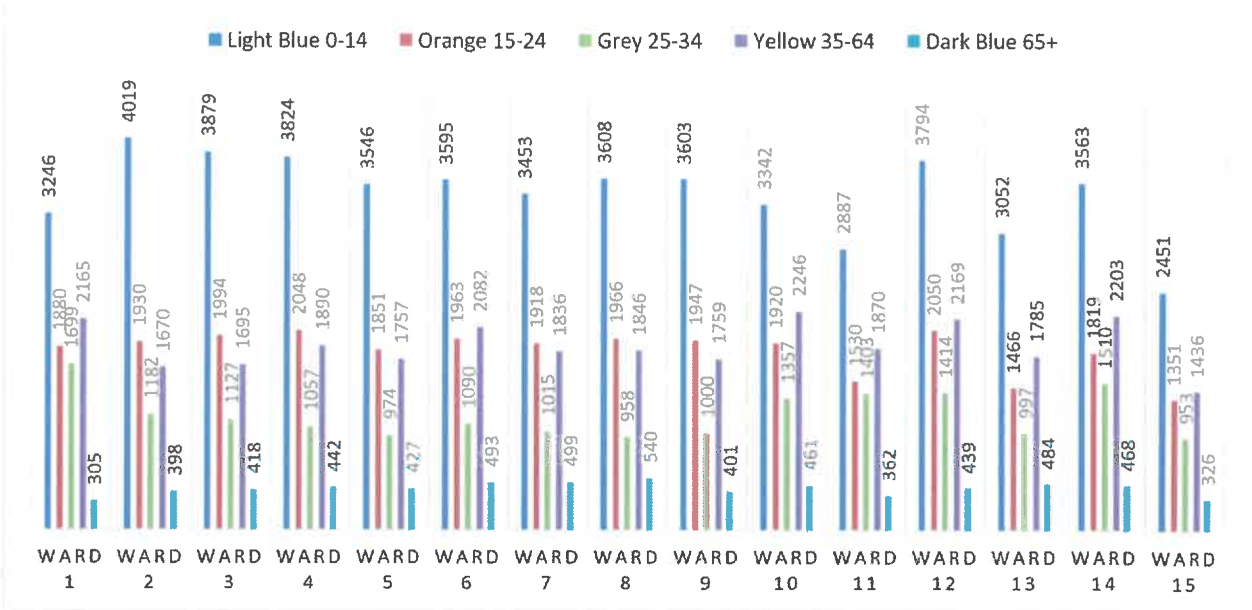
FIGURE 3: AGE DISTRICUTION



The majority of the population is made up of individuals ranging from ages 0-35 (youth) at 55.9% and 44.1% from 35 + . In 2022, 36.5% of the population were individuals at the age of 0-14. The 15-24 age groups was at 19,4% in 2022, 25-34 was at 12.5%, 35-64 was at 20%. The older age group (64<) was at 4.5% .

The Okhahlamba Local Municipality can be characterised with having a large youthful population, which implies the need for various facilities and focus on specific priority areas e.g. education facilities, economic opportunities and possibly youth development programmes.

FIGURE2: AGE STRUCTURE OF OKHAHLAMBA LOCAL MUNICIPALITY



Source: Stats SA, Census 2022

2.1.6 GENDER PROFILE

Figure 5 shows the sex ratio between males and females in the Okhahlamba Local Municipality. It indicates that in 2011 and in 2022, there were more females than males 86.1:100.

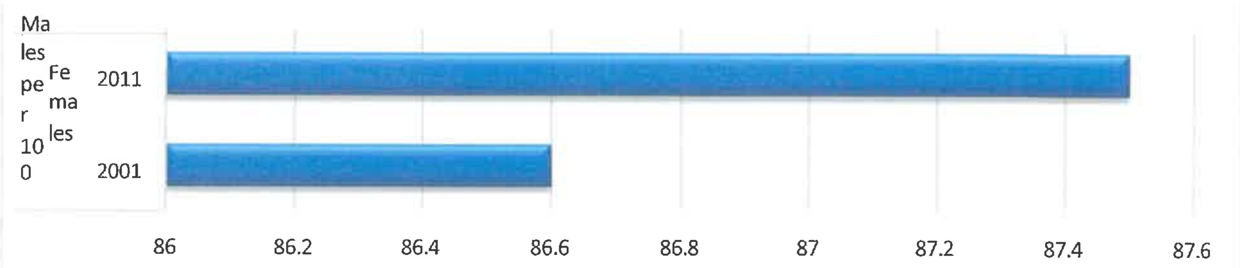


FIGURE 3: SEX RATIO- OKHAHLAMBA MUNICIPALITY

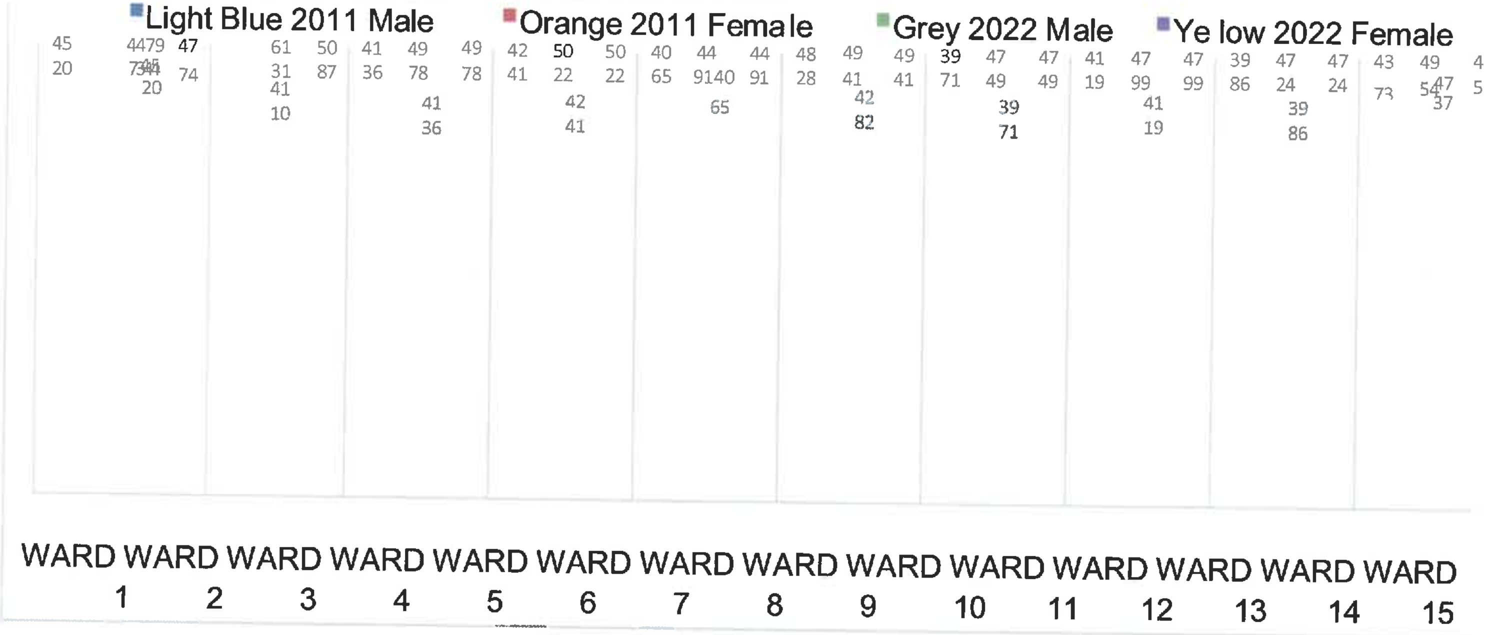
Source: Stats SA 2011 and 2022

Municipal Gender						
	Male		**Female**		**Total**	**Gender Ratio**
Name	Number	%	Number	%		
KZN235: Okhahlamba	66 227	46.3%	76 905	53.7%	143 132	86

Source: Stats SA, Census 2022

Figure 6 illustrates gender distribution in Okhahlamba Local Municipality and shows the gender profile of each ward within the municipality. The data reflects an uneven gender distribution. Generally, there has been a decrease in both males and females between 2011 and 2022. However, more specifically there has been a greater decrease in males in each ward between 2011 and 2022. This applies for all wards except wards 4, 7, 11, 12 and 14. These wards have had an increase in both males and females between 2011 and 2022. The most significant increase seen is ward 12.

FIGURE 4: GENDER PROFILE PER WARD



Source: Stats SA 2011 and 2022

2.1.7 KEY FINDINGS

Following is a summarized key findings of the demographic analysis:

- Okhahlamba experienced a positive growth in its population as the population sixe increased from 135,032 in 2011 to 143,132 in 2022 recording a 0.8 positive growth;
- Ward 2 is found to have had the greatest decrease in its population
- The number of households increased between 2011 and 2022, which might suggests circular migration;
- Wards 12, 14 and 10 are the only wards which have had an increase in population between 2011 and 2022;
- Majority of Okhahlamba population is formed by Black Africans and very few from the White population;
- Bergville, Winterton and Traditional Areas around the foothill of the Drakensberg are seen to have higher concentrations of people;
- Majority of the population is made up of individuals ranging from ages 0-35 (youthful population);

- There are more females than males in Okhahlamba;
- 53, 8% are female dominated households.

SPATIAL ANALYSIS

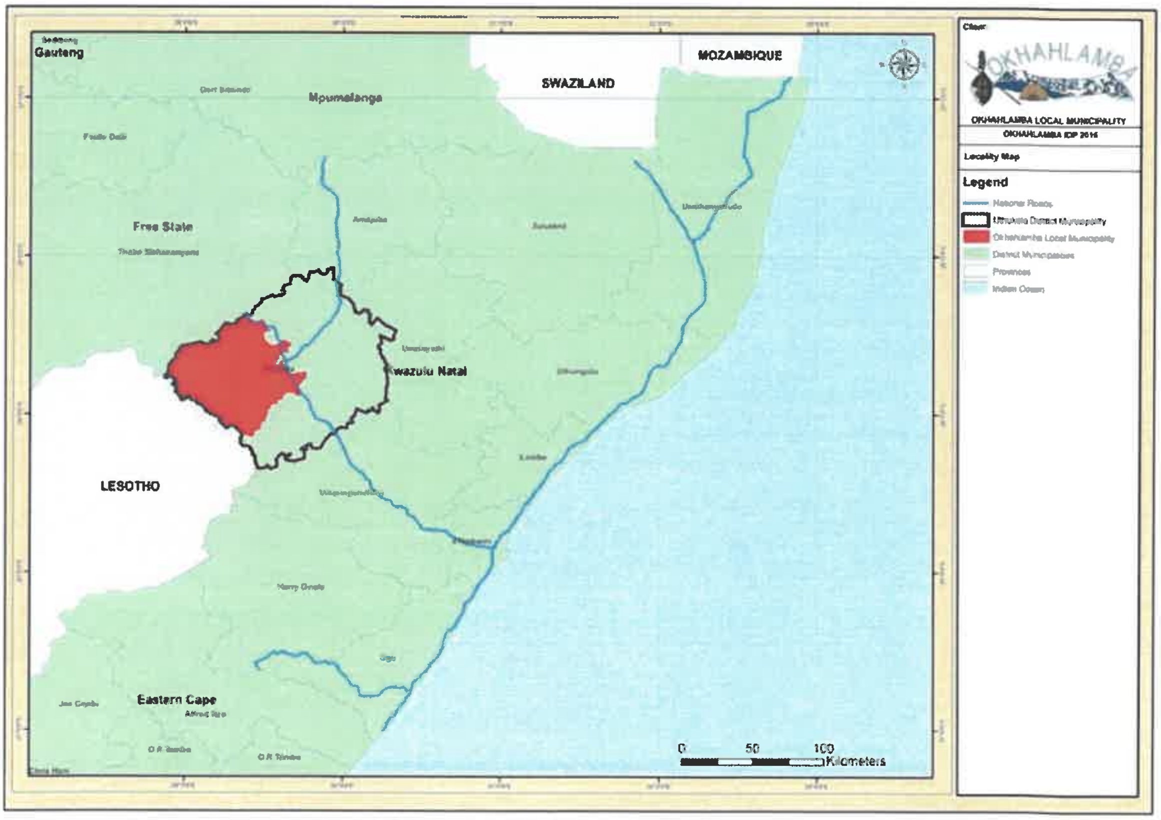
2.1.8 REGIONAL CONTEXT

Okhahlamba Local Municipality is located within the uThukela District Municipality, which is one of the ten district municipalities in the Province of KwaZulu-Natal. It was established during the 2000 transformation of local government and is located along the eastern boundary of the province, bordering the Free State and Lesotho. The three local municipalities that make up the uThukela District are indicated in table 6:

TABLE 6: DISTRICT MUNICIPALITIES

Municipality	Extent (km²)
DC23 : UThukela	11 500km²
KZN237: Inkosi Langalibalele	2 958.59km²
KZN 238: Alfred Duma	3 957.63km²
KZN 235: Okhahlamba	3 540.63km²

MAP 3: LOCALITY OF OKHAHLAMBA WITHIN KZN

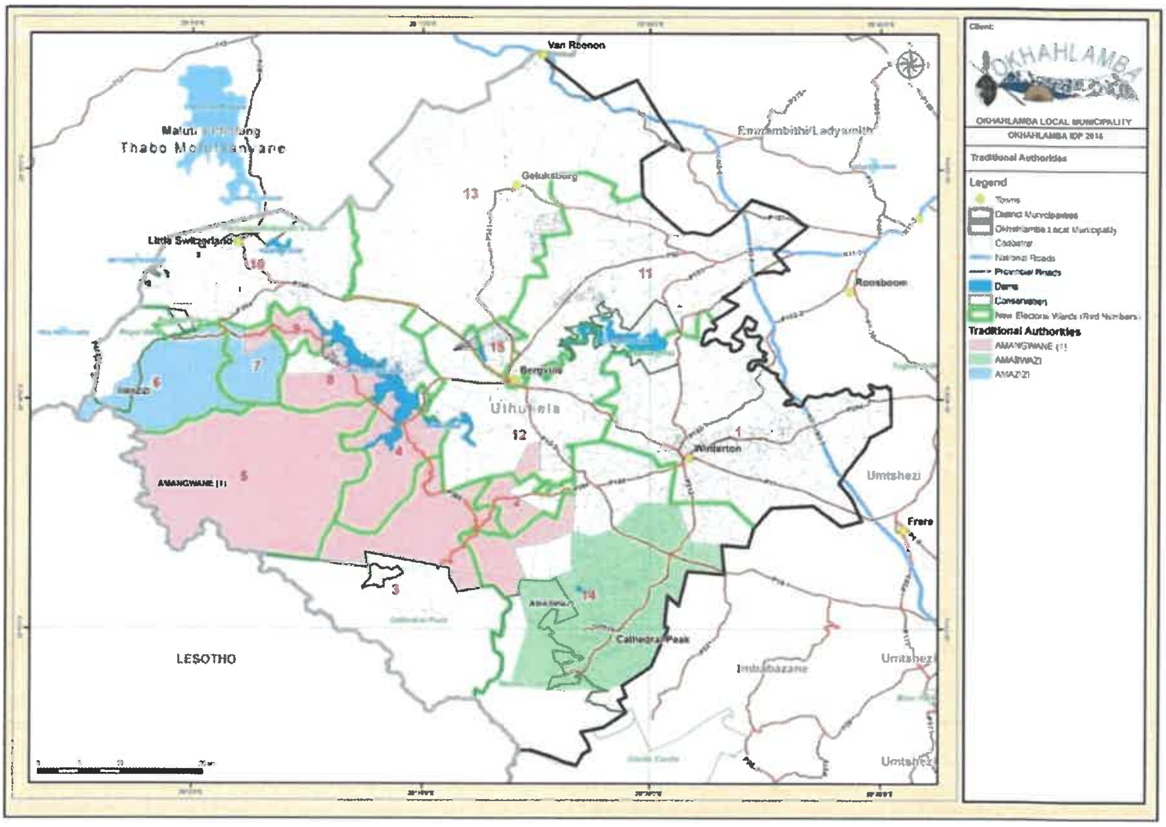


Okhahlamba covers an area of 3 541 km² and covers the largest geographic area in the uThukela province. It is bounded by Maloti a Phofung (Free State province) to the northwest, Alfred Duma to the northeast, Inkosi Langalibalele to the south. The municipal area is made up of privately owned commercial farmland, smallholder settlements, the urban areas of Bergville, Winterton, Cathkin Park, Geluksburg, and three tribal authority areas.

2.1.9 ADMINISTRATIVE ENTITIES

Okhahlamba forms part of the uThukela District and consists of 15 wards. These 15 wards have recently been delimitated. (Map 4).

MAP 4: NEW DELIMITATED WARD MAP

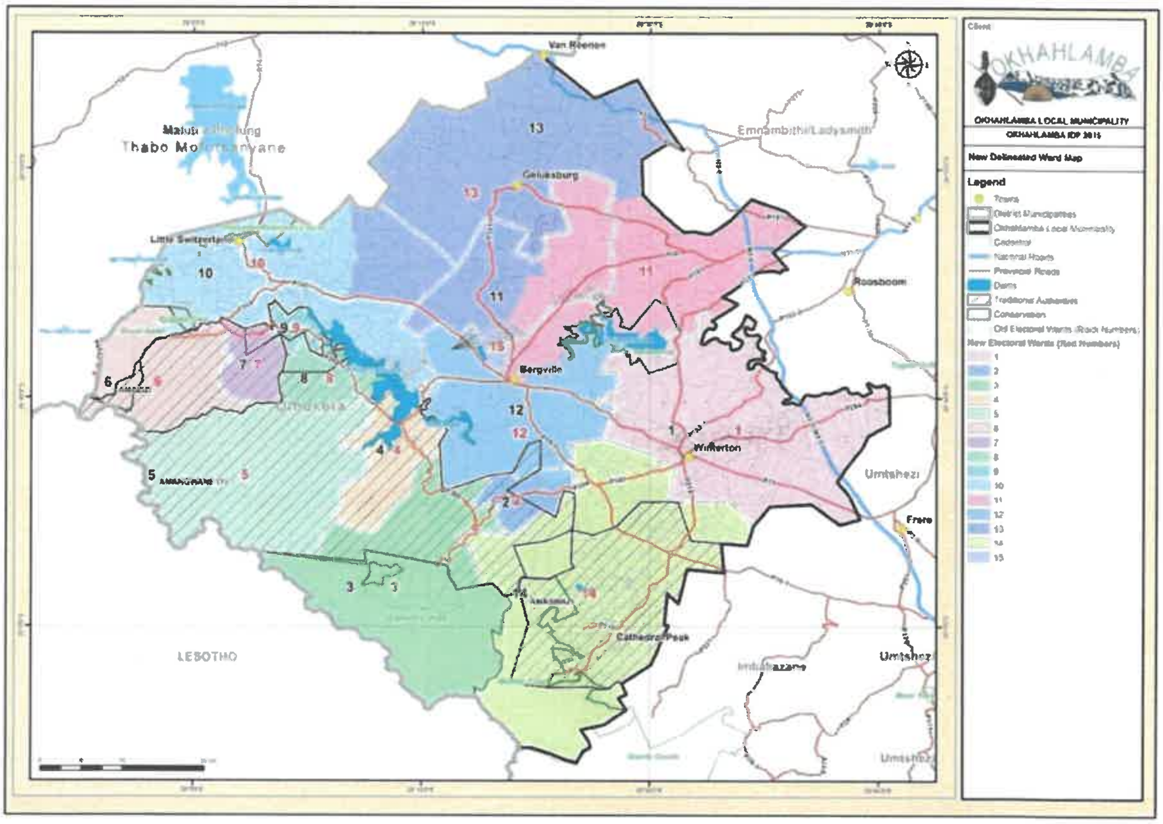


Source: Municipal Demarcation Board

The municipality also includes three Traditional Authority areas, namely the Amazizi, Amangwane and Amaswazi Traditional Authorities. The Amazizi Traditional Authority is located to the west of the municipality at the foothills of the Drakensberg, while the Amangwane is a larger Traditional Authority area located from the western boundary towards the eastern boundary along the foothills of the Drakensberg. It incorporates the

Mnweni Valley, which is the only area of the Drakensberg that is not under regulation by Ezemvelo KZN Wildlife.

MAP 5: MAP SHOWING TRADITIONAL AUTHORITIES IN OKHAHLAMBA



2.1.10 STRUCTURING ELEMENTS

The main structuring elements within the municipality should be acknowledged as follows:

- R74 traverses the municipality in a south-east-north-westerly direction, dissecting the municipality in two. It provides important linkages to the Drakensberg area in the west and access to the N3 in the east.
- Topography: The Drakensberg Mountains have the greatest influence on settlement patterns, followed by the Tugela River, and the transport routes of Van Reenen's Pass and Oliviershoek Pass. Slopes are a useful topographical factor that limits the availability of land for agriculture, in particular for cropping. Croplands require relatively flat land for cultivation especially where complex irrigation systems are utilised. Areas around Bergville and Winterton are highly suitable for cropping. Slopes are more suitable for grazing and forestry, but must be limited in the Drakensberg in order to preserve the sensitive landscape.
- Rivers and wetlands: The Tugela River rises in the Drakensberg Mountains near Bergville where peaks rise to over 3 000 m. The river and its tributaries, meander through central KwaZulu-Natal, draining from the Drakensberg escarpment towards the Indian Ocean.

- Rivers and wetlands: The Tugela River rises in the Drakensberg Mountains near Bergville where peaks rise to over 3 000 m. The river and its tributaries, meander through central KwaZulu-Natal, draining from the Drakensberg escarpment towards the Indian Ocean.
- Dams: the Woodstock Dam is located on the upper reaches of the Tugela River, 10 kilometres west of the town of Bergville in the foothills of the Drakensberg Mountains, while the Kilburn Dam is located 500 metres lower than the Sterkfontein Dam, on the Mnjaneni River, near Bergville.

1.3. SERVICE DELIVERY OVERVIEW

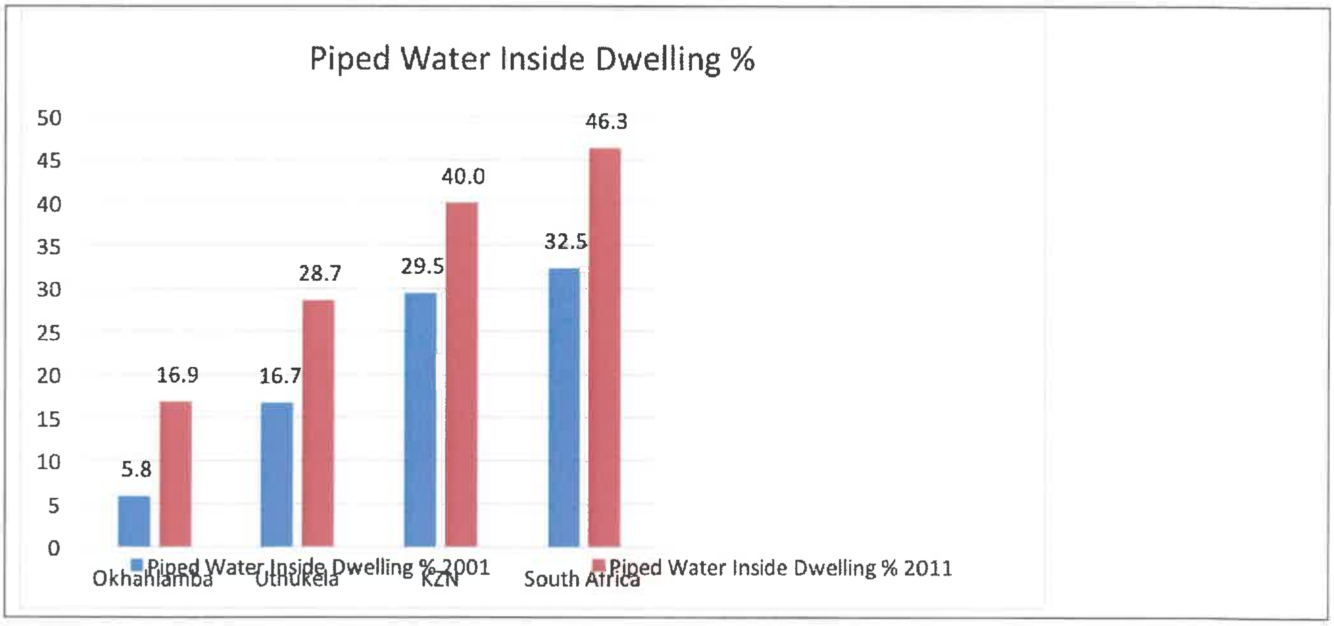
SERVICE DELIVERY INTRODUCTION
BASIC SERVICES OVERVIEW

Water

Water and sanitation services fall under the powers and functions of the District Municipality and is the core function of uThukela District Municipality. The Municipality is constantly engaged in discussions with uThukela District Municipality as a Water Service Authority to get information on progress regarding this function. The District's primary objective is to extend potable water and sanitation services throughout the district by eliminating the backlogs and also to maintain and ensure sustainability of the existing water and sanitation infrastructure.

UThukela District Water Services has developed a Water Services Development Framework since it is responsible for water and sanitation services delivery in the district. This was done in terms of the powers and functions stipulated in the Municipal Structures Act No.117 of 1998; Chapter 5.The main objective of the municipality is to ensure the quality of drinking water in the region is improved in as far as the blue and green drop is concerned.

Figure 5: Piped Water inside Dwelling



Source: Statistics SA, Census 2022

Figure 5 indicates that the number of households with piped water inside dwelling increased from 5.8% in 2001 to 16.9% in 2022. However, this was lower compared to the District, Provincial and National average. In 2022, 28.7% households in UThukela District, 40% in KwaZulu- Natal Province and 46.3% in South Africa had piped water inside dwelling. This is indicative that Okhahlamba is facing huge water backlogs. According to the UThukela District Municipality's Draft IDP 2023/2024 water supply backlog as at the end of June 2011 was 28.75%. This translates to 40146 households that do not have access to safe water supply, and 99 492 households have access to water supply in uThukela District Municipality.

Statistics indicate that in 2022 Okhahlamba Local Municipality had 29 095 household of which 51,4% did not have access to safe water supply. It is indicated that in 2022 there was a water backlog of approximately 51.4%.

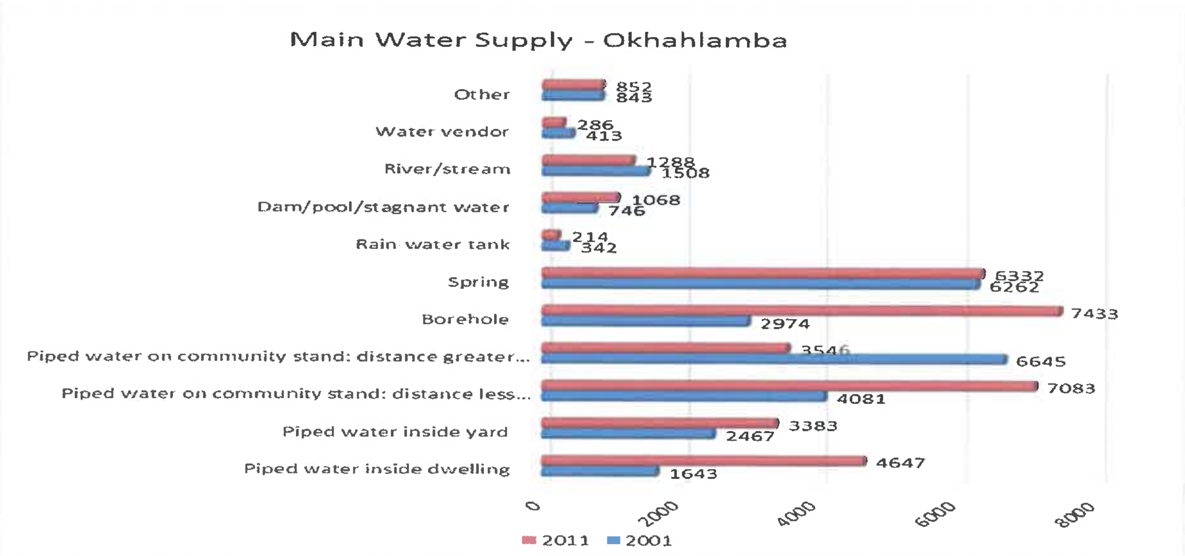
In summary, there has been a general increase in access to water between 2011 and 2022, despite high water backlogs:

- There is still reliance on boreholes (20%) and springs (19%) in Okhahlamba as sources of water.

- Access to piped water on community stand was 29% in 2022.
- Piped water inside yard was 9% in 2022.
- Piped water inside dwelling was 16% in 2022.

Figure 1: Main Water Supply

- Source: Stats SA, Census 2022

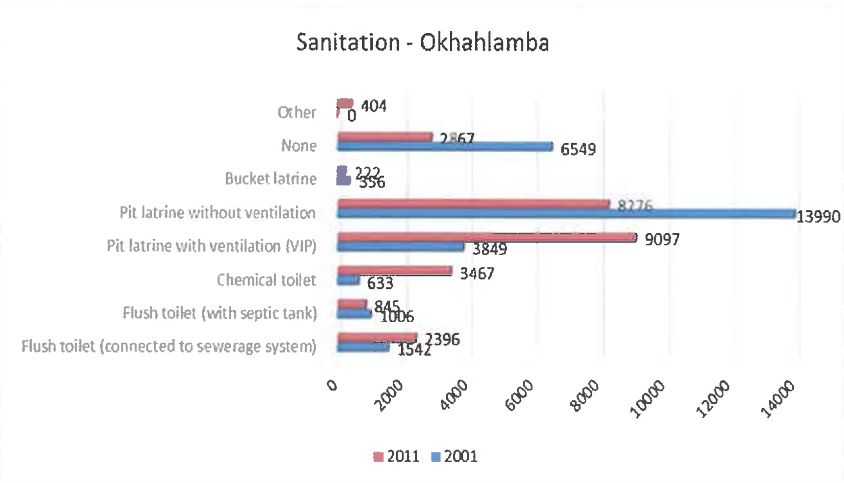


Sanitation

Sanitation is one of the core functions of uThukela District Municipality. In the previous financial year, 6 504 new households were provided with appropriate sanitation services in the form of VIP Latrines. During the implementation of sanitation projects, a total of 5 298 local community people were employed for the duration of the projects and some of them were also empowered with new skills such as building and project management. The appropriate sanitation services backlog as at the end of June 2022 was 22.85 %. This translates to 31907 households that do not have appropriate sanitation services.

The figure below illustrates the number of people with access to sanitation in Okhahlamba. It indicates that the majority of households (75%) does have access to a basic level of sanitation service, of which 30% predominantly use pit latrines, 32% use VIP (ventilated improved pit latrine), 8% have flush toilets, 12% have chemical toilets and 11% of which is depicted as either using a bucket latrine or do not have any form of sanitation. Sanitation backlog in Okhahlamba is approximately 22.57% which is about 6 435 households that do not have access to appropriate sanitation facilities.

Figure 2: Sanitation



Source: Statistics South Africa: 2001 and 2011

Solid Waste Management

The Municipality continued implementing its Integrated Waste Management Plan (IWMP). It provides strategies in addressing the backlogs in refuse collection. The municipality also implements free basic solid waste for the indigent households. The municipality's landfill site is situated in Bergville and covers Bergville and Winterton. It was established in 1975, and it has a permit. During the past year, we secured a license for a new landfill site.

Waste collection is done on weekly basis in residential areas and daily in the Winterton and Bergville CBD. Waste collection is done free of charge in Khethani. We have donated bins to a number of schools to encourage recycling and environmentally friendly practices.

Future plans of the Waste Management Section includes waste collection in rural areas through the EPWP programme; and well as recycling stations in Bergville and Winterton. Sorting and source for recycling will also take place whereby we will provide residents with free transparent bin bags for recycling.

Waste quantities indicated in the IWMP indicates that the majority of waste generated is by business, followed by domestic waste.

Figure 3: Waste Quantities and Characteristics (wastes quantities in tons per annum) in Okhahlamba Local Municipality

	WASTE SOURCES	Domestic	Business	Industrial	Medical	Mining
WASTE QUANTITIES						
Generated		624	5 748	None	26	None
Collected		624	5 748	None	26	None
Stored		None	None	None	None	None
Recycled		None	None	None	None	None
Treated		312	1 817	None	26	None
Disposed		312	3 931	None	26	None

Source: uThukela Waste Management Plan as in Okhahlamba IWM

Figure 9

DESCRIPTION	EMNAMBITHI	IMBABAZANE	INDAKA	OKHAHLAMBA	UMTSHEZI
Name	None	None	None	Bergville	None
Geographic Location	None	None	None	Cathkin Park	None
Type of Treatment	None	None	None	Incineration	None
Year of Construction	None	None	None	2001	None
Capacity	None	None	None	NR	None
Throughput	None	None	None	NR	None
Hours of Operation	None	None	None	8	None
Input & Output Chart	None	None	None	None	None
Residue Characteristics	None	None	None	Ash	None
Enviro Monitoring Programme	None	None	None	Monthly	None
Environmental Impact	None	None	None	None	None
Permit Certificate	None	None	None	None	None

Source: uThukela Waste Management Plan as in Okhahlamba IWMP

The statistics below indicate that the majority of the population (75%) use their own refuse dumps and that the local authority barely provides for the removal of solid waste (figure 10). Approximately 11% of households do not have any rubbish disposal. This poses serious challenges in respect of environmental health and possible pollution of water sources.

Figure 10: Waste removal

Data Source: Survey South Africa: 2001and 2011

1.4. FINANCIAL HEALTH OVERVIEW

FINANCIAL OVERVIEW

Background

The 2024/25 financial year came with many noticeable changes to the municipality but financial stability was maintained and financial growth was again witnessed. This report is a summary of the progress made and a few challenges on the financial performance of the municipality for the 2024/2025 financial year.

5 year plan /objectives

Successful monitoring of MSCOA implementation and monitoring for 2021/22 to 2026 to 2027
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
Continuous maintenance of clean audit opinion (AGSA)
Continuous municipal budget related policies
To manage our assets and liabilities (current ration 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

Decreased financial stability through internal control deficiencies on financial management and reporting. This has resulted in the decline of liquidity ratios such as current ratio (0,85 in 2023/24 and in 2024/25 financial year respectively) meaning that the municipality will not be able to pay its current liabilities with its current assets,

Although the debt collection improved from 69% in 2023/2024 to 70% in 2024/2025, the cash flow decreased as a result of internally funding of infrastructure projects and increased operational expenditure.

The Municipality has achieved 100 % expenditure on MIG funding and improved grant spending due to improved supply chain processes and payment of consultants and contractors on time (even less than 30 days). The uniform ratios and the norms for 2024/2025 are attached in this report.

mSCOA

The Municipality has successfully began implementing the Municipal Standard Charts of Accounting (mSCOA) financial approach as prescribed by National Treasury. Implementation began in July 2017, and has proved useful in ensuring that standardising business processes, and ensuring the quality and credibility of data within the municipality.

Reporting

The department has done a 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

100% MIG spending due to improved supply chain processes and payment of consultants and contractors on time (even lesser than 30 days).
Total number of Finance officials employed by the municipality including the Accounting Officer.

Description	A. Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	B. Total number of officials employed by municipal entities (Regulation 14(4)(a) and (c)	Consolidated: Total of A and B	Consolidated: Competency assessments completed for A and B (Regulation 14(4)(b) and (d))	Consolidated: Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Consolidated: Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
Financial Officials						
Accounting officer	1	0	1	0	1	1
Chief financial officer	1	0	0	0	0	1
Senior managers	1	0	1	0	0	1
Any other financial officials	13	0	13	0	0	10
Supply Chain Management Officials						
Officials in supply chain management units	7	0	7	0	0	6
Supply chain management senior managers	0	0	0	0	0	0

TOTAL	**23**	**23**	**16**	**0**	**2**	**19**

Financial Analysis

The draft financial statements for the 2024/2025 financial year will be compiled and forwarded to the Auditor General for audit on the 30 August 2025. The financial Statements show an upward trend in the municipal finances.

CHAPTER 2 – GOVERNANCE

INTRODUCTION TO GOVERNANCE

The Okhahlamba Council is the highest decision making body within the Municipality. It is made up of 29 Councillors with 15 Ward Councillors and 14 Party Representatives. The Chairperson of Council is the Speaker. There are four (4) portfolio committees in the Municipality.

The Executive Committee is made up of five Councillors. The chairperson of the Executive Committee is the Mayor.

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

Technical Committee

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 roads constructions and maintenance thereof,
- Community halls and other community structures, crèches and is further responsible for the housing development.
- Refuse removal.

Social Services and Economic Development and Corporate Services Committee

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

- All applicable legislation relating to social and economic development, national development programmes, provincial development programmes, trading regulations, investment opportunities, transport, land affairs, law enforcement, library services, Tourism, MPCC, youth, sports and gender and Public Participation.

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 and
- Records Management

Finance 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.

Municipal Public Accounts Committee

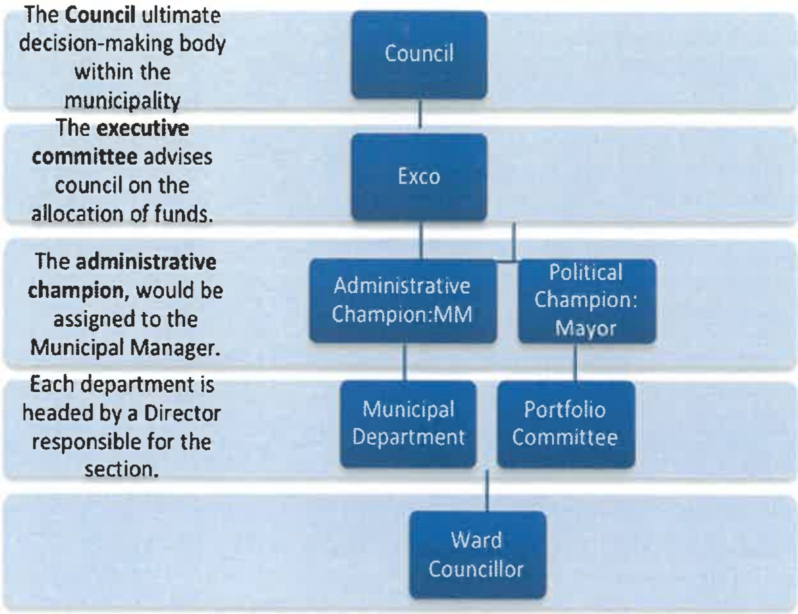
The terms of reference of this committee are to play an oversight role within the municipality. All the reports of the Audit Committee and Council may refer matters to this committee for investigation.

POLITICAL STRUCTURE

2.1 ADMINISTRATIVE GOVERNANCE

INTRODUCTION TO ADMINISTRATIVE GOVERNANCE

The following structure indicates decision making hierarchy in the Municipality.



The **political champion** deals with Strategic political issues affecting the Project

The **Portfolio Committee** provides political oversight and advices EXCO

The **Ward councillor** deals with the community.

ADMINISTRATIVE CHAMPION

MUNICIPAL MANAGER
(Mr S.N Malinga)

COMPONENT A: INTERGOVERNMENTAL RELATIONS

INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

Operation Sukuma Sakhe operates in all wards (15 wards) of Okhahlamba Local Municipality. Each ward has a war room and satellite war rooms to each and every ward , where all stakeholders (Government Departments, Non-Government Organisations (NGOs), Traditional leaders, Faith Based Organisations (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 CCG's 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 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 15 wards to monitor the functionality of the war room.

CCG's do households' profiling whereby they identify different needs that need to be fulfilled through different referrals/ interventions from different stakeholders/government departments, also the community have an easy access to the war room walk in registers which are monitored by the OSS Office every after 3 months. Each ward conducts an Operation MBO (MBO is a Zulu name for the campaign to revoke communication) after finishing analysing 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 month in the Municipality Offices whereby all Departmental 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 monthly report to the District Task team about the operations of the WTTs. OSS celebrates all calendar events.

CHALLENGES

No attendance of some Governmental 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 Local Task Team Meetings are also a cause for concern.

CHANGES

The Operation Sukuma Sakhe unit is in the process of reviewing our war rooms that are convened by the officials to be convened by the Community Members and the officials to assist them with the functionality of the war rooms. The war rooms will be opened from 08H00-16H00 for the walk in registers for clients that will be referred by the CCG's for emergency interventions. The war room opening will be done by the CWP representatives because they are trained on the basics of OSS and the recordings of the cases in the walk in register.

SUCCESSES

All 15 of the War rooms are established and it is easily accessed by the community and Departments, most of our war rooms are branded so you can see from far that there is a War room structure. People are easily accessing the Poverty Alleviation programmes now since there are structures which can assist them in the community, as opposed to having to take a taxi to town.

2.2 INTERGOVERNMENTAL RELATIONS

DISTRICT INTERGOVERNMENTAL STRUCTURES

Inter-Governmental Relations (IGR) structures have been established between the district and local municipalities and all the Mayors have signed the IGR protocols. IGR structures include:
The District Intergovernmental Forum (DIF) or the Mayors Forum.
The District Technical Support Forum (DTSF) or the Municipal Manager's Forum.

The uThukela District Mayor is the chairperson of the District Intergovernmental Forum and attends the KZN Provincial Premier's Forum meetings.
The Municipality also attends and forms part of the Okhahlamba Drakensberg Park World Heritage Site Buffer Zone Technical Committee, an integrated governmental structure which meets once a month. The structure provides strategic and technical advice to Planners / GIS specialists concerning the Spatial Development Framework and statutory applications.

Other IGR structures in the district include the following forums:
Planning Forum,

Finance Forum,
Corporate Forum; and
Infrastructure Forum.

COMPONENT B: PUBLIC ACCOUNTABILITY AND PARTICIPATION

OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

Okhahlamba Municipality has implemented it's Integrated Communications 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:

Internal communication flow:

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

External communication flow:

- Traditional media: newspapers, radio, municipal newsletter, establishment of local newspaper.
- Electronic media: Okhahlamba website
- Social media: Email newsletter, Business Registry, SMS marketing, Facebook, Twitter and YouTube.
- Loud Hailing
- Instant Messaging Services in the form of WhatsApp

2.3 PUBLIC MEETINGS

COMMUNICATION, PARTICIPATION AND FORUMS

The Municipality adopted its public participation program to involve the community during the Integrated Development Program (IDP) and Budget Process, as indicated in tables below.
These meetings were attended by MANCO members and Councillors.
Public participation per ward – program

2024/25 PUBLIC PARTICIPATION PROGRAMME

IDP REVIEW 2024/2025 CALENDAR OF MEETINGS

CALENDAR A

IDP REPRESENTATIVE FORUM		
DATE	**VENUE**	**TIME**
2nd QUARTER – OCTOBER 2024	MUNICIPAL COUNCIL CHAMBER	11H00
4th QUARTER – APRIL 2024	MUNICIPAL COUNCIL CHAMBER	11H00

CALENDAR B

IDP STEERING COMMITTEE MEETING		
DATE	**VENUE**	**TIME**
2nd QUARTER - AUGUST 2023	MUNICIPAL COUNCIL CHAMBER	09H00
2ND QUARTER - NOVEMBER 2023	MUNICIPAL COUNCIL CHAMBER	09H00
3RD QUARTER - MARCH 2024	MUNICIPAL COUNSIL CHAMBER	09H00
4TH QUARTER - MAY 2024	MUNICIPAL COUNSIL CHAMBER	09H00

CALENDAR C

WARD/S	VENUE		IDP ROADSHOWS	TIME	PEOPLE ATTENDING

1,2,3	Bergville Sports Field	[redacted]	APRIL 2024	11H0 0	ALL MANAGEMEN T/ALL COUNCILLOR S/ PUBLIC PARTICIPATI ON/ COMMITTEE
6,7,9	Newstand Sports Field	[redacted]	APRIL 2024	11H0 0	ALL MANAGEMEN T/ALL COUNCILLOR S/ PUBLIC PARTICIPATI ON/ COMMITTEE
4,5,8	Dukuza sport field	[redacted]	APRIL 2024	11H0 0	ALL MANAGEMEN T/ALL COUNCILLOR S/ PUBLIC PARTICIPATI ON/ COMMITTEE
10,11,12	Bergville Sports Field	[redacted]	APRIL 2024	11H0 0	ALL MANAGEMEN T/ALL COUNCILLOR S/ PUBLIC PARTICIPATI ON/ COMMITTEE
13, 14 and 15	Bergville Sports Field	[redacted]	APRIL 2024	11H0 0	ALL MANAGEMEN T/ALL COUNCILLOR S/ PUBLIC PARTICIPATI

		[redacted]			ON/ COMMITTEE
Central Drakensberg Ratepayers association, Winterton Farmers Association, Winterton Ratepayers Association	Winterton Country Club	[redacted]	APRIL 2024	18H0 0	ALL MANAGEMEN T/ALL COUNCILLOR S/ PUBLIC PARTICIPATI ON/ COMMITTEE
Khanyisa Forum, Nothern Drakensberg Ratepayers association, Gelukksberg ratepayers Association, Gelukksberg Landowners Assiciation,Geluk ksberg Farmers Association, Bergville Black Landowners association	Council Chamber: Municipal Offices	[redacted]	APRIL 2024	18H0 0	ALL MANAGEMEN T/ALL COUNCILLOR S/ PUBLIC PARTICIPATI ON/ COMMITTEE
Amangwane, Amazizi, Amaswazi Tribal Councils	Council Chamber: Municipal Offices	[redacted]	APRIL 2024	11H0 0	ALL MANAGEMEN T/ALL COUNCILLOR S/ PUBLIC PARTICIPATI ON/ COMMITTEE

IDP RF	Council Chamber: Municipal Offices		APRIL 2024	11H0 0	ALL MANAGEMEN T/ALL COUNCILLOR S/ PUBLIC PARTICIPATI ON/ COMMITTEE

SECTION F

COST ESTIMATES FOR 2024/2025 IDP REVIEW PROGRAMMES

ACTIVITY	ESTIMATED	ESTIMATED COSTS	VOTE
IDP PUBLIC CONSULTATION MEETINGS	1000 PEOPLE X 4 SESSIONS	R329 375	IDP REVIEW
IDP RF, IDP WORKSHOP FOR WARD COMMITTEES AND STAFF	100 PEOPLE	—	IDP REVIEW
TRANSPORT FEES FOR WARD COMMITTEE MEMBERS	RE-IMBURSEMENT OF WARD COMMITTEE MEMBERS WHEN ATTENDING IDP WORKSHOPS AND FORUM MEETINGS	R52 700	IDP REVIEW
LAYOUT & DESIGN OF IDP DOCUMENT	FORMATTING & PRINTING IDP INTO A BOOKLET DOCUMENT BY PROFESSIONAL PRINTERS	—	IDP REVIEW

- IDP PREPARATION

The Okhahlamba Municipality's IDP is prepared in-house, through this it's hoped that the quality will be improved remarkably in the 2024/2025 IDP REVIEW.

SECTION G
ALIGNMENT OF IDP, PMS AND BUDGET CYCLE

ACTIVITY NO.	ACTION/TASK FOR IDP PROCESS	TIME FRAMES
1	1ST IDP REPRESENTATIVE FORUM	27 JULY 2023
2	1ST IDP STEERING COMMITTEE (DRAFT PROCESS PLAN)	04 AUGUST 2023

STRATEGIC PLANNING SESSIONS X2	TO REVIEW, MISSION, VISION, STRATEGIC OBJECTIVES AND PRIORITIES AS WELL AS WORKSHOP ON DRAFT IDP FOR COUNCILLORS AND MANAGEMENT.	R527 000	STRATEGIC PLANNING
DEVELOPMENT OF THE OKHAHLAMBA SPATIAL DEVELOPMENT FRAMEWORK (SDF)	APPOINTMENT OF SERVICE PROVIDER	R332 010	CONSULTANT FEES

TOTAL COSTS EXCLUDING OTHER COSTS E.G. ADVERTISING	**R1 241 085**	

	MID-YEAR BUDGET & PERFORMANCE ASSESSMENT ENGAGEMENT WITH PROVINCIAL TREASURY	17 FEBRUARY 2024
	IDP CO-ORDINATING COMMITTEE MEETING	27 FEBRUARY 2024
	UTHUKELA IDP REPRESENTATIVE FORUM	28 FEBRUARY 2024
10	3RD STEERING COMMITTEE MEETING (STRATEGIC PLANNING SESSION)	02 MARCH 2024
11	SUBMITT DRAFT IDP & SDF TO COGTA - 2020/2021	28 MARCH 2024
12	ATTEND DRAFT IDP ASSESSMENTS	26 APRIL 2024
13	IDP- BUDGET PUBLIC PARTICIPATION	01-30 APRIL 2024
14	ATTEND IDP FEEDBACK SESSION-PROVINCIALLY	09 MAY 2024
15	AMEND DRAFT IDP IN ACCORDANCE WITH PROVINCIAL IDP FORUMS'S COMMENTS	MAY 2024
16	4TH STEERING COMMITTEE MEETING (STRATEGIC PLANNING SESSION) • Consider public comments • Alignment of the IDP and BUDGET	16 MAY 2024
17	2ND IDP REPRESENTATIVE FORUM (STRATEGIC PLANNING SESSION)	18 MAY 2024
	DRAFT BUDGET ENGAGEMENT WITH PROVINCIAL TREASURY	19 MAY 2024
18	ADOPT FINAL IDP / BUDGET 2024/2025	MAY 2024
29	SUBMIT FINAL 2020/ 2021 IDP & SDF TO MEC	09 JUNE 2024

2.4 RISK MANAGEMENT

Okhahlamba Local Municipality is committed to a process of risk management that is aligned to the principles of good corporate governance, as supported by the Municipal Finance Management Act (MFMA), Act no 56 of 2003, and has developed an Enterprise Risk Management Policy and Framework.

Risk management is recognized as an integral part of responsible management and the Municipality therefore adopts a comprehensive approach to the management of risk. The features of this process are outlined in the Municipality's Risk Management Framework. It is expected that all departments, operations and processes will be subject to the risk management framework. It is the intention that these departments will work together in a consistent and integrated manner with the overall objective of reducing risk as far as reasonably practicable.

Effective risk management is imperative to the Municipality to fulfil its mandate, the service delivery expectations of the public and the performance expectations within the Municipality. The realization of the Municipality's strategic plan depends on the Municipality being able to take calculated risks in a way that does not jeopardize the direct interests of stakeholders. Sound management of risk will enable the Municipality to anticipate and respond to changes in its service delivery environment, as well as to take informed decisions under conditions of uncertainty. The Municipality subscribes to the fundamental principles that all resources will be applied economically to ensure:

- The highest standards of service delivery;
- A management system containing the appropriate elements aimed at minimising risks and costs in the interest of all stakeholders;
- Education and training of all staff to ensure continuous improvement in knowledge, skills and capabilities which facilitate consistent conformance to the stakeholders expectations; and
- Maintaining an environment, which promotes the right attitude and sensitivity towards internal and external stakeholder satisfaction.

The Municipality is adopting a wide approach to risk management, which means that every key risk in each part of the Municipality will be included in a structured and systematic process of risk management. It is expected that the risk management processes will become embedded into the Municipality's systems and processes, ensuring that the Municipality's responses to risk remain current and dynamic. All risk management efforts will be focused on supporting the Municipality's objectives. Equally, they must ensure compliance with relevant legislation and fulfil the expectations of employees, communities and other stakeholders in terms of corporate governance. The municipality has an established municipal risk management

2.5 ANTI-CORRUPTION AND FRAUD

FRAUD AND ANTI-CORRUPTION STRATEGY

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, councillors, 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.

In addition, financial management systems and procedures were reviewed to incorporate the following policies:

- Anti-Fraud and Corruption Policy
- Appointment of Consultant Policy
- Bank Investment Policy
- Budget Implementation and Management Policy
- Communications Policy
- Consumer Credit Control and Debt Collection Policy
- Ethics Policy
- Human Resources Strategy
- Human Resources Policy
- Indigent Support Policy
- Municipal Property Rates Policy
- Tariff Bylaw

- Unallocated Revenue Policy
- Employee Assistant Programme
- Enterprise Risk Management Framework Policy
- Fixed Asset Policy
- Full and Registration Fee Bursary
- IT Disaster Recovery Plan Policy
- IT Framework Policy
- IT Policy
- IT Security Policy
- IT Strategy Policy
- Fleet Management Policy
- Filing System Policy
- Infrastructure Management Policy
- Language Policy
- Expanded Public Works Programme Policy
- Cooperatives Policy
- Registry Procedure Manual Policy
- Records Policy
- Social Amenities Hire Policy
- Virement Policy
- Overtime and Standby Policy
- Subsistence and Travel Policy
- Rates and Refuse Removal Services Policy
- Supply Chain Management Policy
- Consumer Care, Credit Control and Debt Collection Policy

- Performance Management Framework Policy
- Risk Management Policy
- Policy on Private and Urban Housing Development
- Informal Traders Policy
- Staff Retention Policy
- Indigent Burial Policy
- Tariffs Policy
- Protection Services Personnel Policy
- Subsistence and Travel Policy
- Travel Allowance Policy

Municipal staff will be encouraged to adhere to value for money principles in carrying out their functions. It is expected that this review will promote efficiencies in the finance department. 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 SUPPLY CHAIN MANAGEMENT

OVERVIEW SUPPLY CHAIN MANAGEMENT

The municipality has developed and adopted the Supply Chain Management Policy. A supply chain management unit is established operates under the direct supervision of the Chief Financial Officer.

Financial Viability and Management Swot Analysis

STRENGTHS

- ✓ Land for development(Urban and Rural)
- ✓ Tourism
- ✓ Qualified Staff Complement
- ✓ Existing facilities for rental
- ✓ Policies in place
- ✓ Supply chain management unit and policy in place
- ✓ Financial strategies in place to enhance revenue raising
- ✓ Less reliance on consultants

WEAKNESSES

- ✓ Limited rate base
- ✓ Lack of staff retention
- ✓ Recruitment of qualified personnel
- ✓ Acquisition of land
- ✓ High grant dependency
- ✓ Lack of capacity to implement projects
- ✓ Limited implementation on debt collection

OPPORTUNITIES

- ✓ Tariffs imposing
- ✓ Revenue enhancement
- ✓ Implementation of cost cutting measures
- ✓ MSCOA will improve financial reporting ,planning and financial discipline

THREATS

- ✓ Staff turnover
- ✓ Non- spending on conditional grants
- ✓ Debtors collection
- ✓ Theft and abuse of municipal assets
- ✓ Change management on MSCOA
- ✓ Grant dependence

SCM Organisational Structure

A SCM unit must where possible operate under the direct supervision of the chief financial officer or an official to whom this duty has been delegated in terms of section 82 of the Act.

CFO –	:Mr. S.S. Dlamini
Accountant SCM –	: Ms. BT Maphalala
SCM Practitioner –	:ZF Mqadi + One vacant
Senior Contract Management Clerk –	Mr. B Sibiya
SCM Clerk –	:MP Dlamini + RA Shabalala
Stores Receiving Clerk -	: NN Mohlakoana
Stores Dispatching Clerk –	: Mlangeni

Procurement Plan

A procurement plan is compiled and submitted to the Accounting Officer and Provincial Treasury on quarterly and yearly basis.

SCM Policy and Procedure Manual

The policy and procedure manual are in place in terms section 112 of the supply chain management of a municipality must be fair, equitable, transparent, competitive, and cost effective and comply with a prescribed regulatory framework for the municipality supply chain management.

BID COMMITTEES AS THEY CURRENTLY STAND: 2024/25

BID Adjudication Committee

Mr. S.S. Dlamini	:CFO
Mrs. H.P. Ndaba	: Director Social and economic development
Mr. S.M. Khulu	: Director Corporate Services
Mrs. S.R. Zwane	: Director Technical Services
Ms. T.B. Maphalala	: Supply Chain Management Accountant
Ms. T. Miya	: Personal Assistant (CFO)

Bid Evaluation Committee

Mr. M. Hlatshwayo (Chairperson)	: Manager Roads and Maintenance
Ms. T.M. Hlatshwayo	: Manager Information Technologies

Mr. S.H. Cebekhulu	: Accountant Expenditure
Miss Z.F. Mvula	: Supply Chain Management Practitioner
Mr. S Mncube	: Accountant Assets
Mr. B.E. Dlamini	: Civil Engineering technician

Bid Specification Committee

Mr. M.E. Mntambo	:Senior Admin Officer
Mr. N. Dlamini	: PMU manager
Ms. N. Moloi	: PMU Technician
Ms. R. Shabalala	: Supply Chain Management Clerk
Ms. A. Nkosi	: Building Inspector
Mr. S. Vilakazi	: Debtors Clerk
Miss S.P Mabizela	: Labour relations/OHS clerk

Contract Management

The MFMA 56 of 2003 Section 116 has reference on contract management. There is a contract management register in place, which complies with the prescribed template for contract management.

Quotations and Bids

The SCM unit has quotations registers (below and above 30 000 transactions) and a bids register in place.

Inventory Management.

There is a policy in place for Inventory Management. There is operational stores for stationery, cleaning material and other inventory items present.

2.7 BY-LAWS

COMMENT ON BY-LAWS:

Municipal by-laws are public regulatory laws, which apply in a certain area, in this case Okhahlamba 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 Okhahlamba Municipality has in terms of section 156 of the Constitution, 1996 (Act 108 of 1996), read in conjunction with section 11(3) (m) of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) made the following municipal by-laws:

- Control of Outdoor Advertising.
- Pound By-laws.

- By-laws relating to Dogs.
- Public Health By-laws.
- Business license by-law
- Public drinking by-law

CHAPTER 3 – SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART I)

INTRODUCTION

The 2024/25 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 2023/24 financial year included: Macanda gravel road, Sheleni gravel road, Khethani township road, Emahlabathini gravel access road, Bergville industrial hub phase 2 and phase 3,

The tables below reflect 2023/24 project breakdowns by name and ward, as well as the source of funding.

Okhahlamba Local Municipality received an allocation of R 33 175 000.00 for the implementation of Municipal Infrastructure Grant (MIG) projects for the current financial year 2023/24.

NO.	Project Title (*as per MIG 1 form*)	Approved MIG Funding	Actual Project Cost (Tender sum + fees)	Expenditure to date	Balance	Progress / Status
1.	Macanda gravel road	11,791,710.76	11,570,859.02	11,570,859.02	724,120.20	100%
2.	Sheleni Gravel road	7,295,345.29	7,488,167.59	7,488,167.59	0.00	100%
3.	Khethani township roads	23,192,154.63	20,094,840.24	22,717,665.60	3,097,314.39	100%

4.	Emahlabathini gravel access road	10,407,205.36	10,602,767.83	6,366,902,07	4,592,105.64	Practical Completion
`	Bergville Industrial Hub phase 2	10,900,000.00	10,900,000.00	10,355,000.01	544,999.99	100%
6.	Bergville Industrial Hub phase 3	7,100,000.00	7,100,000.00	6,745,000.00	355,000.00	100%

Appended below is a brief summary of budget allocation and commitments for 2024/25 (SDBIP) financial year.

Okhahlamba Local Municipality will receive an allocation of R 34 320 000.00 for the implementation of Municipal Infrastructure Grant (MIG) projects for the current financial year 2025/26.

NO.	Project Title (*as per MIG 1 form*)	Actual Project Cost (Tender sum + fees)	Expenditure to date	Progress/ Status	Start date
1	Construction of Sikhosana Gravel Access Road in Ward 11	3,179,747.58	3,377,104.91	Practical Completion	14/06/2024
2	Construction of Vulamehlo Gravel Access Road in ward 08	6,633,807.94	6,728,549.90	Practical Completion	14/06/2024

4	Construction of Mbombozi Gravel Access Road (Ward 14)	4,539,093.08	2,830,279.30	Practical Completion	14/06/2024
5	Construction of Reserve C Creche in Ward 9	4,417,231.94	4,452,116.62	Practical Completion	14/06/2024
6	Construction of Nkoxo Access Roads and Bridge in Ward 02	6,817,138.01	6,441,339.11	Practical Completion	14/06/2024
7	Construction of Phola Park Creche in Ward 07	5,505,796.49	5,286,224.38	Practical Completion	14/06/2024
8	Upgrade of Bergville Sports Complex in ward 11	14 451 041.65	7,908,537.09	80% Construction	15/08/2024

Appended below is a brief summary of budget allocation and commitments for 2024/25 financial year.

The municipality completed its Electricity Service Delivery Plan (ESDP) and realized that the current electrification backlog numbers are achievable. As a municipality, we have achieved 100% universal access to electricity connections by the end of 2017. We strongly believe that our target to electrify infills is within our reach.

MASSIFICATION PROGRAM (Electrification) PROJECTS

FOR 2024/25 FINANCIAL YEAR

No.	Project Name	Planned Cons	Overall Status	Allocated Amount	Expenditure	Balance	Construction Status

1.	Potshini Electrification Phase II (Ward 12)	115	100%	R 4,982,000.00	R 4,982,000.00	R 0	- Detailed design – 100% - Site Establishment – 100% - Pre-Engineering – 100% - Procurement - 100% - Construction – 100% - Close Up - 100%
2.	Vimbukhalo Electrification Phase II (Ward 14)	25	100%	R 1,719,000.00	R 1,719,000.00	R 0	- Detailed design – 100% - Site Establishment – 100% - Pre-Engineering – 100% - Procurement – 100% - Construction – 100% - Close Up - 100%
	TOTAL	**140**		**R 6,701,000.00**	**R 6,701,000.00**	**R 0**	

PLANNED PROJECTS FOR 2025/2026 FINANCIAL YEAR

No.	Project Name	Planned Cons	Overall Status	Allocated Amount	Expenditure	Construction Status
1.	Gugulethu Electrification Phase 2	200	0%	R 4,982,000.00	R 0	- Detailed design – 50% - Site Establishment – 0% - Pre-Engineering – 0% - Procurement - 0% - Construction – 0% - Close Up – 0%
2.	Mazizini/Nsukangihlale	150	0%	R 4,982,000.00	R 0	- Detailed design – 0% - Site Establishment – 0% - Pre-Engineering – 0% - Procurement – 0% - Construction – 0% - Close Up – 0%
	TOTAL	**350**		**R 9,315,000.00**	**R 0**	

HOUSING PROJECTS FOR 2024/25

To provide a report on the overall insight about progress made in the implementation of Housing projects.

1. REPORT

3.1 HOUSING PROJECTS

The Municipality has 27 projects. Their status is as follows:

3.2 HOUSING PROJECT AT PRE-FEASIBILITY STAGE

The unit manage to move all projects to planning stage 1.

3.3 HOUSING PROJECT AT PLANNING STAGE 1

Project name	Ward	No of units	Project type	Budget	Start/End	Project status	Completion
Acton Homes	11	1000	Urban	R3 506 410.00	24/25	Planning	95%
Nogaga A	9	1250	Rural	R4 663 900.00	24/25	Planning	95%

Masumpa A	9	750	Rural	R2 798 340.00	24/25	Planning	95%
KwaSmahla B	14	900	Rural	R2 778 066.00	24/25	Planning	100%
Mhlwazini A	03	750	Rural	R27 987 340.00	24/25	Planning	95%
Ogade	08	1000	Rural	R0.00	24/25	Planning	100%
KwaSmahla A	14	900	Rural	R0.00	24/25	Planning	100%
Sandlwana	05	1500	Rural	R0.00	24/25	Planning	100%
Insukangihlale A	09	750	Rural	R2 798 340.00	24/25	Planning	95%
Insukangihlale B	09	750	Rural	R0.00	24/25	Planning	100%
Masumpa B	09	750	Rural0	R0.00	24/25	Planning	100%
Nogaga B	09	1250	Rural	R0.00	24/25	Planning	100%
Hoffental A	04	750	Rural	R0.00	24/25	Planning	100%
Hoffental B	04	750	Rural	R2 315 055.00	24/25	Planning	95%
Mhlwazini B	03	750	Rural	R0.00	24/25	Planning	100%

3.4 HOUSING PROJECTS AT CONSTRUCTION STAGE

Project name	**Ward**	**No of units**	**Type**	**Budget**	**Start/End**	**Project status**
Moyeni B	08	300	Rural	R47 836 509.68	24/25	Construction
Emmaus	02	300	Rural	R47 562 405.00	24/25	Construction
Moyeni A	08	300	Rural	R48 597 381.00	24/25	Construction
Potshini	03	300	Rural	R48 604 977.00	24/25	Construction
Amazizi 3B	06	300	Rural	R47 743 548.00	24/25	Construction
Dukuza A	04	500	Rural	R65 222 520.00	24/25	Construction
Engoba	03	300	Rural	R59 738 544.00	24/25	Construction
Emamfemfetheni	02	300	Rural	R59 437 128.00	24/25	Construction
Dukuza B	04	300	Rural	R48 542 367.00	24/25	Construction
Amazizi 3A	06	300	Rural	R60 950 493.00	24/25	Construction

3.5 PROJECTS AT CLOSE OUT STAGE 2

Project name	**Ward**	**No of**	**Type**	**Budget**	**Start/End**	**Project status**

		units				
Nhlanhleni	09	283	Rural	R27 337 121.24	24/25	Close out
Gugulethu	09	500	Rural	R441 794.00	24/25	Close out

OSS Projects

OSS/Disaster Housing Project

- At Woodford, Bhethany, Greenpoint and Thintwa there are land challenges. The Department has not approved the Consent Letters or Agreements made between the Landowners and the tenants. It is possible that the contract may be terminated without building in the above areas.
- 14 by Mabune
- 19 by Metro Projects in ward 1 and 2.
- 30 by NG Construction in different wards.
- 40 by Mbokodo in ward 4.

In total there are 140 units to be constructed for OSS/Disaster in the Municipality

ROADS AND STORM

WATER

2024/25 FINANCIAL YEAR OPERATIONS AND MAITAINANCE ACHIEVEMENTS.

The Municipality is responsible for the Maintenance of all roads and public amenities in its area, except the Provincial and National roads within it by using the equitable share of the municipality. The Provincial Department of Transport maintains all Surfaced and Un-surfaced District roads. And, the Municipality has several public amenities. These amenities are used for various events and activities ranging from sport, music, meetings/ conferences, burial activities and needs like church or weddings and council activities. Below is a summary of our 2024/25 financial year achievements.

- The municipality has received an allocation of R 8 858 000.00 from the Municipal Disaster Recovery Grant (MRDG), to rehabilitate five steel pedestrian bridges due to floods that happened in the 2023/24 financial year in the province.
- Municipality took resolution to withdraw funds amounting to R 18 741 752.90 from the savings account of the Municipality for the re-gravelling of eighteen (18) access gravel roads in different wards.
- Renovations of three (03) community halls in Ward 3,10 and 09.
- Unblocking of manholes and side drains cleaning in Bergville and Winterton CBDs.
- Patching potholes in Bergville and Winterton.

The tables below reflect 2024/25 project breakdowns by name and ward no, as well as the source of funding.

2024/25 FINANCIAL YEAR			
WARD NO.	**PROJECT/PROGRAM**	**BUDGET & FUNDER**	**STATUS**
01	Potholes repairs in Winterton CBD.	R 224 000.00 / Equitable share.	Completed
01	Sibonelo gravel access road in ward 01.	R 1 025 003.44 / Councils investments.	Completed.
02	Deepslod gravel access road in ward 02.	R 1 469 329.00/ Council investments.	Completed.
02	Ethunzini gravel access road in ward 02.	R 1 053 912.11/ Council investments.	Completed.
2&3	Rehabilitation of Ngoba/Emamfemfetheni pedestrian bridge – ward 2&3.	R 1 888 150.00 / Disaster recovery grant.	Completed.
03	Nobadina (Enkabeni/ezingulubeni) gravel access road in ward 03.	R 1 285 481.87/ Council investments	Completed.
03	Renovation of Mhlwazini community hall in Ward 03.	R 120 000.00 / Equitable share.	Completed.
03	KwaMpangele Gravel access Road in ward 03	R 1 053 912.11/ Council investments.	Completed.
04	Emafusini gravel access road in ward 04.	R 964 295.26/ Council investments.	Completed.
04	Rehabilitation of KwaMaye/Makhosaneni pedestrian bridge – ward 04.	R 1 398 130.50 / Disaster recovery grant.	Completed.
05	Construction of low-level crossings. In Maswazini (Mboyana) area - ward 05	R 60 000.00 / Equitable share.	Completed.
05	Nkosana/ community hall gravel road in ward 05.	R 1 045 118.65/ Council investments.	Completed.

05	Rehabilitation of Sandlwana pedestrian bridge – ward 05.	R1 623 435.00 / Disaster recovery grant.	Completed.
05	Ndala gravel access road in ward 05.	R 1 091 239.67/ Council investments.	Completed.
06	Ediphini/ Big Zulu gravel access road in ward 06.	R 949 098.38/ Council investments.	Completed.
07	Nsukangihlale gravel access road in ward 07.	R 994 677.64/ Council investments.	Completed.
08	Mafu gravel access road in ward 08.	R 1 053 912.11/ Council investments.	Completed.
09	Rehabilitation of Zwelisha pedestrian bridge – ward 09.	R 1 571 160.00 / Disaster recovery grant.	Completed.
09	Mcijeni from Makhaza to Kwa Khoza gravel access road in ward 09.	R 917 468.32/ Council investments.	Completed.
09	Renovation Zwelisha community hall in ward 09.	R 165 000.00 / Equitable share.	Completed.
10	Renovation Rookdale community hall in ward 10.	R 150 000.00 / Equitable share.	Completed.
10	Harlmanse gravel access road in ward 10.	R 1 039 111.61/ Council investments.	Completed.
11	Installation of five carports at Technical offices.	R 130 000.00 / Equitable share.	Completed.
11	Ridge road 1st and 2nd avenue in ward 11.	R 974 409.32/ Council investments.	Completed.
11	2km per ward /10 days programme in ward 11.	Equitable share	Completed.
11	Bergville CSC roof repairs phase 1.	R 400 000.00 / Council investments	Completed.
11	Construction of V drain between taxi rank and Bergville mall Phase 1.	R 500 000.00 / Equitable share.	Completed.
12	2km per ward /10 days programme in ward 12.	Equitable share	Completed.
12	Mgobho gravel access road in ward 12.	R 917 468.32/ Council investments.	Completed.

13	2km per ward /10 days programme in ward 13.	Equitable share	Completed.
13	Rehabilitation of Greenpoint pedestrian bridge – ward 13.	R 1 784 200.00 / Disaster recovery grant.	Completed.
13	Nothekwane gravel access road in ward 13.	R 917 468.32/ Council investments.	Completed.

Progress pictures

Before	After

Figure 1 Mafu gravel access road

Figure 2paching potholes in Bergville Tatham road.

Figure 3 Ngoba steel pedestrian bridge.

Figure 4; Renovations at Zwelisha community hall.

Figure 5: Renovations at Mhlwazini community hall.

Challenges

- Insufficient maintenance budget for maintenance projects.
- Shortage of labour personnel to provide technical assistance on maintenance projects.
- Service delivery programs have been temporary suspended due to financial constraints of the Municipality.

FINDINGS

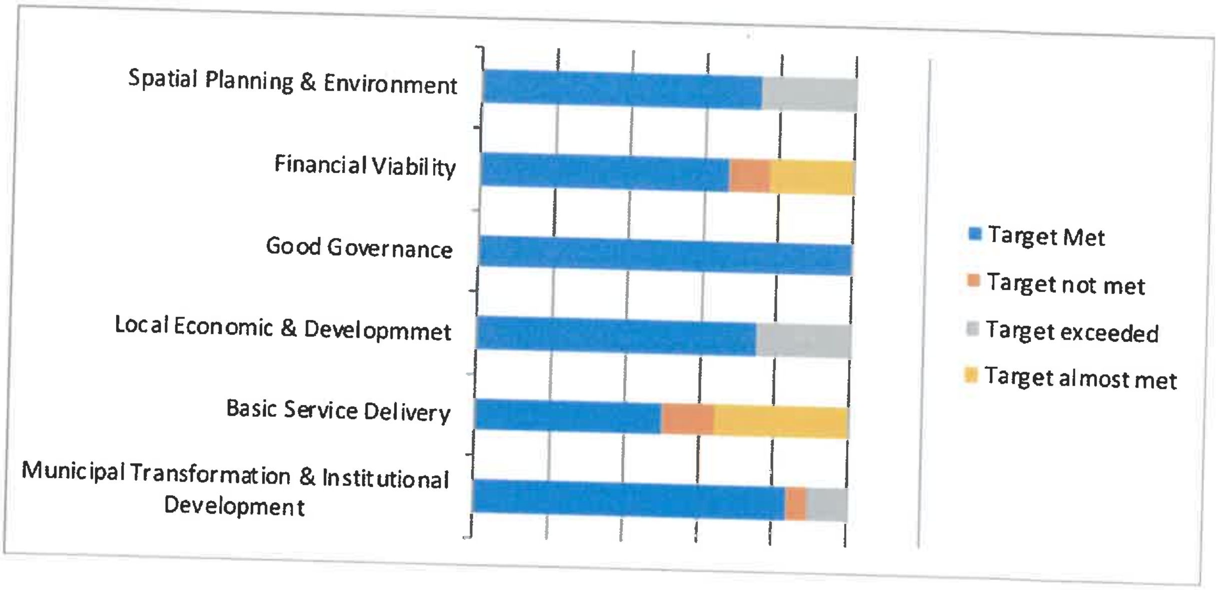
- The alternative to having and maintaining a gravel road is to construct a once-off all-weatherproof, skid-resistant and dust controlling surfacing.
- A gravel road which carries more traffic per day can be sealed at a cost less than maintaining the gravel road over a period of six years.
- Gravel roads are also not safe than surfaced roads. They are slippery when wet, have less traction when dry and the presence of dust causes poor visibility which creates unsafe riding conditions, particularly at higher traffic volumes.
- Dust also pollutes the areas adjacent to a road which affects people's health, especially children, damages crop and has a harmful effect on vegetation

Our commitment is to ensure quality service delivery to the residents of our Municipality. We are working hard in ensuring that Okhahlamba keeps moving forward.

1.1 SERVICE DELIVERY: ACTUAL PERFORMANCE AGAINST TARGETS SET IN THE SCORECARD

This section of the Annual Report will report on the Municipality's actual against Municipality target as per the Integrated Development Plan, the planning document of the municipality. Due to the fact that the Municipality has utilized {6} six KPA's, we will report as such. The overview of the Municipality's actual performance is linked to the National KPA's. These are detailed in the graph below and performance against the National KIP's is indicated below. A detailed report of the Municipality's performance {Annual Performance Report} is also attached to the Annual Report.

Municipal Performance per Key Performance Area



FREE BASIC SERVICES AND INDIGENT SUPPORT:

Okhahlamba Municipality implemented an Indigent Support Policy to promote social and economic development within the community of Okhahlamba. The objective is to assist the indigent community with funding from the 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 4 710 per month, or R56 520.00 per annum which is considered indigent. The budget allocated to indigent support accounts for 2% of general expenditure in Final Annual Budget for 2024/25.

Refuse charge for services include residential areas such as Khethani were also discounted as indigent.

COMPONENT A: ROAD TRANSPORT INTRODUCTION

ROAD TRANSPORT

Road Condition

The following situation persists in respect of the condition of roads:

- Most of the roads in OLM are gravel,
- Some of the tarred roads are dilapidated with potholes and storm water is also an issue.
- There are only a few pedestrian crossing facilities that are available and non- motorized transport facilities are non-existing.
- Some of the bridges are damaged due to accidents.
- Access management is a problem.
- Road safety is a problem.

The following table indicate road type and length of road in Okhahlamba.

ROADS	Blacktop	Concrete	Gravel
National	28	108	0
Provincial	385	0	65
District	95	0	276
Local	8	0	192
TOTAL	513	108	533

Source: Okhahlamba Roads Master Plan, 2022

Public Transport

As many of the community do not have their own motor vehicles, 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 Vehicles
- Private Transport – Trucks

There are three public transport facilities catering for minibus taxis within Okhahlamba located in Bergville, Winterton and Emmaus. There are no facilities for buses, with the nearest bus rank being located in Ladysmith. The uThukela Public Transport Plan identifies that investigations are required with regard to the upgrading of existing minibus-taxi facilities in Bergville and Emmaus. A new minibus-taxi facility was constructed in Winterton.

COMPONENT B: PLANNING AND DEVELOPMENT

PLANNING AND DEVELOPMENT OVERVIEW

The municipality is launching a comprehensive **Land Use Compliance and Regulation Program** aimed at ensuring all land development and usage within its jurisdiction aligns with local zoning laws, environmental standards, infrastructure capacity, and community development goals. This initiative will strengthen governance, support sustainable development, and enhance the quality of life for residents by proactively managing land use and mitigating conflicts arising from non-compliant activities.

Purpose and Objectives:

The primary purpose of this project is to ensure that all current and future land use activities within the municipality comply with relevant laws, regulations, and planning frameworks. Key objectives include:

- Enforcing zoning and land use regulations to promote orderly urban growth.
- Ensuring all development projects undergo proper environmental, social, and infrastructural review.
- Streamlining permitting and compliance processes for better efficiency and transparency.
- Reducing land use conflicts and encroachments on public land or restricted zones.
- Protecting environmentally sensitive areas and promoting responsible development practices.
- Educating stakeholders on legal land use requirements and promoting public participation in planning processes.

Scope of Work and Rollout Plan:
The project will be implemented in six structured phases:

1. **Feasibility and Baseline Assessment**
    - Review existing land use patterns and zoning maps.
    - Identify key compliance gaps and high-risk areas.
    - Engage with stakeholders including planners, legal experts, environmental bodies, and community leaders.
2. **Site Audits and Regulatory Review**
    - Conduct land use audits to assess current compliance status.
    - Review and update outdated zoning or land use regulations.
    - Identify environmentally or socially sensitive areas requiring additional protections.
3. **Permit and Application Process Enhancement**
    - Digitize and streamline the land use permitting process.
    - Introduce standardized documentation and workflow procedures for project review and approval.
4. **Public Engagement and Capacity Building**
    - Host community forums and stakeholder consultations.
    - Educate developers and property owners on compliance requirements.
    - Train municipal staff on enforcement procedures and regulatory updates.
5. **Enforcement and Monitoring**
    - Implement a compliance monitoring system with routine inspections.
    - Introduce penalties or corrective measures for non-compliance.
    - Establish a reporting mechanism for citizen feedback and whistleblowing.
6. **Post-Implementation Review and Continuous Improvement**
    - Evaluate the project's impact on urban planning, environmental protection, and service delivery.
    - Review feedback and continuously refine regulations and enforcement methods.

Expected Outcomes:

- Increased compliance with zoning and land development regulations.
- Reduced unauthorized development and land-use conflicts.
- Improved transparency and efficiency in the permitting process.
- Better protection of the municipality's environmental and public assets.
- Enhanced coordination between planning, legal, and enforcement units within the municipality.

Project Duration:
12–18 months (initial phase), with provisions for ongoing compliance monitoring thereafter.

1.2 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES)

INTRODUCTION TO ECONOMIC DEVLOPMENT

The Okhahlamba Local Economic Development (LED) component consists of two Information Service Centres located in Bergville and Winterton as well as a Museum that is situated in Winterton. The Information Offices assist tourists with daily enquiries such as directions, information on accommodation, places to visit, phone numbers, emergency numbers and serve as a place of safety for stranded tourists as well as displaying brochures for tourism establishments, entertainment areas and restaurants/food outlets. The Winterton office services mainly the tourists from the N3 to the Drakensberg Mountains and the Bergville Information office attends to tourists from the Central to the Northern Berg. There are two Craft Centres that are located on either side of the Ukhahlamba-Drakensberg Park World Heritage Site; one in the Northern Berg and the other one in the Central Berg.

Although the above-mentioned establishments are operational and available for use by the public and tourists in the municipal area, the impact is minimal as these establishments are not in a good state; they require improvement to ensure that they render proper service to our tourists. These establishments also require proper signage and the development of marketing strategies that will sell the municipality as a tourist destination through marketing the majestic mountains, spectacular landscape, the tourism establishments, craft centres, high quality scenic vistas and all the activities and attractions that we have to offer.

The Municipality is located in a very rich agricultural region and the eastern part is characterized by considerable arable land, which represents some of the highest potential agricultural land in the Province. The Okhahlamba economy is dominated by agricultural activities. The Department of Agriculture is developing and implementing interventions to transform the agricultural sector in Okhahlamba. The municipality itself has co-funded with the Department of Economic Development Tourism and Environmental Affairs a huge Cannabis project. Part of the project plan is to develop the Cannabis processing plant in Okhahlamba Local Municipality. Cannabis project is ongoing from previous years of development. The 2025 Census report for Okhahlamba Local Municipality Gross Domestic Product in agriculture is still under review.

Commercial agriculture occupies most of the municipal land area with the main activities being grains, vegetables and pastures for dairy and semi-intensive beef and mutton production. Other agricultural activities in the area include horticulture (pelican nuts, etc.), forestry and animal husbandry (beef, sheep, pigs and poultry). Subsistence farming is prevalent in traditional settlement areas, with the main agricultural activity within these areas being traditional ranching of cattle.

Smallholder agriculture also consists of maize, dry bean and vegetable production on a small scale and there is potential to produce a surplus for the market. Although there are opportunities for developing this market and encouraging small-scale commercial production, there is a lack of expertise, skills, and knowledge. These are constraints which must be addressed. The Okhahlamba Municipality, in partnership with the Department of Agriculture is working hand in hand to strengthen our agricultural projects and encourage small scale farmers to participate to develop our economy.

Tourism

Tourism continues to play an increasingly important role in the local economy of Okhahlamba, with the wide asset base including a range of accommodation facilities, outdoor sporting and recreational activities. The Municipality also embarks on events promotions for tourism development. The main tourism destinations in the Okhahlamba Local Municipality are Cathkin Park, Cathedral Peak, Royal Natal National Parkland and Spioenkop, which includes the historical site, dam and lakeside resort run by KZN Wildlife. Locations of growing significance for tourism include the Mnweni Valley area, Okhombe and Busingatha Valley. Overall the Okhahlamba area represents (especially in partnership with surrounding areas e.g. Lesotho) one of the primary tourism potentials of South Africa.

Although there is substantial private sector involvement and investment in the tourism industry there appears to be a lack of integration, marketing and a creative approach to local tourism. The tourism industry does provide jobs, but has not been integrated into the local community and its socioeconomic impact as a result has been limited. In an attempt to increase the number of visitors to the berg, a local map with the list of all tourism establishments has been developed. Also part of developing tourism within our community, Tourism Awareness has been organized through the Department of Education. This was conducted in all schools doing Tourism in four circuits, namely, Winterton, Bergville, Amangwaneni and Bethany Circuits. Statistics indicate that the number of tourists visiting the berg has increased compared to the last financial year.

The National Tourism Department has funded a learnership programme with Tourism World being appointed as the implementing agent. Okhahlamba Local Municipality has a total of 72 learners participating in the programme. The programme runs for a period of a year, and is divided into two separate streams which form courses. These streams include: Food and Beverage, and Accommodation. Each stream consists of 36 learners participating in the course. The Food and Beverage course began in January 2025 and will end in December 2025. There are also 2 interns that part of the Tourism Graduate Programme from the KZN Economic Development, Tourism and Environmental Affairs Department that started in January 2024 and will end in December 2025.

Exhibitions

The Okhahlamba Municipality together with the CTO Drakensberg Experience participates in exhibitions to promote and market the area. Tourism KZN is assisting municipalities to participate in exhibitions. They buy a stand for the municipalities to attend, with the purpose of marketing the area. For the current financial year, the municipality participated in the Tourism Indaba in Durban, the Cape Gateway and KZN Travel adventure show.

Informal Traders

The Municipality is trying to organise 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 to allocate informal economy actors accordingly. Phase two of the informal traders' market stalls in Bergville, as well as Phase one in Winterton have been completed and the stalls have been allocated to beneficiaries. Phase three is also underway for both Bergville and Winterton.

Co-operatives and SMMEs

Training courses that transpired through the Municipality provide technical skills for Co-operatives and SMMEs and in the 2024/25 financial year 198 individuals from different Co-operatives benefited from the training. The training was conducted in conjunction with the Department of Small Business Development and SEDA.

The number of registered businesses has decreased to 98 and 78% of them are operational. Many SMMES are involved in supply and delivery services. We are working with local NGOs like Okhahlamba Area Development Plan and Farmers Support Group to source markets for them as well as to provide advice and training.

The South African Revenue Services (SARS) visited our offices once in the financial year 2024/2025 to assist Co-operatives and SMMEs with Tax Clearance applications and Annual Tax Returns.

The Municipality is a business licensing authority. In the 2024/2025 financial year 412 spaza shops business license renewals applications were received by the Municipality. 126 of those applications were from foreign nationals. The processing of applications is in progress while the inspections is also conducted.

The Municipality affords SMMEs to subcontract in the MIG projects CPG. 30% is ring-fenced for CPG in all MIG projects in the Municipality. Revised regulations require organs of state to identify tenders, where it is feasible, to sub-contract a minimum of 30% of the value of the contract for contracts above R30 million for local businesses to benefit and to enhance and encourage the development of local economies.

COMPONENT C: COMMUNITY & SOCIAL SERVICES

I INTRODUCTION TO COMMUNITY AND SOCIAL SERVICES

Okhahlamba Municipality identifies the improvement of economic and social infrastructure, access to quality education, and improved health care as priority issues. The development and maintenance of essential public infrastructure is an important ingredient for sustained economic growth and poverty reduction. Poor infrastructure is considered one of the most binding constraints to growth throughout the Municipality.

Reasonable access to social infrastructure in remote, rural environments where there are still backlogs in roads infrastructure and access to strong cellular network and radio frequencies. The municipality has made significant gains in terms of increasing access to electrification, and this has had a notable impact on our communities. Infrastructure investment would contribute to economic growth and support social objectives. Access to social services is limited in terms of clinics and schools. Whilst there are schools in towns and settlements, they are in a dilapidated state without proper sanitation and potable water for both learners and educators.

COMPONENT D: ENVIRONMENTAL PROTECTION

This component includes: pollution control; biodiversity and landscape; and costal protection.

INTRODUCTION TO ENVIRONMENTAL PROTECTION

Okhahlamba Local Municipality is located in a very environmentally significant area with the Drakensberg Mountains having outstanding natural beauty, a fascinating and ancient geology, great diversity in plant communities, some of the rarest animals in the world and the largest, richest and most concentrated series of rock art in Africa. The area needs to be managed appropriately in order to ensure a balance between conserving the environment and promoting appropriate tourism in the area.

Biodiversity and Protected Areas

The Municipality has a significant Protected Area Network and reasonably intact vegetation, which offers a high diversity of habitats, which support a large proportion of important faunal and floral species. The majority of Red Data plant species occur predominantly in the higher altitudinal areas of the Drakensberg, which are to the greatest extent protected (with exception of the Mnweni Valley). The Drakensberg Alpine Region is considered a centre of plant diversity and endemism. A total of 2 153 species of plants have been recorded for the uKhahlamba Drakensberg Park World Heritage Site of which 29.5% are endemic and 109 are listed as threatened species. A large proportion of these species are found within the Okhahlamba area (uThukela Biodiversity Sector Plan).

COMPONENT E: HEALTH

INTRODUCTION TO HEALTH

The most important health facility in the Okhahlamba is Emmaus Hospital, situated 15 kilometres from Winterton, which supports 6 clinics including Emmaus gateway clinic and 62 mobile clinic points located mostly in the southern part of the municipal area. These clinics are the Bergville Clinic, Busingatha Clinic, Dukuza Clinic, Amazizi clinic, Emmaus gateway clinic and the Oliviershoek Clinic. Most of the health issues dealt with at clinics relate to Preventative Tuberculosis and HIV-AIDS, family planning, Communicable chronic diseases (HPT, DM, and Mental health) while the greatest causes of death amongst children are respiratory disease, malnutrition and Gastro Enteritis.

Emmaus hospital is a district hospital providing first level of care and all complicated specialised cases are referred to Ladysmith which is a regional hospital and other hospital like Grace

HIV/AIDS is one of the major factors influencing population growth. In South Africa, KZN was the province with the highest HIV/AIDS prevalence rate of 16.9% in 2022. Statistics regarding HIV/AIDS reflects that the prevalence of HIV/AIDS in KZN declined from 46% in 2023 to 12.6% in 2024. The prevalence of this disease affects the age group 15-39 the most adversely, resulting in higher mortality rates for this age group and a slower population growth. According to the Uthukela LED Strategy (2013), 14% of the population was living with HIV/AIDS in Okhahlamba in 2001, increasing to 15% in 2002 and remaining steady until 2011. The average infection rate in the municipality for 2001-2011 was 15%, which is equivalent to the district average of 15% for the same period (Uthukela LED Strategy, 2013).

The effect of HIV/AIDS is evident in South Africa's life expectancy at birth, which are 47. The impact of this disease are far reaching, affecting the economy, planning and social systems. From a planning perspective, it affects aspects of housing need and affordability, health facilities (increase in health care needs), education (decline in scholars) and an overall increase in the dependency ratio (orphans and elderly people).

COMPONENT F: SECURITY AND SAFETY

Introduction to Security & Safety

The Municipality, in conjunction with the South African Police Services, provides safety and security services. Police Stations are located in Winterton, Bergville, Oliviershoek and Upper Tugela. Each police station has established a Community Policing Forum under its jurisdiction.

One of the major issues facing Okhahlamba is stock theft. According to police statistics, Bergville is among the country's stock theft hotspots and the investigation of stock theft is one of the services rendered by SAPS to all livestock owners in Okhahlamba. Through the Municipality's Traffic Section, roadblocks were initiated across various areas within Okhahlamba in a bid to reduce the criminal activity within the area.

Following a major challenge the region last year with an increase in violent armed robbery, hijackings and vehicle theft within the Bergville CBD. The municipality initiated a multi-stakeholder security forum comprising of local, district and provincial stakeholders. We also installed CCTV cameras within the CBD and have noticed a visible decrease in crime as a result. The CCTV monitoring system is controlled by the Municipality's Emergency Control Centre.

We have initiated a joint working team between SAPS, Crime Intelligence, local security companies and the Local Traffic Authority to combat crime within Okhahlamba. We have also developed a lasting relation with the South African Defence Force who also aid in our operations of fighting crime in the area.

The Municipality has installed high mast lighting within the taxi rank, and this has improved visibility in that precinct at night.

We note with concern the increase in the number of informal settlements in the precinct of the Taxi Rank and Bergville, and as a result the increase of criminal activity within town at night. We have, on multiple occasions, received complaints from our ratepayers and residents in this regard. As a result, we have instituted legal processes to eradicate the problem of illegal informal settlements and to mitigate the level of criminal activity at night in Bergville.

We have also embarked on a joint-operation between our Traffic Section and the SAPS to reduce the level of public disorder and public drinking, particularly over the weekends and during the evenings in Bergville.

The Municipality contributes to safety and security through their Protection Services. This law enforcement section manages traffic laws and by-laws.

DISASTER, FIRE AND EMERGENCY RESCUE

The Okhahlamba Disaster and Emergency Rescue Centre was launched in July 2016 and began its operations in assisting communities. We have a dedicated emergency hotline which is accessible by the community 24 hours a day.

Since the Disaster Centre was launched it has responded to various types of emergencies. Some of these include House and Fires, Tornado and Flood responses, drownings and recovery of bodies, and road accidents.

Over the course of the past year, the section has responded to 66 veld fires, 17 home fires, and 2 business fires with an overall 219 homes being affected by fires. In essence, 1406 people have been directly or indirectly affected by fires within the municipality and have been assisted by the disaster management centre. The centre has distributed a total of 77 relief blankets, 8 food parcels, a relief plastic and 3 temporary shelters as immediate responses to disasters within the municipality.

The disaster centre further responded to a total of 168 motor vehicle collisions which saw 125 injuries and 36 fatalities. A total of 36 lost hikers were assisted, and at times, airlifted, through the assistance of the disaster management centre. Through this centre a total of 7 bodies were recovered due to drownings within various rivers, dams and canals within the municipality over the past year.

TESTING CENTRE

The Okhahlamba Testing Centre, since its operation, has successfully assisted a number of people in obtaining their learners and drivers licences, as well as licensing of vehicles. It has developed a positive reputation of being one of the most efficient Licensing Centres within our district. There is a quick turnaround time for clients making use of this facility.

The central location of the testing centre makes it easily accessible by our communities, as well as the neighbouring towns.

COMPONENT F: SECURITY AND SAFETY

Introduction to Security & Safety

The Municipality, in conjunction with the South African Police Services, provides safety and security services. Police Stations are located in Winterton, Bergville, Oliviershoek and Upper Tugela. Each police station has established a Community Policing Forum under its jurisdiction.

One of the major issues facing Okhahlamba is stock theft. According to police statistics, Bergville is among the country's stock theft hotspots and the investigation of stock theft is one of the services rendered by SAPS to all livestock owners in Okhahlamba. Through the Municipality's Traffic Section, roadblocks were initiated across various areas within Okhahlamba in a bid to reduce the criminal activity within the area.

Following a major challenge the region last year with an increase in violent armed robbery, hijackings and vehicle theft within the Bergville CBD. The municipality initiated a multi-stakeholder security forum comprising of local, district and provincial stakeholders. We also installed CCTV cameras within the CBD and have noticed a visible decrease in crime as a result. The CCTV monitoring system is controlled by the Municipality's Emergency Control Centre.

We have initiated a joint working team between SAPS, Crime Intelligence, local security companies and the Local Traffic Authority to combat crime within Okhahlamba. We have also developed a lasting relation with the South African Defence Force who also aid in our operations of fighting crime in the area.

The Municipality has installed high mast lighting within the taxi rank, and this has improved visibility in that precinct at night.

We note with concern the increase in the number of informal settlements in the precinct of the Taxi Rank and Bergville, and as a result the increase of criminal activity within town at night. We have, on multiple occasions, received complaints from our ratepayers and residents in this regard. As a result, we have instituted legal processes to eradicate the problem of illegal informal settlements and to mitigate the level of criminal activity at night in Bergville.

We have also embarked on a joint-operation between our Traffic Section and the SAPS to reduce the level of public disorder and public drinking, particularly over the weekends and during the evenings in Bergville.

The Municipality contributes to safety and security through their Protection Services. This law enforcement section manages traffic laws and by-laws.

DISASTER, FIRE AND EMERGENCY RESCUE

The Okhahlamba Disaster and Emergency Rescue Centre was launched in July 2016 and began its operations in assisting communities. We have a dedicated emergency hotline which is accessible by the community 24 hours a day.

Since the Disaster Centre was launched it has responded to various types of emergencies. Some of these include House and Fires, Tornado and Flood responses, drownings and recovery of bodies, and road accidents.

Over the course of the past year, the section has responded to 66 veld fires, 17 home fires, and 2 business fires with an overall 219 homes being affected by fires. In essence, 1406 people have been directly or indirectly affected by fires within the municipality and have been assisted by the disaster management centre. The centre has distributed a total of 77 relief blankets, 8 food parcels, a relief plastic and 3 temporary shelters as immediate responses to disasters within the municipality.

The disaster centre further responded to a total of 168 motor vehicle collisions which saw 125 injuries and 36 fatalities. A total of 36 lost hikers were assisted, and at times, airlifted, through the assistance of the disaster management centre. Through this centre a total of 7 bodies were recovered due to drownings within various rivers, dams and canals within the municipality over the past year.

TESTING CENTRE

The Okhahlamba Testing Centre, since its operation, has successfully assisted a number of people in obtaining their learners and drivers licences, as well as licensing of vehicles. It has developed a positive reputation of being one of the most efficient Licensing centres within our district. There is a quick turnaround time for clients making use of this facility.

The central location of the testing centre makes it easily accessible by our communities, as well as the neighbouring towns.

CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE
INTRODUCTION

DEPARTMENTS

The municipality has the following 6 administrative departments, namely the Office of the Municipal manager, Social and Economic services, Technical services, Financial services, Community Services and corporate services.

Administration

The administration of the municipality is headed by the municipal manager. In addition to the municipal manager's office, the municipality has five administrative departments, each being headed by a director.

Office of the municipal manager

The office of the municipal manager is responsible for the internal audit as well as the IDP/PMS, communications, legal, and risk management and compliance.

Social and economic services

Responsibilities for this department include community facilities, library, Thusong centres management, museum, tourism, traffic/ law enforcement, licensing and Disaster Management

Technical services

This department is responsible for the implementation of all MIG projects (Roads/ etc,PMU,Electricity community services which include waste/landfilled sites, parks/cemeteries, pounding as well as building infrastructure.

Financial services (treasury)

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 utilised, and there is efficient implementation of the supply chain management policy.

Corporate services

Derives its mandate from the council's key development objective (institutional development).it is largely an internally focused department with its primary objective on employee recruitment, skills development and enhanced administrative systems. It is the responsibility of this department to ensure that the municipality addresses human resources related issues and to amplify technological applications within the municipality. Records management, Wellness/Benefits section receptionist, committee/ secretary, messenger, cleaning of the municipal buildings, and information technology

COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

4.1 EMPLOYEE TOTALS

Staffing Information

The Municipality currently have 408 staff members employed excluding Councilors (28), with vacant posts (with budget and with no budget) as illustrated in the following

Function	No. of Staff	No. of Vacancies
Mayor	28 Councilors	01
Municipal Manager's Office	16	04
Corporate Services	46	03
Financial Services	40	1
Community Services	123	06
Social and economic services	124	09
Technical Services	59	04
Total	408(+ 28 Councillors)	28

Approved Posts

Medical Aid Schemes

All employees have the benefit of partaking or contributing towards medical aid schemes accredited by SALGA, the medical aid contributions are as follows: 60% by the employer and 40% by the employee except for senior managers who pay the full amount from their package.

Employees who are currently employed belong to the following Medical Aid schemes accredited by SALGBC:

- KeyHealth;
- Bonitas;
- LA Health;
- Hosmed;
- Samwumed;

Employees are allowed to take any of the above Medical Aid of their choice

Pension Funds

All permanent municipal employees and employees appointed on a fixed term contract of five years are compelled to take the Natal Joint Municipal Pension Fund (NJMPF) from the date of their employment.

The following benefits are available for all municipal employees:

The municipal employee has two kinds of pension funds, namely, the GEPF (The old Government Employee Pension Fund) and NJMPF (Natal Joint Municipal Pension Fund) with three options (Provident, Retirement & Superannuation)

Municipal Councilors Pension Fund (MCPF) for Councilors is optional, they are not compelled to take/join the pension

Different Insurances are of choice and Sanlam Funeral Scheme

Housing Subsidy – applicable to all permanent employees with a bond/housing loan from registered financial institutions.

Occupational Health & Safety (OHS)

The OHS Committee has been established, trained and it's functional. The Committee consist of employees/members from different sections under each department. The committee operates under the Department of Corporate Services and terms of reference and policy have been developed in line with the Occupational Health and Safety Act. It is coordinated by Corporate Services under Occupational Health and Safety Office

Training and Development (SDF)

The Workplace Skills Plan (WSP)

The municipality have a WSP which is a strategic document that articulates how the employer is going to address the training and development needs in the workplace. It is a plan developed on yearly basis that describes its training and targets, must relate to the municipal IDP objectives .It goes together with the Annual Training Report that tells SETA which trainings has taken place in the last 12 months and the beneficiaries .

Legislative Framework

The Skills Development Act, Skills Development Levies, SAQA and Municipal Systems Act

- Izibuko the Bridge Invest and Projects Apprenticeship x 10 Electricity
- Resolution Cycle x 01 Mechanic and 01 Electrician
- Coole x 1 Human Resources Intern and 01 Finance Inserve
- FoodBev x 01 Human Resources ,01 Information Technology,02 Public Management 02 Electricians (intern and in serve)
- FP&M SETA X 04 Interns (Business Man x1,Management Assistant x2 and Public Management x 02 and 06 Inservice (Hr x 03,02 Management Assistant and 1 Public Management
- Bank SETA Interns x 06
- NSF X 28 (16 Interns and x 12 Internships) different fields
- Apprenticeship x 19 Bricklaying
- Apprenticeship x 20 Bricklaying
- Mnambithi TVET In serve x 20 Electricians and 1 Human Resources
- Ubuntu x 15 (Inserve x 10, Interns x 5) different fields
- TVET NSF x 20 Electrical
- MALITINE x 02 Civil Engineering

Bursaries

The status with the work skills plan is that in 2024/25 bursaries has been implemented X12 municipal employees benefited.

The students upgrades their qualifications in different fields and they get mentors within the municipality who mentor and rate them on monthly basis in terms of their performance in their filled of studies

Area of Focus	No, of Leaners on Bursary	Skills Programme
Finance	03	Degree in Bcom (Finance) x3
Social and Economic Services	4	Bachelor in Public Management X02 Diploma in Local Government X02
Technical Services	-	-
Corporate Services	6	Bachelor of Public Management X05 Bachelor in Administration X01
Municipal Managers Office	-	
Community Services	02	Bachelor of Public Managementx2

Skills Programme

Total number of 28 beneficiaries has been attending training of First Aid (skills programmes) committee members.

The total number of 28 employees who received training as per the above-mentioned training completed and received the certificates.

Total number of 15 Drivers and Operators who attended competency renewal certificates

Internship and In-Service Training Programme

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

The distribution of Interns/ In-service Trainees was as follows:

Area of Focus	No. of Interns	No. of In-service trainee
Finance services	08	0
Social & Economic Services	00	0
Technical Services	00	0
Corporate Services	00	0
Municipal Manager	00	0
Community Services	01	0
Total	00	0

Table 5: Distribution of Interns/Students

4.3 DISCLOSURES

Remuneration of Councilors

COUNCILLOR	TOTAL COST R 2023/24	TOTAL COST R 2024/25
Mayor	1 017 354.00	1 031 429.81
Deputy Mayor	824 669.00	835 760.90
Speaker	823 551.00	834 639.91
Executive Committee Members	1 370 700.00	1 379 160.54
Ordinary Councillors	8 420 106.00	8 312 579.40
Total	**12 456 380.00**	**12 393 570.56**

Table 6: Remuneration of Councillors

Remuneration of Senior Managers- Total Cost to Employer

	2023/24	2024/25
Director Corporate Services	1 255 361.00	1 405 423.18
Director Technical Services	1 273 314.00	1 599 097.56
Director Social and Economic Services	1 295 445.00	1 404 842.13
TOTAL	**3 824 120.00**	**4 297 362.87**

Table 7: Remuneration of Social Managers

Remuneration of Municipal Manager- Total Cost to Employer

	2023/24	2024/25
Annual Remuneration	1 331 158.00	1 314 978.41
Car Allowance	192 000.00	192 000.00
Performance Bonus	192 875.00	199 234.38
Total	**1 716 033.00**	**1 706 212.79**

Table8: Remuneration of Municipal Manager

Remuneration of Chief Financial Officer- Total Cost to Employer

	2023/24	2024/25
Annual Remuneration	1 040 758.00	1 025 841.43
Car allowance	216 000.00	216 000.00
Subsistence & Travel Reimbursement	00	00
Housing and other allowances	00	00
Performance Bonus	101 800.00	163 581.75
TOTAL	**1 358 558.00**	**1 405 423.18**

4.4 EMPLOYMENT EQUITY

The following table provides staffing information:

Employment Equity: Staffing information

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Councilors	22	0	0	0	6	0	0	0	0	0	28
Top Management	1	0	0	0	0	0	0	0	0	0	01
Senior management	3	0	0	0	2	0	0	0	0	0	05

Professionally qualified and experienced specialists and mid-man	8	0	1	0	3	0	0	0	0	0	12
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	30	0	0	2	44	1	1	2	0	0	80
Semi-skilled and discretionary decision making	62	0	0	0	66	0	1	0	0	0	124
Unskilled and defined decision making	49	0	0	0	34	0	0	0	0	0	83
TOTAL PERMANENT	175	0	1	2	155	1	2	2	0	0	338
Temporary employees	34	0	0	0	36	0	0	0	0	0	70
GRAND TOTAL	209	0	1	2	191	1	2	2	0	0	408

CHAPTER 5 – FINANCIAL PERFORMANCE

COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

INTRODUCTION

The Okhahlamba Municipality's most significant source of revenue is from grants. The contribution of the various alternative streams of revenue will be subject to review. Revenue raising strategies are listed as follows:

• Business License: Businesses should be required to have licenses to operate, and these should renewable annually.

• Photocopier Register: A register should be kept for photocopy machines in order to record meter readings and the municipality should record copies made for private purposes, and minimal fees should be charged for these.

• Interest on Investments: Excess funds that are not due to be used in the current month should be invested with approved financial institution so that extra interest can be earned from these funds.

• Asset management: It is important to maintain a regular inventory of property, plant and equipment, implementation of a maintenance programme review and insurance cover. This part of the plan will be extended to assist in identifying and listing unutilised/ uneconomic assets with a view to dispose as previously indicated.

Okhahlamba has a Rates Policy, which is mandated by Section 3 of the Local Government: Municipal Property Rates Act, 2004 (No. 6 of 2004), which specifically provides that a municipality must adopt a Rates Policy. This policy document guides the annual setting (or revision) of property rates. It does not make specific property rates proposals. As allowed for in the Act, the Municipality has chosen to differentiate between various categories of property and categories of owners of property. Some categories of property and categories of owners are granted relief from rates. The Municipality however does not grant relief in respect of payments for rates to any category of owners or properties, or to owners of properties on an individual basis, other than by way of an exemption, rebate or reduction provided for in this policy

COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

INTRODUCTION TO FINANCIAL STATEMENTS

Municipal Consumer Debt Position

This Municipality raises income from property rates, refuse removal, rates clearances and building plans. Other services are rendered on cash basis, meaning you first pay and then a service is rendered, except for property rates, refuse removal and letting of properties. When the Municipality bills income is recognised, but not all of this income reaches the Municipality. Our current recovery rate is sitting at 64%, meaning the municipality needs to implement a serious debt management and recovery strategy.

The Municipality has since implemented a Credit Control Policy, which prescribes steps to be taken to recover debt, more especially long outstanding debts. Firstly, the Municipality has planned on granting customers relief on interest and penalties for at least two (2) months in a year. During this period, all customers who pay all their accounts in full will receive a relief on their interest and penalties.

The Municipality has extended an invitation to the public to settle their outstanding debts through council incentives to write off interest. We have also initiated legal processes to recover debt through our debt collection strategy.

Even though the municipality has implemented these relief measures, the municipality still faces challenges in long outstanding debt recovery. An allowance for impairment of debtors of R 10 799 650.00 (which includes the write-off). The Municipality will issue two notices thereafter will issue a final notice for payment. Once a final notice is issued, we will institute legal action against defaulting debtors. Thereafter, the municipality will attach properties.

Grants & Subsidies

A municipality is supposed to be self-sufficient or at least largely self-funded. Access to funds is a key to the fulfilment of local government objectives and is a major enabler for delivery of sustainable services. However, the fiscal arrangement set out in Chapter 13 of the Constitution provides that local government is 'entitled to an equitable share of revenue raised nationally' and may also receive additional conditional transfers from national and provincial government. The Constitution also requires a municipality to raise its own funds through property rates, surcharges, service fees, etc. To this end, the local government fiscal framework provides a range of sources of funds, and does not limit municipal funding simple to own funds.

Okhahlamba is heavily reliant on grant funding, which accounts for 80% of revenue in the Final Annual 2024/25 budget, the equitable share allocation accounts for 47% of grants, while Municipal infrastructure grant accounts for 13 % of the Final Annual 2024/25 budget. Other grants include Grant Finance Management, Small Town Rehabilitation, INEP, LG SETA, EPWP, Arts & Culture subsidy and the Provincialisation of Library grant.

CHAPTER 6 – AUDITOR GENERAL AUDIT FINDINGS

COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS 2024/2025 FINANCIAL YEAR

REPORT OF THE AUDITOR-GENERAL TO KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON OKHAHLAMBA LOCAL MUNICIPALITY IS REPORTED AS THE SEPARATE ATTACHMENT OF THE ANNUAL REPORT.

6.2 AUDIT & PERFORMANCE AUDIT COMMITTEE COMMENTS REPORT TO THE COUNCIL OF OKHAHLAMBA LOCAL MUNICIPALITY.

BACKGROUND

AUDIT COMMMITTEE MANDATE

The Okhahlamba Local Municipality has established an Audit and Performance Audit Committee in accordance with section 166 of the Municipal Finance Management Act, Act no 56 of 2003 (MFMA) and section 14(2)(c) of the Local Government Municipal Planning and Performance Regulations, 2001 (Regulations). Consideration has also been given to section 14(2)(c) of the Regulations and MFMA 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 AUDIT COMMITTTEE

The role of the Audit Committee is to assist the Okhahlamba Local Municipality in achieving its strategic goals and objectives, by helping to maintain effective internal controls, risk management, accurate financial reporting and corporate governance principles, and other such duties as may be directed by the Council and Accounting Officer.

The Audit Committee must review and assess the qualitative aspects of financial reporting, the municipality's processes to manage business and financial risk, governance processes, and compliance with applicable legal, ethical, and regulatory requirements.

The Council of Okhahlamba Local Municipality appointed its Audit Committee to assist the municipality in advising the Municipal Council, the political office-bearers, the accounting officer, and the management staff of the municipality on matters relating to:

1. Internal financial control and internal audits;
2. Risk management;
3. Accounting Policies;
4. The adequacy, reliability, and accuracy of financial reporting and information;
5. Performance management;
6. Effective governance;
7. Compliance with the Division of Revenue Act (DORA) and any other applicable legislation
8. Performance evaluation

9. Any other issues referred to it by the Municipality (MFMA 56 of 2005, Section 166(2)(a) (i-ix);
10. Review the annual financial statements;
11. Respond to the council on any issues raised by the Auditor General in the audit report; and
12. Conduct investigations into the financial affairs of the municipality.

For the audit committee to be effective and able to advise accordingly, we rely on the reports prepared by internal audit, and information obtained from management and the accounting officer.
The Audit and Performance Committee performed in accordance with the approved Terms of reference and annual work plan.
The Audit and Performance Committee Chairperson transparently and objectively reported the committee`s activities to council on a quarterly basis. This included escalating matters which had a significant financial sustainability impact on the municipality`s operations.
The following sustainability matters were brought to the attention of the council of Okhahlamba Local Municipality:

- Unfunded approved budget
- Co-Funding of EPWP workers with unbudgeted funded
- Appointment of individuals in unbudgeted posts
- Full withdrawal of investments and its impact on cashflow
- Utilisation of withdrawn investments using the current approved panel of service providers which the AGSA has adverse findings against.

AUDIT COMMITTEE MEMBERS` DETAILS AND MEEETING ATTENDANCE
The Audit and Performance Audit Committee, consisting of independent, external members listed below, is required to meet at least four (4) times per annum as per the approved Audit Committee Charter, although additional meetings scheduled as the need arose. The Audit and Performance Committee consist of the following members: -

Details	Qualifications	Contract tenure	Meeting attendance
Mr Vumani Voltaire Sibiya CA(SA)	Bachelor of Commerce (UKZN) B Compt Honours (Unisa) Member of the South African Institute of Chartered Accountants.	01/01/2024 – 31/12/2026	100% (5/5)
Ms. Sphumelele Dlungwana CA (SA)	Bachelor of Commerce (Financial Accounting) (UCT) Honours, Certified Theory of Accounting (CTA)	01/01/2024 – 31/12/2026	100% (5/5)

Details	Qualifications	Contract tenure	Meeting attendance
	Member of the South African Institute of Chartered Accountants. Master of Philosophy (Development Finance)		
Mr Philani Dzanibe	Bachelor of Arts in Law (LLB) Certificate in Forensic Investigations Bachelor of Laws (LLB) Extra- Curricular Certificate – Law	01/01/2024 – 31/12/2026	80% (5/5)
Mr Bongani Thabethe	Education Reforms Education Management Project Management Certificate of Competence Training of Trainers Programme for the Public Service.	01/01/2024 – 31/12/2026	100% (5/5)

The Audit and Performance Audit Committee Meetings were held on the following dates:

- 14 August 2024
- 26 August 2024
- 14 November 2024
- 13 March 2025
- 19 May 2025

The meeting agendas are substantial and require diligent preparation by the Committee members. All members participated with the highest level of commitment, integrity, and objectivity.

ANNUAL FINANCIAL STATEMENTS

The committee reviewed the annual financial statements prior to submission of the AGSA, following reviewed by the municipality`s internal audit function. The annual financial statements were discussed with management, and the committee was assured that all financial statements balances were supported by credible evidence.

The AGSA expressed an unqualified audit opinion on the 2024/25 Annual Financial Statements. There are pressing governance matters which need addressing for the municipality to revert to attaining clean audit. The committee is confident that through the leadership of the Municipal Manager and his team this will be achieved.

PERFORMANCE INFORMATION

The Committee reviewed quarterly performance information, as required by Regulation 14 of the Municipal Planning and Performance Management Regulations, focusing on the principles of performance information.

Throughout the year under review the committee expressed concerns of the quality of reporting of performance information and urged the Municipal Manager to take remedial steps against individuals who did not honour their commitments of submitting credible information to the PMS manager. This laxed behaviour has resulted in the regression in performance information has reported by the AGSA.

RISK MANAGEMENT

The prolonged appointment of an independent risk committee chairperson compromised the risk management process. The committee, however, acknowledges efforts by management in ensuring that the risk management process was dealt with.

EFFECTIVENESS OF INTERNAL CONTROL ENVIRONMENT

The committee reviewed the work performed by internal audit on a quarterly basis in terms of its approved internal audit plan. The internal control environment within the municipality has deteriorated, and this observation aligns with the matters reported by the AGSA. Significant deficiencies in internal control to prevent and detect fraud and corruption on SCM and the use of official municipal vehicles were reported by the AGSA. The committee notes that political interference in administrative matters, and this has cascaded to a significant part of operations.

While the action plan was tabled to the committee, it was not always properly monitored by management. The committee emphasised on the importance of adequately monitoring the management action plan and ensure that it is supported by credible evidence.

Worke performed by the internal audit function in line with its approved internal audit plan, included amongst others, the following reviews:-

- EPWP
- Progress on Unauthorized, Fruitless and Wasteful Expenditure

Adhoc reviews performed included:-

- Investigation: Motor vehicle accident

CONCLUSION

The Audit Committee wishes to thank Council, the management team and all stakeholders for their continued support and hard work.

Financial sustainability issues persist, and it is crucial that all stakeholders assist in resolving these issues, as each stakeholder has a role to play.

V Sibiya CA(SA)

Chairperson of the Audit and Performance Audit Committee

Action Plan to address AG Findings

The 2024/2025 AGSA FINDINGS ACTION PLAN IS INCLUDED IN THE ANNUAL REPORT AS A SEPARATE ITEM.

GLOSSARY

Accessibility indicators	Explore whether the intended beneficiaries are able to access services or outputs.
Accountability documents	Documents used by executive authorities to give *"full and regular"* reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and Annual Reports.
Activities	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe *"what we do"*.
Adequacy indicators	The quantity of input or output relative to the need or demand.
Annual Report	A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include annual financial statements as submitted to and approved by the Auditor-General.
Approved Budget	The annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive.
Baseline	Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.
Basic municipal service	A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment.
Budget year	The financial year for which an annual budget is to be approved – means a year ending on 30 June.
Cost indicators	The overall cost or expenditure of producing a specified quantity of outputs.
Distribution indicators	The distribution of capacity to deliver services.

Financial Statements	Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed.
General Key performance indicators	After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.

Impact	The results of achieving specific outcomes, such as reducing poverty and creating jobs.
Inputs	All the resources that contribute to the production and delivery of outputs. Inputs are "what we use to do the work". They include finances, personnel, equipment and buildings.
Integrated Development Plan (IDP)	Set out municipal goals and development plans.
National Key performance areas	• Service delivery & infrastructure • Economic development • Municipal transformation and institutional development • Financial viability and management • Good governance and community participation
Outcomes	The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are "what we wish to achieve".
Outputs	The final products, or goods and services produced for delivery. Outputs may be defined as "what we produce or deliver". An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application) that contributes to the achievement of a Key Result Area.
Performance Indicator	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered)
Performance Information	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.

Performance Standards:	The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPMDS performance standards are divided into indicators and the time factor.
Performance Targets:	The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a specific level of performance that a municipality aims to achieve within a given time period.
Service Delivery Budget Implementation Plan	Detailed plan approved by the mayor for implementing the municipality's delivery of services; including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included.
Vote:	One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area. Section 1 of the MFMA defines a "vote" as: *a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and* *b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned*

2024/25

ANNUAL FINANCIAL STATEMENTS OF OKHAHLAMBA LOCAL MUNICIPALITY

OKHAHLAMBA

LOCAL MUNICIPALITY • UMKHANDLU WENDAWO

Home of Heritage and Tourism

Okhahlamba Local Municipality
(Registration number KZN 235)
Annual Financial Statements
for the year ended 30 June 2025

General Information

Legal form of entity	Local Municipality
Municipal demarcation code	KZN 235
Capacity	Low
Nature of business and principal activities	Service Delivery: Rates, Waste Management and General services. Main business operations: Local government activities, planning and promotion of the integrated development plan, land, economic and environmental development. The mandate of the municipality is in terms of section 152 of the Constitution of South Africa.
Accounting Officer	Mr SN Malinga Pr. Techn Eng(Civil)
Councillors	Mayor - Cllr. V. R. Mlotshwa
	Deputy Mayor - Cllr. N. E. Shabalala
	Speaker - Cllr. S. Z. Khumalo
	Member of the Executive Committee - Cllr. M. A. Mavundla
	Member of the Executive Committee - Cllr. S. M. Buthelezi
	Member of the Executive Committee - Cllr. M. G. Ndlangisa
	Cllr. M. N. Dlamini
	Cllr.S .P. Sehlako
	Cllr. P. N. Zwane
	Cllr. B. Z. Mchunu
	Cllr. D.R. Hlongwane
	Cllr. L. K. Letsoalo
	Cllr. B. A. Coka
	Cllr. V. W. Mazibuko
	Cllr. S. P Khoza
	Cllr. T. J. Dladla
	Cllr. K.O. Hadebe
	Cllr. R. T. Khoza
	Cllr. V. P. Mvula
	Cllr. P. W. Hlongwane
	Cllr. P.A.M. Mfuphi
	Cllr. MM Zakwe
	Cllr. N.A. Mdakane
	Cllr. D.S. Ndaba
	Cllr. D.T. Sibeko
	Cllr. N.P. Khumalo
	Cllr. K.A. Hlongwane
	Cllr. R.S. Ngwenya

General Information

Registered office	259 Kingsway Road Bergville Tel: 036 448 8000 communications@okhahlamba.gov.za
Postal address	P. O. Box 71 Bergville 3350
Chief Finance Officer (CFO)	Mr. S.S. Dlamini
Bankers	First National Bank, ABSA and Nedbank.
Auditors	Auditor General of South Africa
Preparer	The annual financial statements were internally compiled by: Manager: Finance, reviewed by Chief Financial Officer, Internal Audit.
Legislation governing the Municipality's operations:	Constitution of the Republic of South Africa (Act No. 108 of 1998) Local Government: Municipal Finance Management Act (Act No. 56 of 2003) Local Government: Municipal Systems Act (Act No. 32 of 2000) Local Government: Municipal Structures Act (Act No. 117 of 1998) Municipal Property Rates Act (Act No. 6 of 2004) Division of Revenue Act (Act No. 1 of 2007)

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Abbreviations

VAT	Value Added Tax
LGSETA	Local Government Sectorial Education and Training Authority
INEP	Integrated National Electrification Programme
PPE	Property, Plant and Equipment
WCF	Workman's Compensation Fund
COGTA	Co-operative Governance and Traditional Affairs
SETA WIL	Sectorial Education and Training Authority Work Integrated Learning
MFMA	Municipal Finance Management Act 56 of 2003
MIG	Municipal Infrastructure Grant
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
SARS	South African Revenue Services
GRAP	Generally Recognised Accounting Practice
IGRAP	Interpretation of Generally Recognised Accounting Practice
DORA	Division of Revenue Act

Approval of Annual Financial Statements

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the 12 months to 30 June 2026 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out from page 5, which have been prepared on the going concern basis, were approved by the Accounting Officer on 29 August, 2025 and were signed on its behalf by:

Mr SN Mlinga Pr Techn Eng(Civil)
ND Civil Eng ,B Tech Civil Eng.,B Tech in Mngt.,Master in Public Admin.

Date of Signature

Friday, 29 August 2025

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Operating lease receivable	7	158 829	105 456
Receivables from exchange transactions	8	8 416 576	9 619 857
Receivables from non-exchange transactions	9	2 536 284	2 256 180
Consumer debtors	10	36 367 937	33 654 682
Cash and cash equivalents	12	2 057 516	30 607 940
		49 537 142	**76 244 115**
Non-Current Assets			
Property, plant and equipment	3	535 880 297	488 694 452
Intangible assets	4	516 938	574 242
Heritage assets	5	93 660	93 660
Receivables from exchange transactions	8	-	277 778
		536 490 895	**489 640 132**
Total Assets		**586 028 037**	**565 884 247**
Liabilities			
Current Liabilities			
Finance lease obligation	15	3 482 825	-
Operating lease liability	7	24 716	251 321
Payables from exchange transactions	16	43 038 459	40 522 667
Employee benefit obligation	6	639 000	333 000
Unspent conditional grants and receipts	13	10 000 159	10 503 685
Provisions	14	1 036 070	1 092 716
		58 221 229	**52 703 389**
Non-Current Liabilities			
Finance lease obligation	15	13 584 425	-
Employee benefit obligation	6	7 054 777	6 245 506
Provisions	14	13 938 657	13 493 430
		34 577 859	**19 738 936**
Total Liabilities		**92 799 088**	**72 442 325**
Net Assets		**493 228 949**	**493 441 922**
Accumulated surplus		493 228 949	493 441 922
Total Net Assets		**493 228 949**	**493 441 922**

* See Note 40

Statement of Financial Performance for the period ended 30 June, 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	18	1 965 213	1 915 637
Rendering of services		513 397	354 020
Contract revenue	32	5 826 957	7 826 087
Rental of facilities and equipment		1 453 429	1 154 208
Interest on outstanding debtors		1 090 796	866 737
Agency services	22	4 174 845	4 339 272
Other income	21	212 936	139 103
Interest received	27	4 106 777	5 635 247
Total revenue from exchange transactions		**19 344 350**	**22 230 311**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	17	30 658 426	28 789 383
Property rates - penalties imposed	17	8 467 376	8 150 733
Transfer revenue			
Government grants	19	224 511 000	229 493 187
Public contributions and donations	20	300 000	-
Fines, Penalties and Forfeits		544 102	1 943 050
Government subsidies		3 497 790	3 373 422
Total revenue from non-exchange transactions		**267 978 694**	**271 749 775**
Total revenue		**287 323 044**	**293 980 086**
Expenditure			
Employee related costs	24	(143 285 172)	(132 070 532)
Employee costs - Remuneration of councillors	25	(12 393 571)	(12 456 380)
Employee benefits		(851 000)	(741 000)
Depreciation and amortisation	28	(34 742 355)	(31 192 378)
Finance costs	29	(718 147)	-
Lease rentals on operating lease		(1 812 956)	(1 806 682)
Debt Impairment	26	(10 472 612)	(14 703 655)
General Expenses	23	(76 163 540)	(92 763 826)
Total expenditure		**(280 439 353)**	**(285 734 453)**
Operating surplus		**6 883 691**	**8 245 633**
Gain/(loss) on disposal of assets and liabilities		(492 792)	951 159
Actuarial gains/(losses)	6	38 000	(301 000)
Impairment loss		(6 641 866)	(802 290)
		(7 096 658)	**(152 131)**
(Deficit) surplus for the year		**(212 967)**	**8 093 502**

* See Note 40

Statement of Changes in Net Assets for the period ended 30 June,2025

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	485 550 981	485 550 981
Adjustments		
Prior year restatements (note 40)	(202 561)	(202 561)
Balance at 01 July 2023 as restated*	**485 348 420**	**485 348 420**
Changes in net assets		
Surplus for the period	8 093 502	8 093 502
Total changes	8 093 502	8 093 502
Restated* Balance at 01 July 2024	**493 441 916**	**493 441 916**
Changes in net assets		
Surplus for the period	(212 967)	(212 967)
Total changes	(212 967)	(212 967)
Balance at 30 June 2025	**493 228 949**	**493 228 949**

* See Note 40

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Cash receipt from ratepayers and other		46 366 982	48 441 651
Grants		224 007 474	227 895 057
Interest income		4 106 777	5 635 247
		274 481 233	281 971 955
Payments			
Employee costs		(155 678 743)	(144 526 913)
Suppliers		(74 278 309)	(99 955 500)
Finance costs		(718 147)	-
		(230 675 199)	(244 482 413)
Net cash flows from operating activities	31	**43 806 034**	**37 489 542**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(68 934 948)	(51 899 300)
Proceeds from sale of property, plant and equipment	3	-	1 868 924
Purchase of other intangible assets	4	(118 664)	(148 599)
Net cash flows from investing activities		**(69 053 612)**	**(50 178 975)**
Cash flows from financing activities			
Finance lease payments		(3 302 846)	-
Net increase/(decrease) in cash and cash equivalents		**(28 550 424)**	**(12 689 433)**
Cash and cash equivalents at the beginning of the year		30 607 940	43 297 372
Cash and cash equivalents at the end of the year	12	**2 057 516**	**30 607 939**

* See Note 40

Statement of Comparison of Budget and Actual Amounts for the period ended 30

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	2 014 000	-	**2 014 000**	1 965 213	**(48 787)**	
Rendering of services	6 423 549	4 640	**6 428 189**	6 432 799	**4 610**	
Rental of facilities and equipment	952 718	15 253	**967 971**	1 453 429	**485 458**	a)
Interest received (trading)	736 274	-	**736 274**	1 090 796	**354 522**	b)
Agency services	1 875 717	(608 947)	**1 266 770**	1 911 285	**644 515**	c)
Licences and permits	2 362 753	(270 163)	**2 092 590**	2 301 551	**208 961**	d)
Other income	8 053	75 837	**83 890**	81 004	**(2 886)**	
Interest received - investment	5 077 175	-	**5 077 175**	4 106 777	**(970 398)**	e)
Total revenue from exchange transactions	**19 450 239**	**(783 380)**	**18 666 859**	**19 342 854**	**675 995**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	30 201 031	-	**30 201 031**	30 668 285	**467 254**	
Property rates - penalties imposed	7 339 053	-	**7 339 053**	8 467 376	**1 128 323**	f)
Transfer revenue						
Government grants	226 391 000	1 500 000	**227 891 000**	228 008 790	**117 790**	
Public contributions and donations	-	-	-	300 000	**300 000**	g)
Fines	428 817	(301 663)	**127 154**	545 598	**418 444**	h)
Total revenue from non-exchange transactions	**264 359 901**	**1 198 337**	**265 558 238**	**267 990 049**	**2 431 811**	
Total revenue	**283 810 140**	**414 957**	**284 225 097**	**287 332 903**	**3 107 806**	
Expenditure						
Personnel	(132 906 027)	(9 910 631)	**(142 816 658)**	(141 907 904)	**908 754**	
Employee costs - Remuneration of councillors	(12 552 384)	119 924	**(12 432 460)**	(12 277 443)	**155 017**	
Depreciation and amortisation	(39 457 760)	-	**(39 457 760)**	(41 384 222)	**(1 926 462)**	
Finance costs	(2 496 666)	1 280 155	**(1 216 511)**	(718 147)	**498 364**	i)
Debt Impairment	(9 487 365)	-	**(9 487 365)**	13 561 851	**23 049 216**	j)
Bad debts written off	(209 800)	-	**(209 800)**	(24 034 463)	**(23 824 663)**	k)
Contracted Services	(24 738 957)	(14 863 434)	**(39 602 391)**	(39 424 672)	**177 719**	
Transfers and Subsidies	(235 580)	-	**(235 580)**	(237 970)	**(2 390)**	
Gain or loss on disposal of assets and liabilities	-	-	-	(492 792)	**(492 792)**	l)
Operational cost	(29 859 754)	(6 193 249)	**(36 053 003)**	(40 630 112)	**(4 577 109)**	m)
Total expenditure	**(251 944 293)**	**(29 567 235)**	**(281 511 528)**	**(287 545 874)**	**(6 034 346)**	
Surplus for the year	**31 865 847**	**(29 152 278)**	**2 713 569**	**(212 971)**	**(2 926 540)**	

Statement of Comparison of Budget and Actual Amounts for the period ended 30

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**31 865 847**	**(29 152 278)**	**2 713 569**	**(212 971)**	**(2 926 540)**	

Reconciliation

a)Rental of facilities and equipment -The municipality has finalised the lease agreements in the Industrial Hub and leases with Sector departments has 6% escalation.

b)Interest on outstanding debtors - Interest charges have increased as a result of the customers' nonpayment, which has increased the debtor's balance.

c) Agency services - Vehicle owners are applying for new number plates to comply with the government's regulations hence actual exceeds the Adjusted amount.

d) Licences and permits - The municipality received more applications for driver's licenses in 2025 financial year.This line item has increased since the municipality received more applications for learners' licenses in May 2025. And increase in application for rank permit for taxis.

e) Interest received - Interest generated from investments decreased as a result of the municipality's withdrawals from Investments to fund capital projects.

f) Property rates penalties imposed - Interest charges have increased as a result of the customers' nonpayment, which has increased the debtor's balance.

g)Public contributions and donations- The Municipality received donations from government departments which could not be budgeted for.

h)Fines, penalties and forfeits- A turnaround strategy has been formulated by the law enforcement to improve on generating more revenue through traffic fines. Due to an increase in roadblocks conducted by the municipality, more traffic penalties were issued, hence increase in this line item.

i) Finance costs -The municipality finalised lease agreements in December 2024, the municipality has not fully exhausted the available credit facility for the purchase of new fleet.

j) Debt impairment -The Municipal council took a resolution to write off debt for unregistered land, since the recoverability of these monies were in question since no sector department wanted to take ownership. The Municipality had previously provided for 100% impairment on these properties.

k) Bad debts written off - The Municipal council took a resolution to write off debt for unregistered land, since the recoverability of these monies were in question since no sector department wanted to take ownership.

l) Gain or loss on disposal of assets and liabilities - The Municipality disposed assets which were no longer needed for service delivery, which were in poor condition.

m) Operational cost - The contributing cost drivers were, Eskom tariff increased, increase in salary budget that resulted in the increase of amount paid to SALGA, the municipality entered to the new contract for insurance with higher premiums, licensing of new fleet purchased. Between April and June 2025 the Municipality temporarily downscaled for some operations in order to reduce the impact of authorised expenditure.

Statement of Comparison of Budget and Actual Amounts for the period ended 30

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						
Current Assets	148 276 719	(80 564 710)	**67 712 009**	49 537 142	**(18 174 867)**	
Non-current assets	517 613 775	20 197 337	**537 811 112**	536 490 895	**(1 320 217)**	
Total Assets	**665 890 494**	**(60 367 373)**	**605 523 121**	**586 028 037**	**(19 495 084)**	
Liabilities						
Current Liabilities						
Current Libalities	88 647 818	(5 148 856)	**83 498 962**	58 221 230	**(25 277 732)**	
Non-Current Liabilities						
Non-current liabilities	27 373 473	(7 634 537)	**19 738 936**	34 577 859	**14 838 923**	
Total Liabilities	**116 021 291**	**(12 783 393)**	**103 237 898**	**92 799 089**	**(10 438 809)**	
Net Assets	**549 869 203**	**(47 583 980)**	**502 285 223**	**493 228 948**	**(9 056 275)**	

Statement of Comparison of Budget and Actual Amounts for the period ended 30

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						
Net cash flows from operating activities	57 570 210	(31 140 917)	**26 429 293**	43 806 034	**17 376 741**	
Cash flows from investing activities						
Net cash flows from investing activities	(52 047 001)	(23 086 999)	**(75 134 000)**	(69 053 612)	**6 080 388**	
Cash flows from financing activities						
Net cash flows from financing activities	(4 138 830)	947 343	**(3 191 487)**	(3 302 846)	**(111 359)**	
Net increase/(decrease) in cash and cash equivalents	1 384 379	(53 280 573)	**(51 896 194)**	(28 550 424)	**23 345 770**	
Cash and cash equivalents at the beginning of the year	42 585 000	(11 977 060)	**30 607 940**	30 607 940	**-**	
Cash and cash equivalents at the end of the year	**43 969 379**	**(65 257 633)**	**(21 288 254)**	**2 057 516**	**23 345 770**	
Reconciliation						

Significant Accounting Policies

Figures in Rand	Note(s)	2025	2024

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

Some assets are commonly described as "infrastructure assets". While there is no universally accepted definition of infrastructure assets, these assets usually display some or all of the following characteristics:

a) they are part of a system or network;
(b) they are specialised in nature and do not have alternative uses;
(c) they are immovable; and
(d) they may be subject to constraints on disposal.

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.

Significant Accounting Policies

1.3 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life (Years)
Buildings	Straight-line	30
Plant and machinery	Straight-line	3-5
Motor vehicles	Straight-line	7-10
Office equipment	Straight-line	3-10
IT equipment	Straight-line	3-10
Infrastructure	Straight line	
• Roads - Gravel	Straight line	3 - 10
• Roads - Tar	Straight line	10 - 15
• Paving	Straight line	5 - 30
Community	Straight line	
• Solid waste disposal	Straight line	5 - 25
• Community Assets	Straight line	5 - 30
leased Assets	Straight-line	3-5

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

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

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

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

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

Significant Accounting Policies

1.3 Property, plant and equipment (continued)

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 3).

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

1.4 Intangible assets

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

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

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

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

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

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

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

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

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

Significant Accounting Policies

1.4 Intangible assets (continued)

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

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

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	3-5 years

Intangible assets are derecognised:
- 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 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).

1.5 Heritage assets

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

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

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

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

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

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

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

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

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

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

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

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

Significant Accounting Policies

1.5 Heritage assets (continued)

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

Transfers

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

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

Derecognition

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

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

1.6 Financial instruments

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

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

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.

Significant Accounting Policies

1.6 Financial instruments (continued)

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 liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

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

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

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 counterpart has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

Significant Accounting Policies

1.6 Financial instruments (continued)

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.

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.

The entity measures a financial asset and financial liability initially at its fair value.

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:
- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions, where it is the recipient of the loan.

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.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

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

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

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

Significant Accounting Policies

1.6 Financial instruments (continued)

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 financial assets using trade date accounting.

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.

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

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 recognises 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.

Significant Accounting Policies

1.6 Financial instruments (continued)

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

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.

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

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

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

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.

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

1.7 Leases

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

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

Significant Accounting Policies

1.7 Leases (continued)

Finance leases - lessee

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

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

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

Operating leases - lessor

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

Operating leases - lessee

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

1.8 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

Significant Accounting Policies

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

Identification

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

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

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

Value in use

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.9 Tax

Value Added Tax

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

1.10 Employee benefits

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

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

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

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

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

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

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

Significant Accounting Policies

1.10 Employee benefits (continued)

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Post-employment benefits

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

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

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

Significant Accounting Policies

1.10 Employee benefits (continued)

Multi-employer plans

The entity classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the entity accounts for in the same way as for any other defined contribution plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

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

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

Significant Accounting Policies

1.10 Employee benefits (continued)

Long service awards

The municipality offers long service award/bonus to an employee that has completed the following periods:

5 years service = 5 days
10 years service = 10 days
15 years service = 20 days
20-45 years service = 30 days

The employees may elect to either take or encash the days, the encashment or taking of the leave must take place in the same year that employee qualifies for the recognition/long service leave

Based on previous experience, employees elect encashment of the days over taking leave days

An employee that has 5 or more years service with the municipality and leaves the service of the municipality for any reason whatsoever, excluding reasons relating to misconduct, shall receive a pro rata long service bonus for any uncompleted period stipulated above.

1.11 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus (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.

Significant Accounting Policies

1.11 Provisions and contingencies (continued)

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 34.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgments. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Significant Accounting Policies

1.11 Provisions and contingencies (continued)

Landfill Rehabilitation Provision

The Landfill Rehabilitation Provision is created for the rehabilitation of the current operational sites at the future estimated time of closure.

The value of the provision is based on the expected future cost to rehabilitate of the landfill site.

The municipality has an obligation to rehabilitate these landfill sites. The cost of such property includes the initial estimate of the cost of rehabilitating the land and restoring the site on which it is located, the obligation which the municipality incurs as a consequence of having used the property during a particular year for landfill purposes. The municipality estimates the useful lives and makes assumption to the useful lives of these assets, which influences the provision for future costs.

The asset is measured using the cost model :
a) subject to (b), changes in the liability are added to, deducted from, the cost of the related assets 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 economic entity 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, and any impairment loss is recognised in surplus or deficit.

1.12 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Salary commitments relating to employment contracts are excluded. Commitments are disclosed inclusive of VAT

1.13 Revenue from exchange transactions

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

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

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

Measurement

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

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

Significant Accounting Policies

1.13 Revenue from exchange transactions (continued)

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 the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Interest

Revenue arising from the use by others of entity assets yielding interest 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.

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

Significant Accounting Policies

1.14 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

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

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

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

Significant Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

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

Fines (IGRAP 1)

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

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

1.15 Rates and taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

1.16 Government grants and receipts

Unconditional Grants

Equitable share allocations are recognised in revenue as and when the allocation is received.

Conditional Grants

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of noncompliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

1.17 Investment income

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

1.18 Accounting by principals and agents

Identification

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

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

Significant Accounting Policies

1.18 Accounting by principals and agents (continued)

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:
- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

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

1.19 Comparative figures

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

1.20 Unauthorised expenditure

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

Significant Accounting Policies

1.20 Unauthorised expenditure (continued)

- spending of an allocation refereed to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation: or .
- a grant by the municipality otherwise that in the accordance with this Act..

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

1.21 Fruitless and wasteful expenditure

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

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

1.22 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is;

(a) expenditure incurred by the Municipality or Municipal entity in contravention of, or that is not in accordance with, requirement of this act, and which has not been condoned in terms of section 170.
(b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, requirement of the Municipal System Act, and which has not been condoned in terms of that Act.
(c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office - Berears Act, 1998 (Act No. 20 of 1998)

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. Irregular expenditure incurred is disclosed inclusive of VAT.

1.23 Budget information

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

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

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

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

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

1.24 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

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

Significant Accounting Policies

1.24 Related parties (continued)

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

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.25 Events after reporting date

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

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

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

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

1.26 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 judgemental 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 judgments include:

Impairment testing

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.

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 14 - Provisions.

Allowance for doubtful debts

The Municipality's management in exercising reasonable judgemental in determining the provision for doubtful debt has considered GRAP 104, the assessment of the debtors and taking into account the risk factors presented by the debtors (type of debtor, amounts owing, payments history, economic indicators).
Changes to the assumptions used are accounted for as a change in accounting estimates in terms of GRAP 3.

Review of useful lives of property, plant and equipment and intangible assets

The useful lives of assets are based on management's estimation. Management considers whether there is any indication that expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. These include changes in the composition, condition and nature of the asset, its susceptibility and adaptability to changes in technology and processes, the nature of the processes and environment in which the asset is deployed, availability of funding to replace the asset and changes in the market in relation to the asset, as well as planned repairs and maintenance including refurbishments.

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

Significant Accounting Policies

1.26 Significant judgements and sources of estimation uncertainty (continued)

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

Employee Benefits

The present value of the long service award 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 long service award.

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 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 Long Service Award obligations are based on current market conditions. Additional information is disclosed in Note 6.

1.27 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.

Significant Accounting Policies

1.27 Statutory receivables (continued)

Impairment losses

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

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

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

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

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

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

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

Derecognition

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

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

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.

1.28 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

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

Significant Accounting Policies

1.28 Cash and cash equivalents (continued)

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

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

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

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

1.29 Segment information

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

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

Measurement

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

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

1.30 Construction contracts

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

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

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

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

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

Significant Accounting Policies

1.30 Construction contracts (continued)

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

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

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

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

The Municipality uses the proportion that contract cost incurred for the work performed to date bear to the estimated total contract cost as the stage of completion.

1.31 Prior period errors

Errors can arise in respect of the recognition, measurement, presentation or disclosure of elements of financial statements. Financial statements do not comply with Standards of GRAP if they contain either material errors or immaterial errors made intentionally to achieve a particular presentation of an entity's financial position, financial performance or cash flows. Potential current period errors discovered in that period are corrected before the financial statements are authorised for issue. However, material errors are sometimes not discovered until a subsequent period, and these prior period errors are corrected in the comparative information presented in the financial statements for that subsequent period.

Material prior period errors are corrected retrospectively in the first set of financial statements authorised for issue after their discovery by

Restating the comparative amounts for the prior period(s) presented in which the error occurred; or

If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets for the earliest prior period presented.

A prior period error shall be corrected by retrospective restatement except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the error.

When it is impracticable to determine the period-specific effects of an error on comparative information for one or more prior periods presented, the entity shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable (which may be the current period).

1.32 Materiality

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

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

The entity does not retrospectively adjust the accounting of past items (or group of items) that were previously assessed as immaterial, unless an error occurred.

1.33 Borrowing costs

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

Significant Accounting Policies

1.33 Borrowing costs (continued)

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

1.34 Off setting

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	**Effective date: Years beginning on or after**	**Expected impact:**
• GRAP 107 (as revised) Mergers	01 April 2025	Unlikely there will be a material impact
• GRAP 106 (as revised) Transfer of Functions Between Entities Not Under Common Control	01 April 2025	Unlikely there will be a material impact
• GRAP 105 Transfer of Functions Between Entities Under Common Control	01 April 2025	Unlikely there will be a material impact
• GRAP 2023 Improvements to the Standards of GRAP 2023	01 April 2099	Impact is currently being assessed
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	01 April 2099	Impact is currently being assessed
• GRAP 103 (amended): Heritage Assets	01 April 2099	Impact is currently being assessed
• iGRAP 22 Foreign Currency Transactions and Advance Consideration	01 April 2025	Impact is currently being assessed
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Impact is currently being assessed

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment

	2025			2024		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	13 139 780	-	13 139 780	13 175 709	-	13 175 709
Buildings	291 294 580	(84 956 348)	206 338 232	272 995 755	(73 081 390)	199 914 365
Plant and machinery	11 646 328	(7 690 881)	3 955 447	11 311 368	(6 734 616)	4 576 752
Motor vehicles	59 387 484	(40 552 742)	18 834 742	42 243 609	(37 920 238)	4 323 371
Office equipment	8 578 603	(7 187 285)	1 391 318	8 606 255	(6 330 071)	2 276 184
IT equipment	5 285 969	(3 374 429)	1 911 540	5 368 255	(3 004 076)	2 364 179
Infrastructure	423 519 980	(134 951 760)	288 568 220	373 481 816	(111 805 540)	261 676 276
Community	17 132 744	(15 391 726)	1 741 018	15 289 692	(14 902 076)	387 616
Total	**829 985 468**	**(294 105 171)**	**535 880 297**	**742 472 459**	**(253 778 007)**	**488 694 452**

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment -2025

	Opening balance	Additions	Additions (Work in Progress)	Disposals	Finance lease additions	Donations	Depreciation	Impairment loss	Total
Land	13 175 709	-	-	(335 929)	-	300 000	-	-	13 139 780
Buildings	199 914 365	31 027	18 267 799	-	-	-	(9 960 785)	(1 914 174)	206 338 232
Plant and machinery	4 576 752	752 952	-	(107 772)	-	-	(1 266 485)	-	3 955 447
Motor vehicles	4 323 371	-	-	(34 752)	17 347 762	-	(2 801 639)	-	18 834 742
Office equipment	2 276 184	-	-	(3 212)	-	-	(881 654)	-	1 391 318
IT equipment	2 364 179	306 137	-	(10 421)	-	-	(748 355)	-	1 911 540
Infrastructure	261 676 276	205 600	49 832 561	-	-	-	(18 863 752)	(4 282 465)	288 568 220
Community	387 616	445 227	1 397 826	-	-	-	(44 424)	(445 227)	1 741 018
	488 694 452	**1 740 943**	**69 498 186**	**(492 086)**	**17 347 762**	**300 000**	**(34 567 094)**	**(6 641 866)**	**535 880 297**

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Additions (Work in Progress)	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	13 175 709	-	-	-	-	-	-	13 175 709
Buildings	202 922 047	-	7 516 869	(271 008)	(19 500)	(10 137 078)	(96 965)	199 914 365
Plant and machinery	5 581 886	336 656	-	(6 707)	-	(1 335 083)	-	4 576 752
Motor vehicles	6 157 817	790 766	-	(634 529)	-	(1 990 683)	-	4 323 371
Office equipment	2 767 464	378 031	-	(72)	-	(869 239)	-	2 276 184
IT equipment	2 525 908	555 215	-	(5 449)	-	(711 495)	-	2 364 179
Infrastructure	235 904 901	-	41 752 347	-	-	(15 845 062)	(135 910)	261 676 276
Community	391 070	569 416	-	-	19 500	(22 954)	(569 416)	387 616
	469 426 802	**2 630 084**	**49 269 216**	**(917 765)**	**-**	**(30 911 594)**	**(802 291)**	**488 694 452**

Pledged as security assets

Carrying value of assets pledged as security (refer to note15):

Motor Vehicles	15 971 506	-

Donations

The Municipality received the following donations with the fair value of R 300 000 (2024 : R Nil)

Land from KwaZulu Natal Department of Public Works with a fair value of R 300 000, thorugh land swap amounting to R 335 929.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

3. Property, plant and equipment (continued)

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

Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Bergville Vehicle Testing Pit	1 851 713	1 851 713
Bergville athletic track	-	1 624 840
Bergville CSC Tuckshop	1 555 405	1 555 405
	3 407 118	**5 031 958**

There has been no movements in the above projects in the 2024/2025 financial year. These assets were assessed for any indication for impairment, there were no indications that the assets were impaired. The assessment was conducted by an independent third party.

The projects have not been completed due to unavailability of funding. The Municipality has been successful in sourcing funds for the completion of the athletic track, the construction is currently underway.

Reconciliation of Work-in-Progress 2025

	Included within Buildings	**Included within Infrastructure**	**Included within Other PPE**	**Total**
Opening balance	5 031 958	6 044 444	-	11 076 402
Additions/capital expenditure	18 267 798	49 832 564	1 397 824	69 498 186
Transferred to completed items	(8 814 907)	(55 877 008)	(1 397 824)	(66 089 739)
	14 484 849	**-**	**-**	**14 484 849**

Reconciliation of Work-in-Progress 2024

	Included within Buildings	**Included within Infrastructure**	**Total**
Opening balance	13 457 772	58 414 780	71 872 552
Additions/capital expenditure	7 516 868	41 752 346	49 269 214
Disposals	(271 008)	-	(271 008)
Transferred to completed items	(15 671 674)	(94 122 682)	(109 794 356)
	5 031 958	**6 044 444**	**11 076 402**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

3. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Amount paid to employees	6 634 452	6 256 231
Amount paid to suppliers	4 531 506	5 194 987
Materials	2 927 410	12 075 240
Fuel and oil	2 522 918	3 555 973
	16 616 286	**27 082 431**

Repairs and Maintenance on Property, Plant and Equipment is detailed as follows

Amount paid to suppliers R 4 531 506 (2024: R 5 194 987), is included in general expenses (note 23) as sub-contracting services in the Statement of Financial Performance.

Employee related cost is the amount incurred on employees R 6 634 452 (2024: R 6 256 231), included in the employee related cost in the Statement of Financial Performance.

Materials amounting to R 2 927 410 (2024: R 12 075 240) are included in the general expenses (note 23) as consumables in the Statement of Financial Performance. Included in materials is joint pipes, culverts and precast wall wings used in the maintenance of roads and infrastructure

Fuel and oil amounting to R 2 522 918 (2024: R3 555 973) is included in general expenses (note 23) in the statement of Financial performance.

Notes to the Annual Financial Statements

Figures in Rand

4. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	2 785 626	(2 268 688)	516 938	2 683 003	(2 108 761)	574 242

Reconciliation of intangible assets - 2025

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, other	574 242	118 664	(707)	(175 261)	516 938

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Amortisation	Total
Computer software, other	706 427	148 599	(280 784)	574 242

Notes to the Annual Financial Statements

5. Heritage assets

	2025			2024		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Art Collections, antiquities and exhibits	93 660	-	93 660	93 660	-	93 660

Reconciliation of heritage assets 2025

	Opening balance	**Total**
Art Collections, antiquities and exhibits	93 660	93 660

Reconciliation of heritage assets 2024

	Opening balance	**Total**
Art Collections, antiquities and exhibits	93 660	93 660

6. Employee benefit obligations

Defined contribution plan

Post retirement pension plan

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

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

An independent valuer carries out statutory valuation of the NJMPF on a triennial basis and an interim valuation on an annual basis. The 2025 interim valuations have not been released.

Long Service Awards

Employees are eligible for a long service award as per the long service award policy after completing fixed periods of continuous service(every five years, from five to forty-five years)

The independent valuers carried out a statutory valuation on the Long Service Awards benefit as at 30 June 2025.

The aconomic assumptions for thje valuation are shown in the table below

	30 June 2024	30 June 2025
Discount Rate	12.59%	9.84%
CPI	6.82%	3.39%
Salary Increase Rate	8.82%	5.39%
Net Discount Rate	3.46%	4.22%

The principal actuarial assumptions used were as follows:

Demographic and decrement assumption used in this valuation were consistent with the previous valuation period and provided as below

	30 JUNE 2024	**30 JUNE 2025**
Retirement age(in years)	63	63
Mortality	SA85-90 Light	SA85-90 Light

The following withdrawal assumptions were applicable over the prior and current valuation periods

Age	Withdrawal Rates
20-24	13.30%
25-29	13.30%
30-34	10.90%
35-39	8.20%
40-44	5.80
45-49	4.10
50-54	2.90
55-59	0%
60+	0%

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

6. Employee benefit obligations (continued)

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

Carrying value		
Opening Balance	(6 578 506)	(5 887 682)
Interest cost	(851 000)	(741 000)
Expected employee benefit payment/current service cost	(755 000)	(725 000)
Actuarial gain/(loss)	38 000	(301 000)
Less municipality paid benefits	452 729	1 076 176
	(7 693 777)	**(6 578 506)**

Non-current liabilities	(7 054 777)	(6 245 506)
Current liabilities	(639 000)	(333 000)
	(7 693 777)	**(6 578 506)**

Active members	392	373

Summary of key economic assumptions(p.a.)

Discount rate	9,84 %	12,59 %
Salary inflation	5,39 %	8,82 %
Net discount rate	4,22 %	3,46 %
	-	-

Net expense recognised in the statement of financial performance

Interest cost	851 000	741 000
Expected employee benefit payment/current service cost	755 000	725 000
Actuarial (gain)/loss	(38 000)	301 000
	1 568 000	**1 767 000**

7. Operating lease

Current assets	158 829	105 456

Present Value of minimum lease payments		
-Within one year	1 360 527	1 045 870
- in second to fifth year	3 920 123	1 930 561
	5 280 650	**2 976 431**

The Municipality entered into an operating lease agreement for a period of 5 years with SASSA, leasing out office space in Dukuza Thusong and Community Service Centre and a monthly rental income is accounted for in the Statement of Financial Performance . The average lease term is 5 years with 6% escalation.

The Municipality entered into an operating lease agreement for a period of 5 years with IEC, leasing out office space in Community Service Centre and a monthly rental income is accounted for in the Statement of Financial Performance . The average lease term is 5 years with 6% escalation..

The Municipality entered into an operating lease agreement for a period of 3 years with the Department of Labour, leasing out office space in Community Service Centre and a monthly rental income is accounted for in the Statement of Financial Performance . The average lease term is 3 years with 6% escalation.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

7. Operating lease (continued)

The Municipality entered into an operating lease agreement for a period of 5 years with Department of Agriculture, leasing out office space in Community Service Centre and a monthly rental income is accounted for in the Statement of Financial Performance . The average lease term is 5 years with 6% escalation.

Please refer note 30 for operating leases where the Municipality is a lessee.

8. Receivables from exchange transactions

Prepayments (landfill site lease, License fees) - Current	1 531 521	1 233 193
Accrued interest & agency fees receivables	514 944	222 396
VAT control	849 837	1 727 742
VAT input accrual	5 520 274	6 436 526
Prepayments (landfill site lease) - Non-Current	-	277 778
	8 416 576	**9 897 635**

Non-current assets	-	277 778
Current assets	8 416 576	9 619 857
	8 416 576	**9 897 635**

Statutory receivables included in receivables from exchange transactions above are as follows:

VAT input accrual	5 520 274	6 436 526
VAT control	849 837	1 727 742
	6 370 111	**8 164 268**

Other non-financial asset receivables included in receivables from exchange transactions above are as follows:

Prepayments (landfill site lease, License fees)	1 531 521	1 510 971
Financial asset receivables included in receivables from exchange transactions above	**514 944**	**222 396**
Total receivables from exchange transactions	8 416 576	9 897 635

Statutory receivables general information

Transaction(s) arising from statute

VAT is levied in terms of Value-Added Tax Act 89 of 1991.

Determination of transaction amount

15% of the Vatable/Taxable supply.

Statutory receivables impaired

The carrying amount of the receivable amount disclosed is not impaired.

9. Receivables from non-exchange transactions

Fines	1 438 803	1 223 934
Sundry Debtors	1 087 792	1 015 279
Staff Debtors	9 689	16 967
	2 536 284	**2 256 180**

Figures in Rand	2025	2024

9. Receivables from non-exchange transactions (continued)

Statutory receivables included in receivables from non-exchange transactions above are as follows:

Fines	1 438 804	1 223 934

Other non-financial asset receivables included in receivables from non-exchange transactions above are as follows:

Other non-finanical asset receivable	101 838	72 246
Financial asset receivables included in receivables from non-exchange transactions above	**995 643**	**960 000**
Total receivables from non-exchange transactions	2 536 284	2 256 180

Statutory receivables general information

Transaction(s) arising from statute

Traffic fines are issued in terms of the Administrative Adjudication of Road Traffic Offences (AARTO Act) by way of notices to offenders which specify the value of the fine that must be paid.

Determination of transaction amount

Schedule 3 of the AARTO Regulations 2008 for charge codes and descriptions, penalties and their discounts, and demerit points.

Interest or other charges levied/charged

No interest charges on outstanding traffic fines, however warrant of arrest is issued on long outstanding traffic fines.

Statutory receivables impaired

As of 30 June 2025, traffic fines of R 4 147 980 (2024: R 3 784 431) were impaired and provided for.

The amount of the provision was R 2 709 176 as of 30 June 2025 (2024: R 2 560 497).

The net balance is R 1 438 804 as at 30 June 2025 (2024; R 1 223 934):

Factors the entity considered in assessing statutory receivables impaired

The Municipality accounts for traffic fines impairment in accordance with IGRAP1.

The Municipality assess the average collection rate of the traffic fines over 12 years.

Reconciliation of provision for impairment for statutory receivables

Opening balance	(2 560 497)	(1 987 700)
Provision for impairment	(148 679)	(572 797)
	(2 709 176)	**(2 560 497)**

Sundry debtors

Included in sundry debtors is a amount of R 49 747 (2024: R 49 747) that was not banked by the former employee, an amount of R 46 489 was recovered from the employee pension fund.

Included in sundry debtors is a amount of R 960 000 (2024:R 960 000) for the delay in the completion of the construction project in accordance to the penalty clause in the contract.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

9. Receivables from non-exchange transactions (continued)

Included in sundry debtors is an amount of R 5 979 (2024: 5 531) that relate to the monies collected by the cash management service provider to be deposited to the Municipality bank account, these monies have not reflected on the Municipal bank account.

Included in sundry debtors is a amount of R 35 643 (2024: Nil) that relate to deposit paid to Transnet for the lease of land, and the legal fees for the litigation awarded in favour of the Municipality amounting to R 36 423 (2024: Nil).

Staff Debtors

The amount for staff debtor relates to employees who were overpaid during the financial year, UIFW recoveries and traffic fines paid recoveries. This is the amount due as at the 30 June 2025 R 9 689 (2024: R 16 967).

10. Consumer debtors

	2025	2024
Gross balances		
Rates	42 207 262	48 449 901
Refuse	6 506 137	5 235 768
Other debtors	44 238 969	50 115 295
	92 952 368	**103 800 964**
Less: Allowance for impairment		
Rates	(25 692 504)	(32 822 775)
Refuse	(3 960 431)	(3 530 342)
Other debtors	(26 931 496)	(33 793 165)
	(56 584 431)	**(70 146 282)**
Net balance		
Rates	16 514 758	15 627 126
Refuse	2 545 706	1 705 426
Other debtors	17 307 473	16 322 130
	36 367 937	**33 654 682**
Statutory receivables included in consumer debtors above are as follows:		
Property rates	16 514 758	15 627 126
Financial asset receivables included in consumer debtors above	**19 853 179**	**18 027 556**
Total consumer debtors	36 367 937	33 654 682
Included in above is receivables from exchange transactions (Gross balances)		
Refuse	6 506 137	5 235 768
Included in above is receivables from non-exchange transactions (Gross balances)		
Property rates	42 207 261	48 449 901
Other Debtors	44 242 660	50 117 853
	86 449 921	**98 567 754**
Gross balance	**92 956 058**	**103 803 522**
Rates	16 514 758	15 627 126

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

10. Consumer debtors (continued)

Refuse	2 545 706	1 705 426
Other debtors	17 307 473	16 322 130

Reconciliation of allowance for impairment		
Balance at beginning of the year	(70 146 282)	(56 521 523)
Contributions to allowance	(10 323 933)	(14 130 857)
Debt impairment written off against allowance	23 885 784	506 098
	(56 584 431)	**(70 146 282)**

Statutory receivables general information

Transaction(s) arising from statute

Property rates are charged in terms of Municipal Property Rates Act.

Determination of transaction amount

Property rates are determined by applying cents in the Rand on the market valuation as per the Council approved tariff policy (see note 17):

Interest or other charges levied/charged

Penalties at a fixed rate of 18% per annum (2024: 18 %) are levied on the rates outstanding one month after due date.

Basis used to assess and test whether a statutory receivable is impaired

Accounts with 0-90 days balance are not impaired as there is less doubt in the recoverability of the monies. This does not include unregistered land where the total debt is provided at 100%.

Significant debtors are identified and are tested for impairment individually.

Insignificant debtors are grouped as per their category (i.e. Commercial, Residential etc.) and tested for impairment as a group.

Reconciliation of provision for impairment

Relating specifically to Statutory Receivables		
Opening balance	(32 822 775)	(28 299 239)
Provision for impairment	7 130 272	(4 523 536)
	(25 692 503)	**(32 822 775)**

Receivables past due but not impaired

Relating specifically to Statutory Receivables

Statutory receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2025, R 1 909 703 (2024: R 1 894 733) were past due but not impaired.

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

Amount not past due or impaired	2 272 314	2 018 340
Amount past due but not impaired	1 909 703	1 894 733
Amount past due and impaired	38 025 245	40 267 818

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

10. Consumer debtors (continued)

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2025, R 3 831 584 - (2024: 3 333 370 -) were past due but not impaired.

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

Amount not past due or impaired	3 369 337	3 042 962
Amount past due but not impaired	3 831 584	3 333 370
Amount past due and impaired	85 755 190	97 427 117

Consumer debtors impaired

As of 30 June 2025, consumer debtors of R 85 755 190 - (2024: 97 427 117 -) were impaired and provided for.

The amount of the provision wasR 56 584 431 - as of 30 June 2025 (2024: 70 146 282 -).

11. Consumer debtors disclosure

Gross balances		
Organ of the State	29 404 107	26 939 933
Commercial	7 095 697	7 288 390
Households	23 767 130	20 106 711
Other	32 689 124	49 468 488
	92 956 058	**103 803 522**
Less: Allowance for impairment		
Organ of the State	(9 883 142)	(9 109 346)
Commercial	(1 703 155)	(1 816 040)
Households	(19 170 441)	(16 118 037)
Other	(25 827 693)	(43 102 859)
	(56 584 431)	**(70 146 282)**
Net balance		
Organ of the State	19 520 965	17 830 587
Commercial	5 392 542	5 472 350
Households	4 596 689	3 988 674
Other	6 861 431	6 365 629
	36 371 627	**33 657 240**
Organ of state		
Current (0 -30 days)	431 285	218 911
31 - 60 days	374 631	359 882
61 - 90 days	360 643	334 438
91 - 120 days	354 461	330 121
121 - 150 days	345 778	584 281
> 150 days	27 537 309	25 112 300
	29 404 107	**26 939 933**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

11. Consumer debtors disclosure (continued)

Commercial		
Current (0 -30 days)	896 556	822 121
31 - 60 days	296 048	227 102
61 - 90 days	225 910	185 700
91 - 120 days	188 718	167 307
121 - 150 days	171 035	216 004
> 150 days	5 317 429	5 670 155
	7 095 696	**7 288 389**
Household		
Current (0 -30 days)	795 420	654 070
31 - 60 days	587 190	481 038
61 - 90 days	504 437	443 582
91 - 120 days	445 536	431 832
121 - 150 days	424 107	546 753
> 150 days	21 010 440	17 549 436
	23 767 130	**20 106 711**
Other		
Current (0 -30 days)	1 246 075	1 364 765
31 - 60 days	735 750	903 354
61 - 90 days	688 945	872 320
91 - 120 days	665 188	832 260
121 - 150 days	632 675	1 192 941
> 150 days	28 720 491	44 302 848
	32 689 124	**49 468 488**

Included in Other is Agricultural, Industrial,Tourism, Privately Developed Estates properties, unregistered land.

Credit balances R 5 259 541 (2024: R 5 481 072) have been added to the gross debtors and have been included in payables from exchange transactions note 16.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

12. Cash and cash equivalents

Cash and cash equivalents consist of:

	2025	2024
Cash on hand	6 300	6 300
Bank balances	1 472 309	1 119 893
Short-term deposits	578 907	29 481 747
	2 057 516	**30 607 940**

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2025	30 June 2024	30 June 2025	30 June 2024
Nedbank 03/7881154969/02 Call deposit	-	5 722 003	-	5 722 003
FNB 63096724133: Call account	495 595	4 318 159	495 595	4 318 159
First National Bank: 51660362710 Cheque Account	1 472 309	1 119 893	1 472 309	1 119 893
First National Bank: 62752942063:Cheque Account	83 312	78 772	83 312	78 772
First National Bank: 74484485427 Fixed Deposit	-	-	-	-
Absa Bank: 2074514859: Fixed Deposit	-	19 362 813	-	19 362 813
Investec : 1100463208500	-	-	-	-
Total	**2 051 216**	**30 601 640**	**2 051 216**	**30 601 640**

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts	2025	2024
Housing Projects Grant	9 900 153	9 900 153
Extravaganza Grant	6 950	6 950
LGSETA and CETA	91 833	595 359
KZN EDTEA grant	1 223	1 223
	10 000 159	**10 503 685**

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

See note 19 for reconciliation of grants from National/Provincial Government.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

14. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Additions	Payments	Total
Environmental rehabilitation	13 675 939	445 227	-	14 121 166
Legal proceedings	56 646	-	(56 646)	-
Performance Bonuses	853 561	853 561	(853 561)	853 561
	14 586 146	**1 298 788**	**(910 207)**	**14 974 727**

Reconciliation of provisions - 2024

	Opening Balance	Additions	Payments	Total
Environmental rehabilitation	13 106 523	569 416	-	13 675 939
Legal proceedings	-	56 646	-	56 646
Performance bonuses	648 483	684 502	(479 424)	853 561
	13 755 006	**1 310 564**	**(479 424)**	**14 586 146**

	2025	2024
Non-current liabilities	13 938 657	13 493 430
Current liabilities	1 036 070	1 092 716
	14 974 727	**14 586 146**

The provision for rehabilitation of landfill site relates to the legal obligation to rehabilitate the landfill site used for waste disposal.

Balance of the provision for landfill site rehabilitation R 14 121 166 (2024: R 13 675 939).

Increase in the landfill site rehabilitation provision is R 445 227 (2024: R 569 416).

The Municipality expects to start with the rehabilitation of the landfill site in the 2025/26 financial year, no payment has been made in 2024/25 for professional fees (2024: Nil)

The provision for performance bonuses relates to the constructive obligation on payment of performance bonuses for section 57 employees in previous financial years.

The Municipality has been paying a performance bonus up to 14% of the total remuneration for section 57 employees.

The payment of performance bonuses is expected to be made in 2025/2026 after the approval by Council.

No reimbursements are expected on the provisions.

The provision for legal proceeding relates to the arbitration between the Municipality and a former employee that claimed unfair dismissal, the commissioner awarded in favour of the former employee. The award is dated 15 July 2024, the Municipality has appealed/objected the award, a security payment has been paid..

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

15. Finance lease obligation

Minimum lease payments due		
- within one year	5 087 388	-
- in second to fifth year inclusive	16 419 358	-
	21 506 746	-
less: future finance charges	(4 439 497)	-
Present value of minimum lease payments	**17 067 249**	**-**
Non-current liabilities	13 584 425	-
Current liabilities	3 482 825	-
	17 067 250	**-**

It is municipality's policy to lease certain motor vehicles under finance leases.

The average lease term was 5 years and the average effective borrowing rate was 10% (2024: -%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 3 .

16. Payables from exchange transactions

Trade payables	5 993 187	2 972 787
Payments received in advance	5 259 541	5 481 072
Retention	11 039 764	13 314 874
Leave pay accrual	12 806 122	11 150 828
Unallocated Receipts	1 536 856	1 475 428
Sundry Payables	1 103 879	1 153 340
13th Cheque Accrual	3 703 916	3 419 601
VAT output accrual	1 595 194	1 554 737
	43 038 459	**40 522 667**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

17. Property rates

Rates received

	2025	2024
Residential	8 583 434	8 075 228
Commercial	13 049 611	12 395 681
State	3 805 824	3 612 063
Municipal	1 255 340	1 196 466
Small holdings and farms	8 902 498	8 510 848
Communal Land	4 587 830	4 368 053
Other properties	4 451 663	3 502 862
Less: Income forgone	(13 977 774)	(12 871 818)
	30 658 426	28 789 383
Property rates - penalties imposed	8 467 376	8 150 733
	39 125 802	**36 940 116**

Valuations

	2025	2024
Residential	1 706 466 800	1 689 391 800
Commercial	1 608 155 000	1 585 955 000
Public Purpose Service and State	460 865 000	461 821 000
Municipal	159 463 000	158 925 000
Small holdings and farms	7 111 181 000	7 097 835 000
Communal Land	916 649 000	916 649 000
Other	748 473 000	734 911 000
	12 711 252 800	**12 645 487 800**

Valuations on properties are performed every 5 years. The new general valuation came into effect on 1 July 2022. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. Interim valuations have been received for the 2024/25 financial year.

Assessments rates are determined by applying the following cents in the Rand on the market valuation:

	2025	2024
Agriculture properties used for agriculture purposes	0,00125	0,00119
Business and commercial properties	0,00826	0,00787
Industrial properties	0,00791	0,00754
Municipal properties, land reform, informal settlements, public worship	0,00791	0,00754
Public service infrastructure	0,00125	0,00119
Residential purpose	0,00501	0,00477
Communal land	0,00501	0,00477
Vacant land	0,00801	0,00763
Rebates granted to:		
Agriculture and agricultural small holdings	20 %	20 %
Place of Worship, Communal Land and Municipal properties	100 %	100 %
Public service infrastructure	100 %	100 %
Residential small holdings and rural residential	20 %	20 %
Tourism and hospitality	25 %	25 %
Protected areas	100 %	100 %

A rebate is granted in terms of the Municipal Property Rates Act on the first R15 000 of the market value of all residential properties . Public Service Infrastructure are permitted a 100% impermissible exemption.

An additional rebate is allowed on the next R85 000 of the market value of all properties within a residential category. A 20% rebate is allowed for other properties based on the category of the property.

Pensioners and disabled rate payers receive a 50% rebate on application. 100% indigent rebates are offered to qualifying applicants with total household income not exceeding R 4 930 per month. A 5% discount is applicable to rates settled on calculation, application and paid in advance for a specific financial year.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

17. Property rates (continued)

Rates are levied on an annual basis over 12 monthly installments with the final date for payment being 31 July 2025.

Penalties at a fixed rate of 18% per annum (2024: 18 %) are levied on the rates outstanding one month after due date.

18. Service charges

Refuse removal	1 965 213	1 915 637

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

19. Government grants & subsidies

Operating grants		
Equitable Share	167 007 000	158 616 000
Financial Management Grant (FMG)	1 800 000	1 850 000
Tittle deed restoration	-	441 789
Expanded Public Works Programme (EPWP)	2 657 000	2 437 000
	171 464 000	**163 344 789**
Capital grants		
Municipal Infrastructure Grant (MIG)	44 189 000	30 956 000
Small Town Rehabilitation Grant	-	8 644 398
Disaster Relief Grant	8 858 000	26 548 000
	53 047 000	**66 148 398**
	224 511 000	**229 493 187**

Equitable Share

	167 007 000	158 616 000

In terms of the Constitution of South Africa, this grant is used to subsidise provision for basic services and for the municipality's operations.

Finance Management Grant (FMG)

Current-year receipts	1 800 000	1 850 000
Conditions met - transferred to revenue	(1 800 000)	(1 850 000)
	-	-

This grant was used for implementation of MSCOA, physical verification of assets , Municipal Finance Management Programme and payments of finance interns. No funds were withheld.

Human Settlements Housing Grant

Balance unspent at beginning of year	-	441 794
Conditions met - transferred to revenue	-	(441 794)
	-	-

The grant is for tittle deeds for Gugulethu RDP houses.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

19. Government grants & subsidies (continued)

Municipal Infrastructure Grant (MIG)

Current-year receipts	44 189 000	30 956 000
Conditions met - transferred to revenue	(44 189 000)	(30 956 000)
	-	-

The grant is for the implementation of projects approved by MIG. No funds were withheld.

Housing Projects Grant

Balance unspent at beginning of year	9 900 153	9 900 153

The monies were received between 2007 to 2009 for housing projects , there are ongoing engagements between the municipality , the KwaZulu Natal Department of Human Settlement and the KwaZulu Natal Provincial Treasury.

Extravaganza Grant

Balance unspent at beginning of year	6 950	6 950
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	6 950	**6 950**

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

This grant is for the organisation of Extravaganza festivities. No funds were withheld.

Local Government Sectorial Education and Training Authority Grant (LG SETA)

Balance unspent at beginning of year	595 359	207 297
Current-year receipts	1 155 761	1 820 326
Conditions met	(1 659 287)	(1 432 264)
	91 833	**595 359**

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

This grant is provided for the by LGSETA and CETA in implementing the National Skills Development Strategy for the provision of experiential training to further education and training of graduates and learnership programmes. The Municipality is an Agent to the arrangement with the training authorities. The training authorities transfers the monies to the Municipality to pay for stipends and for the entities implementing the programmes. The arrangement improves the lives of unemployed youth and graduates. No funds were withheld.

Integrated National Electrification Programme (INEP)

Current-year receipts	6 701 000	9 000 000
Conditions met - contract revenue	(6 701 000)	(9 000 000)
	-	-

The Municipality constructs powerlines for Eskom, upon completion of the projects Eskom takes ownerships of these assets. The Municipality does not have a licence to distribute or sell electricity. The transactions are treated in accordance to GRAP 11: Construction contracts.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

19. Government grants & subsidies (continued)

Small town Rehabilitaion

Balance unspent at beginning of year	-	1 544 398
Current-year receipts	-	7 100 000
Conditions met - transferred to revenue	-	(8 644 398)
	-	-

This grant is for the construction of the Light Industrial Hub Phase 2 and 3 . No funds were withheld.

Expanded Public works Programme (EPWP)

Current-year receipts	2 657 000	2 437 000
Conditions met - transferred to revenue	(2 657 000)	(2 437 000)
	-	-

This grant is for the operational costs of the co-operative Extended Public Works Programme.

Economic Development Tourism Environmental Affairs (EDTEA) Grant

Balance unspent at beginning of year	1 223	1 223

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

This grant is for purchase of materials and equipment for local emerging suppliers. No funds were withheld.

Disaster Relief Grant

Current-year receipts	8 858 000	26 548 000
Conditions met - transferred to revenue	(8 858 000)	(26 548 000)
	-	-

The grant is for the rehabilitation and regraveling of roads and bridges that were damaged by the floods.

20. Public contributions and donations

Public contributions and donations	300 000	-

The Municipality received the following donation with the fair value of R 300 000 in 2025 (2024: R Nil).

Land from KwaZulu Natal Department of Public Works with a fair value of R 300 000, refer to note 3.

21. Other income

Business Licenses	81 004	7 904
Fees for photocopies and subscriptions	18 183	30 715
Rates Clearance	59 131	47 653
Tenders	14 261	21 180
Valuation Roll	870	2 435
Taxi Rank Fees	37 991	21 149
Sundry Revenue	1 496	8 067
	212 936	**139 103**

Included in Sundry revenue is the amount of fruitless and wasteful expenditure recovered in 2023/2024 see note 41.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

22. Agency services

Driver's Licenses	2 263 560	2 464 830
Vehicle Registration	1 911 285	1 874 442
	4 174 845	**4 339 272**

The Municipality receives 10% (2024: 10%) on amounts collected for vehicle registrations since this is the function of the Department of Transport.

23. General expenses

Audit committee fees	238 878	329 944
Advertising	318 275	270 571
Auditors remuneration	3 602 384	3 058 591
Bank Charges	33 146	39 294
Communications and public relations	250 840	160 379
Consulting and professional Services	6 161 853	4 850 485
Consumables	4 566 619	14 067 360
Disaster and emergencies	114 492	378 093
Education support	404 025	1 271 015
Sub-contracting services	4 663 635	5 227 852
Refreshments	370 591	397 808
Pound	106 318	150 417
Insurance	621 729	1 441 591
Conferences and seminars	165 564	52 118
IT expenses	3 892 806	3 651 434
Pauper burials	310 365	596 164
Medical expenses	50 000	47 100
Rental of offices and office machines	889 179	1 657 819
Fuel and oil	5 673 037	6 995 028
Postage and courier	217	16 234
Printing and stationery	840 019	1 360 053
License fees	2 060 920	1 554 481
Strategic planning	-	308 022
Security (guarding of municipal properties)	9 945 330	9 124 067
Subscriptions and membership fees	1 870 879	1 319 597
Telephone and fax	3 297 985	3 636 066
Training	616 737	572 560
Subsistence and travelling reimbursement	1 362 244	1 756 795
Traffic signs and roadmarkings	150 000	-
Electricity	4 478 133	3 803 508
Water	257 620	277 392
Uniform	865 873	1 267 607
Tourism Development	118 945	186 786
SMME's support	5 757 675	6 581 552
Free basic electricity	951 149	620 653
Ward committee	1 733 800	1 711 071
Public participation	3 166 889	5 818 871
Valuation expense	190 463	143 780
Scholar patrol	237 969	235 581
Contract costs	5 826 957	7 826 087
	76 163 540	**92 763 826**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

24. Employee related costs

Basic	101 325 500	93 140 339
Bonus	8 021 097	7 383 325
Medical aid - company contributions	3 783 452	3 349 336
Unemployment Insurance Fund (UIF)	751 464	713 264
Workmen's Compensation Fund (WCF)	1 040 418	817 816
Skills Development Levy (SDL)	1 123 742	1 036 315
Leave pay provision charge	2 097 701	1 599 561
Overtime payments	3 706 479	3 599 668
Long-service awards	755 000	725 000
Car allowance	4 636 208	4 237 136
Housing benefits and allowances	543 827	410 568
SALGA	57 587	50 585
Post employee benefits- Pension	15 442 697	15 007 619
	143 285 172	**132 070 532**

Remuneration of Municipal Manager

Annual Remuneration	1 314 979	1 331 158
Car Allowance	192 000	192 000
Performance Bonuses	199 234	192 875
	1 706 213	**1 716 033**

Remuneration of Chief Finance Officer

Annual Remuneration	1 025 841	1 040 758
Car Allowance	216 000	216 000
Performance Bonuses	163 582	101 800
	1 405 423	**1 358 558**

Remuneration of Director Social Services

Annual Remuneration	1 025 260	987 071
Car Allowance	216 000	216 000
Performance Bonuses	163 582	92 374
	1 404 842	**1 295 445**

Remuneration of Director Technical Services

Annual Remuneration	1 016 681	993 694
Car Allowance	418 835	226 835
Performance Bonuses	163 582	52 785
	1 599 098	**1 273 314**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

24. Employee related costs (continued)

Remuneration of Director Corporate Services

Annual Remuneration	1 025 841	999 772
Car Allowance	216 000	216 000
Performance Bonuses	163 582	39 589
	1 405 423	**1 255 361**

Director Community Services

Acting Allowance	110 625	-

25. Remuneration of councillors

Councillors	12 277 443	12 337 144
SDL and UIF	116 128	119 236
	12 393 571	**12 456 380**

Mayor

Annual remuneration	975 601	954 073
Cellphone allowance	47 004	53 208
SDL	8 825	10 073
	1 031 430	**1 017 354**

Deputy Mayor

Annual remuneration	780 482	763 259
Cellphone allowance	47 004	53 208
SDL	8 275	8 202
	835 761	**824 669**

Speaker

Annual remuneration	780 482	763 259
Cellphone allowance	47 004	53 208
SDL	7 154	7 084
	834 640	**823 551**

Exco

Annual remuneration	1 170 600	1 143 582
Travel allowance	54 000	54 000
Cellphone allowance	141 012	159 624
SDL	13 548	13 494
	1 379 160	**1 370 700**

Councillors

Annual remuneration	6 902 864	6 876 298
Travel allowance	297 302	259 226
Cellphone allowance	1 034 088	1 204 199
SDL	78 326	80 383
	8 312 580	**8 420 106**

Figures in Rand	2025	2024

25. Remuneration of councillors (continued)

In-kind benefits

The Mayor, Deputy Mayor, and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor has 2 full-time bodyguards and the use of a Council owned vehicle.

The Deputy Mayor has 2 full-time bodyguards and the use of a Council owned vehicle .

The Speaker has 2 full-time bodyguards and the use of a Council owned vehicle.

The MPAC chairperson uses Council owned vehicle.

Accounting Officer's certification of Councilors remuneration

The Accounting Officer certifies that the salaries, allowances and benefits of Councilors as disclosed above are within the

upper limits of the framework envisaged in Section 219 of the Constitution read with the Remuneration of Public Office Bearer's Act.

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26. Debt impairment

Debt impairment - Consumer debtors	10 323 933	14 130 857
Debt impairment-Traffic fines	148 679	572 798
	10 472 612	**14 703 655**

Debt impairment for consumer debtors is R 10 323 933 (2024:R 14 130 857). Increase in provision from (2024: R 70 146 282- R 23 885 784) to (2025: R 56 584 431). An amount of R 23 885 784 (2024: R 506 098) was written off against the debt impairment.

Debt impairment for traffic fines is R 148 679 (2024: 572 798) , the provision increased from 2024: R 2 560 497 to 2025: R 2 709 176.

27. Interest received

Interest revenue		
Interest received - Current Account	224 638	1 663 717
Interest received - Investments	3 882 139	3 971 530
	4 106 777	**5 635 247**

28. Depreciation and amortisation

Property, plant and equipment	34 567 094	30 911 594
Intangible assets	175 261	280 784
	34 742 355	**31 192 378**

Refer to reconciliation in note 3 and 4 for further details. Depreciation and amortisation is calculated over the useful life of the asset and reflects the realisation of that asset through continued use.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

29. Finance costs

Finance leases	718 147	-

30. Operating lease

The Municipality entered into a 3 year lease with Transnet for the lease of land where the Light industrial hub is constructed. The average lease term was 3 years with 9% escalation. Monthly rental expenditure is accounted for in the Statement of Financial Performance . The average lease term is 3 years with 9% escalation

The Municipality entered into an operating lease agreement for a period of 3 years with Yuretek, leasing photocopier machines and a monthly rental expense is accounted for in the Statement of Financial Performance . The average lease term is 3 years with 0% escalation. The rental is fixed for the duration of the contract.

The Municipality further entered into an operating lease agreement for a period of 9 years with MZ Hlatshwayo. Leasing a land for the pound and landfill site. The payments were made in two equal payments within 2 financial years starting from the 2017/2018 and 2018/2019 financial years. Operating lease payment is accounted for in the Statement of Financial Performance and prepaid expense is accounted for in the Statement of Financial Position. The lease term is 9 years with 0% escalation.

Minimum Lease Due - Photocopier		
1 year	1 397 780	1 397 780
>2 years	-	1 397 780
	1 397 780	**2 795 560**

Minimum Lease Due - Light indrustrial hub land		
1 year	13 663	162 830
>2 years	-	13 663
	13 663	**176 493**

31. Cash generated from operations

(Deficit) surplus	(212 967)	8 093 502
Adjustments for:		
Depreciation and amortisation	34 742 355	31 192 378
Gain/(loss) on sale of assets and liabilities	492 792	(951 159)
Finance costs - Finance leases	718 147	-
Impairment deficit	6 641 866	802 290
Debt impairment	10 472 612	14 703 655
Movements in operating lease assets and accruals	(53 373)	(19 154)
Movements in retirement benefit assets and liabilities	1 115 271	690 824
Movements in provisions	388 581	831 140
Donation received	(300 000)	-
Changes in working capital:		
Receivables from exchange transactions	1 481 059	3 736 512
Consumer debtors	(13 185 867)	(13 174 429)
Other receivables from non-exchange transactions	(280 104)	(952 931)
Payables from exchange transactions	2 289 188	(5 864 956)
Unspent conditional grants and receipts	(503 526)	(1 598 130)
	43 806 034	**37 489 542**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

32. Construction contracts

Construction contract revenue

Contract revenue INEP	5 826 957	7 826 087
Construction contract cost (Included in General expenses)		
Contract cost INEP	(5 826 957)	(7 826 087)

33. Commitments

Authorised capital expenditure

Approved & contracted for		
• Capital projects already contracted for	13 181 404	36 234 789

Authorised operational expenditure

Approved & contracted for		
• Operational projects already contracted for	37 873 483	18 367 862
Approved but not yet contracted for		
• Operational projects not yet contracted for	4 324	36 530

34. Contingent liabilities

Nompumelelo Hadebe Inc. is claiming an amount of R 5 320 000 in relation to debt collection, the Municipality disputes this claim. The matter is currently in court.

Contingent assets

No contingent assets exist for the period ended 30 June 2025 (2024: Nil)

35. Related parties

Key Management Personnel and Councillors Remuneration.

Remuneration of Key Management Personnel and Councillors is set out in Note 24 and 25 respectively to the Annual Financial Statements.

36. Segment information

General information

Identification of segments

The municipality does not have reportable segments as at 30 June 2025 (2024: Nil)

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

37. Risk management

Financial risk management

Due to the largely non-trading nature of the activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities.

The municipality's finance function monitors and manages the financial risks relating to the operations of the municipality. These risks include credit risk, liquidity risk, market risk relating to interest rate risk.

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	17 032 951	16 287 661

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, 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.

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

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

Financial instrument	**2025**	**2024**
Cash and cash equivalents	2 057 516	30 607 940
Trade and other receivables	20 368 123	18 249 952

The amount disclosed for trade and other receivables is after the allowance for impairment

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.

Cash and cash equivalent	2 057 516	30 607 940

38. Events after the reporting date

There are no material events that occurred after the reporting date 30 June 2025 apart from the ones included in note 14, 41, 42 and 43. (2024: Nil).

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

39. Change in Estimate

The Municipality has revised the remaining useful lives of assets which had reached the end of their useful lives, based on the conditions in terms of GRAP 17 paragraph 56.

The effects of this revisions have overall decreased the depreciation by R 1 082 074.

The effect on the change in useful lives, change in residual values are as follows:

Depreciation

	Depreciation per annum before	Depreciation per annum after	Difference (Change in Future depreciation)
Computer	33 448	11 130	22 318
Office Furniture	53 349	17 739	35 609
Machinery and Equipment	146 127	48 628	97 499
Infrastructure	403 719	149 126	254 593
Motor vehicles	830 828	276 261	554 567
Buildings	132 435	71 567	60 868
Intangible assets	84 926	28 307	56 620
	1 684 832	**602 758**	**1 082 074**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

40. Prior-year adjustments and reclassifications

The Municipality had previously incorrectly valued and categorised 2 properties since 2009, the Municipal valuer has corrected this error and now these properties are correctly categorised as Public Benefit Organisation.

The property rates and penalties that were charged have been reversed.

Statement of financial position

2024

	Note	As previously reported	Correction of error	Restated
Consumer debtors		33 883 472	(228 791)	33 654 681
Accumulated surplus		496 670 713	(228 791)	496 441 922
		530 554 185	**(457 582)**	**530 096 603**

Statement of financial performance

2024

	Note	As previously reported	Correction of error	Restated
Property rates		28 796 909	(7 526)	28 789 383
Property rates - penalties imposed		8 169 437	(18 704)	8 150 733
Surplus for the year		**36 966 346**	**(26 230)**	**36 940 116**

-

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

41. Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure		
Opening balance	-	-
Interest and penalties	2 720 839	784 462
Landfill site rentals	13 242	1 510
Less: Amounts recovered - current	277 778	1 944 444
Less: Amount written off - current	-	(8 067)
	(2 234 189)	(1 510)
Closing balance	**777 670**	**2 720 839**

An amount of R 776 395 is as a result of misconduct by a former employee during 2014/2015 financial year, a case was opened against the employee for payments made to ghost employees and the case is currently under investigation by the South African Police Services. The matter is currently in criminal court.

Incidents 2023/2024

An amount of R 1 510 for interest and penalties incurred on late payments, has been referred to MPAC for investigation in terms of section 32 of the MFMA. The council approval to writeoff R 1 510 was obtained in August 2024. An amount of R 8 067 has been recovered, the affected employees have signed payments arrangements.

The Municipality has incurred an amount of R 1 944 444 on rental of land where the landfill site was constructed. The landfill is not operational since it has not been transferred to the Municipality. The Council approval was obtained in August 2025.

Incidents 2024/2025

The Municipality has incurred an amount of R 277 778 on rental of land where the landfill site was constructed. The landfill is not operational since it has not been transferred to the Municipality. The resulting expenditure has been reported to Council and investigation as per section 32 of the MFMA will be instituted. The Council approval was obtained in August 2025

The Municipality has incurred an amount of R 2 098 on late payment of invoices. This expenditure has been reported to Council and investigation as per section 32 of the MFMA have been instituted.The Council approval to writeoff the expenditure of R 824 was obtained in August 2025. The amount of R 1 274 is still subjected to the section 32 of the MFMA process.

The Municipality has incurred an amount of R 11 144 for penalties as result late licensing of Municipal vehicles. The resulting expenditure has been reported to Council and investigation as per section 32 of the MFMA will be instituted.The Council approval to writeoff the expenditure was obtained in August 2025.

42. Irregular expenditure

Reconciliation of Irregular expenditure		
Opening balance	-	-
Expenditure incurred during the year	38 835 565	39 444 106
Less: Amount written off - by Council	85 474 057	39 735 721
	(118 613 242)	(40 344 262)
Closing balance	**5 696 380**	**38 835 565**

42. Irregular expenditure (continued)

Opening balance

Incidents 2023/2024.

An amount of R 790 766 was incurred on the purchase of a motor vehicle that exceeded the threshold in the the cost containment regulations, the expenditure has been reported to Council and Section 32 of the MFMA process was instituted. The Council approval to write-off the expenditure was obtained in July 2024.

An amount of R 109 390, was incurred on extension on a month to month contract, the expenditure has been reported to Council and Section 32 of the MFMA process was instituted.The Council approval to write-off the expenditure was obtained in August 2024.

An amount of R 39 444 106, was incurred in 2022/2023 and previous periods, on Hambrook access road, the Municipality used the engineers estimate report, the expenditure was been written off by Council after the MFMA Section 32 process was followed however the approval for the write-off took place in July 2024.

An amount of R 37 036 103, was incurred panel appointments, the selection criteria was not stipulated in the tender documents and the Supply Chain Management policy, the expenditure will be reported to Council, the MFMA Section 32 process will be followed.

An amount of R 1 502 540, was incurred on appointments of suppliers where the evidence for measuring functionality was not provided, the expenditure will be reported to Council, the MFMA Section 32 process will be followed.

An amount of R 266 965, was incurred on purchase orders where orders were awarded on evaluation criteria that was not included on the request for quotations, the expenditure will be reported to Council, the MFMA Section 32 process will be followed.

An amount of R 29 958, was incurred on a purchase order that was awarded to the supplier that submitted a quotation after the closing time, the expenditure will be reported to Council, the MFMA Section 32 process will be followed.

Incidents 2024/2025

An amount of R 179 038, was incurred on contract that was advertised for a shorter period, the expenditure was reported to Council and Section 32 and referred to MPAC for investigation.The Council approval to writeoff the expenditure of R 125 327 was obtained in August 2025. The amount of R 53 711 is still subjected to the section 32 of the MFMA process.

An amount of R 83 213 766, was incurred panel appointments, the selection criteria was not stipulated in the tender documents and the Supply Chain Management policy, the expenditure was reported to Council and Section 32 and referred to MPAC for investigation.The Council approval to writeoff the expenditure of R 79 652 350 was obtained in August 2025. The remaining R 3 561 416 is still subject to the Section 32 of the MFMA process

An amount of R 57 460 was incurred on quotations where the evaluation critetia was inconsistent with the criteria advertised. This amount is still subjected to the Section 32 of the MFMA process

An amount of R 326 703 was incurred on deviations where the service providers did not submit declaration forms. This is still subject to the Section 32 of the MFMA process

An amount of R 1 697 089 was incurred where a Councillor failed to disclose a relationship with an EPWP Co-operation beneficiary. This is still subjected to the Section 32 of the MFMA

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

43. Unauthorised expenditure

	2025	2024
Opening balance as restated		
Opening balance	-	-
Expenditure incurred during the year	16 918 722	8 658 942
Less: Amount approved by Council	11 499 861	26 531 013
	(28 337 223)	(18 271 233)
Closing balance	**81 360**	**16 918 722**

2023/2024 Incidents

The INEP expenditure amounting to R 6 173 913 (Contract cost) incurred in 2022/2023 has been written off by Council in accordance to MFMA section 32. The approval for the write-off for R 2 485 029 in relation to the Housing expenditure (contract cost) took place in July 2024.

An amount of R 5 372 532 incurred on employee related cost, the implementation of upper limits gazette, the increase in leave days balances and the appointment of additional personnel. This has been reported to Council and the matter has been referred to MPAC for investigation as per Section 32 of the MFMA.

The contributing cost drivers were, wet fuel, electricity, telephones, maintenance of assets, security services, social events, EPWP etc, the resulted amount is R 20 066 826 has been reported to Council and the matter has been referred to MPAC for investigation as per Section 32 of the MFMA.

The Municipality fully spent the Disaster Recovery grant, some of the expenditure incurred was operational R 8 520 636 (i.e. repairs and maintenance), however the entire budget was treated as capital during the budget process. This has been reported to Council and the matter has been referred to MPAC for investigation as per Section 32 of the MFMA. The Council approval to write-off the expenditure was obtained in August 2024.

The Municipality has revised the debt impairment provision for Government debt from 20% to 35 %, the Municipality has been struggling to collect Government debt. The budget has been exceeded by R 49 655. This has been reported to Council and the matter has been referred to MPAC for investigation as per Section 32 of the MFMA.The Council approval to writeoff the expenditure was obtained in August 2024.

The expenditure as per the GRAP 25 valuation report, the Municipality could not budget for these since the report is prepared at year end, this amounts to R 1 042 000.This has been reported to Council and the matter has been referred to MPAC for investigation as per Section 32 of the MFMA. The Council approval to writeoff the expenditure was obtained in August 2024.

2024/2025 Incidents.

The over expenditure analysis below is based on an assessment on vote level and not at overall budget vs actual level

Contracted Services: The contributing cost drivers for the over- expenditure on contracted services are as follows:

Expenditure	**Amount**
Security services	R 989 459
Cleaning materials	R 36 423
Valuation roll maintenance	R 90 463
Trainings	R 1 096
Catering	R 29 463
Competency assessment	R 7 144
Repairs and maintenance of fleet	R 815 545
	R 1 969 593

The above over-expenditure is as a result of actual expenditure exceeding the budgeted vote expenditure. The total expenditure of R 1 969 593 has been reported to Council and the matter has been referred to MPAC for investigation as per Section 32 of MFMA. The Council approval to write-off the expenditure was obtained in August 2025.

Operational Costs: The contributing cost drivers for the over-expenditure on operational costs are as follow:

Expenditure	**Amount**
Leases of Copier machines	R 196 701
Water	R 57 620

Figures in Rand	2025	2024

43. Unauthorised expenditure (continued)

Electricity	R 2 037 406
Stationary	R 126 684
Membership levy	R 447 652
Social events	R 470 132
Skills development levy	R 35 208
Fuel	R 680 648
Vehicle tracking	R 28 486
Advertising	R 68 275
Telephones	R 925 172
IT support	R 584 039
Licenses for financial system and fleet	R 1 060 920
Flight	R 6 057
Conferences	R 41 131
Accommodation	R 325 996
Subsistence and travel	R 89 991
Workmen compensation fund	R 340 418
	R 7 522 536

The above over-expenditure is as a result of actual expenditure exceeding the budgeted vote expenditure. The total expenditure of R 7 522 536 has been reported to Council and the matter has been referred to MPAC for investigation as per Section 32 of the MFMA. The Council approval to write-off the expenditure was obtained in August 2025

The over-expenditure on impairment of assets (R1 926 372) is as a result of the assets identified to be impaired during the assets verification which was done at the end of the financial year and therefore could not be accurately budgeted for. This has been reported to Council and the matter has been referred to MPAC for investigation as per Section 32 of the MFMA. The Council approval to write-off the expenditure was obtained in August 2025.

Unspent Conditional Grant: The municipality had lower closing balance amount (R 2 057 516) in the cash and cash equivalents at the end of the 2024/2025 financial year and this resulted in the unspent conditional grant not being cash backed. The unspent conditional grants amounted to R 10 000 159 and therefore the unauthorised expenditure in this regard amounted to R 7 942 643. The amount is already taken into account in the unauthorised expenditure.

The municipality had an amount of R 10 000 000 ring fenced for sports and only R 9 918 659,77 was actually spent on this project, the remaining R 81 360,23 was spent on other MIG projects. This will be reported to Council.

44. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

	2025	2024
Current year subscription / fee	3 602 384	3 058 591
Amount paid - current year	(3 602 384)	(3 058 591)
	-	-

PAYE, SDL and UIF

	2025	2024
Opening balance	-	-
Current year subscription / fee	22 971 061	21 027 896
Amount paid - current year	(22 971 061)	(21 027 896)
	-	-

Pension and Medical Aid Deductions

	2025	2024
Opening balance	-	-
Current year subscription / fee	29 972 365	26 924 376
Amount paid - current year	(29 972 365)	(26 924 376)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

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

VAT

	2025	2024
VAT control	849 837	1 727 742
VAT input accrual	5 520 274	6 436 527
VAT output accrual	(1 595 194)	(1 554 737)
	4 774 917	**6 609 532**

VAT control, VAT input accrual and VAT output accrual payables are shown in the note.

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

Councillors' arrear consumer accounts

For the financial period ended 30 June 2025 (2024: Nil), there were no rates or services arrears owed by any councillor. Further, during the financial year there are no councillors which were outstanding for more than 90 days.

Supply chain management regulations

Quotations: In terms of regulation 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved by the Municipal Manager and noted by Council. These deviations refer to the instances as stipulated in the regulations and relates mainly to sole supplier, emergencies and instances where it was impractical to follow SCM processes.

2023/24 Incidents.

The Municipality incurred an amount of R 1 131 371 in relation to IT service, whilst there was an objection lodged on the award, the service provider awarded was the recommended bidder in accordance to Supply Chain Management Policy.

The Municipality paid an amount of R 18 669 for postage stamps supplied by the Post Office..

The Municipality incurred an amount of R 12 310 in relation to calibration of speed machines from the manufacture of the machine

The Municipality paid an amount of R 226 430 for annual licences from the system developers.

The Municipality incurred expenditure on online training of Internal Audit amounting to R 8 528.

The Municipality incurred expenditure on training of Traffic Officers amounting to R 26 565.

The Municipality incurred expenditure on WSP software licence amounting to R 165 480.

2024/2025 Incidents.

The Municipality paid an amount of R 4 834 for online transport legislation.

The Municipality incurred an amount of R 8 167 in relation to calibration of speed machines from the manufacture of the machine.

The Municipality paid an amount of R 242 280 for annual licences from the system developers.

The Municipality incurred expenditure on online training on Annual Financial Statements amounting to R 76 256.

Incident		
Other	331 537	1 589 353

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

45. Awards to close family members of persons in service of the State.

Awards to close family members	3 743 395	10 903 255

Regulation 45 of the Supply Chain Management Regulation disclosure:

2023/2024 Incidents

The Municipality appointed a supplier for the construction of Nkoxo road and bridge, the supplier has a spouse/wife by the name Bongiwe Ntuli employed by the KZN Department of Health as a professional nurse, the award is for an amount of R 5 505 959.

The Municipality appointed a supplier for the construction of Vulamehlo gravel road, the supplier has a spouse/wife by the name Petronela Sithebe employed by the KZN Department of Transport as a director, the award is for an amount of R 5 397 296.

2024/2025 Incidents.

The Municipality appointed a supplier for delivery and repairs of cctv, the supplier has a spouse/wife by the name Waseela Asmal employed by the Alfred Duma Local Municipality in the revenue department, the award is for an amount of R 3 743 395

46. Going Concern Assumption

The current cash coverage ratio and current ratio shows that the municipal finances cannot sustain the municipality for the period of 12 months. This creates a material uncertainty with regards to going concern.

The municipality is a grant dependent with limited sources of its own revenue. This however means that it is gauranteed to receive the equitable share grant which has been gazetted for the 2025/2026 financial year. The municipality will receive its first tranche of R 69 288 000 of the equitable share in July 2025 and it plans to utilise these funds efficiently by down scaling cost drivers operations and implement cost containment mearsures.

2024/25

ANNUAL PERFORMANCE REPORT OF OKHAHLAMBA LOCAL MUNICIPALITY

OKHAHLAMBA

LOCAL MUNICIPALITY • UMKHANDLU WENDAWO

Home of Heritage and Tourism

OKHAHLAMBA LOCAL MUNICIPALITY ANNUAL PERFORMANCE REPORT 2024/2025

COMPONENT 1:- EXECUTIVE SUMMARY

OKHAHLAMBA LOCAL MUNICIPALTY MAYOR'S FORWORD

MAYOR'S FOREWORD
FOR THE
Annual Performance Report 2024/2025 FINANCIAL YEAR

It is my honour to present the Annual Performance Report for the 2024/25 financial year on behalf of the Okhahlamba Local Municipality. This report outlines our achievements, challenges, and the significant strides we continue to make in improving service delivery, despite the tough economic climate and fiscal pressures affecting all three spheres of government.

Over the past year, Okhahlamba has remained committed to building a municipality that is functional, responsive, and rooted in the needs of its people. We have navigated complex financial constraints and resource limitations, yet our unwavering dedication to service delivery and infrastructure development has not wavered. As a council, we continue to work tirelessly to enhance governance and transparency, ensure financial sustainability, and deliver equitable and quality services to our communities.

This report reflects progress made across key performance areas, including Basic Service Delivery, Municipal Transformation, Local Economic Development, Good Governance, and Financial Management. Among our most significant achievements are the delivery of road infrastructure, electrification, housing, and the renovation of key public facilities. Notable projects include the construction and rehabilitation of gravel access roads across all wards, the successful completion of pedestrian bridges through the Municipal Disaster Recovery Grant (MDRG), and the refurbishment of three community halls in Wards 3, 9, and 10.

We have also concluded essential electrification projects in Wards 12 and 14, bringing power to 140 households. On the housing front, we have delivered 227 housing units, handed over 283 title deeds, and continued work on 27 housing projects, despite funding delays. Emergency housing needs were also met with the delivery of 140 temporary units. These initiatives are a testament to our commitment to dignity, shelter, and safety for our people.

In the face of budget constraints, our council took a bold resolution to allocate R18.74 million from municipal reserves for re-gravelling 18 access roads. We also maintained our road and storm water systems and addressed urban maintenance challenges in the Bergville and Winterton CBDs. While our maintenance budget remains insufficient and there is a shortage of technical personnel, we continue to find ways to serve our communities with the limited resources at our disposal.

In the sphere of human capital development, we are proud of our investment in skills and training. Twelve staff members pursued bachelor's degrees through the municipal bursary programme—with four already graduated—while 20 employees completed the Municipal Finance Management Programme. We also provided Occupational Health and Safety training to 28 committee members, and various competency certifications to drivers, operators, and First Aid participants. These initiatives contribute to a capable and professional workforce that enhances our operational efficiency.

We have spent 100% of our Municipal Infrastructure Grant (MIG) and Small Business Development grant. However, we acknowledge the regression in our audit outcome to an unqualified opinion with findings. We view this not as a setback, but as a call to action. Accordingly, we have bolstered our internal controls and enhanced oversight mechanisms. Our Risk Management Unit and Internal Audit Unit continue to monitor and improve the integrity of our systems, especially in procurement and governance practices.

Our public amenities continue to support the vibrant social life of our communities, hosting sports, cultural events, religious gatherings, and civic functions. These spaces are central to our social cohesion and community development efforts.

As we move forward, we remain guided by the values of accountability, transparency, and community-centred development. While financial and operational challenges persist, our determination to improve functionality, service delivery, and governance remains strong. The road ahead requires resilience and innovation, and I am confident that through collaboration with all stakeholders, we will continue to build a municipality that delivers a better life for all.

On behalf of the Okhahlamba Council, I thank all officials, councillors, partners, and our community members for their ongoing commitment and support. Together, we will rise to meet our challenges and continue to deliver with impact.

Mayor of Okhahlamba Local Municipality

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His Worship, Councillor: V.R. Mlotshwa

COMPONENT 2:- EXECUTIVE SUMMARY

OKHAHLAMBA LOCAL MUNICIPALTY ACCOUNTING OFFICER'S FORWORD

ACCOUNTING OFFICER'S FORWARD
FOR THE
ANNUAL PERFORMANCE REPORT 2024/2025

It is with a deep sense of responsibility and commitment that I present the 2024/25 Annual Performance Report for Okhahlamba Local Municipality. This report not only reflects the collective work of our institution over the past financial year, but also highlights our continued commitment to improving functionality, transparency, and service delivery in a complex and often constrained operating environment.

Okhahlamba Local Municipality has consistently demonstrated its commitment to sound governance, constitutional obligations, and the effective delivery of basic services. These principles have been the foundation of our performance and have historically resulted in clean audit outcomes. While the 2023/2024 FY marked a slight regression in our audit status to an unqualified audit opinion with findings, we remain resolute in our mission to address the shortcomings and restore the high standards we are known for.

Our municipality operates in a socio-economic landscape marked by persistent challenges, including high unemployment, limited revenue streams, and ongoing infrastructure backlogs. These difficulties have been compounded by national and global economic pressures, including the rising cost of living and its ripple effect on local business and tourism activity. As with many municipalities across the country, we are navigating constrained budgets across all three spheres of government, which has adversely impacted the pace and extent of service delivery.

Despite these challenges, Okhahlamba continues to implement its mandate through a governance framework informed by the Constitution and key legislation, including the Municipal Finance Management Act (MFMA), the Municipal Systems Act, and the Municipal Structures Act. Our planning processes remain aligned with the objectives of the National Development Plan (NDP) 2030, and we continue to make progress in implementing the target set in our Integrated Development Plan (IDP), Organisational Scorecard, ad Municipal Performance Plan.

Public participation remains a cornerstone of our strategy. Annual consultations and stakeholder engagements have allowed us to integrate community priorities into our planning and budgeting processes, ensuring that development remains people-centred and responsive.

In the 2024/2025 period, we held regular Council, Executive Committee, Portfolio and Management meeting, which facilitated effective governance and oversight. Our performance management systems continue to strengthen, with clear linkage between departmental performance plans and individual performance agreements. I am proud to report that we achieved over 84% of our infrastructure target, including that successful delivery of access road, pedestrian bridges, and community facilities.

In terms of revenue management, the municipality has implemented strategic measures aimed at enhancing collection and sustaining financial viability. While challenges persist-particularly in the enforcement of property payments—we have made modest gains:

- All suppliers with valid invoices were paid within 30 days.
- The proportion of grant income to total revenue decreased to 79.36%, reflecting slight growth in internally generated revenue.
- The municipal collection rate stood at 70%, in line with our target.
- All conditional grants are not fully cash-backed, with a strong cash-backing rate of 21%.
- The municipality's cash coverage ratio declined from 1 month in the previous year end to -0.41 month in the current financial year, underscoring the importance of cost containment and efficient financial planning.

The finding in the 2023/2024 audit opinion-namely, irregular expenditure, internal control deficiencies financial record keeping, and mismanagement of fuel and oil cards- are being addressed with urgency. Our leadership has already initiated corrective measures, including process improvements and enhanced oversight mechanisms. Strengthening internal control systems is a priority.

The Risk Management Unit continues to conduct annual reviews and supports departments in identifying and mitigating risks. Meanwhile, the Internal Audit Unit remains fully operational and plays a critical role in monitoring compliance, especially in procurement and human resources. The term of the Audit Committee remains in effect until December 2026, providing continuity in governance and audit oversight.

In conclusion, despite a difficult economic climate, constrained budgets, and easing service delivery demands, Okhahlamba Local Municipality remains resilient and committed to excellence. Our reputation as a stable and ethical municipality is built on the hard work and dedication of our staff, the oversight of our Council, and the continued trust of our communities.

I extend my sincere gratitude to our political leadership, Councillors, administrative staff, and community stakeholders who continue to support our work. Together, we will continue to push forward-improving service delivery, enhancing institutional functionality, and striving for a better future for all residents of Okhahlamba.

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S.N Malinga
Accounting Officer

3. SUMMARY

This Okhahlamba Local Municipality Annual Performance Report includes highlights from the key performance measures included in the Integrated Development Plan 2024/25, their priority measures constitute the Municipal Score card for 2024/25 financial year. The Okhahlamba Local Municipality has utilised six (6) KPA's and will report as such. This Performance Annual Report presents the year-end performance results for 2024/25 and the overview of the Municipality's actual performance linked to the National Key Performance Areas (KPA's).

The Municipality endeavoured during the development of the Organisational Scorecard as well as with the development of the SDBIP that the "SMART" principle was adhered to in the setting of indicators and objectives. Emphasis was placed on ensuring that targets were specific and time bound, thus making it measurable.

The Municipality has a fully functional Integrated Development Plan and Performance Management Systems Unit that is situated in the Office of the Municipal Manager and is tasked to coordinate the IDP and organisational performance management related processes. The unit works closely with Municipal manager and Directors in each Department as the latter are departmental performance coordinators as well as the Risk & Compliance and Internal Audit unit to ensure credibility and reliability of reported information which is illustrated in graph1.

The performance reporting system underwent a thorough scrutiny from Internal Audit and Performance Audit Committee to ensure synergy amongst the 3 documents; IDP, BUDGET and SDBIP resulting into review of the 2024/25 IDP, SDBIP, Performance Agreements and Performance Plans.

Each Key Performance Area (KPAs) contained key performance indicators (KPIs), the KPIs played pivotal role because they are the mechanism on how the municipality achieved its objectives. The 2024/25 scorecard was designed such that there are targets and actuals; in order to measure actual performance, as such actual performance is compared to the targets.

All process were followed in the IDP amendment procedure and the amended scorecard was utilized in the development of the 2024/25 Annual Performance Report.

The Okhahlamba Local Municipality scorecard 2024/25 consist of 6 key performance areas (KPA) which are:-

1. Municipal Transformation and Institutional Development.
2. Basic Service Delivery and Infrastructure Development.
3. Local Economic and Social Development.
4. Financial Viability and Financial Management.
5. Good Governance and Public Participation and Ward committee.

6. Cross Cutting Interventions.

1) MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT

i. The KPIs under Municipal Transformation and Institutional Development were 25 including the following amongst others, signing of performance agreements, adoption date of reviewed organogram, implementation of workplace skills plan, review of Performance Management System, Performance Audit committee meetings attended, Risk committee etc. 19 out of 25 KPIs were achieved included 3 in the 19 KPIs which were over achieved and 6 were not achieved.

ii. This department is central because it capacitates the entire municipal staff with different skills by ensuring that various trainings are implemented as per Workplace Skills Plan, which is why the municipality managed to achieve the unqualified audit opinion in the previous financial years.

2) BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT

i. The KPI's under Basic Service Delivery and Infrastructure Development were 52. These are most important indicators because they contained all projects that the community requested as per the IDP roadshows. Projects such as electrification, gravel roads, tarred road, surface road, housing project and industrial hub. 43 out of 52 KPIs were achieved and 4 out of 43 KPIs were over achieved and 7 were not achieved and 2 were removed during the adjustment and the IDP.

ii. The Okhahlamba Municipality has undertaken a commitment to achieve 100% universal access to electricity connections and it was achievable.

iii. The projects such as ward 14 and 12 electrification projects will improve the quality of lives of all Vimbukhalo and Potshini communities.

iv. The municipality also provide the Free Basic Services to the community in terms of Free Basic Electricity.

v. The major projects such as Emahlabathini gravel access road and fencing of Bergville and Acton Homes cemeteries were completed during the financial year and will improve the quality lives of Okhahlamba population.

vi. The municipality also completed numerous key infrastructure projects, amongst many Nkoxo gravel road and bridge, Sikhosana gravel road, Vulamehlo gravel road, Mbombozi road phase and the municipality has also maintained the existing infrastructure.

3) LOCAL ECONOMIC AND SOCIAL DEVELOPMENT

i. The KPIs under Local Economic and Social Development has the overall of 14 indicators were extended public works programme (EPWP) the eradication of poverty in the Okhahlamba jurisdiction. 11 out of 14 were achieved, 2 out of 11 were over achieved and 3 were not achieved. The municipality further embarked on a drive to empower people with skills while creating employment opportunities for communities within the municipality's jurisdiction through the same programme. This was done through the funding of co-operatives consist of 470 individuals to carry out labour intensive projects.

ii. The long-term aim of EPWP is to promote culture of entrepreneurship by adequately equipping cooperatives with skills and work experience.

iii. The municipality made use of Community Works Programme called "Xoshikati eziko" to eradicate poverty where members do road maintenance, repair potholes, grass cutting and cleaning, and maintenance of cemeteries in the, municipal jurisdiction.

iv. The municipality also provide the Free Basic Services to the community in terms of Popper Burial.

4) GOOD GOVERNANCE, PUBLIC PARTICIPATION AND WARD COMMITTEE

i. The KPIs under Good governance, Public participation and Ward Committee has 4 overall indicators. The municipality has manage to achieve 3 out of 4, 1 out of 3 is overachieved and 1 was not achieved.

ii. The indicators include the sitting of Ward committee meetings, EXCO meetings, delivery of agenda to council traditional leaders and the sitting of council meetings in terms of MSA 32 of 2003.

iii. In terms MSA 32 of 2003 the council has to sit once a quarter but due to the urgent need in discussing the urgent matters the municipality manage to have 7 special council meetings.

5) FINANCIAL VIABILITY AND FINANCIAL MANAGEMENT

i. The KPIs under Financial viability and financial management has the overall of 20 indicators, which 12 out of 20 were achieved, 4 out of 12 is overachieved and 8 is not achieved.

ii. The municipality have managed to maintain Unqualified Audit Opinion for 10 consecutive times for the following financial year (2014-15/ 2015-16/ 2016-17/ 2017-18/ 2018-19/ 2019-20/ 2020-21/ 2021-22/ 2022-23 and 2023-24) and is striving to re-gain its commitment in 2024-25 financial year.

iii. The municipality continues to maintain its financial viability through maintenance of good financial viability through good ratios, updating fixed asset register, ensuring the submission of the budget to treasury, valid invoices are paid on time, and avoid fruitless, unauthorised and wasteful expenditure.

6) CROSS CUTTING INTERVENTIONS

i. The KPIs under Cross Cutting Intervention has 11 overall indicators, municipality has achieve 7 out of 11 indicators and 1 out of 7 were over achieved and 4 not achieved. I.e. Number of traffic fines, adoption of the IDP and risk action plans etc.

ii. Functional disaster centre ensuring provision of disaster services under trying circumstances and ensuring availability of such services we have shift workers and workers on standby.

iii. The municipality has a disaster centre which is designed to help the community in times of need (during the reported disaster) also has rescue boat and firefighting trucks that deals with disaster management for the entire area.

iv. The municipality ensure the safety of the community by enforcing legislation to reduction to roads accidents, fatality and ensuring road worthiness of motor vehicles.

SIGNIFICANT ADJUSTMENT MADE IN THE IDP and SDBIP

The municipality had the IDP adjustment in terms of the Budget and Service Delivery Budget Implementation Plan where new indicators were added to the Integrated Development Plan and some indicators targets were revised. Reason for the indicators been added: - The municipality has withdrawal of the municipal investments and received the conditional grant. According to the (MFMA28(2b) a municipality may revise and approved annual budget through an adjustment budget – may appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budget for.

In terms of (MSA act 32 of 2000 34(a)i) A municipal council must review its Integrated Development Plan annually in accordance with an assessment of its performance measurements in terms of s41, (ii) to the extent that changing circumstances so demand ; and may amend its integrated development plan in accordance with prescribed process.

Action plans attended from AG	Given the outcome of the Audit report from 2023/2024 the municipality decided to add this indicator to ensure that all findings are attended to timeously.
Streetlights electrification project – Due to the demand and request from councillors.	Due to the demand and the safety of the community the streetlight in Bergville town and Winterton town were required.
Upgrade of ESKOM network capacity – To prevent the disaster of collapsing the infrastructure.	Due to the amount of connections that were supposed to be done in Bethany area, an upgrade was required on the ESKOM network to support the capacity of people in the area and it was decided to include the project in the adjustment of the IDP.
Ethunzini gravel road	The municipality applied for disaster grant funding to maintain several access gravel roads throughout the area. Although the funding was approved, it was insufficient to cover all the roads in need of maintenance. In line with a commitment made to the community, the municipality decided to allocate
Nobadina (Enkabeni/ezingulubeni gravel access road	
Emafusini gravel road	
Qhozo (Ndala) gravel road	
Ediphini/Big Zulu gravel road	

Nsukangihlale gravel road	its own investment funds to cover the shortfall and ensure the necessary maintenance was carried out.
Mafu gravel road	
Mcijeni gravel road	
Harrmanse gravel road	
Mgobho gravel road	
Nothekwane gravel road	
Kolweni gravel access road	
Khoza gravel road	
Deepslod (Mayor) gravel road	
Nkosane gravel road	
Ridge 1st and 2end avenue	
Upgrade of Bergville Sports Complex (Athletic track)	The projects is a multiyear projects, the target had to be revised.
Fencing of Bergville and Action Homes cemeteries	The municipality received a donation of land with the condition of fencing, so the project had to be included in the adjustment of the IDP.
Ngoba housing projects unit	This indicator were removed on the IDP in the adjustment of the IDP. Housing projects are funded by the KZN Department of Human Settlements. In January 2025, the department issued cessation letters for all municipal housing projects for a period of four months. As a result, changes were mandated.
Dukuza B housing projects unit	
Revenue collected from issued Traffic fines	Enhance oversight of law enforcement activities to optimise revenue collections from traffic violations.

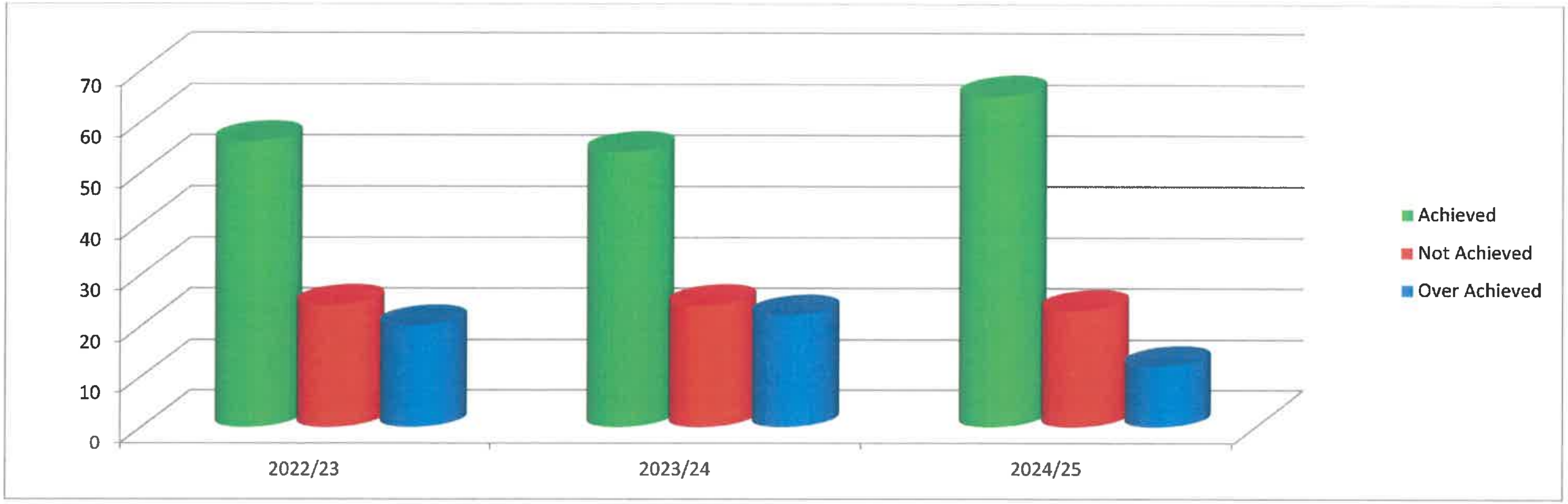
GENERAL PERFORMANCE OF THE MUNICIPALITY

The Okhahlamba Local Municipality has 126 KPI's but reporting under 124 KPIs under the 2024/2025 organisational score card with the average percentage of 77% and has a slight increase 1% from 2023/2024 financial year. Ultimately the municipality has maintained good levels of municipal transformation and institutional development (as demonstrated through comparative information) and has seen increased levels of satisfaction across the improvement of institutional and organisational capacity towards the employees.

The municipality has also manage to achieve 77% in the progress for the projects implemented during the 2024/2025. Performance

Monitoring underpins the Municipality's IDP in terms of reviewing progress regularly in achieving our priorities and delivering value for money. Early investigation on variances enables remedial action to be taken where appropriate.

Overall performance graphs 1 information for Okhahlamba municipality.



Graph: Comparative Target Achievement Information

a) The above graph illustrates that the analysis of the Municipality general performance for 3 consecutive years is in satisfactory standards.
b) The municipal prominent factor is that targets were met in 3 previous years, and it's showing a trend 76% in 2022/23 financial year and 76% in 2023/24 financial year and 77% in 2024/2025 financial year with a slight increase of 1%.
c) Blue bar also shows that at some stage the municipality performance can be outstanding, where targets were exceeded in that particular year.
d) While red bar implies that some target was not met, due to number of reasons such as none availability of committee members, RMC chairperson appointed late in the financial year, enrolment by subsidy section delayed by DOHS approval of beneficiaries and business applications.

1. Performance Management Processes

PMS policy framework plays an imperative role to pave a guideline on how and when PMS processes should be followed in developing and implementing performance management. It also include detailed key performance indicators, targets, timelines, monitoring, measurement, review, and reporting.

It further provides for legislative requirements e.g.

- ✓ Section 53 MFMA and S57 MSA state the signing of Performance agreements for S54 and S56 managers.
- ✓ Compiling SDBIP from IDP scorecard, Budget are in line with these documents
- ✓ Quarterly PMS reports submitted to internal audit section, PAC for reviewing and to council for approval.
- ✓ There should be four reports submitted on each quarterly for both PAC and Council.
- ✓ In-year Section 72 reports consist of mid-year budget and SDBIP, submitted to Cooperative Governance and Traditional Affairs and National Treasury and the relevant provincial treasury in both printed and electronic formats.
- ✓ Auditing of performance information ensuring the alignment between IDP, SDBIP and budget.
- ✓ It also ensured that PMS reports are compiled following SMART principles and the portfolio of evidence credibility
- ✓ Submission of quarterly PMS reports to council indicating the progress occurred at the end of the quarter i.e. how municipality perform against those set target.

2. Performance and Supporting Information

This section indicates, in more detail, the performance of the municipality for the financial year and refers to the supporting documentation, including the Municipality Scorecard. The performance reporting of the municipality is done in line with the 6 national KPA's and focuses on MSA Section 46 requirements and therefore reflects the performance of the municipality for the financial year, comparisons to performance of the previous financial year and measures taken to improve performance.

The supporting documents such as credible portfolio of evidence is provided for APR, so that achieved indicators have a proof such as practical completion certificates, council resolution or progress report.

- ✓ The Municipality Scorecard approach reflects the 6 national KPA's and local priorities and enables wider assessment of how the municipality is performing, this occurs through developing targets and actuals as well as corrective measure for any targets not met.
- ✓ The performance report is based on measures included within the Municipality Scorecard.
- ✓ The traffic light system used to report performance is as follow:
  - **Blue** – Performance targets exceeded (overachieved)
  - **Green** – Performance target met

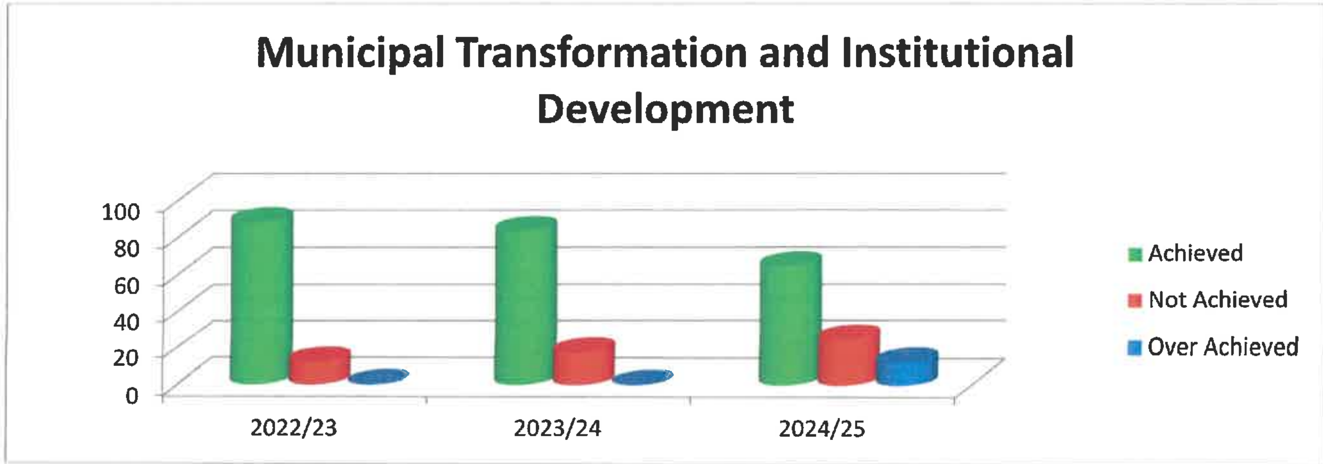
- **Red** – Performance target not met

- In relation to the 2024/25 year end performance results, the final position shows:
  - 10% of measures have met or exceed the year-end target
  - 66% of measures have met or improved performance
  - 24% of measures have not met targets

- Summary performance results for all priority measures included in the municipality scorecard are as follows.

Traffic Lights Status	2022-2023 Performance	2023-2024 Performance	2024-2025 Performance
Blue-Performance target exceeded	17	22	15
Green-Performance target met	47	54	80
Red-Performance not met	20	24	29
Total No: Indicators	84	100	124

KPA 1:- MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT.



The overall score for the KPA is 76% for 2024/25, down by 7% from 2023/24.

1.1 Muncipal Tranformation and Institutional Development

1.1.1 Performance Highlights for 2024/25

- ✓ Most indicators have been achieved, such as the signing of Performance Agreement and Adoption date of reviewed Organisational structure, evaluation of the middle managers and evaluation for section 54 and 56 managers. The organisational structure helps the municipality to function and shows that the level of compliance is in satisfactory standard.
- ✓ The municipality has aligned the signing of performance agreements for Section 54 and 56 managers by Mayor with Section 53 of MFMA and necessary submissions.

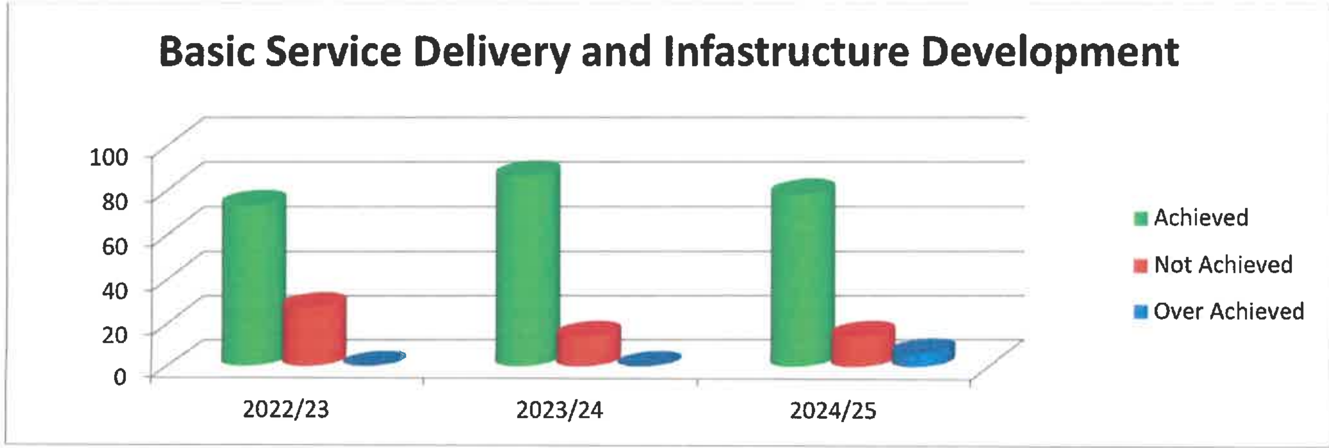
1.1.2 Challenges

- ✓ The Municipality did not achieve 6 indicators which were the sitting of the Local Labour Forum, section 80(117 of 1998 MSA) functional of portfolio committees, adoption date for the reviewed organogram and risk management committee not sitting due to the contract ending for RMC chairperson and the report to council by chairperson of the audit committee.

1.1.3 Measures Taken to improve Performance

- ✓ The recruitment and appointment of the RMC chairperson, Present the organogram to the portfolio for to attend to all necessary matters in 2025/2026 financial year.

KPA 2:- BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT.



The overall score for the KPA is 86% for 2024 -25, up by 12% from 2023 -24.

2.2 Basic Service Delivery and Infrastructure Development

2.1.1. Performance Highlights for 2024/25

vii. The municipality managed to construct and complete the following projects, Emahlabathini gravel road, Nkoxo access road and bridge, Sikhosana gravel road, Vulamehlo gravel road and Mbombozi gravel road and the municipality has also maintained the existing infrastructure.

viii. The electrical projects such as ward 14 and 12 projects will improve the quality of lives of all Vimbukhalo and Potshini communities.

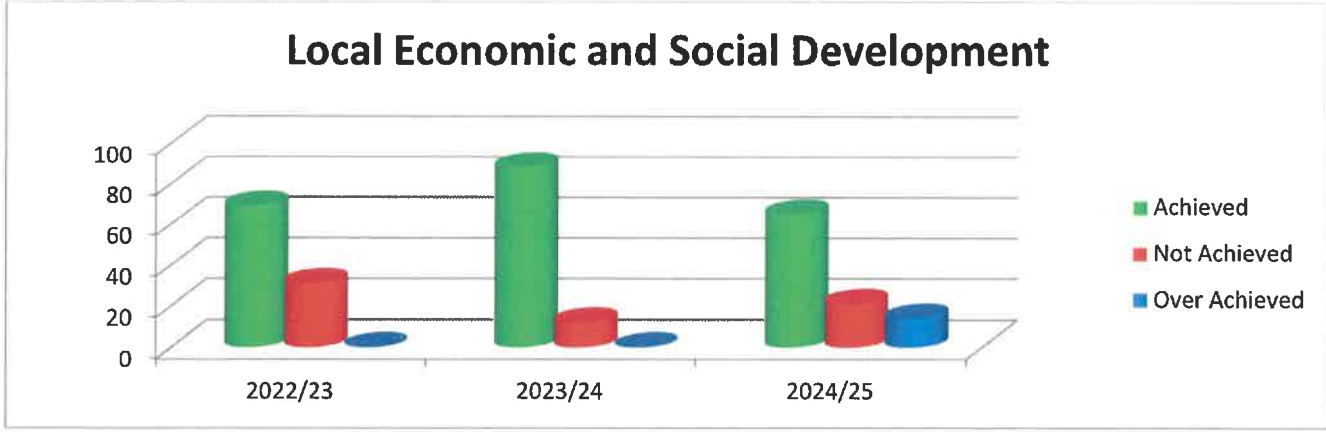
2.1.2. Challenges

- ✓ Maintenance of storm water drains due to the shortage of labour.
- ✓ Delayed caused by DHOS in the enrolment of the beneficiary list and budget cut that led to decrease in the targets for all housing projects during the adjustment of the IDP and non-achievement at the end of the 2024/2025 financial year for some projects.

2.1.3. Measures Taken to improve Performance

- ✓ To increase budget in the new financial year 2024/2025.

KPA 3:- LOCAL ECONOMIC AND SOCIAL DEVELOPMENT.



The overall score for the KPA is 78% for 2024 -25, down by 10% from 2023/24

3.3 Local Economic and Social Development

3.3.1 Performance Highlights for 2024/25

- ✓ The operationalization of testing/licensing centre made a positive impact since revenue collection from services rendered is R4.1mil for 2024-25 financial year, though the municipality has maintained its collection comparing with the previous financial year 2024/2025.
- ✓ The eradication of poverty through job creation i.e. Extended public works programme (EPWP), the municipality has embarked on a drive to empower people with skills while creating employment opportunities for communities within the municipal jurisdiction. This was done through the funding of co-operatives consisting of 470 individuals to carry out labour intensive projects and the support provided to Co-ops and SMMEs.
- ✓ The long term aim of EPWP is to promote a culture of entrepreneurship by adequately equipping cooperatives with skills and work experience.

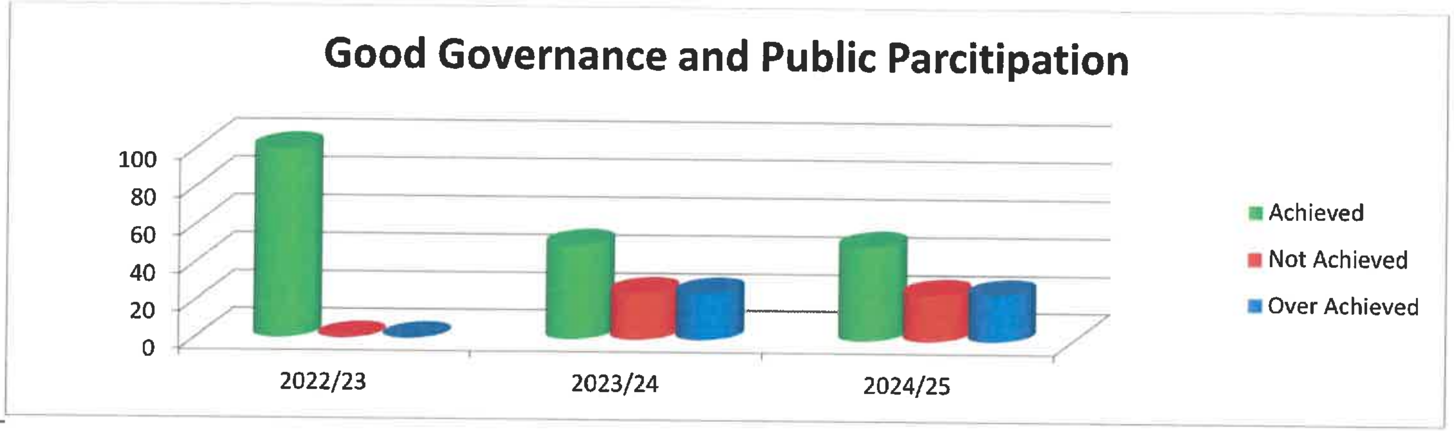
3.3.1 Challenges

- ✓ Business license application processed and finalized.

3.3.2 Measures Taken to improve Performance

- ✓ The municipal will engage in the process of educating applicants about the application processes.

KPA 4:- GOOD GOVERNANCE, PUPLIC PARTICIPATUION AND WARD COMMITTEE



The overall score for the KPA is 75% for 2024/25, maintained from 2023/24.

4.4 Good Governance, Public Participation and Ward Committee

4.1.1 Performance Highlights for 2024/25

- ✓ The Okhahlamba Local Municipality ward committees are functional, and the municipality ensured the establishment and sitting of ward committee meetings every month.
- ✓ The Okhahlamba local municipal had 11 council meeting which the councillors participated, and as per the MSA 32 of 2000 council have to be help once a quarter.
- ✓ Okhahlamba councillors also participate in the community during IDP road shows where various communities state the kind of projects they require.

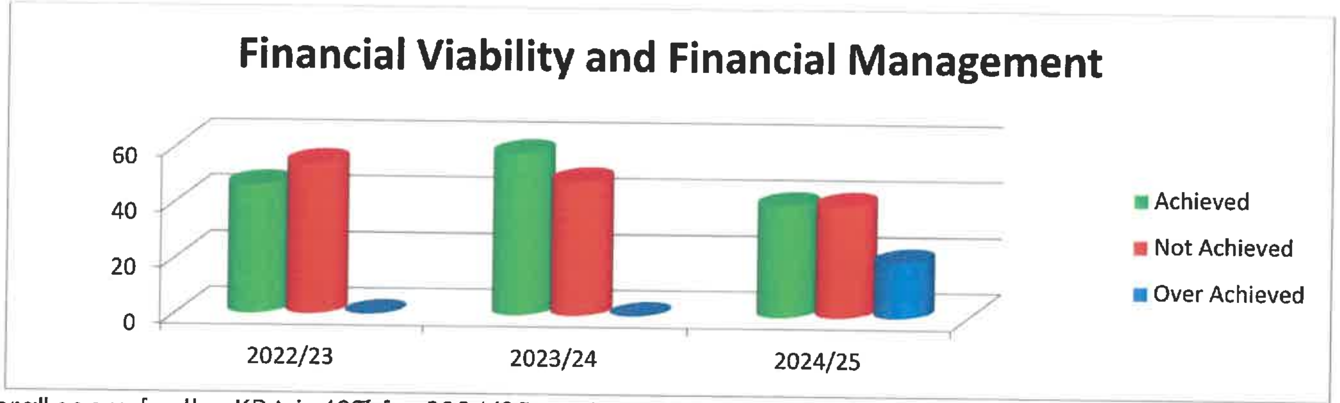
4.1.2 Challenges

- ✓ Sitting of EXCO meetings.

4.1.3 Measures Taken to improve Performance

- ✓ The EXCO will ensure that the December date is strictly set aside to deliberate on executive duties in 2025/2026 financial year.

KPA 5:- FINANCIAL VIABILITY AND FINANCIAL MANAGEMENT



The overall score for the KPA is 60% for 2024/25, up by 8% from 2023/24.

5.5 Financial viability and Financial Management

5.1.1 Performance Highlights for 2024/25

- ✓ The major achievement was the unqualified audit opinion from Auditor General, the municipal staff work collectively in the preparation of the Annual Financial Statement without hiring any consultant.
- ✓ All reports were submitted on time, including the finance section also produced quarterly financial statements without consultant.

5.1.2 Challenges

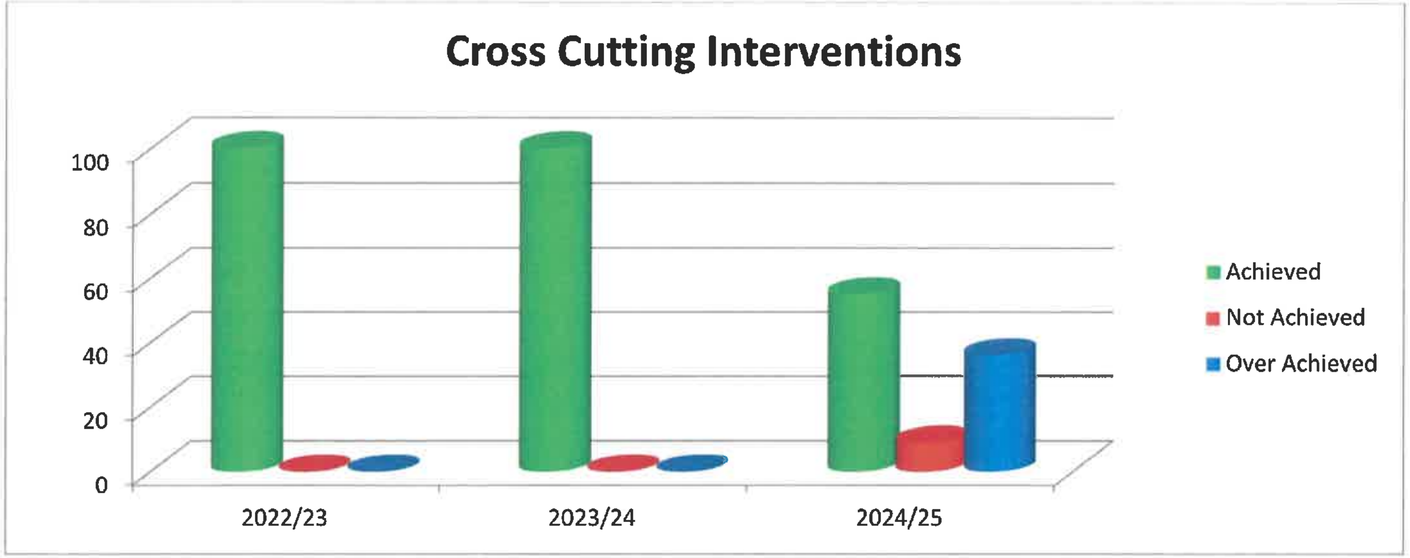
- ✓ % of capital expenditure implemented.
- ✓ Debtors coverage ratio
- ✓ Suppliers in the service of the state
- ✓ Outstanding debtors to revenue
- ✓ Withdrawal from the investments to fund operations.
- ✓ Low Cost Coverage ratio
- ✓ Ever-increasing in the operational costs.
- ✓ Increased in UIFW.
- ✓ Funding of the budget.

2.1.4. Measures Taken to improve Performance

- ✓ The entire credit facility for the purchase of fleet will not be utilised due to the current financial challenges.
- ✓ An exercise is being undertaken for data cleansing of our debtors book.
- ✓ Flagging of identified service providers

- ✓ Panels were cancelled and no requisitions will be approved without budget.

KPA 6:- CROSS CUTTING INTERVENTION



The overall score for the KPA is 64% for 2024/25, down by 36% from 2023/24.

2.2. CROSS-CUTTING INTERVENTIOS

2.6.1 Performance Highlights for 2024/25

- ✓ The law and order is also maintained by Okhahlamba traffic police, where every month road blocks have been conducted, a number of traffic fines are issued, for all vehicles that are not road worthy and other perpetrators e.g. high speed.
- ✓ Traffic Officers enforce the law to all people who are drinking and driving or drinking in public.
- ✓ Achieving indicators such as IDP adoption, shows that the Okhahlamba level of compliance is in satisfactory standard.

2.6.2 Challenges

- ✓ AGSA findings were not attended due to the delay in the appointment of service provider for conducting the investigations.
- ✓ During the financial year 2024/2025 Risk Committee and the Action plans implemented needed attention, due to the non-sitting of the committee and the delay in attending action plans.

2.6.3 Measures Taken to improve Performance

- ✓ The external service provider to be appointment to address the AGSA findings through the investigation.

3 Key Areas to Note

Improving Performance

This section highlights key areas for improving of performance, even in the cases where the targets have been met or exceeded.

- ✓ Promoting the document such as Batho Pele Principles as municipalities are rendering the community services, the principle consist of principle such as courtesy, consultation, redress. E.g. courtesy assist the municipal officials to display correct manner on how to treat the community members in a most dignify manner. In a nutshell the document implies that in any public sector, the need of the community to be treated first.

- ✓ Complains register is also imperative in improving performance because, it tells what the community require most or is dissatisfied with, as municipality there should be major improvement in ensuring that complains raised by community are attended to in a systematic way, as the community that raised complain require relevant feedback.

- ✓ Report the Performance of the municipality to all relevant departments including the office of the MEC.

- ✓ The maintaining of a clean audit will also improve municipal performance, because there will be a high level of commitment by all staff. It is for that reason that the municipal financial staff, compliance and risk etc., work collectively without hiring any consultant for compiling annual financial statements.
- ✓ Capacity building enhancement.

Deteriorating Performance

This section highlights key areas for deterioration of performance, even in the cases where the targets have been missed.

- ✓ Contract ending for RMC chairperson and the delays in the appointment.
- ✓ Delay in construction of housing projects due to delay in approval of beneficiated DOHS and budget cut by the DOHS.

4.Assessment of the Performance of External Service Providers
2024/2025 SERVICE PROVIDERS PERFORMANCE

CONTRACT / BID NUMBER	DATE CONTRACT AWARDED	SERVICE PROVIDED AS PER SLA (DESCRIPTION OF THE PROJECTS)	VALUE OF PROJECT	SERVICE PROVIDERS PERFORMANCE		TARGET MET / TARGET NOT ACHIEVED	RATING (GOOD, SATISFACTORY & UNSATISFACTORY)	REASON IF TARGET IS NOT MET	CORRECTIVE MEASURE
				TARGET	ACTUAL				
TEC07/2020	26/02/2021	ELECTRIFICATION OF ROCKDALE FARMS	R1,965,404.93	100%	91%	Not Achieved	Satisfactory	Waiting for ESKOM Outages	The municipality is in constant engagements with ESKOM to expedite the matter
		ZLM PROJECTS ENGINEERING (PTY) LTD	R 241,365.52						
TEC 03/2023	16/10/2024	PANEL OF CONTRACTORS FOR ELECTRIFICATION PROJECTS FOR A PERIOD OF THREE YEARS 4E/PE OR HIGHER FOR POTSHINI ELECTRIFICATION (PHASE 2)	R6,047,138.41	100%	49%	Not Achieved	Unsatisfactory	The contractor did not submit the invoices on time to claim their money	The contractor will be encouraged to submit the invoices on time as work done
		AFRILECTRICAL CONSULTING ENGINEERS	R1,361,578.40						
TEC 03/2023	16/10/2024	PANEL OF CONTRACTORS FOR ELECTRIFICATION PROJECTS FOR A PERIOD OF THREE YEARS 4E/PE OR HIGHER FOR VIMBUKHALO ELECTRIFICATION (PHASE 2)	R2,445,214.18	100%	54%	Not Achieved	Satisfactory	The contractor did not submit the invoices on time to claim their money	The contractor will be encouraged to submit the invoices on time as work done
		IZINGODLA ENGINEERING (PTY) LTD	R801,987.23						
TEC 03/2023	23/06/2023	PANEL OF CONTRACTORS FOR ELECTRIFICATION PROJECTS FOR A PERIOD OF THREE YEARS 4E/PE OR HIGHER FOR THINTWA ELECTRIFICATION	R2,861,024.07	100%	77%	Not Achieved	Satisfactory	The contractor did not claim retention fees	The contractor must claim retention fees
		ZLM PROJECTS ENGINEERING (PTY) LTD	R970,301.20						
TEC 05/2023	01/03/2022	PANEL OF CONTRACTS FROM 4GB/4CE AND HIGHER FOR INFRASTRUCTURE PROJECTS FOR THE PERIOD OF THREE YEARS (CONSTRUCTION OF MBOMBOZI GRAVEL ROAD IN WARD 14)	R4,071,480.59	100%	87%	Not Achieved	Satisfactory	The contractor did not claim retention fees	The contractor must claim retention fees
		SINOPA PROJECTS (PTY) LTD	R370,970.87						

TEC 01/2024	05/08/2024	SOURCING OF FUNDS AND IMPLEMENTATION OF BERGVILLE SPORT COMPLEX	R14,451,041.65	100%	69%	Not Achieved	Satisfactory	The projects is a multi-year project	The project is a multi-year project and the project will be completed in 2025/2026 FY
		BUMBELIHLE HOLDINGS (PTY)LTD	R-						
TEC 01/2024	02/05/2025	APPOINTMENT OF CONSULTANTS FOR PROPOSAL TO SOURCE FUNDING AND IMPLEMENTATION OF THE MAZIZINI/ NSUKANGIHLALE ELECTRIFICATION TURNKEY PROJECT	R4,335,000.00	0	0	Achieved	Good	N/A	N/A
		KUHLEMCEBO ENGINEERS (PTY) LTD	R-						

100%	Good
49% - 99%	Satisfactory
0% - 49%	Unsatisfactory

2024/25

AGSA AUDIT OPINION OF OKHAHLAMBA LOCAL MUNICIPALITY

AUDITOR-GENERAL
SOUTH AFRICA

AUDIT REPORT

Okhahlamba Local Municipality

2024-25

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

Report on the audit of the financial statements

Opinion

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

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.

4. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

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

Material uncertainty related to going concern

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

7. I draw attention to note 46 to the financial statements, which indicates that due to the current cash coverage of the municipality, its finances will not sustain the municipality for the next 12 months. The municipality is grant-dependent with limited sources of own revenue and will implement cost-containment measures and down-scale cost drivers to continue operations. The matters as set forth in the note 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

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

Material allowances for impairment

9. As disclosed in note 10 to the financial statements, material allowances were raised for the impairment of R56,58 million (2024: R70,15 million) on consumer debtors as the recoverability of these amounts is doubtful.

Contingent liabilities

10. As disclosed in note 34 to the financial statements, the municipality is the defendant in a debt collection lawsuit. The municipality is opposing the claim. The ultimate outcome of the matter could not be determined and no provision for any liability that may result was made in the financial statements.

Other matter

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

Unaudited disclosure notes

12. 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

13. 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 controls 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.

14. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

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

15. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a

material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

16. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located on page 10, forms part of my auditor's report.

Report on the audit of the annual performance report

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

18. I selected the following key performance areas presented in the annual performance report for the year ended 30 June 2025 for auditing. I selected key performance areas that measure the municipality's performance on its primary mandated functions and that are of significant national, community or public interest.

Key performance area	Page numbers	Purpose
Basic service delivery and infrastructure development	[XX]	To improve service delivery and facilitate the provision and maintenance of new and existing infrastructure
Local economic and social development	[XX]	To respond to social development issues and create a climate conducive for local economic development

19. I evaluated the reported performance information for the selected key performance areas 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.

20. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the municipality's mandate and the achievement of its planned objectives
- all the indicators relevant for measuring the municipality's performance against its primary mandated and prioritised functions and planned objectives are included
- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements

- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner and is comparable and understandable
- there is adequate supporting evidence for the achievements reported and for measures taken to improve performance.

21. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.

22. I did not identify any material findings on the reported performance information for the key performance area: local economic and social development.

23. The material findings on the reported performance information for the selected key performance area: basic service delivery and infrastructure development are as follows:

Basic service delivery and infrastructure development

Various indicators

22. I could not determine if the reported achievement was correct, as adequate supporting evidence was not provided for auditing. Consequently, the reported achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

No.	Indicator	Target	Reported achievement
1	Number of kilometres of gravel roads maintained by 30 June 2025	80km	80km
2	Number of stormwater drains maintained/cleaned by 30 June 2025	50km	40,6km

Other matters

24. I draw attention to the matters below.

Achievement of planned targets

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

26. The tables that follow provide information on the achievement of planned targets and list the key service delivery indicators that were not achieved as reported in the annual performance

report. The measures taken to improve performance are included in the annual performance report on pages xx to xx.

Basic service delivery and infrastructure development

Targets achieved: 86%		
Key service delivery indicator not achieved	**Planned target**	**Reported achievement**
Percentage progress for streetlights project by 30 June 2025	100%	16%
Percentage progress for upgrade of Eskom network capacity by 30 June 2025	100%	50%
Number of stormwater drains maintained/cleaned by 30 June 2025	50km	40,6km
Progress for Emazizini housing project unit 30 June 2025	50 units	0 units
Progress for Moyeni A housing projects unit 30 June 2025	55 units	12 units

Material misstatements

27. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for basic service delivery and infrastructure development. Management did not correct the misstatements and I reported material findings in this regard.

Report on compliance with legislation

28. 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.

29. 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.

30. 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.

31. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Consequence management

32. Some of the unauthorised expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) of the MFMA.

33. Some of the unauthorised expenditure was certified by the council as irrecoverable without having conducted an investigation to determine the recoverability of the expenditure, in contravention of section 32(2)(a)(ii) of the MFMA.

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

35. Allegations of financial misconduct made against officials of the municipality were not investigated, as required by section 171(4)(a) of the MFMA.

Expenditure management

36. Reasonable steps were not taken to prevent irregular expenditure amounting to R85,47 million (2024: R39,74 million), as disclosed in note 42 to the financial statements, as required by section 62(1)(d) of the MFMA. The majority of the disclosed irregular expenditure was caused by the municipality not applying the same evaluation criteria as advertised.

37. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R11,50 million (R26,53 million), as disclosed in note 43 to the financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by poor budgeting that resulted in overspending on selected votes.

Procurement and contract management

38. Some goods and services within the prescribed transaction value for competitive bids were procured without inviting competitive bids, contrary to regulation 19(a) of the Supply Chain Management Regulations. This non-compliance was identified in the procurement processes for the construction of bridges.

39. Some construction contracts were awarded to contractors that did not qualify for the contract in accordance with regulations 17 and 25(7A) of the Construction Industry Development Board Regulations. This non-compliance was identified in the procurement processes for the construction of gravel roads.

Other information in the annual report

40. 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 key performance areas presented in the annual performance report that have been specifically reported on in this auditor's report.

41. 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.

42. 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 key performance areas presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

43. If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact.

44. I have nothing to report in this regard.

Internal control deficiencies

45. 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.

46. The matters reported below are limited to the significant internal control deficiencies that resulted in the material findings on the annual performance report and the material findings on compliance with legislation included in this report.

47. Management did not implement proper document-management and record-keeping systems to ensure that complete, relevant and accurate information was accessible and available to support the performance reported.

48. The supply chain management unit and management did not ensure strict adherence to supply chain management prescripts. The action plans were not effectively implemented to fully address previous findings on compliance with legislation.

49. Management did not review and monitor compliance with key legislation applicable to the municipality.

Other reports

50. I draw attention to the following engagements conducted by various parties. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

51. The municipality conducted internal investigations relating to accident damage of municipal vehicles and missing documents at the municipality's vehicle registration authority during 2024. Three investigations have been completed with consequence management being recommended against the relevant staff. The implementation of the recommendations are in progress at the date of this report.

Auditor General

Pietermaritzburg

27 November 2025

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 key performance areas 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 the 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:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003	Sections: 1, 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 28(1), 29(1), 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), 32(2)(b), 32(6)(a), 32(7), 33(1)(c)(ii), 53(1)(c)(ii), 53(1)(c)(iii)(bb), 54(1)(c), 62(1)(d), 63(2)(a), 63(2)(c), 64(2)(b), 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1), 122(2), 126(1)(a), 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii), 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 165(1), 165(2)(a), 165(2)(b)(ii), 165(2)(b)(iv), 165(2)(b)(v), 165(2)(b)(vii), 166(2)(b), 166(2)(a)(iv), 166(5), 170, 171(4)(a), 171(4)(b)
MFMA: Municipal Budget and Reporting Regulations, 2009	Regulations: 71(1)(a), 71(1)(a)(b), 71(2)(a), 71(2)(b), 71(2)(d), 72(a), 72(b), 72(c)
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), 16(a), 17(1)(a), 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a), 27(2)(e), 28(1)(a)(i), 29(1)(a), 29(1)(b), 29(5)(a)(ii), 29(5)(b)(i), 32, 36(1), 36(1)(a), 38(1)(c), 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43, 44, 46(2)(e), 46(2)(f)
Construction Industry Development Board Act 38 of 2000	Section: 18(1)
Construction Industry Development Board Regulations, 2004	Regulations: 17, 25(7A)
Division of Revenue Act	Sections: 11(6)(b), 12(5), 16(1); 16(3)
Municipal Property Rates Act 6 of 2004	Section: 3(1)
Municipal Systems Act 32 of 2000	Sections: 25(1), 26(a), 26(c), 26(h), 26(i), 29(1)(b)(ii), 34(a), 34(b), 38(a), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, 43(2), 45(a), 54A(1)(a), 56(1)(a), 57(2)(a), 57(4B), 57(6)(a), 57A, 66(1)(a), 66(1)(b), 67(1)(d), 74(1), 96(b)
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations: 5(2), 5(3), 5(6), 8(4)
MSA: Municipal Planning and Performance Management Regulations, 2001	Regulations: 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 7(1), 8, 9(1)(a), 10(a), 12(1), 14(1)(b)(iii), 14(1)(c)(ii), 14(4)(a)(i), 14(4)(a)(iii), 15(1)(a)(i), 15(1)(a)(ii)

Legislation	Sections or regulations
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), 26(5), 27(4)(a)(i)
MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014	Regulations: 17(2), 36(1)(a)
MSA: Municipal Staff Regulations	Regulations: 7(1), 19, 31, 35(1)
MSA: Municipal Systems Regulations, 2001	Regulation: 43
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section: 34(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), 7(1), 7(2), 7(3), 7(6), 7(8), 8(2), 8(5), 9(1), 10(1), 10(2),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)

2024/25

ACTION PLAN

TO

ADDRESS

AGSA

AUDIT FINDINGS

OKHAHLAMBA LOCAL MUNICIPALITY
ACTION PLAN
2024/2025 EXTERNAL AUDIT FINDINGS
AUDIT OUTCOME: UNDUALIFIED WITH FINDINGS (UNCHANGED)

Complete

In Porgress

Not Started

OTHER IMPORTANT MATTERS

Comm No	Finding	Planned Action	Due Date	Responsible Official	Status/ Progress	Portfolio of evidence	Indicators
1	1. Conditional Grants not cash backed	Downscaling of operations, Ensuring that the budget is funded	2026/03/31	MM	Operations have been downscaled from the beginning of the 2025/2026 FY		Inprogress
	2. Consultancy reduction plan not developed	Development of consultancy reduction plan	2026/07/01	Director: Finance/ CFO	Currently benchmarking with other Municipalities		Inprogress
	3. Various Internal control deficiencies and non-compliance identified upon assessment of the Audit Committee	3.1. To review and approve the annual risk based audit plan in May 2026.	2026/05/31	Internal Audit Manager	In progress to be presented to audit committee in May meeting for approval.		Inprogress
		3.2. To improve the Progress Report on the Implementation of External Quality Assurance.	2025/11/30	Internal Audit Manager	The progress on the Implementation of External Quality Assurance was presented to audit committee meeting.	AC Munites - 04/12/2025	Complete
		3.3. To invite the Committee Officer to take minutes of Audit Committee.	2026/05/31	Internal Audit Manager	The In-committee item is now standing item in all Audit Committee meetings	AC Agenda - 04/12/2025	Complete
		3.4. To allow a special consultation meeting between internal and external audit to align scope of coverage.	2026/05/31	Internal Audit Manager	The arrangements for the meeting are in progress		Inprogress
		3.5. To perform assessment via questionnaires by all Audit committee members.	2026/03/31	Internal Audit Manager	The perform assessment via questionnaires already sent to Audit committee members. Still waiting for a feedback		Inprogress
	4. Various Internal control deficiencies identified upon	4.1. To review the Internal Audit Charter and re-approve it.	2025/11/30	Internal Audit Manager	The Internal Audit Charter was submitted to audit committee for a review and re-approval.	AC Munites - 04/12/2025	Complete

	assessment of the internal audit unit	4.2. To perform assessment via questionnaires by all Audit committee members.	2026/03/31	Internal Audit Manager	The perform assessment via questionnaires already sent to Audit committee members. Still waiting for a feedback		Inprogress
2	1. Quotations evaluated on criteria that is inconsistent with criteria advertised	To strengthen controls on SCM	2025/12/31	Director: Finance/ CFO	The controls were improved (i.e. The RFQ now indicates the evaluations criteria)	Payment vouchers	Complete
	2. MBD 4 Declaration forms not submitted by suppliers	Controls to be improved	2025/12/31	Director: Finance/ CFO/ SCM Accountant	These were Regulation 36 deviations. The suppliers have been contacted to submit their declarations.		Inprogress
	3. Unauthorised Expenditure Disclosure does not agree to the amount overspent on budgeted amounts	Adjustment to UIFW Schedule and note	2025/12/31	Director: Finance/ CFO/ SCM Accountant	The adjustment to the note was done.	Adjusted AFS	Complete
	5. Unauthorised Expenditure note narration not in accordance with GRAP	To improve the review of UIFW	2025/12/31	Director: Finance/ CFO	The adjustment to the note was done.	Adjusted AFS	Complete
	6. Fruitless and wasteful expenditure disclosed is incomplete.	Adjustment to UIFW Schedule and note	2025/12/31	Director: Finance/ CFO/ SCM Accountant	The adjustment to the note was done.	Adjusted AFS	Complete
	7. Incorrect disclosure and closing balance of Fruitless and wasteful expenditure in AFS	Adjustment to UIFW Schedule and note	2025/12/31	Director: Finance/ CFO/ SCM Accountant	The adjustment to the note was done.	Adjusted AFS	Complete
	8. Fruitless and wasteful expenditure and Irregular expenditure written off prior to an investigation being undertaken by the disciplinary committee	To improve the review of UIFW	2026/03/31	Munucipal Manager	The Municipal Manager has appointed the Disciplinary Committee and will ensure that the MPAC recommendations are attended by the DC before submission to council.	DC appointment letters	Inprogress
	9. MPAC Investigation into UIFW Expenditure not conducted per MFMA Circular 68	To improve the MPAC's UIFWE reports	2026/03/31	Internal Audit Manager	The Internal Audit Manager is assisting the MPAC Chairperson in developing the Investigation Report.		Inprogress
	10. Unauthorised, Irregular, Fruitless and Wasteful (UIFW) Expenditure Accounting Policies	To update the UIFW notes to the AFS	30/06/2026	Director: Finance/ CFO	The UIFW accounting policies will be updated for the 2025/26 AFS	2025/26 AFS	Inprogress

	2. Evaluation criteria for measuring functionality are not objective and proof not attached by winning supplier	The SCM Unit is to bench mark with other Municipalities and Treasury	2025/12/31	Director: Finance/ CFO/ SCM Accountant	The SCM Unit is to bench mark with other Municipalities and Treasury		Overdue
	3. Functionality criteria are not met but suppliers were appointed onto the panel	The SCM Unit is to bench mark with other Municipalities and Treasury, as this also involved functionality	2025/12/31	Director: Finance/ CFO/ SCM Accountant	The SCM Unit is to bench mark with other Municipalities, as this also involved functionality		Overdue
	4. Bidders not located in Okhahlamba Local Municipality Jurisdiction and appointed onto panel	The SCM Unit is to bench mark with other Municipalities and Treasury	2025/12/31	Director: Finance/ CFO/ SCM Accountant	The SCM Unit is to bench mark with other Municipalities and Treasury		Overdue
	5. Potential Collusive Bidding	Proper review of bidding documents	2025/12/31	Director: Finance/ CFO/ SCM Accountant	The bidding documents are bing properly revieweed to identify collusive bidding	Tender Files	Complete
	6. Bidders awarded work for construction but service provider not appointed on panel	Proper review of appointment letters prior to MM signing	2025/12/31	Director: Finance/ CFO/ SCM Accountant	The appointment letters are being reviewed prior to being signed	Tender Files	Complete
	7. Bidder was evaluated by BEC for incorrect project	To improve controls in SCM	2025/12/31	Director: Finance/ CFO/ SCM Accountant	The bidding documents are be recorded in the correct opening registers, going forward	Tender Files	Complete
	8. Limitation of scope – Predetermined objectives	Ensuring that all required or supporting documents be it primary or secondary evidence is available for all works conducted within the Department and ensure good quality of works even when works are conducted internally.	Ongoing	Director: Technical Services	The plan has been developed and implemented	Site Diaries	Complete
	1. Differences identified on re-calculation of the preference points	To improve controls in SCM	2025/12/31	Director: Finance/ CFO/ SCM Accountant	The points are to be recalculated, going forward		Inprogress
	2. The winning contractor's CIDB gradings are not suitable for the value of contract	To improve controls in SCM	2025/12/31	Director: Finance/ CFO/ SCM Accountant	The irregular expenditure register and note to the AFS was updated	Adjusted AFS	Complete
	3. The margin with which the tenderers exceeded their tender value range is not reasonable per CIDB Regulations	To improve controls in SCM	2025/12/31	Director: Finance/ CFO/ SCM Accountant	The irregular expenditure register and note to the AFS was updated	Adjusted AFS	Complete

4. Tender Invitation Omitted Minimum CIDB Category Requirement	To improve controls in SCM	2025/12/31	Director: Finance/ CFO/ SCM Accountant	Note number 40 irregular expenditure for has been adjusted.	Adjusted AFS	Complete
5. Supplier not registered on CIDB but awarded construction work	To improve controls in SCM	2025/12/31	Director: Finance/ CFO/ SCM Accountant	The review of the functionality criterea will be improved		Inprogress
6. Bidder awarded work in TEC 04/2023 but did not submit a bid per Bids Received Register	To improve controls in SCM	2025/12/31	Director: Finance/ CFO/ SCM Accountant	The irregular expenditure register and note to the AFS was updated	Adjusted AFS	Complete
7. Incomplete and inaccurate disclosure of contingent liabilities	To ensure that the disclosure is complete and accurate	2025/12/31	Director: Finance/ CFO	The Note to the AFS has been amended accordingly	Adjusted AFS	Complete
8. Limitation of scope – Fuel and oil	The trip books will be closely monitored	2025/12/31	Director: Finance/ CFO/ Assets Accountant	Trip books are being closely monitored		Inprogress
9. IT General Controls	9.1. Develop and implement a comprehensive ICT General Controls Framework aligned with Municipal ICT Governance. Conduct periodic internal compliance reviews and submit quarterly.	2026/06/30	Director: Corporate Services / IT Manager	The comprehensive ICT General Controls Framework aligned with Municipal ICT Governance has been developed and approved by the council on the 29th of January 2026.	Council Resolution No:	Complete
	9.2. Priorities recruitment for key ICT roles including ICT Security Officer and IT Technician. Advertise, shortlist, and fill these positions as per the approved organogram.	2026/06/30	Director: Corporate Services / IT Manager	In the process devepolment the plan to fund the filling this position in 2026/2027 financial year		Inprogress
	9.3. Review all existing ICT-related contracts and SLAs to include key provisions such as security management, change management, service continuity, and defined performance levels. Ensure ICT technical input in all future evaluations.	2026/06/30	Director: Corporate Services / IT Manager	All contracts and SLA's are still with the legal section for the vetting		Inprogress
	9.4. Ensure the ICT Steering Committee meets within the quarter as required not after the quarter and includes audit follow-ups, control monitoring, and project tracking as standing agenda items.	2026/06/30	Director: Corporate Services / IT Manager	To review the terms of reference which includes the schedule of committee meetings by 31 May 2026.		Inprogress

		9.5. Coordinate with the Electricity Department to reconnect and stabilize power supply to servers. Implement access controls and monitoring for the server room.	2026/06/30	Director: Corporate Services / IT Manager	The service provider has been appointed to redirect connections from the generator to server. Tests has need done.	Job Card	Complete
	10. Asset value incorrectly capitalised	All costs attributed to the assets will be capitalised	2025/12/31	Director: Finance/ CFO/ SCM Accountant	The capitalisation of assets is being properly reviewed prior to being authorised	Adjusted AFS	Complete
	11. EPWP register containing deceased participants	To remove the duplicated participants from EPWP register.	2025/12/31	Director: Community Services	The EPWP Register was updated	EPWP Register	Complete
	12. Incorrect classification of revenue from land swap	Correctly account for the transactions	2025/12/31	Director: Finance/ CFO/ SCM Accountant	The capitalisation of assets is being properly reviewed prior to being authorised	Adjusted AFS	Complete
	13. Differences in number of indigents in indigent register and treasury allocation schedule	To improve indigent application process	2026/06/30	Director: Social Services	To improve indigent application process		Inprogress
	14. Duplicate beneficiaries on indigent register	14.1 We will remove the application of the applicant with the meter no: 37184782359 and meter no: 04191472150 in our indigent register.	2025/11/30	Director: Social Services	The Indigent Register was updated	Indigent Register	Complete
		14.2. We will remove one of the duplicated applicant in our indigent register.	2025/11/30	Director: Social Services	The Indigent Register was updated	Indigent Register	Complete
	15. Current landfill site in use – Non-compliance with Waste Management Act	15.1 Completing of the document for rehabilitation and closure of the Dumpsite, and application for license	2026/06/30	Director: Community Services	The document is awaiting for the comments from the Deaprtment of Water & Sanitation		Inprogress
	1. CAATs- Councilor did not disclose interest in annual declaration of interest	To incude all related expenditure in the UIFW Note ad schedule	31/12/2025	Director: Finance/ CFO/ SCM Accountant	The amendment to the AFS and schedule has been done	Adjusted AFS	Complete
	2. Allocation for the upgrade of the Bergville Sports Complex	To incude all related expenditure in the UIFW Note ad schedule	31/12/2025	Director: Technical Services and/ CFO	The amendment to the AFS and schedule has been done	Adjusted AFS	Complete

	3. Reasonable steps were not taken to prevent irregular and unauthorized expenditure	To incude all related expenditure in the UIFW Note ad schedule	31/12/2025	Director: Finance/ CFO/ SCM Accountant	The amendment to the AFS and schedule has been done	Adjusted AFS	Complete
	4. Inappropriate disclosure of the going concern assumption	To amend AFS	31/12/2025	Director: Finance/ CFO/ SCM Accountant	The amendment to the AFS has been done	Adjusted AFS	Complete
6	1. No Performance Management System for employees other than senior managers	1. Review of IPMDS Policy and Procedure Manual	2026/06/30	Director: Corporate Services / HR Manager	Currently on consultations with organized labour starting on the 26 Jnauary 2026		Inprogress
	2. Payments not made within 30 days of receipt of invoice	To ensure that invoices are paid within 30 days of receiving such invoice.	31/12/2025	Director: Finance/ CFO/ SCM Accountant	Ongoing		Inprogress

COMPLETION SUMMARY

Complete	28	55%
Inprogress	20	39%
Overdue	3	6%
	51	**100%**

2024/25

ANNUAL REPORT COUNCIL RESOLUTION OF OKHAHLAMBA LOCAL MUNICIPALITY