ENDUMENI

MUNICIPALITY






2024/25 REVISED ANNUAL REPORT

Prepared in terms of the Local Government Municipal Finance Management Act, 2003 (Act 56 of 2003) and the Local Government Municipal System Act, 2000 (Act 32 of 2000 and in accordance with MFMA Circular 63 Annual Report Format.

Volume I: Annual Report | Volume II: Annual Financial Statements

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GLOSSARY

Term	Definition
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 of the Republic of South Africa, 1996 (Act 108 of 1996). This includes plans, budgets, and 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 Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003). Such a report must include the annual financial statements as submitted to 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.

Term	Definition
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)	Sets out municipal goals and development plans.
National Key Performance Areas	Five National Key Performance Areas are: • Municipal Transformation and Institutional Development • Basic Service Delivery and infrastructure Development • Good Governance and Community Participation • Cross Cutting Interventions • Social and Economic Development • Financial Viability and Management
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 immunisation, 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 employee performance management

Term	Definition
	and development system (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 and Budget Implementation Plan	Detailed plan annually 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."*

ACRONYMS

Abbreviation	Full Description
A/PC	Audit/Performance Committee
AIDS	Acquired Immune Deficiency Syndrome
ANC	African National Congress
ANC	Anti Natal Clinic
APR	Annual Performance Report
AQMP	Air Quality Management Plan
ASB	Accounting Standards Board
ACF	Anti-Corruption and Fraud
CBD	Central Business District
CCAP	Climate Change Adaption Plan
CFO	Chief Financial Officer
CIGFARO	Chartered Institute of Government Finance Audit and Risk Officers
CLLR	Councillor
CIP	Comprehensive Infrastructure Plan
RCM	Risk and Compliance Manager
DA	Democratic Alliance
DCOGTA	Department of Co-operative Governance and Traditional Affairs
DED	Department of Economic Development
DoA	Department of Agriculture
DoRA	Division of Revenue Act
DRDLR	Department of Rural Development and Land Reform
ECD	Early Childhood Development
EEA	Employment Equity Act

Abbreviation	Full Description
EFF	Economic Freedom Fighters
EIA	Environmental Impact Assessment
EPWP	Expanded Public Works Programme
FRM	Fraud Risk Management
GIS	Geographic Information System
GRAP	Generally Recognised Accounting Practice
GV	General Valuation
GVA	Gross Value Added
HIV	Human Immunodeficiency Virus
HR	Human Resources
IAS	Invasive Alien Species
IFP	Inkatha Freedom Party
ICT	Information and Communication Technology Information and Communication Technology
IDP	Integrated Development Plan
IEM	Integrated Environmental Management
IGR	Inter-Governmental Relations
INEP	Integrated National Electrification Funding
IOD	Injury on Duty
ISAMAO	Institute of South African Municipal Accounting Officers
ITP	Integrated Transport Plan
IWMP	Integrated Waste Management Plan
KFA	Key Focus Area
KPA	Key Performance Area
KPI	Key Performance Indicator
LED	Local Economic Development
LLF	Local Labour Forum
MM	Municipal Manager

Abbreviation	Full Description
MFMA	Municipal Finance Management Act
MGRO	Municipal Governance Review and Outlook
MICE	Meetings, Incentives, Conferences and Exhibitions
MIG	Municipal Infrastructure Grant
MPAC	Municipal Public Accounts Committee
MPRA	Municipal Property Rates Act
MSA	Municipal Systems Act
mSCOA	Municipal Standard Chart of Accounts
NBR	National Building Regulations
NEMAQA	National Environmental Management Air Quality Act
NEMBA	National Environmental Management: Biodiversity Act
NERSA	National Energy Regulator of South Africa
NGO	Non-Governmental Organisation
NPO	Non-Profit Organisation
NQF	National Qualification Framework
PMS	Performance Management System
PPP	Public Private Partnership
RBIG	Regional Bulk Services Infrastructure Grant
SAHRA	South African Heritage Resources Agency
SALGA	South African Local Government Association
SAPS	South African Police Service
SCM	Supply Chain Management
SDBIP	Service Delivery and Budget Implementation Plan
SDF	Spatial Development Framework
SEDA	Small Enterprise Development Agency
SEM	Staff Employee Monitoring
SMMEs	Small Medium and Micro Enterprises

Abbreviation	Full Description
SO	Strategic Objective
SOP	Standard Operating Procedure
STATSSA	Statistics South Africa
SV	Supplementary Valuation
TASK	Tuned Assessment of Skills and Knowledge
UIF	Unemployment Insurance Fund
WTW	Water Treatment Works
WWTW	Wastewater Treatment Works

CHAPTER 1: EXECUTIVE SUMMARY AND MAYOR'S FOREWORD

Endumeni Local Municipality is a Category B municipality situated within the uMzinyathi District in the KwaZulu-Natal Province of South Africa. It is one of the four municipalities in the district, covering an area of approximately 1,610 square kilometers. The municipality's administrative seat is the town of Dundee, which is also the seat of the district municipality.

Strategically positioned, Endumeni is located about 290 kilometers north of Durban and 360 kilometers southeast of Johannesburg. This central location in northern KwaZulu-Natal is complemented by well-established roads, rail, and air infrastructure, making it a pivotal area for transportation and logistics within the region.

According to the 2022 Census, Endumeni had a population of 100,085 individuals. The racial composition was predominantly Black African (90.5%), followed by White (0.4%), Indian/Asian (6.3%), and Coloured (2.8%) communities. The most commonly spoken first language was isiZulu, accounting for 79.1% of the population, with English and Afrikaans also present.

The municipality encompasses several towns and settlements, including:

Dundee	Glencoe	Sibongile	Wasbank
•Administrative & Economic Hub •Known for its rich coal deposits & Historical significance	•Near Dundee •Contributor to the Municipality's economic activities	•Township Adjacent to Dundee •Growing residential community	•Urban rural town •Contributor to the local economy •Linkage to Glencoe

Endumeni serves as one of the important economic centres of northern KwaZulu-Natal. The local economy is primarily driven by mining, agriculture, with a strong emphasis on livestock farming, including cattle and sheep. The area hosts lucrative livestock markets and engages in dairy farming and crop cultivation. Historically, coal mining played a significant role in the region's economy, and while its prominence has declined, it remains an important industry.

Council Composition

The municipal council consists of thirteen members elected through a mixed-member proportional representation system. Seven councillors are elected by first-past-the-post voting in seven wards, while the remaining six are chosen from party lists to ensure proportional representation. In the 2021 municipal elections, both the African National Congress (ANC) and the Inkatha Freedom Party (IFP) secured five seats each, with the Democratic Party (DA) and Abantu Botho Congress (ABC) respectively taking two and one seat.

2021 Municipal Elections Outcomes

Party	Seats
African National Congress **(ANC)**	**5**
Inkatha Freedom Party **(IFP)**	**5**
Democratic Alliance Party **(DA)**	**2**
Abantu Botho Congress **(ABC)**	**1**

1.1. Mayor's Foreword

It is my honour to present the Annual Report of Endumeni Local Municipality for the 2024/25 financial year. This report is prepared in line with the format prescribed in MFMA Circular 63 and should be read together with the municipality's Integrated Development Plan (IDP), Service Delivery and Budget Implementation Plan (SDBIP), the Budget, and the Annual Financial Statements (Volume II).

The 2024/25 year was characterised by constrained municipal resources, increasing service delivery demands and rising bulk costs. In this context, Council provided political guidance over the fiscal and non-financial affairs of the municipality and ensured that the administration remained focused on achieving the strategic objectives as set out in the IDP and operationalised through the SDBIP.

> *Corrective actions are being implemented to address root causes, with specific focus on financial reporting, revenue management, record keeping and compliance monitoring.*

Council acknowledges the audit outcomes issued by the Auditor-General of South Africa for the year ended 30 June 2025. The municipality achieved a qualified audit opinion with findings, which represents an improvement from the prior year. Council welcomes the audit outcomes as a tool to strengthen governance, accountability and oversight and confirms that corrective actions are being implemented to address root causes, with specific focus on financial reporting, revenue management, contracted services verification, record keeping and compliance monitoring.

Council continues to prioritise improved public participation, accountability and responsiveness through ward-based engagements, community outreach, and structured reporting through Council and its committees. Furthermore, Council confirms its commitment to service delivery improvement and institutional stabilisation, supported by a strengthened audit action plan, enhanced consequence management and improved oversight of performance and expenditure.

His Worship, Mayor AM Mkhize
Endumeni Local Municipality

1.2. Acting Municipal Manager's Foreword

This 2024/2025 Annual Report is prepared in terms of the Local Government Municipal Finance Management Act, 2003 (Act 56 of 2003) and the Local Government Municipal System Act, 2000 (Act 32 of 2000 and in accordance with MFMA Circular 63 Annual Report format. The Report consists of Volume I (Annual Report) and Volume II (Annual Financial Statements) for the year ended 30 June 2025. It is structured in accordance with MFMA Circular 63 and provides information on governance, service delivery performance, organisational development performance, financial performance and the Auditor-General's findings. The report includes tables, diagrams and the budget-to-actual performance information required for oversight and accountability processes, including the Budgetary Review and Recommendations Report (BRRR)

The aim of this Annual Report is to provide an account of administrative performance for the 2024/25 financial year and is submitted in compliance with the MFMA, including the requirements for performance reporting and accountability. The administration acknowledges service delivery challenges due to aging infrastructure as well as persistent institutional and financial challenges that affected performance during the year, including cash flow constraints, record management weaknesses and capacity limitations in certain control functions.

The administration acknowledges service delivery challenges arising from ageing infrastructure and resource constraints."

The Auditor-General raised material findings relating to financial reporting, revenue from exchange transactions, contracted services verification, cash and cash equivalent reconciliations and the completeness of irregular expenditure disclosure. Management accepts these findings and has instituted a strengthened audit action plan supported by internal control improvements, monthly reconciliations, enhanced review of journals and improved verification processes before expenditure is recorded.

The administration will continue to align planning, budgeting and performance monitoring processes to the IDP and SDBIP and will prioritise disciplined implementation of corrective actions. Internal Audit and the Audit Committee will be utilised to validate corrective actions and provide assurance to the Accounting Officer and Council.

Mr. M Sithole
Acting Municipal Manager
Endumeni Local Municipality

1.3. Municipal Overview

Endumeni Local Municipality is a Category B municipality situated within the uMzinyathi District in the KwaZulu-Natal Province of South Africa. It is one of the four municipalities in the district, covering an area of approximately 1,610 square kilometers. The municipality's administrative seat is the town of Dundee, which is also the seat of the district municipality. As a category B Municipality, Endumeni Local Municipality can be briefly summed up as follows:

1.3.1. Municipal Powers & Functions

The municipality derives its powers and functions from the prescripts of the Constitution, Schedule 4, part B read in conjunction with Section 152, which contains the objects of local government. Municipal transformation and institutional development relate to a fundamental and significant change in the way the municipalities perform their functions, deploy resources and the institutional strategies applied to achieve optimum results for delivery of quality services to the communities served. The municipality derives its powers and functions from the prescripts of the Constitution, Schedule 4, part B read in conjunction with Section 152, which contains the objects of local government. Municipal transformation and institutional development relate to a fundamental and significant change in the way the municipalities perform their functions, deploy resources and the institutional strategies applied to achieve optimum results for delivery of quality services to the communities served.

SCHEDULE 4

Function	Authorizations	Definitions
Air pollution	Yes	Any change in the quality of the air that adversely affects human health or well-being or the ecosystems useful to mankind, now or in the future.
Building regulations	Yes	The regulation, through by-laws, of any temporary or permanent structure attached to, or to be attached to, the soil within the area of jurisdiction of a municipality, which must at least provide for: Approval of building plans. Building inspections, and Control of operations and enforcement of contraventions of building regulations. If not already provided for in the national and provincial legislation.
Childcare facilities	Yes	Facilities for early childhood care and development which fall outside the competence of national and provincial government pertaining to childcare facilities.
Electricity reticulation	Yes	Bulk supply of electricity, which include for the purposes of such supply, the transmission, distribution and, where applicable, the generation of electricity, and the regulation, control and maintenance of the electricity reticulation network, tariff policies, monitoring of the operation of the facilities for adherence to standards and registration requirements, and any other matter pertaining to the provision of electricity in the municipal areas.
Fire Fighting	Yes	In relation to District Municipality "Firefighting" means: Planning, co-ordination, and regulation of fire services;

Function	Authorizations	Definitions
		specialized firefighting services such as mountain, veld and chemical fire services; co-ordination of the standardization of infrastructure.
Local tourism	Yes	The promotion, marketing and if applicable, the development, of any tourist's attraction within the area of the municipality with a view to attract tourists, to ensure access, and municipal services to such attractions, and to regulate, structure and control the tourism industry in the municipal area subject to any provincial and national legislation, and without affecting the competencies of national and provincial government pertaining to nature conservation, museums, libraries, and provincial cultural matters.
Municipal airport	No	A demarcated area of land or water or a building which is used or intended to be used, either wholly or in part, for the arrival or departure of aircraft which includes the establishment and maintenance of such facility including all infrastructure and services associated within an airport, and the regulation and control of the facility, but excludes airport falling within the competence of national and provincial government.
Municipal Planning	Yes	The compilation and implementation of and integrated development plan in terms of the Systems Act.
Municipal Health Services	No	Subject to an arrangement with MECs to do the necessary authorizations, or alternatively, subject to amendments to the Structures Act, Municipal Health Service means environmental health services performed by a district municipality and includes:• Air pollution, Noise pollution; Solid Waste Removal; Water and Sanitation; Licensing and control of undertakings that sell food to the public; Control of public nuisance; and Facilities for the accommodation, care and burial of animals.
Municipal public transport	Yes	The regulation and control, and where applicable, the provision of: • Services for the carriage of passengers, whether scheduled or unscheduled, operated on demand along a specific route or routes or, where applicable, within a particular area• Schedule services for the carriage of passengers, owned and operated by the municipality, on specific routes.
Pontoons and ferries	Yes	Pontoons, ferries, jetties, piers and harbors, excluding the regulation of international and national shipping and matter related thereto, and matters falling within the competence of national and provincial governments

Function	Authorizations	Definitions
Storm water	Yes	The management of systems to deal with storm water in built-up areas
Trading regulations	Yes	he regulation of any area facility and/or activity related to the trading of goods and services within the municipal area not already being regulated by national and provincial legislation
Water (Potable)	No	The establishment, operation, management and regulation of a potable water supply system, including the services and infrastructure required for the regulation of water conservation, purification, reticulation and distribution, bulk supply points, metering, tariffs setting and debt collection so as ensure reliable supply of a sufficient quality and quality of water to households, including informal households, to support life and personal hygiene.
Sanitation	No	The establishment, provision, operation, management, maintenance and regulation of a system, including infrastructure, for the collection, removal, disposal and/or purification of human excreta and domestic wastewater to ensure minimum standard of service necessary for safe and hygienic households.

SCHEDULE 5

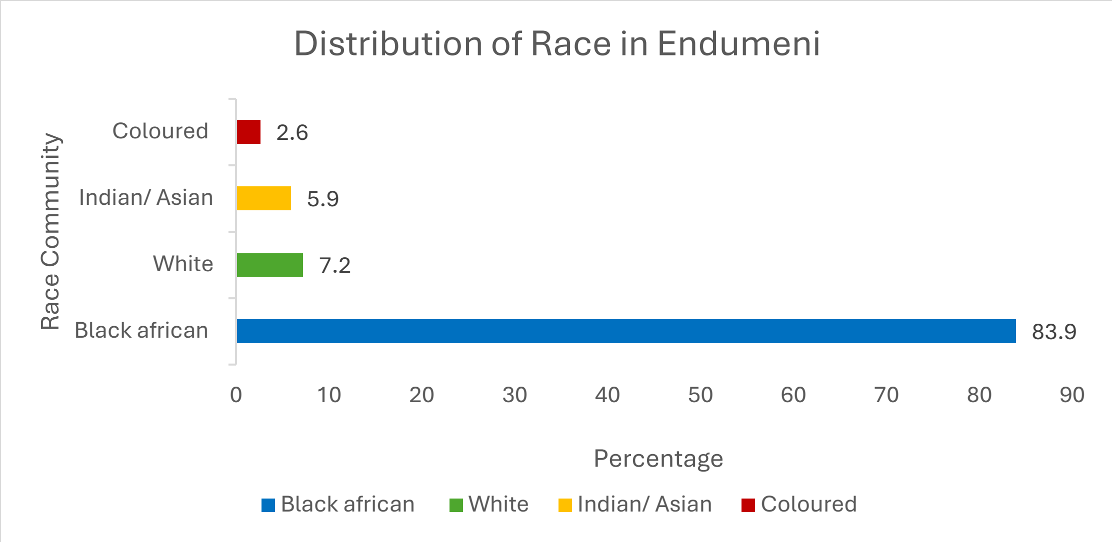
Function	Authorizations	Definitions
Amusement facilities /Beaches	yes	A public place for entertainment. The area for recreational opportunities and facilities along the seashore available for public use and any other aspect in this regard which falls outside the competence of the national and provincial government.
Billboards and the display of advertisements in public places	Yes	The display of written or visual descriptive material, any sign or symbol or light that is not intended solely for illumination or as a warning against danger which promotes the sale and/or encourages the use of goods and services found in: Streets. Roads. Thoroughfares. Sanitary passages. Squares or open spaces; and/or Private property.
Cemeteries, funeral parlours and crematoria	Yes	The establishment, conduct and control of facilities for the purpose of disposing of human and animal remains.

Function	Authorizations	Definitions
Cleansing	Yes	The cleaning of public streets, roads, and other public spaces either manually or mechanically
Control of public nuisance	Yes	The regulation, control and monitoring of any activity, condition or thing that may adversely affect a person or a community
Control of undertakings that sell liquor to the public	Yes	The control of undertakings that sell liquor to the public that is permitted to do so in terms of provincial legislation, regulation, and licenses, and includes an inspection service to monitor liquor outlet for compliance to license requirements in as far as such control and regulation are not covered by provincial legislation.
Facilities for the accommodation, care and burial of animals	Yes	The provision of and/or the regulation, control and monitoring of facilities which provide accommodation and care for well or sick animals and the burial or cremation of animals, including monitoring of adherence to any standards and registration requirements outlined in legislation.
Fencing and fences	Yes	The provision and maintenance and/or regulation of any boundary or deterrents to animals and pedestrians along streets or roads.
Licensing of dogs	Yes	The control over the number and health status of dogs through a licensing mechanism.
Licensing and control of undertakings that sell food to the public	Yes	Ensuring the quality and the maintenance of environmental health standards through regulation, a licensing mechanism and monitoring of any place that renders during any commercial transaction, the supply of refreshments or meals for consumption.
Local amenities	Yes	The provision, manage, preserve and maintenance of any municipal place, and building reserved for the protection of places or objects of scenic, natural, historical and cultural value or interest and the provision and control of any such or other facility for public use but excludes such places, land or buildings falling within competencies of national and provincial governments
Local sport facilities	Yes	The provision, management and/or control of any sport facility within the municipal area.
Markets	Yes	The establishment, operation, management, conduct, regulation and/or control of markets other than fresh produce markets including market permits, location, times, conduct etc.

Function	Authorizations	Definitions
Municipal Abattoirs	Yes	The establishment conduct and/or control of facilities for the slaughtering of livestock.
Municipal roads	Yes	The construction, maintenance, and control of a road which the public has the right to and includes, in addition to the roadway the land of which the road consists or over which the road extends and anything on that land forming part of, connected with, , or belonging to the road.
Noise pollution	Yes	The control and monitoring of any noise that adversely affects human health or well-being or the ecosystems useful to mankind, now or in the future.
Pounds	Yes	The provision, management, maintenance and control of any area or facility set aside by the municipality for the securing of any animal or object confiscated by the municipality in terms of its bylaws.
Public places	Yes	The management, maintenance and control of any land or facility owned by the municipality for public use.
Refuse removal, refuse dumps and solid waste disposal	Yes	The removal of any household or other waste and the disposal of such waste in an area, space or facility established for such purpose, and includes the provision, maintenance and control of any infrastructure or facility to ensure a clean and healthy environment for the inhabitants of a municipality.
Street trading	Yes	The control, regulation and monitoring of the selling of goods and services along a public pavement, road reserve and other public places.
Street lighting	Yes	The provision and maintenance of lighting for the illuminating of streets.
Traffic and parking	Yes	The management and regulation of traffic and parking within the area of the municipality including but not limited to, the control over operating speed of vehicles on municipal roads.
Municipal public works	Yes	Any supporting infrastructure or services to empower a municipality to perform its functions
Municipal Parks and Recreation	Yes	The provision, management, control and maintenance of any land, gardens or facility set aside for recreation, sightseeing and/or tourism and includes playgrounds but excludes sport facilities

1.3.2. Population Profile

According to the 2011 Census, Endumeni had a population of 64,862 individuals. The racial composition was predominantly Black African (83.9%), followed by White (7.2%), Indian/Asian (5.9%), and Coloured (2.6%) communities. The most commonly spoken first language was isiZulu, accounting for 79.1% of the population, with English at 12.2%; and Afrikaans at 5.3% .



Towns and Wards in Endumeni

Ward No.	Town/ Dwelling
Ward 1	Wasbank and KwaSithole Nodes
Ward 2	West Dundee
Ward 3	Sithembile Township
Ward 4	Portion of Sibongile, Hotels and Town
Ward 5	Portion of the Industrial area, farmland towards Nquthu LM and Sibongile Township
Ward 6	North – East Dundee
Ward 7	Glencoe & Western Farm Areas

1.3.3. Service Delivery Overview

Basic Service Delivery

Assuring the sustainable delivery of services to communities is one of the goals of local government. Electricity, waste management, roads and stormwater, development and spatial planning, local economic development, environmental management, housing, libraries, cemeteries, community facilities, sports and recreation, traffic, as well as fire and disaster services are among the fundamental services provided to the communities of Endumeni Municipality. The uMzinyathi District Municipality is in charge of providing water and sewage services. Chapter 3 of this Annual Report has a detailed discussion of these services.

Service Delivery Performance Highlights

The municipality has a Performance Management Framework that outlines the steps that must be taken by the organization when formulating performance criteria that the municipality should employ when establishing performance management measures. In order to satisfy the reporting system several meetings of top management this financial year which were all held. This procedure helped in ensuring that the municipality meets the goals it has set and finds out early on when the goals are not being attained. Top management were encouraged to hold meetings with Middle Managers so that they can report on the status of operational activities, prior to being sent to the appropriate portfolios, Exco, and Council, all issues are submitted to council structures and tabled to MANCO for additional feedback and recommendations.

The Internal Auditors receive departmental PMS reports every quarter for auditing purposes. All audited reports were then tabled to the Audit Committee, which in Endumeni Municipality has full authority to monitor all municipal operations. On the basis of the performance plans, Departmental Scorecards, and Top Layer Organisational SDBIP that were provided throughout the financial year, the municipality subsequently compiles the Annual Performance Report. The Internal Audit and Audit Committee then receive the Annual Performance Report before it is distributed to the appropriate parties. The six Key Performance Areas, the Top Layer Organisational SDBIP and Departmental Scorecards , and the accomplishments of the municipality are all broken out in the plans. This report also includes narrative analysis that discusses contrasts between the previous year (2023–2024) and the year under review (2024–2025). The priorities in the Endumeni Integrated Development Plan are cascaded to performance management and measured by the progress done within the allotted timeframes. In the process of approving the IDP, Budget, Service Delivery, and Budget Implementation Plan, Council also adopts the priorities. Quarterly reports that are presented to Municipal Council serve as a gauge of these priorities.

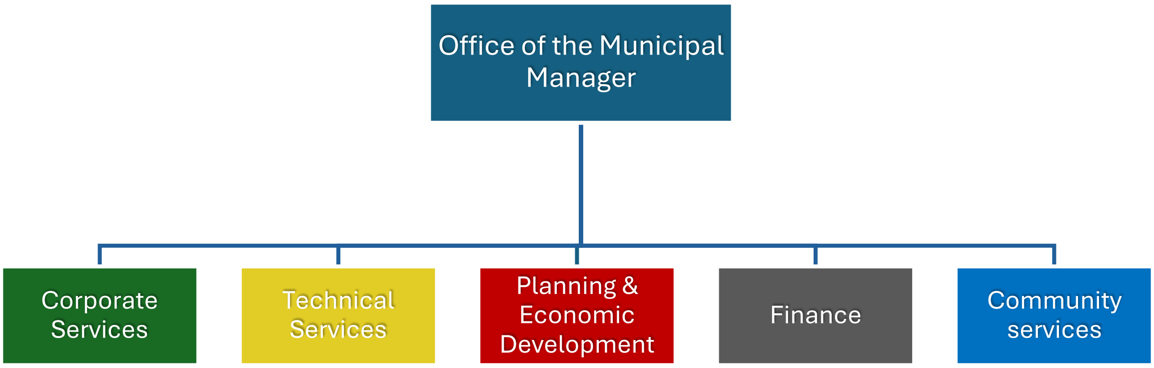
1.3.4. LED and Tourism Opportunities

These activities highlight the rich cultural heritage and natural beauty of Endumeni Local Municipality, ensuring a fulfilling experience for visitors. In conclusion, Endumeni Local Municipality, with its strategic location, diverse economy, and rich cultural heritage, plays a vital role in the uMzinyathi District. Its commitment to development and service delivery positions it as a key area for growth and investment in KwaZulu-Natal.

Talana Museum & Heritage Park	Talana Museum provides comprehensive exhibits on the region's cultural, economic, and military history. The museum complex comprises 23 buildings set within a 20-acre park, showcasing themes such as mining, agriculture, and warfare. Visitors can explore artifacts from the Anglo-Zulu and Anglo-Boer wars and displays on local industries.
Battlefields Tours	The area around Dundee is rich in historical battlefields from the Anglo-Zulu and Anglo-Boer wars. Guided tours are available to sites like Isandlwana and Rorke's Drift, offering insights into the significant events that took place there. These tours provide a deep understanding of South Africa's complex history.
Zulu Crafts & Cultural Tours	Immerse yourself in the vibrant world of Zulu traditions by participating in a cultural tour. These experiences often include visits to artisan workshops where you can observe and even partake in traditional beading and pottery, gaining a hands-on appreciation for Zulu craftsmanship.
Endumeni Nature Reserve Hiking Trails	For outdoor enthusiasts, the Endumeni Nature Reserve offers serene hiking trails that meander through diverse landscapes. Hikers can enjoy panoramic views and observe local flora and fauna, making it an ideal spot for nature lovers.
Dundee Golf Club	Golf enthusiasts can enjoy a round at the Dundee Golf Club, which offers a well-maintained course set against the backdrop of KwaZulu-Natal's picturesque landscapes.
Dundee July Horse Racing Event	Endumeni's signature annual Equestrian and lifestyle event. Blending the town's horse-racing heritage with fashion, entertainment adn local culture. It draws visitors from across KwaZulu Natal and beyond. The event works to boost weekend tourism through accommodation, dining and township experiences.
Chelmsford Nature Reserve	For photography enthusiasts, the Indlovu River Lodge offers specialized safaris aimed at capturing the majestic beauty of local wildlife, including the Big Five, in their natural habitat. Guided by professional photographers, this experience is tailored to both aspiring and seasoned photographers.
Indlovu River Lodge Wildlife Photography	For photography enthusiasts, the Indlovu River Lodge offers specialized safaris aimed at capturing the majestic beauty of local wildlife, including the Big Five, in their natural habitat. Guided by professional photographers, this experience is tailored to both aspiring and seasoned photographers.

1.3.5. Organisational Development Overview

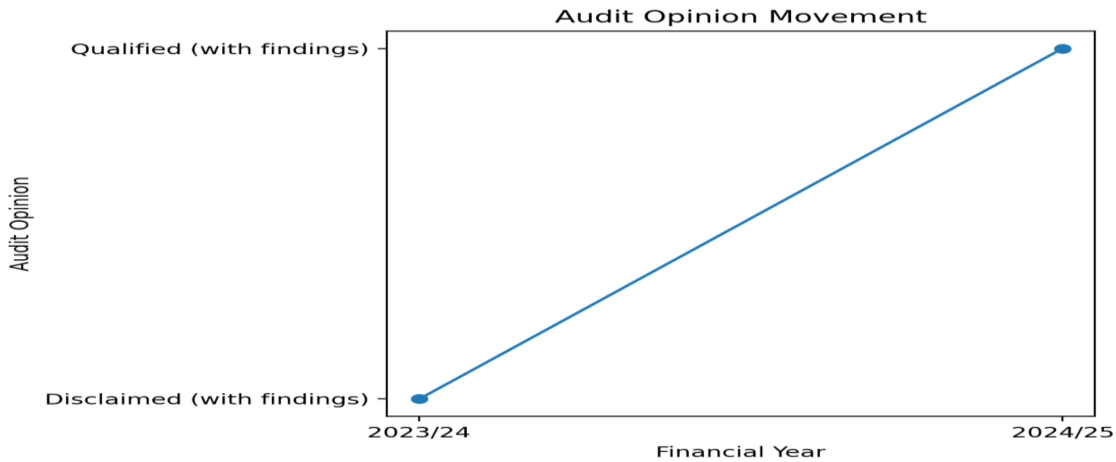
The Council approved an organizational structure/organogram that is in accordance with the municipality's long-term development plans, which are reflected in the IDP, as well as the Municipality's authorities and functions and the requirement for efficient administration. A number of critical positions were filled, except for the Municipal Manager, which had to be re-advertised. The following departments are included in the organogram, which also specifies this organizational structure:

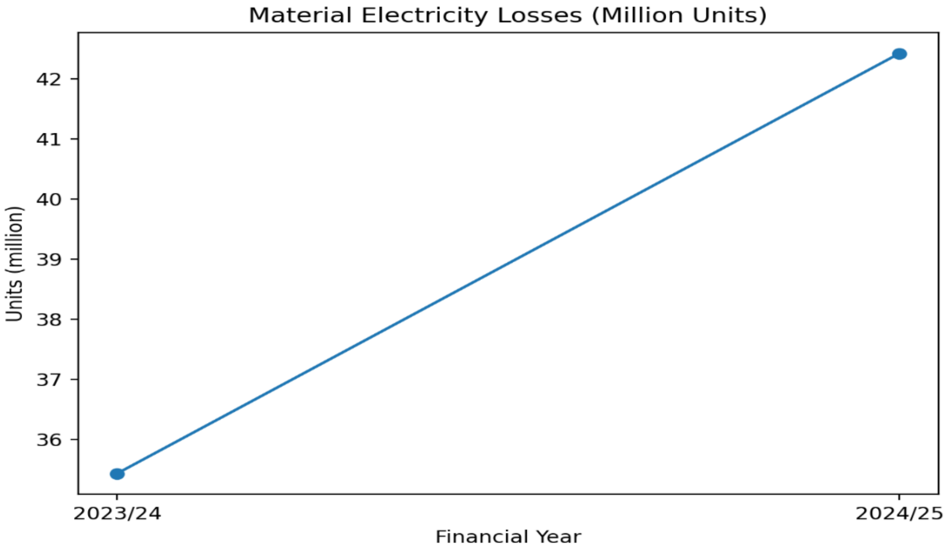


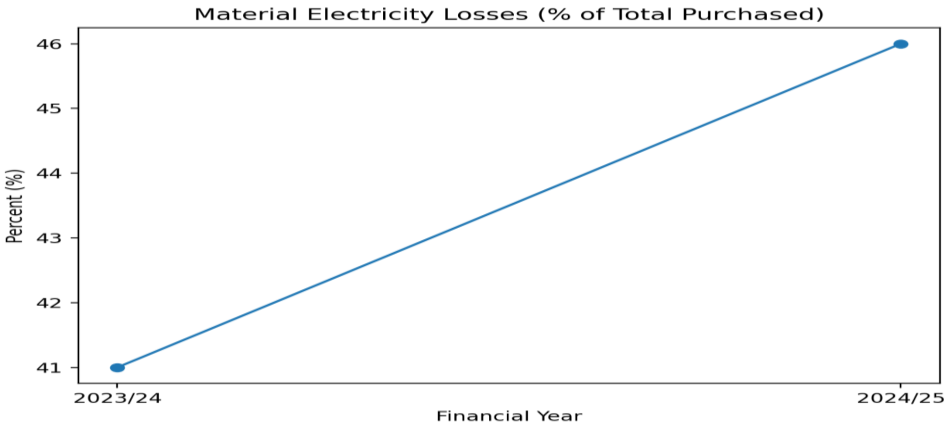
Given the necessity to build enough capacity to implement the IDP and provide services effectively, implementing the organogram is a municipality's top priority. Every year, the organogram is updated to reflect the municipality's shifting demands. The main difficulty, though, is finding and keeping qualified, seasoned employees.

1.3.6. Auditor General's Opinion

The municipality achieved a qualified audit opinion with findings for 2024/25, an improvement from the prior year's disclaimer outcome. Key audit emphasis matters included going concern, material electricity losses and material impairment of receivables, as disclosed in the audited financial statements (Volume II).




Material Electricity Losses (Million Units)
Units (million)
42
41
40
39
38
37
36
2023/24
2024/25
Financial Year

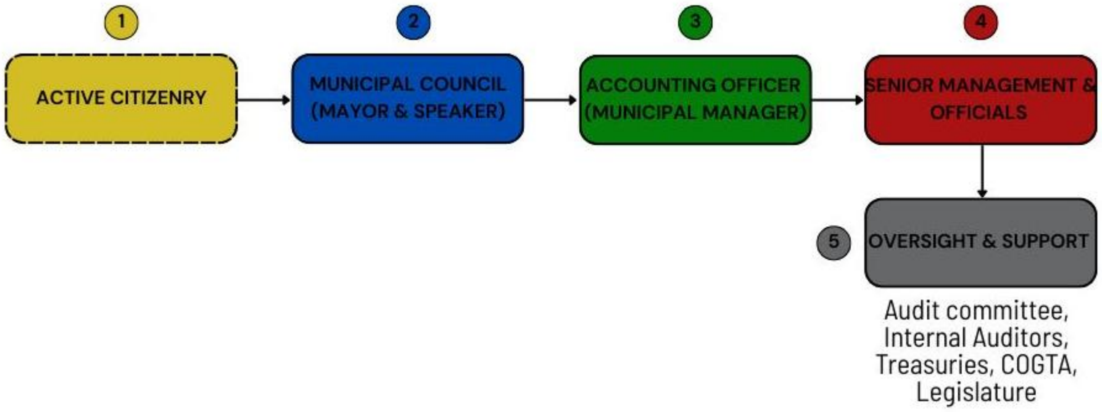

Material Electricity Losses (% of Total Purchased)
Percent (%)
46
45
44
43
42
41
2023/24
2024/25
Financial Year

CHAPTER 2: GOVERNANCE

2.1. Governance Framework and Accountability Ecosystem

The municipality's governance framework is informed by the Constitution, Municipal Systems Act, Municipal Structures Act, MFMA and related regulatory frameworks. Oversight, accountability and governance operate within an accountability ecosystem that includes Council, the Executive Authority, the Accounting Officer, senior management, co-ordinating institutions and active citizenry.

ACCOUNTABILITY ECOSYSTEM (as referenced in Council Tabling/ BRRR Engagement)



2.2. Council and Oversight Structures

The Council of Endumeni Municipality comprises of 7 ward Councillors, and 6 PR Councillors that make up the total of 13 Councillors. Council is chaired by the Speaker, Honourable Cllr A Nsibande. The Municipality exercises all the powers assigned to it in terms of the Constitution as well as relevant national and provincial legislation. The executive and legislative authority is vested in the Council. Therefore, the Council has the responsibility to take all the major decisions of the Municipality including delegation of powers to its principal Executive Committee, political office bearers, Council committees and officials. In addition, the Council is constituted by 4 political parties in a form of public representation, which is as follows:

Based on audit evidence referenced in the Auditor-General's management report, Council was assessed to be fully functional during the 2024/25 financial year, with good attendance and regular meetings. MPAC was assessed to be functional, although effectiveness in consequence management required strengthening where recommendations were made to write-off UIFW not investigated.

2.3. Executive Committees

There are 3 Portfolio Committees established for political oversight over departmental activities and making recommendations to the Executive Committee through to Council. It is in these committees where policy issues are debated thoroughly prior to their submission to the Council for adoption. Through Portfolio Committees, Councillors are able to give political direction to the administrative programmes of Council. The table below highlights the Portfolio Committees that have been established to contribute to effective decision-making in processes of governance and ensure effective implementation of service delivery projects and monitoring thereof. The political governance of the Municipality exercises its oversight role by ensuring continuous monitoring of the decisions implemented by the administration. The administration reports to these Section 80 committees on a monthly basis on the progress of implementation of the Annual Plan and decisions of EXCO and Council. The composition of Portfolio committees is as follows:

Portfolio Committees

BUDGET & TREASURY OFFICE | TECHNICAL SERVICES	CORPORATE SERVICES & COMMUNITY SERVICES	PLANNING & ECONOMIC DEVELOPMENT
Chairperson Cllr. AM Mkhize **Members** Cllr. S. Kheswa Cllr. M Phakathi Cllr. MT Ngcobo	**Chairperson** Cllr. MS Abdool **Members** Cllr. XM Msezane Cllr. AZ Sadeck Cllr. LB Zulu	**Chairperson** Cllr. Z Shelembe **Members** Cllr. AZ Sadeck Cllr. FN Mthethwa Cllr. S Kheswa

2.5. Municipal Public Accounts Committee

Municipal Public Accounts Committee (MPAC) established in terms of Section 79 of the Municipal Structures Act. The primary function of the Municipal Public Accounts Committee (MPAC) is to assist the Council in exercising its oversight and accountability responsibilities and functions; by generally exercising political oversight on behalf of the council; by holding the executive and municipal administration to account; by overseeing and reviewing municipal accounts to ensure the effective and efficient utilization of the municipal resources; and by carrying out the responsibilities of initiating and preparing the annual oversight report. The Endumeni Municipality's MPAC was functional during 2024/2025 financial year. The composition of the committee is as follows:

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE	
Chairperson	Cllr. NM Gopie
Members	Cllr. LB Zulu Cllr. M Phakathi Cllr. XM Msezane

2.6. Audit Committee and Internal Audit

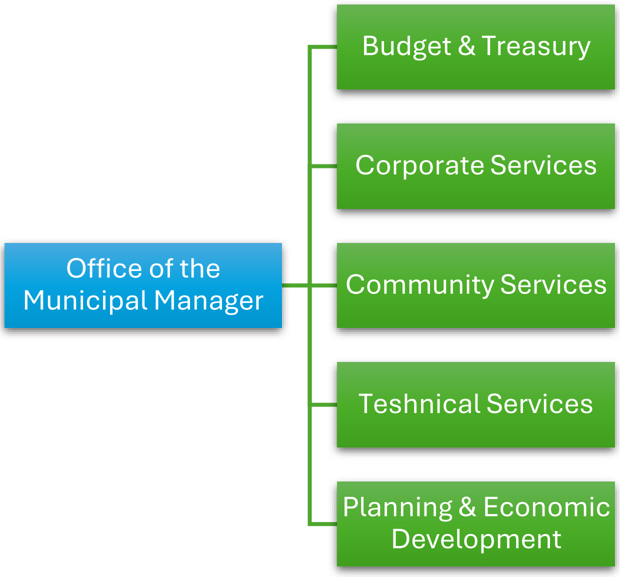
The Audit Committee and Internal Audit Unit play a key role in providing assurance on internal controls, financial reporting and performance information. The management report recommends that Internal Audit validate corrective actions and report results to the Audit Committee on a quarterly basis.

2.7. Risk Management and Fraud Prevention

Risk management and fraud prevention measures are critical to strengthening internal controls and compliance. The Auditor-General's reports noted weaknesses in preventative controls and oversight over compliance and record management. Management has committed to implementing corrective actions and strengthening monitoring controls over SCM processes.

2.8. Administrative Governance

During 2024/2025 financial year, the Municipality in its Organizational Structure had six (6) Departments reporting and responsible to the Office of the Municipal Manager as follows:



The Status of Filling senior management positions as at 30 June 2025 was as follows:

Municipal Manager		Chief Financial Officer	
Status	**Vacant**	**Status**	**Filled**
Departmental Functions	• Municipal Manager • Corporate Services	**Departmental Functions**	• Revenue and Expenditure • Financial planning and assets management • Supply chain management
Director: Corporate Services		**Director Community Services**	
Status	**Filled**	**Status**	**Filled**
Departmental Functions	• Human Resources • ICT • Administration / Council Support • Legal • Records Management	**Departmental Functions**	• Public Safety Services • Environmental Management Services • Municipal Library Services • Disaster Management & Fire Rescue Services • Special Programmes • Municipal Enterprises
Director: Planning & Economic Development		**Director Technical Services**	

Status	Filled	Status	Filled
Departmental Functions	• Estates • Spatial Planning • Building Control and • Environmental management • SPU • LED • Marketing	Departmental Functions	• PMU • Operations and maintenance • Electricity

2.9. Inter-Governmental Relations

All service delivery matters involving other government departments, private sector, development agencies, etc. are coordinated through the District IGR-Forum. Endumeni Municipality has developed a number of programmes and actions to improve good governance and relations with external role-players but also to improve internal efficiencies. Endumeni Local Municipality falls under the uMzinyathi District Municipality which has operational IGR structures. There are a number of forums/ clusters that have been established in the District and Endumeni is part of those forums and participates in IGR forum meetings. Each Forum/ cluster is chaired by municipal managers except for the Mayors' Forum which is co-chaired by the District Mayor and the MEC Champion. The MUNI-MEC is a provincial intergovernmental body that meets quarterly to analyse the state of local government and is made up of the MEC and Municipal Mayors and Municipal Managers within the Province. The body also serves and platform where programmes and projects by Provincial and National Government that will be implemented locally are packaged. Current issues and challenges affecting municipalities are identified and strategically dealt with, in the same platform.

2.10. Public Accountability and Participation

In accordance with Section 6 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), a municipality's administration is required to:

In order to adhere to the aforementioned, the Municipality has set up the structures mandated by law, including Section 80 Portfolio Committees that advise the Mayor, Municipal Public Accounts Committees (MPAC), Special (Disciplinary) Committees that deal with the Code of Conduct for Councillors, and a Fraud and Risk Management Committee. Additionally, an Audit Committee made up of impartial outside experts also provides advice to Council. A report that includes recommendations from the Audit Committee for financial management and control, performance management, internal control, risk management, and governance issues is presented to Council on a quarterly basis. In order to promote accountability, supervision, transparency, and good governance as well as to help the municipality fulfill its obligations to the public, these structures constitute a division of Labour among public representatives and personnel.

2.10.1. Public Meetings

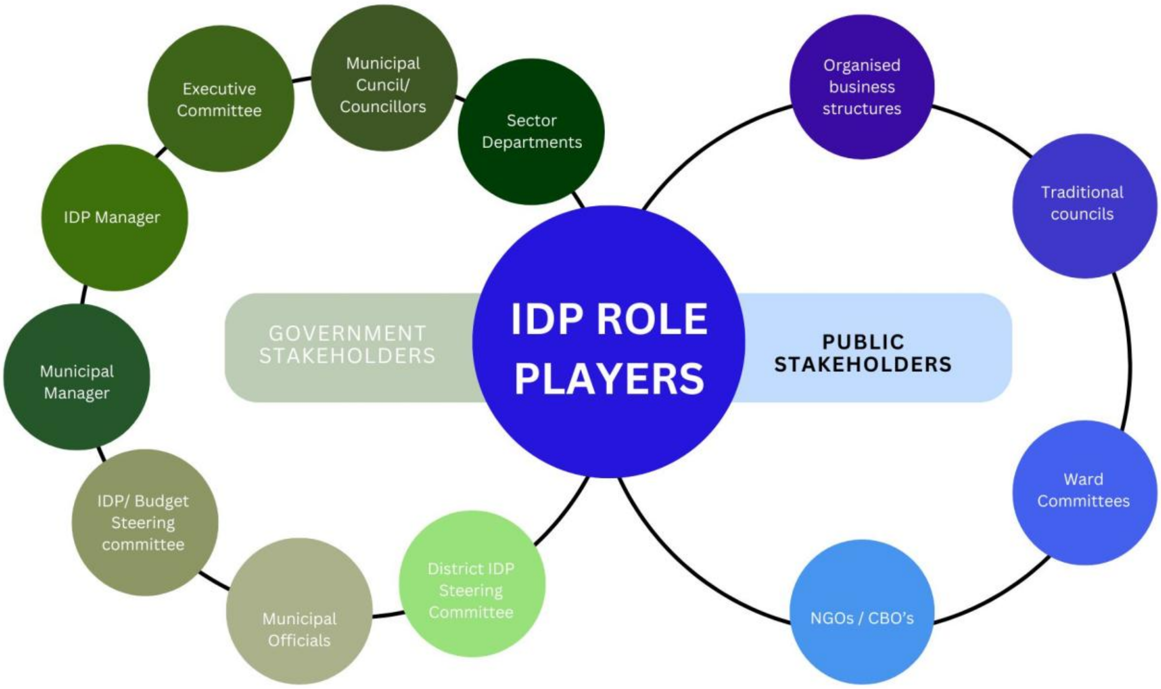
Communication, Participation and Forums: Chapter 4 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) requires municipalities to set up the necessary systems, processes, and procedures to let the neighborhood have a say in how the municipality runs its business. The following methods were employed by the municipality during the reviewed year to satisfy this legal requirement:

- Ward committee meetings (discussed in more detail below)
- Public notices in local, regional and national newspapers
- Newsletters
- Press releases as and when required
- Public IDP and consultative meetings
- General municipal programmes
- The municipal website, regularly updated with recent news.

The cornerstone of the IDP is stakeholder and community engagement in setting and implementing development priorities. Due to their dynamic nature and constant change, needs must be regularly assessed. The annual review of the IDP is a procedure that helps the municipality improve the outputs and results of its service delivery, and it makes sure that the municipality is still accountable to the local community, different sectors, and businesses through the Performance Management System that the municipality has put in place.

By fully adopting the ideals of participatory democracy, the Municipal Council guarantees that its monitoring duty is appropriately mandated by the popular voice of its local community. This is accomplished through an efficient system of ward committees, active community involvement in our various planning processes for new development, and regular communication with the local population through public meetings, newsletters, radio, and a variety of other print and electronic media, including the municipality's website.

The role-players who take part in the municipal IDP programs are given below, along with the IDP structures/forums. The participation and involvement of these role-players is essential to the success of a participatory review process.



Each of the above stakeholders has defined roles that the Municipality through it's governance structures in their entirety must ensure that they are played.

2.10.2. Oversight structures and Governance Structures Meeting Schedule

The schedule below illustrates the seating of all oversight structures and governance structures:

Meeting Schedule: June- December 2024

REPORT SUBMISSION CLOSING DATES	PORTFOLIO's		EXCO	COUNCIL	LLF	MPAC	RISK	AUDIT	IT
	DATE	*Meetings*	DATE	DATE	DATE	DATE	DATE	DATE	DATE
04 Jul	16 Jul	CS/COMM. PEDs	30 Jul	ORDINARY 31 July				26 Jul	
12 Jul	17 Jul	TECH/BTO							
	13 Aug	CS/COMM. PEDs	30 Aug			06 Aug	08 Aug	26 Aug	
07 Aug	21 Aug	TECH/BTO							
05 Sep	12 Sep	CS /COMM PEDs	30 Sep						
13 Sep	19 Sep	TECH/BTO							
07 Oct	15 Oct	CS/COMM. PEDs	30 Oct	ORDINARY 31 October				25 Oct	
14 October	18 Oct	TECH/BTO							
5 Nov	12 Nov	CS/COMM. PEDs	28 Nov			14 Nov	07 Nov		
14 Nov	20 Nov	TECH/BTO							
Dec		CS /COMM PEDs							
		TECH /BTO							

Meeting Schedule: January-June 2025

REPORT SUBMISSION CLOSING DATES	PORTFOLIO's		EXCO	COUNCIL	LLF	MPAC	RISK	AUDIT	IT
	DATE	Meetings	DATE	DATE	DATE	DATE	DATE	DATE	DATE
6 Jan	14 Jan	CS/COMM. PEDs	30 Jan	ORDINARY 29 Jan 25				31 Jan	
15 Jan	22 Jan	TECH /BTO							
5 Feb	12 Feb	CS/COMM PEDs	28 Feb	27 Feb			06 Feb		
14 Feb	20 Feb	TECH/BTO							
5 Mar	12 Mar	CS/COMM PEDs	28 Mar	19 Mar		18 Mar			
14 Mar	20 Mar	TECH/BTO							
7 Apr	15 Apr	CS/COMM PED's	30 April	ORDINARY 29 Apr			03 Apr	25 Apr	
14 Apr	22 Apr	TECH/BTO							
6 May	13 May	CS /COMM PEDs	29 May	30 May		16 May			
15 May	21 May	TECH/BTO							
4 Jun	11 Jun	CS/COMM PEDs	27 June				12 Jun	27 Jun	
13 Jun	20 Jun	TECH/ BTO							

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

Endumeni Municipality renders a range of municipal services in its area of jurisdiction in accordance with the mandate of local government in terms of the South African Constitution. The area includes rural areas, farms, and semi urban areas, townships and towns. The responsibilities of Endumeni Municipality for delivering basic services up to 30 June 2025 vested in three of the Municipality's Departments, namely the Technical Services Department (PMU and Operations & Maintenance), the Community Services Department (waste management, public safety, public amenities) and the Planning and Economic Development Department (Human Settlements, building control etc.). The consumers are charged for services at rates which are reviewed annually and are approved together with the annual budget of Endumeni Municipality for every new financial year.

This component includes: water; waste water (sanitation) which is provided by Umzinyathi District; electricity; waste management; and housing services; and a summary of free basic services. The success of local economic development is tied to the provision of basic and other types of infrastructure to the people.

Endumeni municipality committed itself in fast-tracking access and the provision to the delivery of basic services which were more critical and had more impact in the lives of the citizens of Endumeni at large. Various projects were implemented during the period under review: namely construction of community facilities such as halls, sport facilities, electrification of households and construction of access roads.

Service delivery performance is reported against the municipality's SDBIP and Annual Performance Report (APR). The Auditor-General selected material performance indicators related to basic service delivery for auditing, including road projects and community facility rehabilitation.

3.1. Selected Material Performance Indicators Audited by AGSA

- m^2 of potholes patching by 30 June 2025
- Construction of 6,22 km x 6m wide New Kwa Sithole Gravel Road
- Construction of 3,11 km x 6m wide Herodi Gravel Road
- Construction of 1,13 km x 6m wide Dlamini Gravel Road
- Construction of Marikana Asphalt Road
- Rehabilitation of Sithembile Sports facility
- Resurfacing of Argyle Street
- Refurbishment of Dean Mohamed Lane
- Refurbishment of Nyembe Street
- Construction of the Glencoe Cemetery

3.2. Detailed SDBIP/APR Performance Table (All indicators)

The table below reflects the full organisational SDBIP/APR indicators as captured in the uploaded Annual Performance Report spreadsheet, including targets, quarterly performance, annual targets, revised targets, actual achievements, variance reasons, corrective measures, budget references and portfolio of evidence.

3.2.1. SDBIP Indicator 1: Municipal Transformation Indicators

3.2.1.1. Ensure Function of Performance Management System

Indicator No	Indicator	Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Annual Target (2024/25)	Revised Target (2024/25)	Actual Achieved (2024/25)	Budget	Responsible Department	Portfolio of Evidence	Annexure
MT1.1.1	Date PMS Framework reviewed and adopted by Council	n/a		n/a		n/a		2025-06-30		2025-06-30	n/a	n/a	n/a	Planning & Economic Development Department	Council Resolution	A
MT1.1.2	No. of Performance Agreements signed for filled positions of the S54/56 posts and submission to COGTA	6	6	n/a		n/a		n/a		6	n/a	n/a	n/a	Planning & Economic Development Department	Copies of the signed Performance Agreements / Acknowledgement from COGTA	B
MT1.1.3	Advertisement of the signed performance agreements	2024-08-31	2024-08-31	n/a		n/a		n/a		2024-08-31	n/a	n/a	n/a	Planning & Economic Development Department	Copy of advert	C
MT1.1.4	Date Final 2023/24 Annual Report adopted by Council	n/a		n/a		2025-03-31 00:00:00		n/a		2025-03-31 00:00:00	n/a	n/a	n/a	Planning & Economic Development Department	Council Resolution	D

3.2.1.2. Improve Institutional and Organisational Capacity

Indicator No	Indicator	Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Annual Target (2024/25)	Revised Target (2024/25)	Actual Achieved (2024/25)	Budget	Responsible Department	Portfolio of Evidence	Annexure
MT2.1.1	Date Organizational Structure reviewed and adopted by Council	n/a		n/a		n/a		2025-06-30	2025-06-30	2025-06-30	n/a	n/a	n/a	Corporate Services	Council Resolution	E
MT2.1.2	Development of the Employment Equity Plan and to be adopted by Council by 30 June 2025	n/a		n/a		dxc vn		2025-06-30	2025-06-30	2025-06-30	n/a	n/a	n/a	Corporate Services	Council Resolution	F
MT2.2.3	Date WorkPlace Skills Plan adopted by Council	n/a		n/a		n/a		2025-06-30	2025-06-30	2025-06-30	n/a	n/a	n/a	Corporate Services	Council Resolution	G
MT2.2.4	Date all Human Capital policies (Promotion_Transfer,_Secondment and Acting Appointment	n/a		n/a		n/a		2025-06-30	2025-06-30	2025-06-30	n/a	n/a	n/a	Corporate Services	Council Resolution	H , I

Indicator No	Indicator	Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Annual Target (2024/25)	Revised Target (2024/25)	Actual Achieved (2024/25)	Budget	Responsible Department	Portfolio of Evidence	Annexure
	Policy, Termination of Services Policy, Recruitment															

3.2.1.3. To ensure the effective and efficient functionality of the municipality

Indicator No	Indicator	Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Annual Target (2024/25)	Revised Target (2024/25)	Actual Achieved (2024/25)	Budget	Responsible Department	Portfolio of Evidence	Annexure
MT4.1.1	Date all IT policies reviewed and adopted by Council (IT Security Policy, IT Governance Framework, IT Restore and Back up Policy)	n/a		n/a		n/a		2025-06-30	n/a	2025-06-30	n/a	n/a	n/a	Corporate Services	Council Resolution	

3.2.1.4. Effective Labour Relations

Indicator No	Indicator	Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Annual Target (2024/25)	Revised Target (2024/25)	Actual Achieved (2024/25)	Budget	Responsible Department	Portfolio of Evidence	Annexure
MT 5.1.1	Number of monthly reports of legal & litigation register submitted to Portfolio committee	3	3	2	2	3	3	3	3	11	n/a	n/a	n/a	Corporate Services	Agenda / Monthly Report	J , K
MT4.1.2	Number of Monthly report regarding the disciplinary cases submitted to the Portfolio Committee	3	3	2	2	3	3	3	3	11	n/a	n/a	n/a	Corporate Services	Agenda / Monthly Report	

3.2.2. Basic Service Delivery and Infrastructure Investment

3.2.2.1. Improve Access to Basic Services

Indicator No	Indicator	Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Annual Target (2024/25)	Revised Target (2024/25)	Actual Achieved (2024/25)	Budget	Responsible Department	Portfolio of Evidence	Annexure
BS1.1.1	% of MIG Expenditure by 30 June 2025	0.15	0.21	0.3	0.47	0.5	0.64	1	1	100% of MIG Expenditure by 30 June 2025	n/a	n/a	R 17,155, 000.00	Technical Services	Signed Certificate Of Expenditure and Revenue	L
BS2.1.1	% of Municipal Disaster Recovery Grant (MDRG) Expenditure by 30 June 2025 (2023/24 Rollover)	0		0.3		0.75	0.93	1	0.98	100% of MDRG Expenditure by 30 June 2025 (2023/24 Rollover)	1	0.98	R 6, 400,000	Technical Services	Quarterly Expenditure Report	M
BS3.1.1	Municipal Disaster Recovery Grant (MDRG) Expenditure by 30 June 2025	0.15		0.3		0.5	0.2	1	0.88	100% of MDRG Expenditure by 30 June 2025	1	0.88	R 6,407,0 00	Technical Services	Quarterly Expenditure Report	N
BS4.1.1	% of Energy Efficiency Demand Side	0.15		0.3		0.6	0.78	1	1	100% of EEDSM Expenditure	1	1	R4,000, 000	Technical Services	Quarterly Expenditure Report	O

Indicator No	Indicator	Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Annual Target (2024/25)	Revised Target (2024/25)	Actual Achieved (2024/25)	Budget	Responsible Department	Portfolio of Evidence	Annexure
	Management Grant (EEDSM) Expenditure by 30 June 2025									by 30 June 2025						
BS5.1.1	% of Massification Grant Expenditure by 30 June 2025	0		0		0	0	1	1				R3,040,043.84	Technical Services	Quarterly Expenditure Report	P,Q
BS6.1.1	Retrofitting Streets, building lights and building inspections around Endumeni Municipal Area	0.15	0	0.3	0.25	0.6	0.78	1	1	100% of EEDSM Grant Expenditure by 30 June 2025	1	1	R 4,000,000.00	Technical Services	Signed Monthly Report by the HOD/Practical Completion Certificate/ completion Certificate	
BS6.1.2	% INEP Grant Expenditure by 30 June 2025	0.15	0.27	0.3	0.27	0.6	0.27	1	1	100% INEP Grant Expenditure by 30 June 2025	1	1	9559000	Technical Services	Signed Monthly Report by the HOD /Practical Completion Certificate/ completion Certificate	R

Indicator No	Indicator	Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Annual Target (2024/25)	Revised Target (2024/25)	Actual Achieved (2024/25)	Budget	Responsible Department	Portfolio of Evidence	Annexure
BS6.1.3	m2 of potholes patching by 30 June 2025	750m2	0.17	750m2	0.41	750m2	1272 m2	750m2	1191m2	3000 m2 of potholes patching by 30 June 2025	3000m2	3751.43	R 1300.00 0.00	Technical Services	Signed Monthly report by HOD/Practical Completion Certificate/ completion Certificate	S
BS7.1.1	Construction of 6.22x6m wide New Kwa Sithole Gravel Road	0	0	0		0	0.03	0.05	0.1	5% construction Progress by 30 June 2025	0.05	w	770000	Technical Services	Signed Monthly Report by the HOD/Practical Completion Certificate/ completion Certificate	T
BS4.2.1	Construction of 3.11 km x 6m wide Herodi Gravel Roads	0.15	0.05	0.3	0.31	0.6	0.87	1	1	100% completion by 30 June 2025	1	1	5655194	Technical Services	Signed Monthly Report by the HOD/Practical Completion Certificate/ completion Certificate	U
BS5.1.1	Construction of 1.13 km x 6m wide Dlamini Gravel Road	0	0	0		0.05	0.1	1	1	100% construction progress by 30 June 2025	1	1	3034219.89	Technical Services	Signed Monthly Report by the HOD/Practical Completion Certificate/ completion Certificate	V
BS10.1.1	Construction of Marikana	1	0.81	1	1	1	1	1	1	100% completion	1	1	228000	Technical Services	Signed Monthly Report by the HOD/Practical	W

Indicator No	Indicator	Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Annual Target (2024/25)	Revised Target (2024/25)	Actual Achieved (2024/25)	Budget	Responsible Department	Portfolio of Evidence	Annexure
	Asphalt Road									by 30 June 2025					Completion Certificate/ completion Certificate	
BS11.1.1	Rehabilitation of Sithembile Sports Facility	1	1	1	1	1	1	1	1	100% completion by 30 June 2025	1	1	74762.5	Technical Services	Signed Monthly Report by the HOD/Practical Completion Certificate/ completion Certificate	X,Y,Z
BS12.1.1	Resurfacing of Argyle Street	0		0.3	0.1	0.6	0.1	1	0.75	100% completion by 30 June 2025	1	0.75	3100000	Technical Services	Signed Monthly Report by the HOD/Practical Completion Certificate/ completion Certificate	
BS13.1.1	Refurbishment of Dean Mohamed Lane	0.15		0.3	0.1	0.6	0.1	1	1	100% completion by 30 June 2025	1	1	1800000	Technical Services	Signed Monthly Report by the HOD/Practical Completion Certificate/ completion Certificate	
BS14.1.1	Refurbishment of Nyembe Street	0.15		0.3	0.1	0.6	0.1	1	1	100% completion by 30 June 2025	1	1	1500000	Technical Services	Signed Monthly Report by the HOD/Practical Completion Certificate/	A

Indicator No	Indicator	Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Annual Target (2024/25)	Revised Target (2024/25)	Actual Achieved (2024/25)	Budget	Responsible Department	Portfolio of Evidence	Annexure
															completion Certificate	
BS15.1.1	Construction of the Glencoe Cemetery	0.2	0.87	0.4	0.9	0.9	0.92	1	1	100% completion by 30 June 2025	1	1	5346160	Technical Services	Signed Monthly Report by the HOD /Practical Completion Certificate/ completion Certificate	B
BS16.1.1.	Refurbishment of KwaThelaphi Road	n/a		n/a		0.6	1	1	1	100% completion by 30 June 2025	1	1	R4, 224, 999.23	Technical Services	Signed Monthly Report by HOD/ Practical Completion certificate /Completion Certificate	C
BS17.1.1	Refurbishment of Bulwer Street	n/a		n/a		0.6	0.53	1	1	100% completion by 30 June 2025	1	1	R2, 174, 99.83	Technical Services	Signed Monthly Report by HOD/ Practical Completion certificate /Completion Certificate	D
BS18.1.1	Kunene Craydom Farm Electrification Phase 2 for 200 connections	0.15	0.05	0.3	0.15	0.3	0.31	0.6	0.61	infrastructure outlay for 200 households completed and ready for ESKOM energising	0.6	0.61	9559000	Technical Services	Signed Monthly Report by the HOD/Practical Completion Certificate/ completion Certificate	E

Indicator No	Indicator	Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Annual Target (2024/25)	Revised Target (2024/25)	Actual Achieved (2024/25)	Budget	Responsible Department	Portfolio of Evidence	Annexure
										with construction at 60%						
BS19.1.1	Kunene Craydom Farm Electrification Phase for 278 connections	n/a		n/a		n/a		1	1	infrastructure outlay for 278 households completed and ready for ESKOM energising construction at 100%	1	1	R 2 623 928,55	Technical Services	Signed Monthly Report by the HOD /Practical Completion Certificate/ completion Certificate	F
BS20.1.1.	Buyaphile/ Fankomo Electrification Phase 2 for 38 Connections	n/a		n/a		n/a		0.3	0.31	infrastructure outlay for 38 households completed and ready for ESKOM energising with construction at 30%	0.3		3040043.84	Technical Services	Signed Monthly Report by the HOD /Practical Completion Certificate/ completion Certificate	G
BS21.1.1	Total number of formal households & business areas with access to	33,271(Households - 32,124 and Busine	33.285	33,271(Households - 32,124 and Busine	33.285	33,271 (Households - 32,124 and	33.285	33,271 (Households - 32,124 and Business	33.31	33,285 (Households - 32,124 and Businesses - 1,161)	n/a	n/a	N/A	Community Service	Copy of the Monthly Supplementary Valuations ,Weekly Schedules,	H

Indicator No	Indicator	Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Annual Target (2024/25)	Revised Target (2024/25)	Actual Achieved (2024/25)	Budget	Responsible Department	Portfolio of Evidence	Annexure
	refuse removal once a week	sses - 1,161)		sses - 1,161)		Businesses - 1,161)		es - 1,161)							Refuse truck tracker	
BS22.1.1	Percentage to curb electrical losses as per NERSA by 30 Jun 2025	0.35	0.41	0.25	0.3	0.25	0.26	0.2	0.41		0.2	0.41	N/A	Technical Services	Signed Monthly Report and electricity statistics spreadsheet	I

3.2.3. Local Economic Development

3.2.3.1. Enhance Endumeni' s Local Economic Development

Indicator No	Indicator	Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Annual Target (2024/25)	Revised Target (2024/25)	Actual Achieved (2024/25)	Budget	Responsible Department	Portfolio of Evidence	Annexure
LED1.1.1	Review of the Implementation Plan for the LED strategy and adopted by council by 30 June 2025	n/a		n/a		n/a		2025-06-30		2025-06-30	n/a	n/a	n/a	Planning & Economic Development Department	Council Resolution	J,K
LED1.1.2	Number of Support Workshops for the SMME's	n/a		2	2	n/a		2	2	4	n/a	n/a	n/a	Planning & Economic Development Department	Attendance Registers	

Indicator No	Indicator	Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Annual Target (2024/25)	Revised Target (2024/25)	Actual Achieved (2024/25)	Budget	Responsible Department	Portfolio of Evidence	Annexure
	held by 30 June 2025															
LED1.1.3	Number of Emerging Farmers Support Workshops held by 30 June 2025	n/a		1		n/a		1	1	2	n/a	n/a	n/a	Planning & Economic Development Department	Attendance Registers	L
LED1.1.4	Number of the Social Labour Plans Management Reports submitted to the Planning and Economic Development Portfolio Committee by 30 June 2025	1	1	1	1	1	1	1	1	4	n/a	n/a	n/a	Planning & Economic Development Department	Minutes of the Planning and Economic Development Portfolio Committee	M
LED1.1.5	Number of reports prepared on Public Private Partnerships and submitted to the Planning and Economic Development Portfolio	1	1	1	1	1	1	1	1	4	n/a	n/a	n/a	Planning & Economic Development Department	Minutes of the Planning and Economic Development Portfolio Committee	N

Indicator No	Indicator	Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Annual Target (2024/25)	Revised Target (2024/25)	Actual Achieved (2024/25)	Budget	Responsible Department	Portfolio of Evidence	Annexure
	Committee by 30 …															
LED1.1.6	Land Investment profile prepared and submitted to the EM: PED by 30 June 2025	n/a		n/a		n/a		2025-06-30		2025-06-30	n/a	n/a	n/a	Planning & Economic Development Department	Land Investment Profile Report and Confirmation of Receipt by the EM: PED	O

3.2.3.2. Increase Job Creation

Indicator No	Indicator	Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Annual Target (2024/25)	Revised Target (2024/25)	Actual Achieved (2024/25)	Budget	Responsible Department	Portfolio of Evidence	Annexure
LED 2.1.1	Number of jobs to be created through the implementation of the capital projects by 30 June 2025	n/a		0.45	34	40	50	70		70 jobs to be created through the implementation of the capital projects by 30 June 2025	0.7		n/a	Technical Services	Spreadsheet of the Jobs Created	P

3.2.4. Good Governance & Public Participation

3.2.4.1. Improve Functionality of Municipal Oversight Committees

Indicator No	Indicator	Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Annual Target (2024/25)	Revised Target (2024/25)	Actual Achieved (2024/25)	Budget	Responsible Department	Portfolio of Evidence	Annexure
GG2.1.1	Number of Audit/ Performance Audit Committee Meetings held per annum	1	1	1	1	1	2	1	1	4	n/a	n/a	R200.000.00	Office of the Municipal Manager	Minutes / Attendance Registers	Q
GG2.2.1	Number of the Council Meetings held per annum	1	1	=	1	1	1	1	1	4	n/a	n/a	n/a	Corporate Services	Notice / Agenda	R
GG2.2.2	Number of the EXCO meetings held per annum	3	3	3	2	3	3	3	3	11	n/a	n/a	n/a	Corporate Services	Notice / Agenda	S
GG2.2.3	Number of the MPAC meetings held per annum	1	1	1	0	1	1	1	1	4	n/a	n/a	n/a	Corporate Services	Notice / Agenda	T

3.2.4.2. Development of a Credible IDP

Indicator No	Indicator	Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Annual Target (2024/25)	Revised Target (2024/25)	Actual Achieved (2024/25)	Budget	Responsible Department	Portfolio of Evidence	Annexure
GG4.1.1	No. of IDP & Budget consultative meetings held with the	n/a		n/a		n/a		7	7	7	n/a	n/a	R 300,000.00	Planning & Economic Development Department	Agenda / Attendance Register	U

	Community, stakeholders and Civic Associations by 31 May 2025															

3.2.4.3. Improving Reporting Systems

Indicator No	Indicator	Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Annual Target (2024/25)	Revised Target (2024/25)	Actual Achieved (2024/25)	Budget	Responsible Department	Portfolio of Evidence	Annexure
GG5.1.1	Date the 2024/2025 Adjustment Budget adopted by Council	n/a		n/a		2025-02-28	2025-03-07	n/a		2025-02-28	n/a	n/a	n/a	Budget and Treasury Office	Council Resolution	V
GG5.1.2	Date the 2025/2026 Draft Budget approved by Council	n/a		n/a			2025-03-31	n/a		2025-03-31	n/a	n/a	n/a	Budget and Treasury Office	Council Resolution	W
GG5.1.3	Date the 2025/2026 Final Budget adopted by Council	n/a		n/a		n/a		2025-05-31	2025-05-31	2025-05-31	n/a	n/a	n/a	Budget and Treasury Office	Council Resolution	X,Y,Z

3.2.4.4. Good Governance & Public Participation

Indicator No	Indicator	Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Annual Target (2024/25)	Revised Target (2024/25)	Actual Achieved (2024/25)	Budget	Responsible Department	Portfolio of Evidence	Annexure
GG6.1.1.	% of AG Queries Cleared as per	60-90%	60-90%	60-90%		60-90 %	60-90%	60-90 %	1	60-90%	n/a	n/a	n/a	Technical Services	AG Action plan	

Indicator No	Indicator	Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Annual Target (2024/25)	Revised Target (2024/25)	Actual Achieved (2024/25)	Budget	Responsible Department	Portfolio of Evidence	Annexure
	the AG action plan by 30 June 2025															
GG7.1.1	% of Risk Mitigation strategies implemented by 30 June 2025	n/a		0.5	1	0.75	0.75	1	1	1	1	1	n/a	Technical Services	Risk Management report	
GG8.1.1	No of the monthly Mechanical Reports submitted to the Director: Technical Services by 30 June 2025	3	3	3	3	3	n/a	3	n/a	12	12	n/a	n/a		Signed Mechanical report by the director: Technical Services	A

3.2.5. Financial Viability

3.2.5.1. Improved budget implementation in the municipality

Indicator No	Indicator	Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Annual Target (2024/25)	Revised Target (2024/25)	Actual Achieved (2024/25)	Budget	Responsible Department	Portfolio of Evidence	Annexure
FV1.1.1	Percentage of the capital expenditure and budget implementation	0.25	0.65	0.95	0.44	0.95	0.21	0.95	0.9	0.95	n/a	n/a	n/a	Budget and Treasury Office (ONLY FOR	Monthly Reports SHOWING	B

Indicator No	Indicator	Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Annual Target (2024/25)	Revised Target (2024/25)	Actual Achieved (2024/25)	Budget	Responsible Department	Portfolio of Evidence	Annexure
	(actual capital expenditure/budget capital expenditure x 100)													BTO) OTHER DEPTS BE SEPARATELY REPORTED	DEPARTMENTAL PERFORMANCE	
FV1.2.1	Percentage of the operating expenditure and budget implementation (actual operating expenditure/budget operating x 100)	0.2	0.93	0.4	0.5	0.65	0.68	1	1.1	1	n/a	n/a	n/a	Budget and Treasury Office (ONLY FOR BTO) OTHER DEPTS SHOULD BE SHOWN SEPARATELY	Monthly Reports (SHOWING DEPARTMENTAL PEROFRMANCE)	C
FV1.3.1	Percentage service charges and property rates revenue budget implementation (actual service charges and property rates revenue/budget service...	80%-95%	1.01	80%-95%	0.44	80%-95%	0.9	1	0.82	80%-95%	n/a	n/a	n/a	Budget & Treasury Office	Monthly Revenue Collection Reports	D
FV1.4.1	Review of the budget related policies (Assets management Policy Budget Policy Cash management and Investment Policy	n/a		n/a		n/a		2025-05-31	n/a	2025-05-31	n/a	n/a	n/a	Budget and Treasury Office	Proof of submission of policies (Council agenda extract)	E

Indicator No	Indicator	Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Annual Target (2024/25)	Revised Target (2024/25)	Actual Achieved (2024/25)	Budget	Responsible Department	Portfolio of Evidence	Annexure
	Consumer Deposits Policy…															

3.2.5.2. To ensure effective implementation of billing and customer care through improvement of collection rate

Indicator No	Indicator	Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Annual Target (2024/25)	Revised Target (2024/25)	Actual Achieved (2024/25)	Budget	Responsible Department	Portfolio of Evidence	Annexure
FV1.6.1	DEBTORS MANAGEMENT - Collection Rate Formula : (Gross Debtors Opening Balance + Billed Revenue - Gross Debtors Closing Balance - Bad Debts…	80% - 95% Collection Rate	0.79	80% - 95% Collection Rate	0.85	80% - 95% Collection Rate	0.77	80% - 95% Collection Rate	0.88	80% - 95%	n/a	n/a	n/a	Budget & Treasury Office	Monthly Revenue Collection Reports	F

3.2.5.3. To achieve profitability and liquidity ratios

Indicator No	Indicator	Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Annual Target (2024/25)	Revised Target (2024/25)	Actual Achieved (2024/25)	Budget	Responsible Department	Portfolio of Evidence	Annexure

FV1.7.1	Cash/Cost Cverage Ratio	1 - 3 months	0.46	1 - 3 months	1-38 months	1 - 3 months	1,02 months	1 - 3 months	0,69 months	1 - 3 months	n/a	n/a	n/a	Budget & Treasury Office	Monthly Cash coverage Reports	G
FV1.7.2	Current Ratio	1.5 - 2.1%	0.43	1.5 - 2.1%	0.55	1.5 - 2.1%	0,61:1	1.5 - 2.1%	0,55:1	1.5 - 2.1%	n/a	n/a	n/a	Budget & Treasury Office	Monthly Reports	H,I

3.2.5.4. To Obtain Improved Audit Opinion

Indicator No	Indicator	Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Annual Target (2024/25)	Revised Target (2024/25)	Actual Achieved (2024/25)	Budget	Responsible Department	Portfolio of Evidence	Annexure
FV1.8.1	Audit report from AG obtained	n/a		Unqualified Audit report		n/a		n/a		Unqualified Audit report	n/a	n/a	n/a	Budget and Treasury Office	Audit Report from the Auditor General	
FV1.8.2	Date of submission of annual financial statements to the Auditor General	n/a		2024-08-31 00:00:00	2024-08-31 00:00:00	n/a		n/a		2024-08-31 00:00:00	n/a	n/a	n/a	Budget and Treasury Office	Proof of submission to the Auditor General	J

3.2.5.5. Compliance with The SCM Policies

Indicator No	Indicator	Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Annual Target (2024/25)	Revised Target (2024/25)	Actual Achieved (2024/25)	Budget	Responsible Department	Portfolio of Evidence	Annexure

FV1.9.1	Creditors Payment Period	30 days	6,42 days	30 days	12228 days	30 days	1973 days	30 days	623 days	30 days	n/a	n/a	n/a	Budget & Treasury Office	Monthly Creditors Reports	K

3.2.5.6. Improved Asset Management

Indicator No	Indicator	Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Annual Target (2024/25)	Revised Target (2024/25)	Actual Achieved (2024/25)	Budget	Responsible Department	Portfolio of Evidence	Annexure
FV1.10.1	Asset register updated on a monthly basis and report submitted to the CFO	3	3	3	3	3	3	3	3	12	n/a	n/a	n/a	Budget and Treasury Office	Fixed Asset Register	L
FV1.10.2	No of asset annual verification conducted by 30 June 2025	n/a		n/a		n/a		2	2	2	n/a	n/a	n/a	Budget and Treasury Office	Annual Verification Report	M

3.2.5.7. To Ensure Sound Financial Management Systems

Indicator No	Indicator	Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Annual Target (2024/25)	Revised Target (2024/25)	Actual Achieved (2024/25)	Budget	Responsible Department	Portfolio of Evidence	Annexure
FV1.12.1.1	Bank reconciliations completed on a monthly basis	3	3	3	3	3	3	3	3	12	n/a	n/a	n/a	Budget & Treasury Office	Monthly Bank Reconciliation Reports	N
FV1.11.3	Date of submission of the Section 72 Report to Council	n/a		n/a		2026-01-31 00:00:00	2025-01-31 00:00:00	n/a		2025-01-31 00:00:00	n/a	n/a	N/A	Budget and Treasury Office	Council Resolution	P,Q

3.2.5.8. To Ensure the Functionality of the Oversight Committees of Council

Indicator No	Indicator	Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Annual Target (2024/25)	Revised Target (2024/25)	Actual Achieved (2024/25)	Budget	Responsible Department	Portfolio of Evidence	Annexure
FV1.12.1	Number SCM quarterly reports and section 52 report submitted to the Council Committees (ExCo, Council, MPAC and Performance Audit Committee...	1	1	1	1	1	1	1	1	4	n/a	n/a	n/a	Budget and Treasury Office	Minutes of the Council Committees	

3.2.6. Cross-cutting

3.2.6.1. Efficient and Credible Strategic & Spatial Municipal Planning

Indicator No	Indicator	Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Annual Target (2024/25)	Revised Target (2024/25)	Actual Achieved (2024/25)	Budget	Responsible Department	Portfolio of Evidence	Annexure
CC1.1.1	% IDP credibility ranking achieved	n/a		n/a		0.75	0.65	n/a		0.75	n/a	n/a	n/a	Planning & Economic Development Department	MEC letter; Assessment Outcome	R
CC1.1.2	Date IDP, Budget and PMS Process Plan adopted by Council	2024-08-31 00:00:00	2024-08-31 00:00:00	n/a		n/a		n/a		2024-08-31 00:00:00	n/a	n/a	n/a	Planning & Economic Development Department	Council Resolution	S
CC1.1.3	Date the 2025/2026 Annual Strategic Planning Session held	n/a		n/a		2025-03-31 00:00:00		n/a		2025-03-31 00:00:00	n/a	n/a	R 200,000.00	Planning & Economic Development Department	Agenda / Attendance Register	T
CC1.1.4	Date Draft 2025/26 IDP Review approved by Council and submitted to COGTA	n/a		n/a		2025-03-31 00:00:00	2025-03-31 00:00:00	n/a		2025-03-31 00:00:00	n/a	n/a	n/a	Planning & Economic Development Department	Council Resolution / Acknowledgement of Receipt from COGTA	U

Indicator No	Indicator	Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Annual Target (2024/25)	Revised Target (2024/25)	Actual Achieved (2024/25)	Budget	Responsible Department	Portfolio of Evidence	Annexure
CC1.1.5	Date Final 2025/26 IDP Review adopted by Council and submit to COGTA	n/a		n/a		n/a		2025-06-30 00:00:00	2025-06-30 00:00:00	2025-06-30 00:00:00	n/a	n/a	n/a	Planning & Economic Development Department	Council Resolution / Acknowledgement of Receipt from COGTA	V

3.2.6.2. Improved Spatial Development Framework

Indicator No	Indicator	Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Annual Target (2024/25)	Revised Target (2024/25)	Actual Achieved (2024/25)	Budget	Responsible Department	Portfolio of Evidence	Annexure
CC2.1.1	Review of the Spatial Implementation Plan for the Spatial Development Framework and adopted by Council by 30 June 2025	n/a		n/a		n/a				2025-06-30 00:00:00	n/a	n/a	n/a	Planning & Economic Development Department	Council Resolution	W
CC2.1.2	Date of Finalisation of the SPLUMA Development Application for Rem Erf 2291	n/a		n/a		2025-03-31 00:00:00		2025-06-30 00:00:00		2025-03-31 00:00:00	n/a	n/a	n/a	Planning & Economic Development Department	Record of Decision	X,Y,Z

Indicator No	Indicator	Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Annual Target (2024/25)	Revised Target (2024/25)	Actual Achieved (2024/25)	Budget	Responsible Department	Portfolio of Evidence	Annexure
	Sibongile by the Municipal Planning Tribunal															
CC2.1.3	Amendment of the Endumeni Singular Land Use Scheme and adopted by Council by 31 December 2024	n/a		2024-12-31 00:00:00		n/a		n/a		2024-12-31 00:00:00	n/a	n/a	n/a	Planning & Economic Development Department	Council Resolution	
CC2.1.4	No of the meetings of the Municipal Planning Tribunal held by 30 June 2025	n/a		1		n/a		1	NO POE	2	n/a	n/a	R 100,000.00	Planning & Economic Development Department	Attendance Register / Minutes	

3.2.6.3. To Ensure the functionality of the Municipality Estates Services.

Indicator No	Indicator	Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Annual Target (2024/25)	Revised Target (2024/25)	Actual Achieved (2024/25)	Budget	Responsible Department	Portfolio of Evidence	Annexure
.CC4.1.1	Date of Review of the Municipal Old Leases to be Market Related	n/a		n/a		2025-06-30 00:00:00	NO POE	2025-06-30 00:00:00		2025-06-30 00:00:00	n/a	n/a		Planning & Economic Development Department	Council Resolution	A
.CC4.1.2	Disposal of Ptns 7 - 9 of Erf 1342 Glencoe	n/a		n/a		2025-06-30 00:00:00	NO POE	2025-06-30 00:00:00		2025-06-30 00:00:00	n/a	n/a	n/a	Planning & Economic	Copies of Agreements of Sale	B

	for the filling station and retail development purposes													Development Department		
.CC4.1.3	Disposal of Vacant Immovable Properties	n/a		n/a		2025-06-30 00:00:00	NO POE	2025-06-30 00:00:00		2025-06-30 00:00:00	n/a	n/a	n/a	Planning & Economic Development Department	Copies of Agreements of Sale	C
.CC4.1.4	Date Supplementary valuation roll compiled on an annual basis	n/a		n/a				2025-06-30 00:00:00	2025-06-30 00:00:00	2025-06-30 00:00:00	n/a	n/a	R 1300,000.00	Planning & Economic Development Department	Copy of the Supplementary Valuation roll / Acknowledgement of receipt by the Municipal Manager	D

3.3. Service Delivery Challenges

The municipality experienced some financial challenges in the 2024/25 financial year which resulted in some service delivery KPI's not being met. Under the Technical Services Department the following challenges were identified together with the measures taken to address these in the short to long term bases:

1. **Access roads**
   Inability to adequately maintain rural access roads due to lack of yellow fleet.

2. **Aging revenue generation infrastructure**
   Due to the lack of financial resources, the municipality has not been able to fully implement the recommendations of the electricity master plan conducted in 2020 by the Development Bank of South Africa which indicated that the municipality will require in excess of R500 million to fully refurbish its electrical infrastructure.

3. **Climate change**
   The rise of climate change has negative impact on the municipality's roads network. As a result, the municipality has experienced numerous disasters during the period of 2022/2023, 2023/2024 and 2024/2025 financial years.

4. **Budget allocation**
   The municipality is experiencing financial constraints and thus is unable to budget for its infrastructure maintenance as per norms and standards as issued by National Treasury of 8% of the revenue budget of the municipality.

5. **Cable theft**
   The municipality has experienced a number of electrical cables which were stolen resulting in unplanned electricity disruptions increased expenditure in emergency procurement.

3.3.1. Measures Taken to Improve Performance

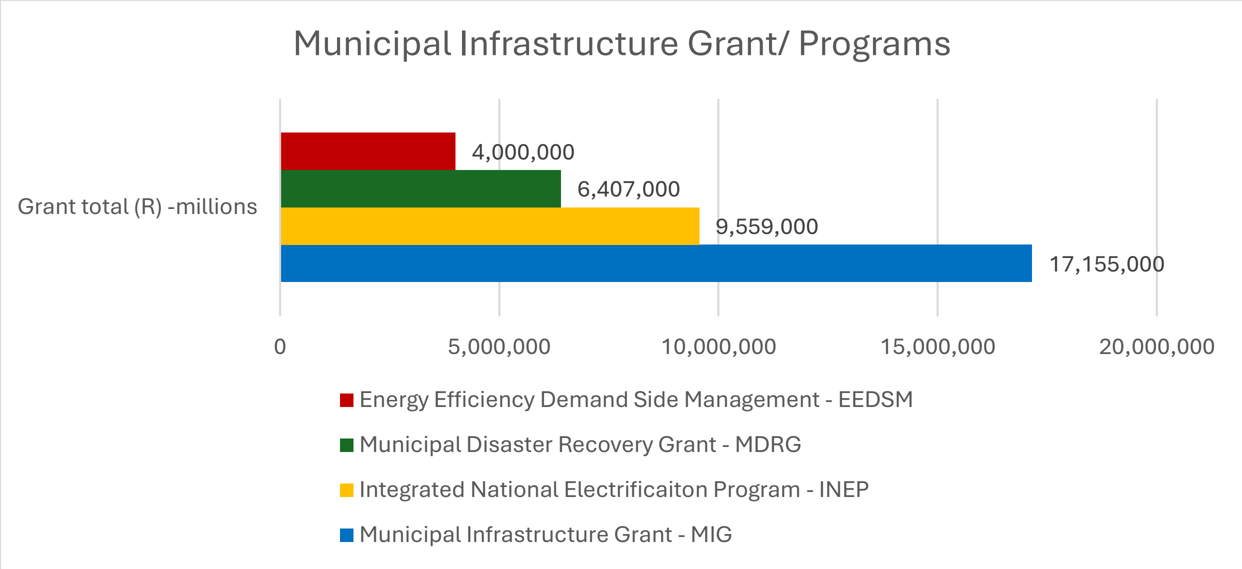
1. **Improved Budget Allocation for Operations and Capital Projects**
   Provision has been made for sufficient budgetary support to cover operational costs and capital expenditure, including the procurement of yellow plant machinery and the recruitment of critical staff.

2. **Investment in Infrastructure Refurbishment**
   Dedicated budget has been allocated towards the renovation and upgrading of municipal facilities such as libraries, community halls, and other public buildings to ensure safety, accessibility, and improved service delivery.

3. **Business plans have been submitted to the Electricity and Energy Department**
   Submitted for provision of alternative (solar) electrification for deep rural households to ensure that the municipality achieves universal access.

3.4. Infrastructural Funding Structures for the 2024/25 Financial Year:

For the 2024/25 financial year the municipality was funded by various departments for infrastructure improvements with the total grant allocation for capital projects as follows:



3.4.1. 2024/25 Implemented Projects

The implemented projects for the 2024/25 financial year as per the Service Delivery and Budget Implementation Plan (SDBIP) with their achievements are reflected on the table below:

	Project Name	2024/25 Budget Allocation	Status at 30 June 2025
Ward 1	Construction of 6,22 km x 6m wide New Kwa Sithole Gravel Road	R251 890	Project pre-engineering stages completed
	Construction of 3,11 km x 6m wide Herodi Gravel Road	R6 706 556	Project construction completed
Ward 2	Resurfacing of Argyle Street	R3 100 000	Project construction at 75%
Ward 3	Construction of Marikana Asphalt Road	R1 304 637	Project construction completed
	Rehabilitation of Sithembile Sports Facility	R715 112	Project construction completed
Ward 4	Construction of 1.13 km x 6m wide Dlamini Gravel Road	R3 034 220	Project construction completed
	Refurbishment of Dean Mohamed Lane	R1 800 000	Project construction completed
	Construction of 1.13 km x 6m wide Dlamini Gravel Road	R3 034 220	Project construction completed

Ward	Project Name	2024/25 Budget Allocation	Status at 30 June 2025
Ward 5	Refurbishment of Nyembe Street	R1 500 000	Project construction completed
Ward 5	Buyaphile / Fankomo Electrification Phase 2 for 38 connections	R3 040 044	Project construction at 38%
Ward 7	Construction of the Glencoe Cemetery	R4 284 827	Project construction completed
Ward 7	Kunene Craydom Farm Electrification Phase 1 for 278 connections	R2 623 928	Project construction completed
Ward 7	Kunene Craydom Farm Electrification Phase 2 for 200 connections	R6 825 484	Project construction at 61%
Ward 3&6	Retrofitting of streetlight with LED lights	R4 000 000	Project construction completed

3.5. Addressing Service Delivery Challenges

Gravel Access Roads Rehabilitation

Affected Wards	Ward 1 | Ward 5 | Ward 6 | Ward 7
Details • An estimated 120km of gravel access roads requires rehabilitation. • Adverse climate conditions resulting in heavy rain which damages infrastructure. • Unavailability of yellow plant required to adequately maintain gravel roads; • High cost of hiring machinery for roads rehabilitation. • Minimal budget allocation for capital projects and maintenance requirements.	
Solutions • Procurement of yellow plants to address the maintenance of gravel access roads; • Propose budget increase to be in line with National Treasury norm of 8% for infrastructure maintenance; • Request for assistance from provincial departments (KZN DoT and KZN CoGTA)	

Asphalt urban roads rehabilitation, pothole repairs and stormwater management systems

Affected Wards	All Wards
Details • An estimated 150km of asphalt roads require rehabilitation and some require complete upgrade; • Adverse climate conditions resulting in heavy rain which damages infrastructure; • Minimal budget allocation for capital projects and maintenance requirements; • Blocked stormwater management systems as a result of foreign material; • Increased number of heavy trucks driving on residential roads;	
Solutions • Propose budget increase to be in line with National Treasury norm of 8% for infrastructure maintenance;	

- Customer education and awareness campaigns on proper disposal of waste in order to safeguard stormwater managements systems;
- Engagement with mines on the review of SLP’s in order to have more infrastructure impactful projects (roads rehabilitation).

Electrical infrastructure upgrades, revenue protection and streetlight maintenance

Affected Wards	All Wards
Details • High electricity losses due to aging infrastructure; • High amount of non-purchasing customers for electricity consumption; • Vandalism and theft of electrical infrastructure; • Non-alignment of bulk electricity tariffs with Eskom imposed tariffs;	
Solutions • Complete the rollout of smart meter installation and ensure adequate monitoring; • Engagement with Eskom on the Distribution Agency Agreement; • Engagement with SALGA on the review of Cost of Supply Study; • Motivation for the changing of streetlights to solar streetlights through MIG to avert cable theft	

CHAPTER 4: Community Social Services

4.1. Expanded Public Works Programme (EPWP)

The National Department of Public Works had allocated **R1 561 000.00** funds to the Municipality for EPWP in which the beneficiaries were allocated as follows: -

- Street Cleaning (10) beneficiaries,
- Parks and Gardens (10) beneficiaries,
- Electrical Works (10) beneficiaries,
- Ward Based Disaster Volunteers (14) beneficiaries,
- Parking Meter Attendants (trained to be Peace Officer) (07) beneficiaries,
- Storm water drain, (14) beneficiaries, and
- Cemetries (12) beneficiaries.

4.2. Environment and Waste Management

4.2.1. Refuse Removal/ Collection

Refuse collection has increased to approximately 86% of coverage of all the urban, formal areas within the municipality. The remaining percentage of approximately 13 being in rural areas include farms and certain informal settlements. The total tonnage of incoming waste at the landfill site was 10 878 tons and the total tonnage for the recyclable material was 1031 tons.

Challenges

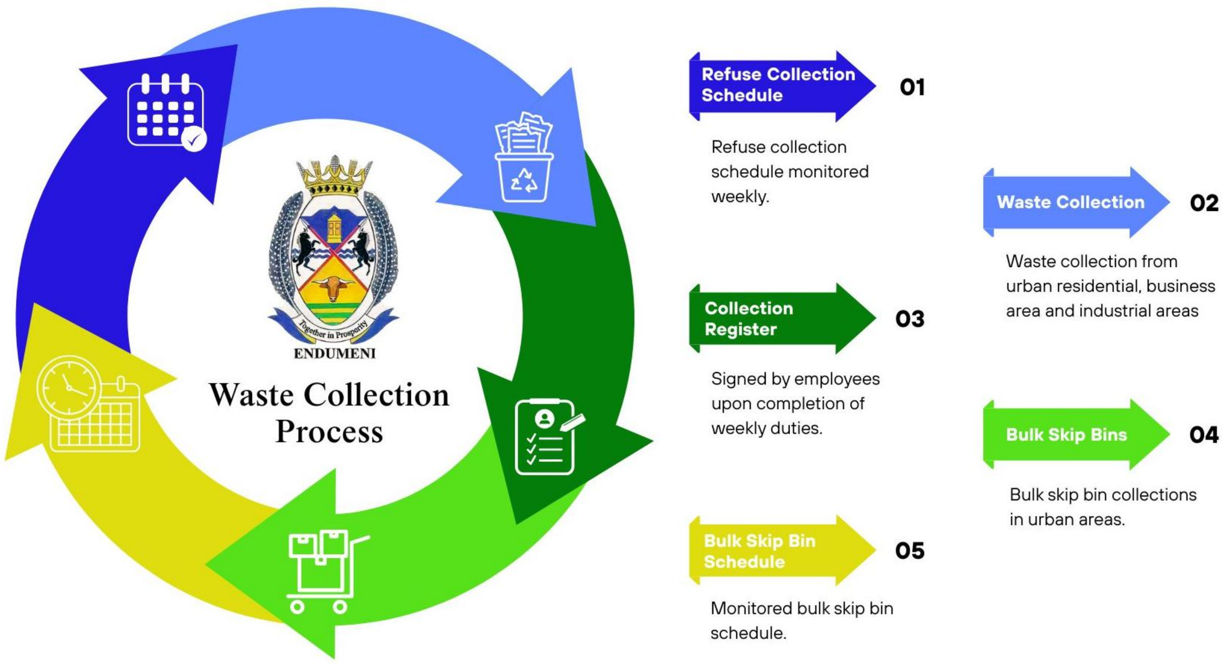
1. Truck breakdowns
2. Personnel shortage
3. Illegal dumping in both residential & Public open spaces
4. Availability of honey suckers for leachate management at the landfill site
5. No formal agreements between the municipality and waste pickers as well as recycling companies

4.2.1. Refuse collection

Refuse collection has been introduced and conducted in certain informal and rural areas such as Stratford farm, Kunene farm, Ebusi Village and Kameelkop where bulk skip bins are placed along the main access road for residents. These bulk skip bins are collected by refuse compactor trucks as and when the need arises.

4.2.2. Refuse Collection process

The municipality has a refuse collection schedule which is monitored on a weekly basis. 1. The schedule incorporates the 2. removal of waste from urban residential, business areas as well as industrial areas. 3. There is a collection register that is signed by employees upon completion of their weekly duties. 4. There is also refused collection of bulk skip bins in urban areas that is monitored by a 5. bulk skip bin collection schedule.



Street Cleaning

Provided daily in the major urban nodes, Dundee and Glencoe Central District (CBD) areas, and is monitored through the cleaning schedule register that is signed by employees upon completion of their duties.

4.2.3. Landfill Site

The Endumeni local municipality has a licensed landfill site that sorts and disposes household waste in a sustainable manner. The Glencoe solid landfill site accepts only general domestic and commercial waste.

Operations and Compliance Status Recognitions

- Rated as the best operated landfill by government departments such as EDTEA.
- It has also attracted the attention of other municipalities; who have visited the Glencoe landfill site for benchmarking purposes.
- SALGA has also invited Environment and Waste section in their workshops for peer learning purposes.

Glencoe Solid Landfill

The Glencoe solid landfill site is managed and operated internally by the Environmental and Waste department of the municipality. There have been internal, external audits and water monitoring audits conducted at the site.

There are regular service and necessary repairs to the weighbridge. The weighbridge has an alternative energy supply, to ensure that there are no interruptions during ESKOM loadshedding schedule. The municipality is responsible for the full operations including the leachate management system and ensuring meeting all compliance requirements.

4.2.4. Challenges in Waste Collection and Implementation of The Integrated Waste Management Plan

Long turnaround times for truck repairs

Challenges due to the SCM regulations which need to be followed for compliance.

Under-resourced landfill site
Insufficient tools of trade in the landfill site including a permanent based yellow plant at the landfill site.

Illegal dumpsites/ hotspots
The number of illegal dumpsites or hotspots identified in the 2024/25 financial year was eighty-four (84). The municipality tried to mitigate this challenge by fixing prohibition signage on vacant urban municipal sites, where illegal dumping is prevalent; however, the challenge is the signage areas being stollen for scrap.

Limitation to implement the municipal Integrated Waste Management Plan (IWMP)
Due to lack of funding for the establishment of the Buy-back center as well as the establishment of the licensed transfer station.

Mitigation steps

- Peace Officers were appointed under Traffic and Law enforcement, where they will be enforcing all municipal by-laws, which will enhance compliance of illegal dumping and other negative impacts on the environment in the urban areas.
- The reporting template on the IWMP is being developed by the Department of Economic Development, Tourism and Environment Affairs

4.3. Disaster Fire and Rescue Management Services

The Disaster Management Act, Act No. 57 of 2002, Section 43 outlines and requires all spheres of government, all sector departments, communities, and businesses working together to reduce the risk of disasters and to ensure that arrangements are in place to minimize the impact of disasters within the community. It is for this reason that local governments have their own arrangement in terms of mitigation, prevention, responding and recovering from disasters. As Endumeni Disaster Management has developed its own Disaster Management Plan, as per the regulation, the Disaster Management Team had responded to 157 incidents which include but not limit, fire related incident, weather incline incidents and all other man-made disaster related incident.

Endumeni Municipality has a fully functional Disaster, Fire and Rescue Services Management Unit; that attends to disaster, fire incidents either serious, major, or minor with an intention of providing immediate mitigation and effective response and providing immediate social relief to the vulnerable household when needed. The municipality ensures that all reported disaster-related incidents are attended to in a coordinated approach and given necessary intervention, with key objectives of Disaster Management which include:

i. Fire Compliances Inspection.
ii. Fire Breaks (Preventions) Program.
iii. Disaster Awareness and Preventative Strategies.
iv. Disaster Assessments and Mitigation Strategies.
v. Climate Change related initiatives, programs, and Awareness.
vi. Emergency Rescue Services Coordination.

4.3.1. Endumeni Disaster Management Centre

Endumeni Disaster Management Center is sharing office space with uMzinyathi District Municipality Disaster Management Center which is a 24/7 operational center. Both disaster management centers are responsible for attending emergency calls and ensuring effective response by the Fire & Rescue services through its communication system.

4.3.2. Endumeni Disaster Management Framework

Endumeni Local Municipalities has developed a Disaster Management Framework which is in line with the provincial Disaster Management Framework and the framework has been adopted by the Council and acknowledged by the Provincial Disaster Management Center (PDMC).

As part of the legislative mandate, Endumeni Local Municipality developed its own Disaster Management Plan which was tabled to the Municipal Council, and adopted. The plan is in line with the National and Provincial guidelines which also cover the issues such as Sendai Resolutions, Vision 2030, and proposed developments that will address all disaster risk related issues while bringing development to society.

4.3.3. Disaster, Fire and Rescue Management Institutional Development (State of the Unit)

Endumeni Local Municipality has a Disaster Management unit which makes up 3 permanent employees while there are 14 contract workers. The fire and rescue Services unit is made up of 18 members in total.

Staff Compliment

DISTASTER UNIT		FIRE AND RESCUE SERVICES	
Occupation	**No.**	**Occupation**	**No.**
Disaster officers	2	Chief Fire officer	1

Disaster Manager	1	Shift Leaders	2
EPWP Ward-based volunteers	14	Permanent fire fighters	15
		Acting shift leaders*	2

4.3.4. Tools and Equipment

Endumeni Fire & Rescue Service had three **(3) response Vehicles and one (1) Fire Engine**.

Satellite Response Station

During 2024/25 financial year, Endumeni Fire & Rescue Services began to utilize the old Wasbank Library vacant building as its Satellite Response Station. This makes it effective to respond in the semi-rural areas such as Wasbank and Kwa-Thelaphi.

Recommendation

It is recommended that there must be budget allocation be prioritized to cater for the cost of equipping Wasbank satellite station.

4.3.5. Disaster Volunteers

Disaster volunteers' unit as per disaster management Volunteer regulation 2 of 2010 in support of Section 58 (1) of Disaster Management Act. Disaster Management Volunteers have been active for many years and have played an important role in alleviating the effects of many major incidents and disasters within the municipal jurisdiction.

Endumeni Local Municipality has **fourteen (14) ward-based Disaster Volunteers** recruited through EPWP grant allocation. The ward-based Volunteers had been trained in-house and trained by Provincial Disaster Capacitating program which capacitated them on Disaster, Fire and Rescue issues.

4.3.6. Disaster Interim Shelter

Though it is not the mandate of Disaster Management to build houses, but the two-room interim structure, "Disaster interim houses" were part of an effective response that is on trial. The current interim houses were built over a period of 6 days and gave decent shelter to the disaster victims.

Outcomes of the Disaster Interim Shelter

A very effective approach as the first house built in 2021 for an old woman, remains intact and comfortable for her to stay while waiting for Human Settlement project to be executed.

4.3.7. Disaster Management Grant Allocation

Due to the high level of incidents and infrastructural damage, the Disaster Management Unit managed to secure the following funding.

Amount	Allocation	Status
R 6 407 000	Provincial Disaster Management Centre	Received
R 4 000 000	COGTA	Still awaiting allocation

Over and above the mentioned grant the municipality submitted Disaster-PMU Infrastructure Business Plan for to be granted an additional **R 39 810 850** for roads and all other disaster damaged infrastructure rehabilitation.

4.4. Traffic Law Enforcement

Traffic Law Enforcement function is performed by the municipality in terms of National Road Traffic Act, and related regulations. These pieces of legislation guide the performance of the Traffic Officers, and motorist behavior or conduct on the road.

4.4.1. Issuing of fines and Licenses, Roadblocks and Escorts conducted in 2024/25

During the financial year 2024/25, the following functions were performed by the municipal Traffic Unit:

Function	Quantity	Value
Section 56 fines issued from July 2024 to June 2025	3418	R4 791 500.00
Section 341 fines issued from July 2024 to June 2025	1020	R545 650.00
Number of Roadblocks that was conducted from July 2024 to June 2025	42	Nil
Number of Escorts conducted from July 2024 to June 2025	29	Nil
Number of Application for Learners License	1020	Nil
Number of Application for Drivers License	676	Nil

In addition to the above, joint roadblocks were conducted with other stakeholders namely: RTI, SAPS, and the Municipal Traffic Officers as part of a coordinated effort to combat misbehavior of the motorist.

4.4.2. Implementation of the Total Computer Services (TCS) Contract

During the 2024/25 financial year, the municipality extended the Total Computer Services (TCS) contract, to ensure the enforcement and collection of traffic fines from motorists. In extending the TCS contract the municipality took access to its website (www.viewfines.net).

Benefits of the TCS Contract

- Captures outstanding offenses.
- Includes photographs of any traffic violations.
- Accessible to the public via the website (www.viewfines.net)
- Incorporates the intranet, making it easy for internal processing.
- Quick payment methods accessible to the public.

4.4.3. Other developments within the unit

MOU with the Department of Transport

In order for the municipality to execute the services of issuing motorist licenses, testing drivers and learners a Memorandum of Agreement was entered into with the Department of Transport.

Animal Pounding

The municipality still provides the animal pounding function, for stray livestock with the domestic animals are taken care of by the SPCA.

4.5. Parks, Swimming pools and Sports fields

Endumeni Parks Garden unit looks after the maintenance of the Parks (11 within Endumeni), Swimming pools (2 within Endumeni) and Sports fields (7 within Endumeni)

Parks (11)	Swimming Pools (2)	Sports Fields (7)
• Dundee (7) Glencoe (3) Wasbank (1) • **Maintenance:** Maintained daily. • **Tasks**: Litter, cleaning ablutio facilities, grass cuttign, pruning trees, maintaining park equipment and painting when needed	• Cassim Sibongile Swimming pools • **Maintenance:** Maintained daily	• Oval sports field Kallies sports field Glencoe sports field Sithembile sports field Mpumelelo sports field Wasbank sports field Horse Riding Sports field • **Maintenance:** Maintained daily • **Tasks:** Litter, marking grounds, fixing potholes

Inspections

Inspections are conducted by the relevant supervisors, an inspection report is generated on monthly basis as part of the report presented at the Portfolio Committee.

4.5.1. Challenges

- Shortage of personnel,
- Insufficient tools and
- Machinery,
- Delays in appointments of seasonal workers and
- The recruitment of incompetent brush cutter operators.

4.5.2. Revenue Collection and Maintenance Costs for Parks and Sports Facilities

No. of Quarter	Total Rental Collection on all sport facilities per quarter	Total Cost of all sport facility maintenance per quarter	Total cost of all parks maintained per quarter
Quarter 1			
Quarter 2			
Quarter 3			
Quarter 4			
Annual Totals			

4.6. Cemeteries and Crematoriums

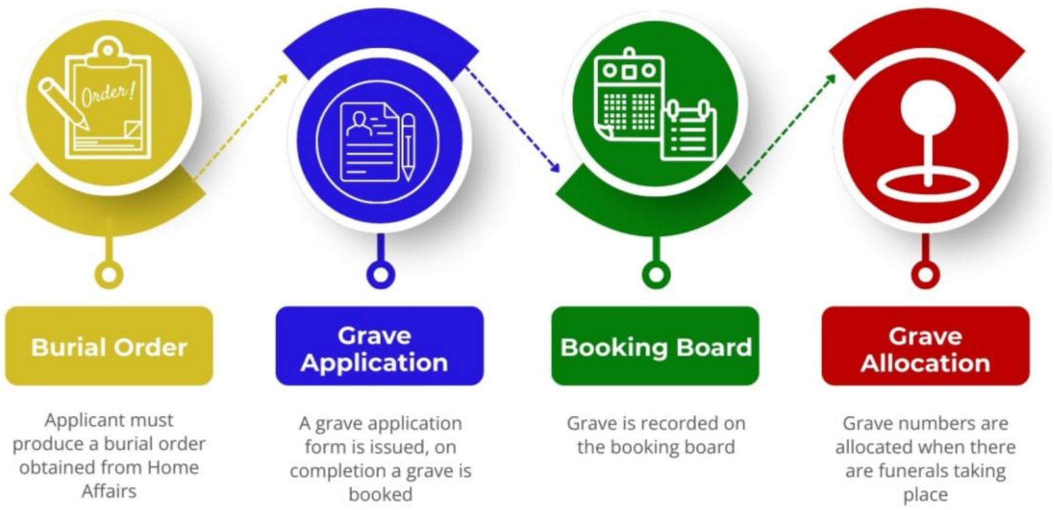
Cemeteries are maintained daily, by scoffing around burial graves, filling sunken burial graves & cutting of grass, which is seasonal. Constant inspection was done by the Supervisor and reported on monthly basis as part of the report presented in the Portfolio Committee. The achievement was the construction of two new cemeteries in Glencoe and in Dundee.

The Endumeni Local Municipality has eight (08) grave sites:

AREA	No.
Dundee	4
Glencoe	3
Wasbank	1

4.6.1. Municipal Gravesite Request Process

The municipality has a target of digging a **+/- ten (10) graves per week.** There is a procedure followed regarding the request of graves.



4.6.2. Establishment of a Crematorium Facility

The municipality held a feasibility study workshop on the establishment of the Crematorium facility; different stakeholders were invited and a visit to the nearest Crematory Facility (Newcastle) was conducted. The municipality must allocate budget to finalize environmental studies and the actual establishment of the crematory facility.

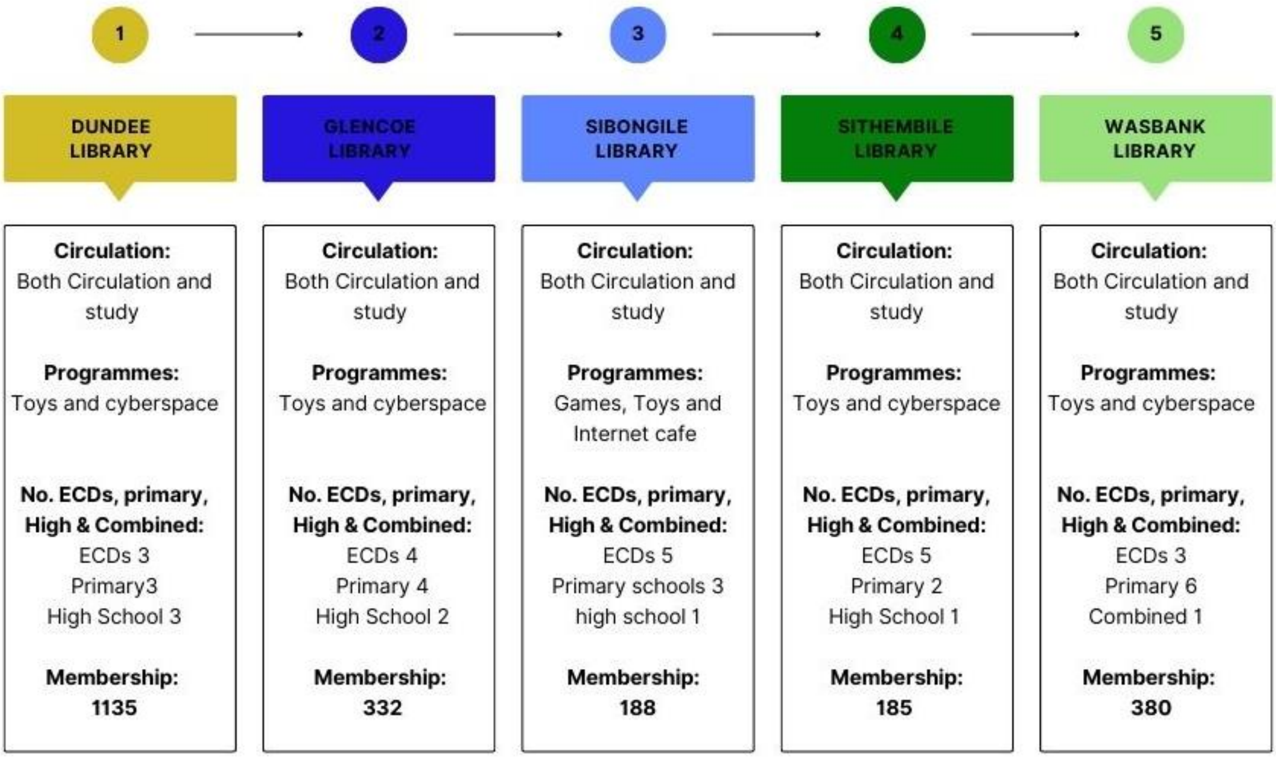
4.6.3. Donations and Revenue Collections

Income	Total
2024/25 Annual revenue collection	
2024/25 Annual donations received	

4.7. Libraries, Archives, Museums and Community Facilities

Endumeni Library Services plays a key role between the municipality and the Public by providing access to information, learning spaces, and community development programmes across Dundee, Glencoe, Sibongile, Sithembile and Wasbank. All libraries function as circulation and study centres, giving residents a safe place to read, study and borrow books. Endumeni libraries support digital inclusion through cyberspace/public computer access (and at some sites, computer classes, internet café services and youth-friendly activities like gaming).

They also strengthen literacy, youth development and education support through holiday programmes (storytelling, reading and learning activities), reading competitions, and career guidance/university application support for learners. In partnership with other stakeholders, they extend social impact through initiatives like Funda Mzansi with the Department of Correctional Services, which promotes reading culture, book clubs and debates.



4.7.1. Promotional Programs offered by Endumeni Library Services

The profile for Endumeni Library service as per library for the financial year 2024/25 are as follows:

Programmes	Activities
Holiday programmes for kids during school holidays	• Storytelling • Reading • Movie time • Face paint • Coloring and related games

Programmes	Activities
In conjunction with the department of correctional Services Book club for Funda Mzansi Programme	• Reading • Coaching for prisoners • Debate sessions
Annual reading competition for Grade 4s in partnership with local schools in conjunction with the Department of Sports, Arts & Culture	• Career guidance • University applications for local high schools.

4.7.2. Libraries in Partnership with Sports Arts and Culture Activity Calendar

DATE	PROGRAMME	OFFICE	PROJECT DESCRIPTION	IMPACT
20 July 2024	Dundee July	Special Programs	Annual Rural Horse Riding	Boost the economy of Dundee and the Tourism sector
30 July 2024	Annual Young men dialogue	Special Programs	Annual Young men dialogue	Boost morals of young men in our society
24 July 2024	GBV+F Walk Awareness	Special Programs	Women's sector and Civil Society were leading this awareness campaign to fight against the GBV and Femicide	Encouraging Women's and children to report any kind of abuse they may come across.
13 – 15 September 2024	Royal Reed Dance	Special Programs	Annual Royal Reed Dance	Encourage young women to respect themselves.
26 January 2025	School Visit	Special Programs	The Mayor of Endumeni local led a School Campaign Drive.	To check the school functionality and the issues affecting the schools that is related to municipality service delivery.
11 February 2025	Matric Excellent Awards	Special Programs	The Mayor award top 10 Matric Learners of Endumeni CMC	To encourage learners to learn.
18 May 2025	Child Protection Month Launch	Special Programs, DSD and Department of Education	Launch of child protection month in preparation for child protection week	Dialogue.
23 May 2025	Golden Games	Special programs/Department of Art, Sport and Cultures/DoH/DsD/GCIS	Senior Citizens Sport Day at Sithembile Township	Promoting healthy lifestyle for Senior Citizens
16 June 2025	Commemoration of June 16	Special Programmes and the office of the Mayor	Commemoration of June 16, 1976	

CHAPTER 5: ORGANISATIONAL DEVELOPMENT PERFORMANCE

The organizational development performance is reported through the SDBIP/APR indicators relating to institutional capacity, performance management, human resource management, information technology systems and other organizational developmental areas, these are all support services. Corporate Services is a department that provides support and gives advice to all other departments taking its mandate from one of the key performance areas, which is municipal transformation and institutional development. In addition, it is the department that looks at the municipality inwardly, by focusing on internal organizational structure, arrangements and processes as well as capacity building programs to foster performance. The Municipality approved the establishment of Corporate Committees such as Employee Wellness, Remuneration and Benefits Committee. The 2024-2025 Workplace Skills Plan (WSP) and Annual Training Report (ATR) were approved by the Council and later submitted to LGSETA. The WSP is intended to capacitate Municipal Councilors in their leadership skills and further their academic careers in the different tertiary institutions. The Workplace Skills Plan (WSP) also enables employees to acquire leadership and management skills and other employees to benefit from career opportunities.

During 2024/2025 financial year, the municipality provided the following opportunities:

Programme Name	In-Service Training	Internship Programme	Bursaries
No of participants	8 – Amajuba TVET College	5 - Endumeni 12 - Pioneer Consulting	0 – Currently no Bursary Programme

5.1. Employee Skills numbers

The implementation of an effective Human Resource Management Strategy and Plan is one of the priorities of the department to ensure that adequate and sufficiently skilled resources are attracted to municipality.

The Corporate Services Department is the 'driving engine' that directs and determines the performance of the municipality such as the Human Resources Development (HRD), Human Resources Management (HRM), Information Communication and Technology (ICT), Administration, Council Support, Registry and Legal Services. Each Unit has a specific function to drive the municipality.

The Endumeni Municipality is operating through the approved policies and has an adopted organogram with a staff complement of **(372 excluding vacant posts)** while on the organogram, the municipality experienced the following

5.1.1. Employee Performance Highlights

Employee Description	No.
Employees enrolled to Municipal Finance Management Programme	25
Employees/ Councillors currently furthering Academic careers through Bursaries	0
Employees enrolled through a municipal bursary scheme	0
Senior Management roles filled	4

5.1.1.2. Other Highlights

- The Employee Wellness Committee was successfully established and is functioning very well.
- The 2024/2025 Organogram was reviewed.

5.1.3. Challenges

5.1.3.1. Labour Relations Matters

Litigation cases

- Litigation instituted by Municipality: Section 106 (2018), SIU and other cases.
- Litigation instituted against Municipality: Quite a few cases for claim of payment.
- Labour court cases: One review application.

Issues:

Budget over expenditure due to abuse of legal vote on labour relations matters and the expired panel of attorneys which leads to irregular appointments of attorneys

5.1.3.2. Inadequate office space (Administration)

- As the organizational structure has expanded, the demand for adequate office space has increased accordingly. Local government has continued to develop, resulting in changes to the working environment and increased service delivery expectations. Endumeni Local Municipality has also experienced significant growth, with the number of citizens increasing substantially since the building was originally constructed in 1976. This matter is therefore of critical importance, as insufficient office space directly impacts employee performance and overall operational efficiency.
- The proposed initiative is to utilize the Glencoe Administration Building by relocating the Planning and Community Services Department. This relocation necessitates renovation and maintenance work. Plans for an additional floor at the Main Civic Building have been drafted, with the next phase being the sourcing of funding for the project.

Mitigation steps

- Review of Human Resources Policies and Human Resources Strategy and Plan.
- Workshop on Policies for Councilors and employees.
- Turnaround time of 3 months in filling a Senior Manager’s vacant posts.
- Monitoring the implementation of Skills Development and Budget.
- Launching the healthy lifestyle event under the Employee Wellness Programme to boost employee morale and productivity.

5.1.4. Policies Reviewed During 2024/25 Financial Year

Reference Keys: Draft = **D** Revised = **R** Adopted = **A**

NO.	POLICY	D | R | A
1.	HUMAN RESOURCE STRATEGY	A
2.	EMPLOYMENT EQUITY POLICY	A
3.	JOB EVALUATION POLICY	A
4.	RECRUITMENT, SELECTION AND APPOINTMENT POLICY	R
5.	ACTING ALLOWANCE POLICY	A
6.	PLACEMENT POLICY	A
7.	TERMINATION OF SERVICE	R
8.	INDIVIDUAL PERFORMANCE MANAGEMENT POLICY	A
9.	SKILLS DEVELOPMENT POLICY (EMPLOYEES)	R
10.	INTERNAL BURSARY POLICY	A
11.	GRIEVANCE RESOLUTION POLICY	A
12.	DISCIPLINARY POLICY	A
13.	INCAPACITY DUE TO ILL HEALTH / INJURY POLICY	A
14.	PPE POLICY	A
15.	PROMOTION AND DEMOTION POLICY	A
16.	OVERTIME & STANDBY ALLOWANCE POLICY	A
17.	LEAVE MANAGEMENT POLICY	R
18.	INTOXICATING SUBSTANCES ABUSE POLICY	A
19.	OCCUPATIONAL HEALTH AND SAFETY POLICY	A
20.	STAFF MEMBER WELLNESS PROGRAMME POLICY	A
21.	HUMAN RESOURCES COMMUNICATION POLICY	A
22.	COUNCILLOR TRAINING AND DEVELOPMENT POLICY	A
23.	CELLPHONE ALLOWANCE POLICY	A
24.	APPOINTMENT OF TEMPORAL ND CONTRACT EMPLOYEES	A
25.	TRANSFER POLICY	A
26.	NEPOTISM POLICY	A
27.	MUNICIPAL BEREAVEMENT POLICY*	Refer to note below
28.	SUCCESSION PLANNING AND CAREER PATH	D

NOTE: *Municipal Bereavement removed for further consultations with Labour Law Forum

5.1.5. Engagements

INITIALS & SURNAME	DESIGNATION	DEPARTMENT	START DATE
AKN DLUNGWANA	DIRECTOR: PLANNING & ECONOMIC DEVELOPMENT	PLANNING	01/06/2025

5.1.6. Status of Contracts/ Temp Employees

The following table outlines status of Contract workers in the employment of Endumeni Municipality to date:

5.1.6.1. Terminations

INITIALS & SURNAME	DESIGNATION	POST ID	DEPARTMENT	DATE POST BECAME VACANT	REASON FOR EXITS
S Ntombela	Municipal Manager	EMM001	Office of the MM	30/05/2025	Resigned
ST Zungu	Tractor Driver: Parks	SAN020	Community	30/06/2025	Pension
BP Msomi	General Worker: NGL Hall	DPH032	Community	30/06/2025	Pension
TC Shelembe	Cashier	FIN039	Finance	30/06/2025	Pension
BG Mhlungu	Youth Officer	EMM016	Office of the MM	07/06/2025	Deceased
SS Mbhele	Snr Traffic Officer		Community	24/06/2025	Deceased

5.1.7. Leave taken

The following table outlines leave taken during June 2025:

LEAVE TYPE	NO. OF DAYS	NO. OF EMPLOYEES
Sick	140	49
Annual/Accumulated	463	101
Special Leave	0	0
Family Responsibility	3	8

5.1.8. Staff Training Conducted

Training Intervention	Who attended	Ongoing / Completed	Conducted By	Cost for training
1. MFMP	Ms SP Khumalo Ms S Barlow Ms K Mbatha Ms S Thango Ms D Makaba Mr S Thakur Ms S Pillay Mrs K Kalicharan Mr M Malinga Ms P Tsotetsi Ms N Luthuli Ms N Ndlovu Ms N Madela Ms P Mazibuko Ms S Thabede Ms T Rheeder Ms S Hlatshwayo Ms DZL Ncala Ms M Zulu Mr NN Nkwanyana Mr SNG Kunene Ms H Khathi Ms N Mosia Ms NP Nkosi Ms F Sibisi	Ongoing	Umqondo Consulting	LGSETA Discretionary Grant
2. PFMA	Mr TP Nkomonde Ms K Zungu Mr M Tusi Mrs N Dladla Mrs LC Khanyi Ms NSM Mlambo Mrs G Simelane Mr N Dube Mr TR Dlamini Mr T Dube Ms LP Lamula Ms R Sohan Ms SS Madela Mr M Adam Mrs N Zwane	Ongoing	Sonani Training	LGSETA Discretionary Grant

Training Intervention	Who attended	Ongoing / Completed	Conducted By	Cost for training
	Ms Z Ntshingila Ms S Africa Mr U Kubeka Mr MV Ntombela Mr MS Ngwenya			
3. ODETDP	Ms NC Mbatha Mr HE Bosman Ms SS Madela Ms NT Mchunu Ms M Vilakazi Mr TJ Ndlovu	Complete	CLTA	LGSETA Discretionary Grant
4. Labour Dispute Resolution Practice Postgraduate Certificate Course	Cllr LB Zulu	Completed	WITS University	Mandatory Grant
5. MFMP	Cllr A Nsibande Cllr M Phakati Cllr P Xaba Cllr M Abdool Cllr A Sadeck Cllr S Kheswa Cllr T Ngcobo Mr W Ndlela Mr PP Ntombela	Ongoing	Inkazimulo Consulting	Mandatory Grant
5. THE INTEGRATED COUNCILLOR EXECUTIVE DEVELOPMENT PROGRAMME: 09-13 JUNE 2025 (ENDUMENI)	Cllr Abdool Cllr Nsibande Cllr Zulu Cllr Shelembe	Ongoing-Cllrs must submit POEs to SALGA for assessment	SALGA	FR

5.2. Information and Communication Technology (ICT)

During the 2024/25 financial year, the Information and Communication Technology (ICT) unit focused on addressing critical weaknesses identified in the previous Auditor-General (AG) report. These weaknesses included deficiencies in ICT governance, aging and unreliable ICT infrastructure, lack of formalised upgrade and capacity planning, and potential information security vulnerabilities.

In response, ICT was tasked with implementing corrective measures to strengthen governance, stabilise infrastructure, enhance information security, and position the Municipality to meet current and future service delivery demands.

5.2.1. ICT Governance

Following the AG findings on weak ICT governance, the Municipality took decisive steps to strengthen oversight and accountability within the ICT environment.

A formal ICT Steering Committee was established and enforced during the reporting period. Members were officially appointed, and clear Terms of Reference (ToR) were developed and approved. The committee was chaired by the Municipal Manager, as delegated by the Executive Committee (EXCO), in line with Principle 12 of the King IV Report on Corporate Governance, which requires governing bodies to oversee technology and information in a way that supports the organisation's strategic objectives.

The ICT Steering Committee successfully convened on a quarterly basis, meeting four times during the financial year. Key achievements of the committee included:

- Reviewing and endorsing critical ICT-related policies and frameworks;
- Providing strategic oversight on ICT risks, controls, and compliance matters;
- Approving a plan-based ICT budget aimed at addressing historical audit findings;
- Guiding investment decisions to improve ICT infrastructure performance and resilience;
- Strengthening information security governance and alignment with municipal objectives.

As a result, ICT governance maturity improved, audit action plans were formally monitored, and decision-making relating to ICT was aligned with the Municipality's strategic and operational priorities.

5.2.2. ICT Infrastructure

The Municipality faced significant challenges related to aging ICT infrastructure, which previously resulted in system instability, poor performance, and service interruptions. During the reporting period, a targeted infrastructure improvement programme was implemented to stabilise and modernise the ICT environment. Key interventions included:

- Upgrading end-user computing devices, ensuring that staff had reliable and modern computers capable of supporting operational requirements;
- Rehabilitation of previously crashed and underperforming servers, restoring critical systems and improving overall processing capacity;
- Optimisation of server performance to enhance system availability, reliability, and response times;
- Reduction in downtime and operational risks associated with obsolete infrastructure.

These improvements significantly enhanced ICT service reliability and ensured that core municipal systems operate optimally to support service delivery.

5.2.3. ICT Support Structure

Endumeni LM has 12 ICT support structure in total, the support is from various companies, 10 of the service appointed service providers are still active while the service provider for Internet/ Telephone Services, has expired with Vodacom (PTY) Ltd; however new consultant to replace Vodacom, is still waiting for the new appointed consultant Ethemba Computers & Consulting to conclude the rollout of VoIP - the contract with the Vodacom (PTY) Ltd will be terminated once the finalisation of the VoIP rollout is finalised. Ethemba Computers & Consulting has therefore yet to start.

ICT Services	Service Provider	Start Date	End Date	Status	ICT Services
Financial Management System	Munsoft (PTY) Ltd	01/09/2025	31/08/2028	Active	Financial Management System
HR/Payroll System (Payday)	Munsoft (PTY) Ltd	01/09/2025	31/08/2028	Active	HR/Payroll System (Payday)
Internet / Telephone Services	Vodacom (PTY) Ltd	21/03/2021	-	Expired	Internet / Telephone Services
Internet / Telephone Services	Ethemba Computers & Consulting CC	-	-	Yet to Start	Internet / Telephone Services
Website / Backup Services	Forzar Projects (PTY) Ltd	18/11/2025	17/11/2028	Active	Website / Backup Services
Mobile Services	Telkom SOC	21/10/2025	20/10/2026	Active	Mobile Services
Microsoft Licensing	Yamkela Enterprise (PTY) Ltd	27/10/2025	26/10/2028	Active	Microsoft Licensing
Printing Services	Xtec PMB (PTY) Ltd	18/12/2024	17/12/2027	Active	Printing Services
Cybersecurity Tools	Yamkela Enterprise (PTY) Ltd	27/10/2025	26/10/2028	Active	Cybersecurity Tools
Traffic Contravention System	Total Computer Solutions (PTY) Ltd	09/06/2025	08/06/2028	Active	Traffic Contravention System

5.2.4. ICT Strategic Direction and Future Outlook

In line with the ICT Strategic Plan (2025–2028), ICT currently remains predominantly internally focused, prioritising the stabilisation of internal systems, governance, infrastructure, and security. This foundational work is critical to enable sustainable digital transformation.

The Municipality has, however, drafted a forward-looking approach. From the 2026/27 financial year, ICT will transition towards becoming more externally facing, supporting community-focused digital initiatives. Planned future interventions include:

- Implementation of ICT-enabled community projects aimed at driving digital transformation;
- Expanding and improving connectivity at reduced costs, particularly in underserved areas;
- Deployment of Closed-Circuit Television (CCTV) infrastructure in key strategic locations to enhance public safety across the town and surrounding areas;
- Leveraging technology to support smarter, safer, and more inclusive municipal services.

These initiatives will position ICT as a strategic enabler of socio-economic development, improved governance, and enhanced service delivery within the Municipality.

CHAPTER 6: FINANCIAL PERFORMANCE

This chapter reflects financial performance for the year ended 30 June 2025. This is analysed using the following 3 main components in this chapter:

- Component A: Statement of Financial Performance
- Component B: Spending Against Capital Budget
- Component C: Other Financial Matters.

6.1. Audit Outcomes 2024/25

The overall audit outcome is qualified, an improvement from the previous year's disclaimer. The municipality's audit opinion has fluctuated between qualified and disclaimer over the past four years as per the table below.

Audit Opinion 2024/25	Audit Opinion 2023/24	Audit Opinion 2022/23	Audit Opinion 2021/22	Audit Opinion 2020/21
Qualification	Disclaimer	Qualification	Qualification	Qualification

Financial statements were submitted on time, but material misstatements were identified by Auditor-General, constituting non-compliance with the MFMA.

Misstatements identified

- Discrepancies in cash flow statements,
- Revenue from exchange transactions,
- Cash and cash equivalent,
- Internal control deficiencies within the security expenditure and
- Irregular expenditure.

6.1.1. Key Audit Findings for the Financial Year 2024/25

- The municipality received a **qualified audit opinion** due to uncorrected material misstatements that were picked up by the auditors.
- The municipality's financial health is concerning, with a **deficit of R103,697,066, representing 23% of total revenue.**
- Employee-related costs account for **28% of operating expenditure.**
- Debtors' days for **consumer debtors decreased to 32 days** but remain above the norm.

6.1.3. Auditor's Overall Assessment

AG, has highlighted the internal control environment of Endumeni Local Municipality being weak and requires urgent intervention.

The deficiencies in financial management, procurement, performance reporting, IT systems, and fraud prevention have led to repeat findings, material misstatements, and non-compliance with legislation. The lack of implementation of prior-year recommendations further exacerbates the situation.

6.2. Audit Action Plan

The following recommendations by Auditor General will be implemented through the Audit Action Plan:

1. Strengthen Financial Control	- Ensure regular reconciliations of financial statements and supporting documents. - Implement monthly bank account reconciliations and review journal entries by senior officials. - Reduce reliance on consultants by capacitating internal staff and monitoring their performance.
2. Improve Procurement & Contact management	- Enforce compliance with supply chain management regulations. - Implement proactive monitoring of procurement processes and supplier performance. - Address conflict of interest issues and ensure proper documentation for all procurement activities.
3. Enhance Performance Reporting	- Define and verify performance indicators and targets before approval. - Conduct pre-audit reviews of performance reports and indicators.
4. Strengthen IT Governance & Security	- Update the ICT strategy to address risk management, lifecycle planning, and system upgrades. - Implement structured ICT security awareness programs and enforce secure practices. - Address outdated systems and improve disaster recovery and backup management.
5. Address Fraud Risk	- Follow up on fraud risk factors and implement the fraud prevention plan. - Strengthen controls to prevent overriding of procurement processes and ensure proper documentation.
6. Improve Accountability Ecosystem	- Ensure timely submission of credible information to governance structures. - Implement recommendations from the audit committee and internal audit unit. - Monitor and enforce the implementation of audit action plans.

6.2.1. Auditor General Action Plan Comments

Audit Action Plan: Basis for qualification with comments

<table>
<tr><th>Action Number</th><th>AG Report Ref. Number</th><th>Summary of Detailed Audit Findings in the Final Management Reports for 2024/2025</th><th>Plan to address AG finding
Detailed Action Plan</th><th>Completion Date</th><th>Monitoring mechanism</th></tr>
<tr><td></td><td colspan="5">Revenue from exchange transactions- service charge</td></tr>
<tr><td rowspan="4">1#</td><td rowspan="4">3</td><td rowspan="4">I was unable to obtain sufficient appropriate audit evidence that service charges included in revenue from exchange transactions had been properly accounted for, due to the status of the accounting records.

I was unable to confirm the service charges included in revenue from exchange transaction by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to service charges included in revenue from exchange transactions stated at R174,62 million in the financial statements</td><td>a) Establish an effective records management system/ processes for the efficient retrieval and storage of information which is referenced and easily accessible.</td><td rowspan="4">31 January 2026</td><td rowspan="2">Scanned copies of meter books for each month.</td></tr>
<tr><td>b) Scan meter books after capturing and file electronic readings</td></tr>
<tr><td>c) Finalize the smart meter project to ensure readings are taken remotely using the smart meters system that will be linked to Munsoft.</td><td>Smart meter project implementation report.</td></tr>
<tr><td>d) Where meter readings are taken manually photos will be taken as POE to support readings</td><td>Photos of smart meters showing actual readings</td></tr>
</table>

Action Number	AG Report Ref. Number	Summary of Detailed Audit Findings in the Final Management Reports for 2024/2025	Plan to address AG finding Detailed Action Plan	Completion Date	Monitoring mechanism
	Contracted services- safeguard and security				
2	4	I was unable to obtain sufficient appropriate audit evidence for safeguarding and security included in contracted services, due to inadequate internal controls for verification of receipt of these services before the expenditure was recorded in the accounting records. I was unable to confirm safeguard and security included in contracted services by alternative means. consequently, i was unable to determine whether any adjustment was necessary to safeguard, and security expenditure included in contracted services stated at R15,67 million in note 38 to the financial statements	a. conduct needs analysis in respect to sites and guards effectiveness.	31 January 2026	Needs analysis report
			b. Random security point verifications to be conducted and reports to be submitted as support to the invoices prior to payments being processed.		Monthly Reports from Safety and Security/ Attendance registers signed by the guard on duty, Company Supervisor/ Manager Safety and security/Contract register.
			c. Attendance registers to be signed daily by all guards at the respective security points.		
			d. Any discrepancies will be addressed with the relevant security companies and adjusted invoices will be requested.		Adjusted invoices if applicable

Action Number	AG Report Ref. Number	Summary of Detailed Audit Findings in the Final Management Reports for 2024/2025	Plan to address AG finding Detailed Action Plan	Completion Date	Monitoring mechanism
	Cash and cash equivalents				
3	5	I was unable to obtain sufficient appropriate audit evidence that cash and cash equivalent for the current and previous year had been properly accounted for, due to the status of the accounting records. I was unable to confirm the cash and cash equivalents by alternative means. Consequently, i was unable to determine whether any adjustment was necessary to cash and cash equivalent stated at R47,53 million (2023-24:R31.03 million) in the financial statements	a. Reassess Bank reconciliation business process and address inefficiencies that prevent accurate and effective reconciliation processes	31 January 2026	System generated Bank reconciliation / Excel bank reconciliation/ bank statement
			b. Redo the bank reconciliation for the prior year and put all the supporting documents for the audit file		
			c. Introduce an "off system" reconciliation which will provide support to the bank reconciliation that is processes on Munsoft.		
			d. Update the Cash Management Policy and add the Bank Recon paragraph		Revised Cash and investment policy

Action Number	AG Report Ref. Number	Summary of Detailed Audit Findings in the Final Management Reports for 2024/2025	Plan to address AG finding Detailed Action Plan	Completion Date	Monitoring mechanism
	Cash flow statement				
4	6	I was unable to obtain sufficient appropriate audit evidence that cash flow statement had been properly accounted for, due to multiple errors identified. Consequently, I was unable to determine whether any adjustments to the cash flow statement in the financial statements were necessary	a. Perform Cash Flow Statements when compiling the Quarterly financial statements and Interim Financial Statements	On-Going	Manual Cash Flow Statement AFS Preparation Plan GRAP Standards Interim financial statements

Action Number	AG Report Ref. Number	Summary of Detailed Audit Findings in the Final Management Reports for 2024/2025	Plan to address AG finding Detailed Action Plan	Completion Date	Monitoring mechanism
			The following measures will be conducted to ensure that the Cash Flow Statements are correctly stated: - Cross casting of the financial statements with the cash flow - Casting of the quarterly/Interim financial statements - Compare the closing balances of the 2024-25 Audited AFS and the 2025-26 Q1 Financial Statements - The Interim financial statements' schedules will be prepared by an Accountant, checked by a Manager Budget, reviewed by the Senior Finance Manager and authorized by CFO to ensure that the listed below are complied with: - financial statements are proof-read to identify spelling errors - compare financial statements to all supporting schedules c. Training on GRAP standards to ensure financial statement preparers inhouse and are adequately competence with the standards		Agenda & attendance register

Action Number	AG Report Ref. Number	Summary of Detailed Audit Findings in the Final Management Reports for 2024/2025	Plan to address AG finding Detailed Action Plan	Completion Date	Monitoring mechanism
	Irregular expenditure				
5#	7	The irregular expenditure incurred during the current financial year under audit was not included in the notes to the financial statements, as required by section 125(2)(d) of the MFMA . Expenditure was incurred in contravention of the supply chain management requirements resulting in irregular expenditure. I was unable to determine the full extent of the irregular expenditure that occurred during the financial year as it was impractical to do so.	a. Establish an effective records management system/ processes for the efficient retrieval and storage of information which is referenced and easily accessible. b. Analyze contract register to identify contracts expiring in three months to alert user department for the purpose of re-adverting and or stopping use of the services affected by the contract.	Monthly	Deviation registers; Commitment registers; Contract registers; and other SCM registers with supporting documents SCM Monthly Report Checklist as per section 125(2)(d) of the MFMA Contract register
			c. Circulate a system extracted report of the YTD expenditure for HOD's attention.		ContraExcel expenditure tracking tool; and Expenditure tracking tool using
			d. Continuous verification of all payments (direct & indirect) prior processing to eliminate unauthorized expenditure.		Expenditure tracking tool & Section 71, 72 and 52(d) reports

Action Number	AG Report Ref. Number	Summary of Detailed Audit Findings in the Final Management Reports for 2024/2025	Plan to address AG finding Detailed Action Plan	Completion Date	Monitoring mechanism
			e. The Expenditure Manager will identify UIFW expenditures as and when payments are made and conduct voucher audit on a monthly basis and notify the SCM to update the UIFW register. Link this to employee's job descriptions		Voucher audit checklist; and UIFWE register
			f. The UIFW register will be updated every month and reported at MPAC for investigation.		UIFW register and MPAC minutes
			g. The municipality will implement the UIFW Reduction Plan to curb the increase of UIFW expenditure		UIFW reduction plan
			h. Table all incurred UIFW expenditure to council and council refer the UIFW expenditure to MPAC for investigation		UIFW register and MPAC minutes Council Resolution
			i. MPAC investigate UIFW expenditure on a quarterly basis		Quarterly Internal audit reports on Irregular expenditure register

6.2.2. Audit Action Plan: Final Management Report

Budget and Treasury Office

Responsible Manager		**Revenue Manager: Mr W Mpanza**	**Acc. Manager**	**Senior Finance Manager/ CFO: Ms S Hlatshwayo**
Action no,	**COMF no.**	**Summary of Detailed Audit Findings in the Final Management Report for 2024/25**		
1	**1**	Limitation of scope – Meter reading books		
The information as per the request for Information 21 of 2025 was requested. However, the specific meter reading books or records relating to the selected sample could not be located within the provided files. A message was sent on 23 October 2025 requesting assistance in locating the relevant meter reading books. A further message was sent on Thursday, 24 October 2025, again requesting assistance. No assistance was received. A follow-up was made on 28 October 2025, but as of that date, no assistance or documentation had been provided. As a result, it was not possible to verify the accuracy and completeness of meter readings for the sampled accounts.				

Action no	**COMF no.**	**Root Causes**	**Control Improvements**	**Detailed Action plan**	**Completion**	**Monitoring Mechanisms**
1	1	Internal control deficiency An effective filing and record keeping system was not in place to ensure that documents requested for audit, are retrieved and provided within the timelines specified in the engagement letter.	a) The requested information should be furnished forthwith or alternatively advise that said documents cannot be located / do not exist to enable auditor to appropriately conclude the audit. b) The municipality should establish an effective records management system/ processes for the efficient retrieval and storage of information which is referenced and easily accessible.	a) Establish an effective records management system/ processes for the efficient retrieval and storage of information which is referenced and easily accessible. b) Scan of meter books after capturing and electronically file readings. c) Finalise smart meter installation to ensure readings are taken remotely using the smart meters system that be linked to Munsoft.	31 January 2026	1. Scanned copies of meter books for each month. 2. Smart meter project implementation report. 3. Photos of smart meters showing actual readings

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
				d) Where meter readings are taken manually photos, be taken as POE to support readings.		

Action no.	COMF no.	Summary of Detailed Audit Findings in the Final Management Report for 2024/25
16	**18**	Deficiencies in the cash management and investment policy

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
16	18	Management did not monitor compliance with the laws and regulations relating to Cash management and investments.	It is recommended that management should implement controls to monitor compliance with the laws and regulations relating to Cash management and investments.	Review and update the Endumeni Local Municipality Cash Management and investment Policy, it will contain a specific clause mandating frequent and timely bank reconciliations be performed.	Ongoing	Revised Budget Related Policies

Responsible Manager		Manager Expenditure	Acc. Manager	CFO – Ms S Hlatshwayo Community Services Director – B Xulu
Action no	**COMF no.**	**Summary of detailed Audit Findings in the Final Management Report for 2024/25**		
2	2	Occurrence of security expenditure could not be confirmed :		
During the audit of procurement and contract management, it was noted that there was no SLA between the municipality and the 2 security companies below. The SLA regulates the relationship between the municipality and the service provider, The SLA also details the invoicing process, including the verifications or site inspections,				

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
2	2	Internal control deficiency Leadership Exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls due to inadequate controls implemented over expenditure management for security services. Financial and performance management Review and monitor compliance with applicable legislation The Municipal Manager alongside the Manager: Expenditure did not review and monitor compliance with the MFMA to ensure that adequate controls were	The Expenditure and Finance Directorate should ensure that: • A comprehensive needs analysis should be conducted to clearly outline the justification for selecting specific sites for monitoring. • This analysis must include the reason behind each site's inclusion, the determination of the number of security personnel required, and the basis for their allocation across shifts. • Invoices submitted for security services are supported by signed clocking records indicating location with full names, identity number and PSIRA number of the guard on duty.	a. Conduct needs analysis in respect to sites and guards effectiveness. b. Conduct random security point verification and reports be submitted as support to the invoices prior to payments being processed. c. Attendance registers be signed daily by all guards at the respective security points. d. Any discrepancies be addressed with the relevant security companies and adjusted invoices be requested.	31 January 2026	Needs analysis report Monthly Reports from Safety and Security/ Attendance registers signed by the guard on duty, Company Supervisor/ Manager Safety and security/Contract register.

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
		implemented over expenditure management for security services.	• Adequate reviews should be performed on invoices submitted to confirm accuracy thereof			

Action no.	COMF no	Summary of detailed Audit Findings in the Final Management Report for 2024/25
4	**4**	Payment not made within 30 days.

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
4	**4**	The municipality is facing financial constraints and cannot comply with paying the Eskom invoices within 30 days of receipt.	It is recommended that management should implement strategies that will ensure that the financial health of the municipality improve in order to have enough funds to settle liabilities when they fall due.	a. Two creditors payments runs monthly to prevent payment of invoices exceeding 30 day with the exception of the Bulk electricity payments. b. Update invoice register weekly and identify invoices that are due.	31 December 2025	Age Analysis and monthly creditors runs Invoice register Cash Flow Projections

				c. For Cash Flow purposes if needed, payment to invoices be negotiated with written payment arrangement put in place d. Interim Financial Committee be effective from January 2026		Interim Financial Statements

Action no.	COMF no.	Summary of detailed Audit Findings in the Final Management Report for 2024/25
5	5	**Municipality's main bank account not adequately reconciled – current year (i.e. 2024/25)**

Section 62(1)(c)(i) of the Municipal Finance Management Act 56 of 2023 ("MFMA") states: "The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control."

The following balances were disclosed in note 8 to the financial statements:

Amount as per bank statement (Per Note)

(Per Note)	Difference	Amount as per cash book
R9 229 057	R12 324 829	R3 095 772

A bank reconciliation as per annexure A was then submitted for audit.

Review of the reconciliation above revealed the following:
The cash book amount did not agree to note 8 to the financial statements as follows:

Cash book amount per bank reconciliation	R22 851 521.79
Cash book amount per note 8	R12 324 829.00
Difference	R10 526 692.79

The reconciliation included the following items which were not reconciled.
Outstanding revenue amounting to R13 179 548.49

Outstanding expenditure amounting to R282 244.87 **In addition, the cash and cash equivalents balance per cash book did not agree to the trial balance as follows:** Amount per cash book R12 324 829.00 Amount per trial balance R 9 229 057.00 Difference R 3 095 772.00 As a result, the municipality did not comply with section 62(1)(c)(i) of the MFMA. The non-compliance is likely to result in substantial harm to the municipality if appropriate actions are not taken to ensure that bank reconciliations are performed regularly based on clearly documented procedural processes.

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
5	5	Controls over daily and monthly processing and reconciling transactions relating to cash and cash equivalents were not adequately implemented. Controls over information technology systems were not adequately designed and implemented to ensure the reliability of the systems and the validity, accuracy and completeness of information. The implementation of action plans to address internal control deficiencies identified and reported in the prior year was not adequately monitored.	a. Respond to the audit finding in line with paragraph 4 of the cover page. b. Controls over daily and monthly processing and reconciling transactions relating to cash and cash equivalents should be implemented. **c.** The implementation of action plans to address internal control deficiencies identified and reported in the prior year should be adequately monitored.	a. Reassess Bank reconciliation business process and address inefficiencies that prevent accurate and effective reconciliation processes b. Update the Cash Management Policy and add the Bank Recon paragraph c. Redo the bank reconciliation for the prior year and put all the supporting documents for the audit file d. Introduce an "off system" reconciliation which will provide support to the bank reconciliation that is processes on Munsoft.	31 January 2026	System generated Bank reconciliation / Excel bank reconciliation/ bank statement Revised Cash Management policy Bank Reconciliation and Bank Statements

Responsible Manager		Senior Finance Manager	Acc. Manager	Senior Financial Manager/ CFO: S Hlatshwayo
Action no.	**CONF no.**	**Summary of detailed Audit Findings in the Final Management Report for 2024/25**		
6	**6**	Municipality's main bank account not adequately reconciled – prior year (i.e. 2023/24)		

Section 62(1)(c)(i) of the Municipal Finance Management Act 56 of 2023 ("MFMA") states: "The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control."

The following balances were disclosed in note 8 to the financial statements:
Amount as per bank statement (Per Note) Amount as per cash book
(Per Note) Difference
R8 129 374.00 R8 129 374.00 R0.00

A bank reconciliation as per annexure B was then submitted for audit.

Review of the reconciliation above revealed the following:
The cash book amount did not agree to note 8 to the financial statements as follows:
Cash book amount per bank reconciliation R 988 694.79
Cash book amount per note 8 R8 129 374.00
Difference R7 140 679.21

The reconciliation included the following items which were not reconciled.
Outstanding revenue amounting to R60 408 127.81
Outstanding expenditure amounting to R 1 081 790.12

In addition, the cash and cash equivalents balance per cash book did not agree to the trial balance as follows:
Amount per cash book R8 129 374.00
Amount per trial balance R 988 694.79
Difference R7 140 679.21

As a result, the municipality did not comply with section 62(1)(c)(i) of the MFMA. The non-compliance is likely to result in substantial harm to the municipality if appropriate actions are not taken to ensure that bank reconciliations are performed regularly based on clearly documented procedural processes.

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
6	6	Controls over daily and monthly processing and reconciling transactions relating to cash and cash equivalents were not adequately implemented. Controls over information technology systems were not adequately designed and implemented to ensure the reliability of the systems and the validity, accuracy and completeness of information. The implementation of action plans to address internal control deficiencies identified and reported in the prior year was not adequately monitored.	It is recommended that: a. Respond to the audit finding in line with paragraph 4 of the cover page. b. Controls over daily and monthly processing and reconciling transactions relating to cash and cash equivalents should be implemented. c. The implementation of action plans to address internal control deficiencies identified and reported in the prior year should be adequately monitored.	a. Reassess Bank reconciliation business process and address inefficiencies that prevent accurate and effective reconciliation processes b. Update the Cash Management Policy and add the Bank Recon paragraph c. Redo the bank reconciliation for the prior year and put all the supporting documents for the audit file d. Introduce an "off system" reconciliation which will provide support to the bank reconciliation that is processes on Munsoft.	31 March 2026	System generated Bank reconciliation / Excel bank reconciliation/ bank statement Revised Cash Management policy

Action no.	COMF no.	Summary of detailed Audit Findings in the Final Management Report for 2024/25
7	**7**	**Material casting errors noted in note 8.**

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
7	7	Management and audit committee did not adequately review annual financial statements for validity, accuracy, completeness and compliance with GRAP prior to submitting to the Auditor • General South Africa for auditing.	It is recommended that management should ensure that the annual financial statements review process at least cover the following: • Casting of the annual financial statements, • Cross casting the annual financial statements, • Checking the transfers from notes to the components of the annual financial statements, • A calling over process, where financial statements are proof-read to identify spelling errors, • Comparing annual financial statements to prior year published annual financial statements,	a. The following measures be conducted to ensure that the Cash Flow Statements are correctly stated: • Cross casting of the financial statements with the cash flow Casting of the quarterly/Interim financial statements • Compare the closing balances of the 2024-25 Audited AFS and the 2025-26 Q1 Financial Statements e. The Interim financial statements' schedules be prepared by an Accountant, checked by a Manager Budget, reviewed by the Senior Finance Manager and authorized by CFO to ensure that the listed below are complied with: • Financial statements are proof-read to identify spelling errors	31 March 2026	Interim Financial Statements

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
			• Comparing the annual financial statements to all supporting schedules. Comparing the disclosures in the annual financial statements to the National Treasury GRAP checklist.	Compare financial statements to all supporting schedules • Training on GRAP standards to ensure financial statement preparers inhouse and are adequately competence with the standards		

Action no.	COMF no.	Summary of detailed Audit Findings in the Final Management Report for 2024/25
8	8	Misstatement noted on high level review of the cash flow statement.

The following concerns were identified on review of the cash flow statement:

Cash received from customers

1. The opening balance of Receivables from exchange transactions for both current and prior years do not agree to the amounts per note 5 as follows:

	2025	2024
Receivables from exchange transaction – opening balance	78,889,426.00	109,487,963.00
Amounts per Cashflows		
Receivables from exchange transaction – opening balance	75,007,994.00	80,825,837.00
Difference	3,881,432.00	28,662,126.00

Grants - Receipts

2. The following difference were noted between the amounts of Government grants and subsidies for both current and prior years per cash flow and auditor's recalculations:

Government grants and subsidies

Details	2025	2024
Government grants and subsidies		
Per cash flow statements	115,094,098.00	105,969,123.00

Government grants and subsidies	Per note 31	115,845,213.00	99,177,815.00
Difference		751,115.00	6,791,308.00

Interest Received

3. The interest received for both current and prior years do not agree to the amounts per note 28 as follows:

	2025	2024
Interest Received	3,142,969.00	2,159,452.00
Amounts per Cashflows		
Interest Received	4,625,212.00	3,222,459.00
Difference	1,482,516.00	1,063,007.00

Payments to suppliers

4. The payments to suppliers for both current and prior years do not agree to the amounts as per the auditor's recalculation as follows:

	2025	2024
Payment to suppliers	155,885,116 .00	188,744,220.00
Amounts per Cashflows		
Payments to suppliers	157,148,718.00	198,301,388.00
Difference	1,263,602.00	9,557,118.00

Interest paid

5. The interest paid for both current and prior years do not agree to the amounts as per the auditor's recalculation as follows:

	2025	2024
Interest paid	29,573, 565.00	21,138,593.00
Amounts per Cashflows		
Interest paid	28,956,176.00	21,269,388.00
Difference	617,389.00	130,795.00

Cash flows from investing activities

Acquisition of Property, plant and equipment

6. The amounts for acquisition of property, plant and equipment for both current and prior years do not agree to the amounts as per the note 10 as follows:

	2025	2024
Acquisition of Property, plant and equipment (Note 10)	29,640,787.00	17,576,012.00
Amounts per Cashflows		

Acquisition of Property, plant and equipment	29,086,502.00	14,612,031.00
Difference	554,285.00	130,795.00

Cash and cash equivalents opening balance

7. The cash and cash equivalents opening balance on the statement of cashflows on the current year does not agree to the opening balance of cash and cash equivalents as per the statement of financial position.

	2025
Cash and cash equivalents – Opening balance	31,031,707.00
Amounts per Cashflows	
Cash and cash equivalents – Opening balance	25,886,803.00

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
8	8	Management and audit committee did not adequately review annual financial statements for validity, accuracy, completeness and compliance with GRAP prior to submitting to the Auditor - General South Africa for auditing. Management did not adequately monitor the implementation of action plans to address internal control deficiencies relating to external audit findings.	It is recommended that management should: • should ensure that the annual financial statements review process at least cover the following: o Casting of the annual financial statements, o Cross casting the annual financial statements, o Checking the transfers from notes to the components of the annual financial statements, o A calling over process, where financial statements are proof-read to identify spelling errors,	a. Cash Flow Statements be done manually when compiling the Quarterly financial statements and Interim Financial Statements b. The following measures be conducted to ensure that the Cash Flow Statements are correctly stated: • Cross casting of the financial statements with the cash flow • Casting of the quarterly/Interim financial statements • Compare the closing balances of the 2024-25 Audited AFS and the 2025-26 Q1 Financial Statements	Ongoing	Manual Cash Flow Statement AFS Preparation Plan Attendance register & Agenda of training

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
			o Comparing annual financial statements to prior year published annual financial statements, o Comparing the annual financial statements to all supporting schedules. o Comparing the disclosures in the annual financial statements to the National Treasury GRAP checklist.	• The Interim financial statements' schedules be prepared by an Accountant, checked by a Manager Budget, reviewed by the Senior Finance • Manage and authorized by CFO to ensure that the listed below are complied with: • financial statements are proof-read to identify spelling errors • compare financial statements to all supporting schedules c. Training on GRAP standards to ensure financial statement preparers inhouse and are adequately competence with the standards		

Action no.	COMF no.	Summary of detailed Audit Findings in the Final Management Report for 2024/25
9	9	Errors identified in the financial statements submitted for audit.

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
9	9	Management and audit committee did not adequately review annual financial statements for validity, accuracy, completeness and compliance with GRAP prior to submitting to the Auditor - General South Africa for auditing. Management did not adequately monitor the implementation of action plans to address internal control deficiencies relating to external audit findings.	It is recommended that management should: • address the issues as raised above by effecting the necessary adjustments. • should ensure that the annual financial statements review process at least cover the following: • Casting of the annual financial statements, • Cross casting the annual financial statements, • Checking the transfers from notes to the components of the annual financial statements,	In preparation for the 2025-26 AFS, the following measures be put in place to attain an improved audit opinion and the measures are as follows: a. Prepare the Financial Statements inhouse & the consultants will assist with the implementation of skills transfer strategy - handhold municipal officials in preparing AFS, starting with the interim and quarterly financials b. Reconciliation register be developed and reconciliations performed & reviewed on a monthly basis. c. Develop and Implement Interim Financial Statement activity plan.	31-March 2026	Quarterly Financial Statements Interim Financial Statements Monthly Reconciliations AFS Preparation Plan National Treasury GRAP checklist Updated Audit Action Plan

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
			• A calling over process, where financial statements are proof-read to identify spelling errors, • Comparing annual financial statements to prior year published annual financial statements, • Comparing the annual financial statements to all supporting schedules. • Comparing the disclosures in the annual financial statements to the National Treasury GRAP checklist. • should develop and adequately monitor the implementation of action plans to address internal control deficiencies relating to external audit findings.	d. Prepare Interim Financial Statements and be reviewed by External Auditors . e. Develop AG action plan, audit war-room established and convened weekly to track the progress. f. Prepare AFS preparation plan with dates including the adequate time for the review process by CFO, PAC, IA and external consultants. g. Caseware Backup files for AFS be done frequently and kept on the server in case the system crashes h. Use National Treasury GRAP checklist as the mechanism for the review of AFS before submission		

Responsible Manager		Manager SCM: B Molefe	Acc. Manager	Acting Municipal Manager: M Sithole
Action no.	**COMF no.**	**Summary of detailed Audit Findings in the Final Management Report for 2024/25**		
3	3	Unauthorised, irregular as well as fruitless and wasteful expenditure (UIFW) not prevented.		
The irregular expenditure incurred during the current financial year under audit was not included in the notes to the financial statements, as required by section 125(2)(d) of the MFMA. Expenditure was incurred in contravention of the supply chain management requirements, resulting in irregular expenditure. I was unable to determine the full extent of the irregular expenditure that occurred during the financial year as it was impracticable to do so.				

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
3	3	There was a lack of adequate preventative controls in place to prevent unauthorised, irregular as well as fruitless and wasteful expenditure. There was a lack of adequate oversight by the accounting officer, chief financial officer and SCM senior management in ensuring that controls are developed, implemented and monitored over procurement and contract management. Management did not adequately monitor the implementation of action plans to address internal control deficiencies relating to external audit findings.	The accounting officer and senior management should ensure that adequate preventative controls are developed to prevent unauthorised, irregular as well as fruitless and wasteful expenditure. These controls include: • Proactive measures, e.g. compliance checklist • Correct budgeting Management should develop and adequately monitor the implementation of action plans to address internal control deficiencies relating to external audit findings.	a. Enhance internal control and implement adequate review of payments made and by adding a checklist for the required documents be part of the payment pack,i.e. b. Analyse contract register to identify contracts expiring in three months to alert user department for the purpose of readverting and or stopping use of the services affected by the contract. c. Circulate a system extracted report of the YTD expenditure for HOD's attention. d. Continuous verification of all payments (direct & indirect) prior processing to eliminate unauthorised expenditure.	Monthly	Deviation registers; Commitment registers; Contract registers; and other SCM registers with supporting documents Excel expenditure tracking tool Expenditure tracking tool & Section 71, 72 and 52(d) reports SCM Monthly Report

				e. Identify UIFW expenditures as and when payments are made and conduct voucher audit on a monthly basis and notify the SCM to update the UIFW register. Link this to employee's job descriptions f. The UIFW register be updated every month and reported at MPAC for investigation. g. Implement the UIFW Reduction Plan to curb the increase of UIFW expenditure h. Table all incurred UIFW expenditure to council and council refer the UIFW expenditure to MPAC for investigation i. MPAC investigate UIFW expenditure on a quarterly basis		UIFW register and MPAC minutes UIFW reduction plan Quarterly Internal audit reports on Irregular expenditure register MPAC minutes & UIW register

Action no.	COMF no.	Summary of detailed Audit Findings in the Final Management Report for 2024/25
10	**12**	Quotation evaluations not in accordance with the 80/20 preference point system

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
10	12	Management did not adequately monitor and review compliance with supply chain management regulations.	It is recommended that: • All payments made towards the above quotations should be disclosed as irregular expenditure. • Management should perform adequate reviews and monitoring of the procurement process prior to awarding quotations.	a. SCM Manager perform adequate reviews and monitoring of the procurement process prior to award b. Include checklist for all documents and procedures be done on all the procurements be made in 2026 and ongoing c. Update the register for irregular expenditure for 2024/25 with all the expenditure incurred within the listed quotations d. Training of the SCM officials and bid committees e. Review of the SCM organogram and align the SOPs to the organogram and Fill all vacant positions in SCM unit	Ongoing	Signed Evaluation sheet Checklists be signed by the preparer and the reviewer. Updated Irregular expenditure register for 24/25fy Agenda & Attendance register of training

Action no.	COMF no.	Summary of detailed Audit Findings in the Final Management Report for 2024/25
11	**13**	Inconsistencies identified in the evaluation process

It was noted that the administrative criteria were inconsistently applied as certain service providers were disqualified for:

- not providing statements of municipal rates not in the director's name while other quotations were further evaluated with statements of municipal not in the director's name,

• solely providing proof of residence or proof of residence without the statement of municipal rates while other quotations were further evaluated with a submission of just either document.

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
11	13	Management did not adequately monitor and review compliance with supply chain management regulations.	Management should stipulate clear instructions on the request for quotations and evaluate all responses equally and in accordance with the administrative and evaluation criteria stated in the advertisement. Management should perform adequate reviews and monitoring of the procurement process prior to awarding quotations..	a. The Provincial Treasury were contacted for advice or assistance and their recommendations are already in implementation in the current financial year. b. Adequate review of notice for RFQ/Bid prior to advert issue c. Training of the SCM Official and Bid Specific Committees members d. All requisitions will include a memo detailing the need and quotation of the requested goods and services	Ongoing	Notice of request for quotation/bid Route form indicating all role players revieing the advert prior to issue of advert. SCM checklists Agenda & Attendance register of training

Action no.	COMF no.	Summary of detailed Audit Findings in the Final Management Report for 2024/25
12	**14**	**Unjustifiable reasons to deviate from the normal procurement process - Part 1**
For the procurement of numerous items, the normal procurement process was not followed as it was an emergency or single provider only according to the municipality's judgement. However, upon review of the supporting documents provided for audit it was noted that the reasons to deviate from the normal procurement process were unreasonable and unjustifiable for the following awards		

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
12	14	Management did not implement adequate controls over the procurement and contract management process to ensure compliance with the relevant legislation.	It is recommended that • Management shall record expenditure relating to this respective procurement as irregular expenditure. • Management implements adequate controls over the procurement and contract management process to ensure compliance with the relevant legislation.	a. Approval for deviations be processed immediately the need for deviation arises. b. All deviation requests be managed to SCM and updated in the Deviation register once authorised by the Accounting Officer c. Training on SCM practices for employees partaking in procurement d. Update the register for irregular expenditure for 2024/25 e. Raise Irregular expenditure for any deviation done without the proper authorisation.	Ongoing	Signed deviation form with supporting documents Agenda & attendance register of training UIFW register SCM Monthly Report

Action no.	COMF no.	Summary of detailed Audit Findings in the Final Management Report for 2024/25
13	15	**Unjustifiable reasons to deviate from the normal procurement process – part 2**
Two responses were obtained for the refurbishment of Dean Mohammed Lane request for quotation. The request for quotation was sourced from group 3 out of 9 groups in the panel. The implementation of civil maintenance services and civil funded projects panel (B06/2023-24) consists of 90 service providers which were divided into 9 groups consisting of 10 service providers per group. The reason for the Chief Financial Officer accepting less than three quotations was due to the nature of the project as it was funded by a grant and the municipality had received a warning letter from Treasury warning the municipality with the intention to surrender the funds since the project has not been implemented. The reason approved by the Chief Financial Officer to proceed with procurement with less than three quotations is unjustifiable as the request for quotation could have been re-advertised to other groups within the panel to obtain at least three quotations		

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
13	15	Management did not adequately monitor and review compliance with supply chain management regulations.	• It is recommended that: • All payments made towards the above quotations should be disclosed as irregular expenditure. • Management should perform adequate reviews and monitoring of the procurement process prior to awarding quotations.	f. a. Follow proper deviation procedure involving the SCM office. b. Use of civil panel to re-advertise, for rotation purposes. Update the register for irregular expenditure for 2024/25 c. Review and update the SCM Policy for detailed panel procedures for groups	Ongoing	Signed deviation form with supporting documents SCM Monthly Report Revised SCM Policy

Action no.	COMF no.	Summary of detailed Audit Findings in the Final Management Report for 2024/25
14	**16**	Award made to non-compliant service provider

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
14	16	Management did not adequately monitor and review compliance with regulations to ensure that only suppliers who are tax compliant are awarded.	• Management should perform adequate reviews and monitoring of the procurement process to ensure that only tax compliant service providers are awarded contracts/quotations.	a. Print CSD reports in every procurement stage until the final award is made. b. The purchase order date to be the same as the CSD report date.	Ongoing	Issued Order with CSD reports

Action no.	COMF no.	Summary of detailed Audit Findings in the Final Management Report for 2024/25
15	**17**	Minimum CIDB grading requirement not stipulated on the invitation. Invitation documents did not stipulate the minimum category which the bidders must be registered at with the CIDB to qualify for evaluation for the following quotations.

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
15	17	Management did not adequately implement and monitor control over compliance with the CIDB regulations.	It is recommended that: • Management adequately implement and monitor controls over compliance with the applicable	a. Training on CIDB prescripts for all role players partaking in procurement be organized and conducted.	Ongoing	Attendance Register & Agenda of training UIFWE register

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
			regulations relating to procurement and contract management. • Management should record all payments that relate to this this contract as irregular expenditure.	b. Review of procurement with CIDB implications prior to advert issue/RFQ c. Update the register for irregular expenditure for 2024/25		

Action no.	COMF no.	Summary of detailed Audit Findings in the Final Management Report for 2024/25
17	**19**	Possible Fruitless and Wasteful Expenditure

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
17	19	Leadership Exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls due to inadequate controls implemented over expenditure management for security services. Financial and performance management • Review and monitor compliance with applicable legislation	The Expenditure and Finance Directorate should ensure that: • A comprehensive needs analysis should be conducted to clearly outline the justification for selecting specific sites for monitoring. This analysis must include the reason behind each site's inclusion, the determination of the number of security personnel required, and the	1. The enhancement of internal control be implemented by an adequate review of payments made and by adding a checklist for the required documents be part of the payment package . 2. Analyze contract register to identify contracts expiring in three months to alert user department for the purpose of re-adverting and or stopping use of the services affected by the contract.	Monthly	Deviation registers; Commitment registers; Contract registers; and other SCM registers with supporting documents Excel expenditure tracking tool

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
		• The Municipal Manager alongside the Manager: Expenditure did not review and monitor compliance with the MFMA to ensure that adequate controls were implemented over expenditure management for security services.	basis for their allocation across shifts. • Invoices submitted for security services are supported by signed clocking records indicating location with full names, identity number and PSIRA number of the guard on duty. • Adequate reviews should be performed on invoices submitted to confirm accuracy thereof. The fruitless and wasteful expenditure is quantified and disclosed in the Annual Financial Statements.	3. Budget & Reporting circulate a system extracted report of the YTD expenditure for HOD's attention. 4. Continuous verification of all payments (direct & indirect) prior processing to eliminate unauthorized expenditure. 5. Identify UIFW expenditures as and when payments are made and conduct voucher audit on a monthly basis and notify the SCM to update the UIFW register. Link this to employee's job descriptions 6. The UIFW register be updated every month and reported at MPAC for investigation. 7. Implement the UIFW Reduction Plan to curb the increase of UIFW expenditure 8. Table all incurred UIFW expenditure to council and council refer the UIFW expenditure to MPAC for investigation 9. MPAC investigate UIFW expenditure on a quarterly basis		Expenditure tracking tool & Section 71, 72 and 52(d) reports SCM Monthly Report UIFW register and MPAC minutes UIFW reduction plan Quarterly Internal audit reports on Irregular expenditure register MPAC minutes & UIW register

Action no.	COMF no.	Summary of detailed Audit Findings in the Final Management Report for 2024/25
18	**20**	No evidence of deviations being reported to council

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
18	20	Management did not implement adequate controls over the procurement and contract management process to ensure compliance with the relevant legislation.	Management shall take appropriate action to avoid similar non-compliance in the procurement and contract management process.	Record deviations in the deviation register and report to the finance portfolio committee, MANCO, EXCO and Council. Monthly review of the deviation register Prepare all deviations outside of SCM be reported under Irregular Expenditure	Ongoing	Signed Minutes of BTO portfolio/MPAC/EXCO/Council SCM Monthly and quarterly reports signed deviation forms with supporting documents

Action no.	COMF no	Summary of detailed Audit Findings in the Final Management Report for 2024/25
19	**20**	Approved panel member non-compliant tax status at time of award.

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
19	20	Leadership Exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls.	The BEC should ensure that: • The tax compliance status of recommended bidders is detailed in the BEC report for	a. Print CSD reports in every procurement stage until the final award is made.	Ongoing	SARS/ CSD tax status confirmation Bid and quotation checklists

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
		Management did not exercise oversight responsibility regarding compliance and related internal controls as the BEC did not ensure compliance with the MSCMR and SCM policy due to the bidder having a non-compliant tax status. Financial and performance management Review and monitor compliance with applicable legislation Management did not review and monitor compliance with the MSCMR and SCM policy as the Municipal Manager did not ensure that the recommended and appointed bidder to the panels tax matters has been declared by SARS be in order at the time of award.	the review and consideration of the Bid Adjudication Committee (BAC) and Municipal Manager. • Proof of tax compliance status confirmation is kept for audit trail purposes.	b. The purchase order/appointment letter date be the same as the CSD report date.		

Action no	COMF no.	Summary of detailed Audit Findings in the Final Management Report for 2024/25
20	**22**	False/Incomplete MBD 4 declarations submitted by panel members

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
20	22	Financial and performance management Review and monitor compliance with applicable legislation Management did not review and monitor compliance with the MSCMR as insufficient verification was conducted by bid evaluation committee (BEC) relating to the disclosures as per the MBD 4 declaration.	The BEC should ensure the following: • Enhance/ improve due diligence procedures to verify accuracy and completeness information declared in the tender documents. • SCM department to consider deploying data analytics to proactively identify potential misrepresentations by bidders and affiliations.	a. The Bid document will require the bidders to include the detailed CSD report as the returning document. b. Extract and print a detailed CSD report during the evaluation stage for further verification c. Conduct a compulsory briefing session in all the bidding processes to include the process of completing the bid document.	Ongoing	Full detailed CSD report Checklist

Action no.	COMF no.	Summary of detailed Audit Findings in the Final Management Report for 2024/25
21	**23**	Proposals submitted by bidders not considered for evaluation

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
21	23	Leadership Exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls. • Management did not exercise oversight responsibility regarding compliance and related internal controls due to inadequate reviews performed on the compiled BEC report. • Financial and performance management Review and monitor compliance with applicable legislation • Management did not review and monitor compliance with the MFMA and SCM policy due to the following: • The bid evaluation committee did not ensure that all submitted proposals as per the closing	The Supply Chain Manager should ensure that: • Employees receive training emphasizing the importance of evaluating all bids received by the tender closing date. • The BAC conducts thorough reviews to confirm that the BEC report evaluates all submitted bids. Any reasons for excluding bids must be clearly documented to maintain transparency. • Annual Financial Statements should be adjusted to disclose irregular expenditure, once expenditure is incurred.	a. Capacitation all SCM officials and bid committee members on their roles and responsibilities. b. Keep proposals received in the office of the SCM Manager. c. Thorough review of Bid Evaluation Committee minute by the Bid Adjudication Committee to confirm bids received and reasons for disqualifications d. Include the bid closing register in the checklist be signed off by the chairperson of the BEC and BAC for completeness verification	15 February 2026	Signed minutes of bid committees Attendance registers/ email correspondence

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
		register were considered during the evaluation process. • The bid adjudication committees did not apply proper due diligence to ensure that all submitted proposals by the closing date were considered for evaluation.				

Action no.	COMF no.	Summary of detailed Audit Findings in the Final Management Report for 2024/25
22	**24**	Bidder disqualified from evaluation process approved as panel members - Panel

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
22	24	Leadership Management did not exercise oversight responsibility regarding compliance and related internal controls due to inadequate reviews performed on the compiled BEC report. Financial and performance management: Review and monitor compliance with applicable legislation	The Supply Chain Manager should ensure that: • Employees receive training emphasizing the importance of evaluating all bids received by the tender closing date. • The BAC conducts thorough reviews to confirm that the BEC report evaluates all submitted bids. Any reasons for excluding	a. Capacitation all SCM officials and bid committee members on their roles and responsibilities. b. Keep proposals received in the office of the SCM Manager. c. Thorough review of Bid Evaluation Committee minute by the Bid Adjudication Committee to confirm bids received and reasons for	31 January 2026	Letter of termination UIFW Register

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
		Management did not review and monitor compliance with the MFMA and MSCMR due to the following: • The BEC did not ensure that only bidders that met all applicable requirements were recommended for appointment. • The BAC did not exercise due diligence when adjudicating the bid to ensure that all approved panel members met the applicable requirements. • The Accounting Officer (Municipal Manager) did not ensure that the procurement process complied with all relevant laws and regulations prior to approval of the panel register service providers.	bids must be clearly documented to maintain transparency. • Annual Financial Statements should be adjusted to disclose irregular expenditure, once expenditure is incurred.	disqualifications d. Include the bid closing register in the checklist be signed off by the chairperson of the BEC and BAC for completeness verification		

Action no.	COMF no.	Summary of detailed Audit Findings in the Final Management Report for 2024/25
23	**25**	Approved panel member municipal statement in arrears of 3 months

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
23	25	Leadership Exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls. Management did not exercise oversight responsibility regarding compliance and related internal controls due to not verifying recommended bidders municipal accounts before approval for appointment as required by the MSCMR. Financial and performance management Review and monitor compliance with applicable legislation: The Municipal Manager and BEC did not review and monitor compliance with the MSCMR and SCM policy by ensuring that recommended and appointed bidders to the panels municipal accounts are not in arrears	The Bid Adjudication Committee (BAC) should ensure that the BEC evaluate bidders municipal accounts statements as required by the MSCMR and municipal SCM policy before an award to confirm that accounts are not in arrears of more than 3 months.	a. Request directors and company's municipal accounts when advertising bids. b. Verify both the director's municipal account and company be done during the evaluation stage	Ongoing	Proof of municipal rates in the name of the director

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
		for more than 3 months at time of award and appointment.				

Action no.	COMF no.	Summary of detailed Audit Findings in the Final Management Report for 2024/25
24	**26**	Incorrect application of evaluation criteria – Firearms

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
24	26	Leadership Exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls Management did not exercise oversight responsibility regarding compliance and related internal controls due to inadequate reviews performed on the compiled BEC report Financial and performance management Review and monitor compliance with	• Management should ensure that: § The Bid Adjudication Committee (BAC) performs a thorough review of the bid evaluation is performed to ensure bids are evaluated in accordance with the approved tender specifications. § The Bid Evaluation Committee (BEC) evaluates bidders in a fair and transparent manner that is not in direct contravention of any legislation, regulation or internal policies.	a. a. Capacitate all SCM officials and bid committee members on their roles and responsibilities. b. Thorough review of BEC and BAC minutes of meetings before signing. c. Use of advertised evaluation criteria to calculate scores	Ongoing	Attendance register for training Signed BEC and BAC minutes Attendance registers/ email correspondence

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
		applicable legislation The BEC did not review and monitor compliance with the MSCMR and SCM policy as they did not evaluate bidders in line with the approved bid specifications, resulting in discrepancies identified and non-responsive bidders approved for appointment in the panel register of contractors. The BAC did not apply sound due diligence when adjudicating the recommendations of the BEC for compliance with relevant laws and regulations. The BAC did not identify inconsistencies and incorrect application of the evaluation criteria.				

Responsible Manager		Manager IT: N Mzimela	Acc. Manager	Director Corporate Services: M Mbuyisa CFO: S Hlatshwayo
Action no.	**COMF no.**	**Summary of detailed Audit Findings in the Final Management Report for 2024/25**		
26	**34**	Underutilisation of Munsoft System modules may result in operational and financial inefficiencies, inaccurate reporting, weakened internal controls, and Endumeni Municipality not realising the full benefits of system investments		

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
26	34	Financial and performance management: Information technology systems: Certain system components were delayed following an interdict issued by the service provider, CCG Systems under Regulation 32 of the Municipal Supply Chain Management Regulations, which prevented Endumeni Municipality from implementing and giving effect to the procurement for supply. Installation, and maintenance of a Munsoft financial system from Lesedi Municipality. Following the court interdict being lifted and the re-advertisement of the enterprise resource planning (ERP) system contract, which was subsequently awarded to Munsoft, the implementation and finalisation of	The Accounting Officer, in collaboration with the Chief Financial Officer (CFO) and ICT Manager, should prioritise the completion, configuration, and full implementation of all Munsoft system modules. Following this, management should ensure that the Munsoft System is fully utilised to realise the intended benefits of an ERP system, including: • Enabling seamless integration across financial, billing, payment, and associated operational processes. • Enforcing appropriate user access and system security controls and strengthening internal as well as segregation of duties controls to mitigate the risk of errors, fraud, and data inconsistencies.	To train users on Munsoft System modules	30 June 2026	Training Attendance Registers System Usage Report (With Module Usage In Percentage)

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
		some system components, as well as user training, were delayed. These delays contributed to the under-utilisation of the Munsoft System.	• Improving the reliability, completeness, and timeliness of financial reporting to support effective decision making, budget monitoring and strategic planning			

Action no.	COMF no.	Summary of detailed Audit Findings in the Final Management Report for 2024/25
27	**36**	Unencrypted electronic fund transfer payment files and inadequate segregation of duties on the Munsoft System create opportunities for alteration of payment data to remain unnoticed

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
27	36	Financial and performance management: Information technology systems • The Chief Financial Officer (CFO) was not aware of the risks associated with the EFT file being unencrypted. Consequently, management within the Finance and Expenditure unit did not ensure that appropriate controls were implemented during the Munsoft System configuration and	• The CFO should engage with both the Munsoft and the online banking providers to determine whether the hash verification functionality can be enabled for EFT files being uploaded to the bank. This will ensure that any file that has been modified or tampered with prior to upload be detected and rejected by the bank, thereby safeguarding the integrity of the transactions.	a. To engage the system provider, Munsoft, and confirmed that hash functionality is available for EFT payment files. b. To apply the hash functionality. c. To test and validate the acceptance of hashed files within the bank system (FNB).	30 June 2026	Meeting minutes (Endumeni/ Munsoft) Screenshots of hash functionality settings Screen Video Demonstrating Process - Encrypted File being Rejected by the Bank

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
		deployment within Endumeni Municipality's environment. • The CFO in collaboration with the Director: Corporate Services and ICT Manager did not ensure that adequate due diligence was applied when the monthly ICT System Reviews were conducted during the 2024-25 financial period. As a result, anomalies in the user account management processes and user access within the Munsoft System environment were not promptly identified and corrected.	• An assessment of all active accounts on the Munsoft System should be performed to ensure that no individual is granted access that allows them the ability to both initiate and complete a transaction, in line with segregation of duties requirements. Furthermore, ICT system reviews should be used as a mechanism to detect and promptly correct anomalies in the user account management and user access processes.			

Action no.	COMF no.	Summary of detailed Audit Findings in the Final Management Report for 2024/25
28	**37**	Ineffective IT security awareness training resulted in improper handling of ICT assets, password disclosure and users not being aware of safe security practices

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
28	37	Financial and performance management: Information technology systems Following the separation of certain IT governance documents into standalone policies, several key elements of information security were incorporated exclusively into the newly revised Information Security Policy. As a result, formal guidance for conducting regular ICT security awareness training and structured onboarding for both existing and newly appointed staff was previously absent and has only recently been introduced in the updated Information Security Policy. Additionally, during the 2024-25 financial period, only one ICT security awareness training session was held per user department, on 25 April 2025, which was insufficient to ensure consistent staff understanding and	The ICT Manager in collaboration with the ICT Information Security Officer should: • Develop and implement a comprehensive and structured ICT Security Awareness Program for all employees, incorporating mandatory training for both existing and newly appointed staff. The program should be supported by a formal induction process to ensure that new employees are fully informed of the internal ICT security policies, procedures, and their individual responsibilities in protecting information assets. • Ensure all participants complete an ICT Security Indemnity Form upon conclusion of the ICT security awareness training, confirming that they have understood the content, acknowledging their obligations,	a. To verify Multi-Factor Authentication (MFA) enforcement to all end-users. b. To procure the KnowBe4 Security Awareness Platform, which will be used to test and monitor the effectiveness of ongoing ICT security awareness campaigns. c. To training users upon the onboarding	30 June 2026	Meeting minutes (Endumeni/ Munsoft) Screenshots of hash functionality settings Screen Video Demonstrating Process - Encrypted File being Rejected by the Bank

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
		compliance with ICT security requirements.	and accepting accountability for adhering to ICT security requirements. The signed form will serve as formal confirmation of awareness and may be used as a basis for consequence management in cases of negligence or non-compliance. • Conduct regular refresher training sessions and awareness campaigns to reinforce knowledge, promote secure practices, and maintain compliance across the Municipality. • The ICT Manager in collaboration with the Head of Departments, should monitor, track, and document completion of all training and the corresponding indemnity forms to ensure accountability, transparency, and to reduce the likelihood of future security incidents. • Periodically review all ICT policies and procedures to maintain			

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
			alignment with ICT governance and information security frameworks adopted by the Municipality, as well as with leading industry best practices.			

Community Services

Responsible Manager		Environmental & Waste Manager: Mr CZ Mndaweni	Acc. Manager	Director Community Services: Mr B Xulu
Action no.	**COMF no.**	**Summary of detailed Audit Findings in the Final Management Report for 2024/25**		
29	**10**	The indicator is not well-defined and verifiable – refuse collection		

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
29	10	Management did not review technical indicator descriptions / standard operating procedures for performance information to ensure that indicators have a clear, unambiguous definition so that data be collected consistently, and there is a common understanding of input, processing and output for all performance measures/ indicators.	It is recommended that, • Management should ensure before the approval of the Service Delivery Budget Implementation Plan that all performance measures/indicators are well defined. • Furthermore, management should review technical indicator descriptions / standard operating procedures for performance information to ensure that indicators have a clear, unambiguous definition so that data be collected consistently, and there is common understanding of input, processing and output for all	a. The KPI for this services is based on the percentage (90% - 100%) on rendering the services to household and businesses as per the SDBIP for 2025/2026 Financial Year. b. Develop a Collection points/ Areas register (with baseline targets as per SDBIP) aligned to evaluation Roll, and populate achievements on monthly basis. c. The Refuse collection is done weekly therefore the weekly plan are developed, and monitored by the Superintendent to ensure that the refuse collection is done.	Ongoing	Meeting minutes (Endumeni/ Munsoft) Screenshots of hash functionality settings Screen Video Demonstrating Process - Encrypted File being Rejected by the Bank

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
			performance measures/ indicators. • Management ensure that the quarterly and annual target is based on the actual number of units and that bulk bins are supported by a verified business list which is aligned to the indicator.			

Action no.	COMF no.	Summary of detailed Audit Findings in the Final Management Report for 2024/25
30	31	Glencoe Landfill Site

Glencoe landfill site

- Non-compliance with license conditions
- No formal agreement with private recycling companies for waste reclamation
- Safety issues
- Inadequate maintenance and poor housekeeping of the Glencoe Landfill site
- No formal reporting on the implementation of the Integrated Waste Management Plan

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
30	31	inadequate monitoring and oversight of compliance with license conditions of the Glencoe Landfill Site. A lack of accountability to finalise formal agreements with private recycling companies. Ineffective oversight and monitoring of the landfill site to ensure that it was properly equipped and maintained. A lack of monitoring on the general maintenance and upkeep of the facility. There was insufficient oversight by municipal leadership to ensure the	The municipality should urgently finalise the arrangement with the private recycling companies reclaiming waste on-site. This should include finalisation of all conditions as set out in the IDP 2024-25 of the municipality, with authorised signatories from the municipality and private recycling companies. The agreement must include provisions for labour law compliance, health and safety standards, and environmental controls. Additionally, the financial benefits to the municipality should be explicitly	a. The KPI for this services is based on the percentage (90% -100%) on rendering the services to household and businesses as per the SDBIP for 2025/2026 Financial Year. b. Develop a Collection points/ Areas register (with baseline targets as per SDBIP) aligned to evaluation Roll, and populate achievements on monthly basis. c. The Refuse collection is done weekly therefore the weekly plan are developed, and monitored by the Superintendent to ensure that the refuse collection is done.	Ongoing	Checklist Memorandum of understanding Agenda attendance register and minutes & SLA Agenda attendance register and minutes Landfill site monthly report Monthly report

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
		effective monitoring and implementation of the IWMP..	defined, and a monitoring framework should be implemented to ensure ongoing compliance and accountability. The municipality should; in addition to the observations above: • conduct a detailed assessment of the safety issues on site and formulate a timebound action plan to promptly address these issues. This should be stringently monitored for implementation. • Improve monitoring and oversight at facilities to ensure adherence to the requirements for fire safety, occupational health and safety and building standards. The municipality should: • Conduct a detailed maintenance/repair assessment, including the matters raised above, at the landfill site. A timebound action plan should be put in place and stringently monitored by a delegated senior manager, reporting on the progress thereof bi-weekly to the			

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
			municipal manager. The evidence of actions taken should be retained for audit purposes. • Improve general housekeeping at the landfill site needs be reviewed to ensure the facility is kept clean and tidy. The municipality should, as a priority: • establish and implement a formal monitoring and reporting framework for the IWMP aligned with the requirements of the NEMWA. • This framework should include clear performance indicators, regular progress reviews, and reporting on implementation. A senior official should be assigned responsibility for overseeing IWMP execution, with progress tracked and reported to municipal leadership on a quarterly basis to ensure accountability and prompt intervention where necessary.			

Corporate Services

Responsible Manager		Manager Human Capital: C Mbatha	Acc. Manager	Director Corporate Services: M Mbuyisa
Action no	**COMF no**	**Summary of detailed Audit Findings in the Final Management Report for 2024/25**		
25	**29**	Failure to Submit the Staff Establishment to the MEC by the Municipal Manager		

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
25	29	Management did not ensure compliance with the Municipal Staff Regulation of the municipality.	• It is recommended that management: • Implement control that will ensure compliance with submission of staff establishment processes. • Implements controls that will ensure adherence to the Municipal Staff regulations and HR policies.	a. Ensure adherence, The municipality is in receipt of the comments from the MEC which be a guide onwards.	Q1: 2027/28 Financial Year	Proof of submission / acknowledgement letter or email from CoGTA

Action no.	COMF no.	Summary of detailed Audit Findings in the Final Management Report for 2024/25
31	**27**	Recruitment evaluation not consistent with the advert.

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
31	27	Management did not ensure compliance with the Municipal Staff Regulations.	It is recommended that management: • Introduce a compliance checklist that must be completed and signed by HR to confirm that each shortlisted candidate meets all minimum requirements. • Implements controls that will ensure adherence to the Municipal Staff regulations and HR policies. • Should keep proper records of the recruitment process to demonstrate transparency and fairness of the process.	a. Business process to include verification of shortlisted candidates by HR Manager prior approval of the Accounting Officer to ensure that all shortlisted candidates meet requirements as per advert.	Ongoing	Shortlisting report submitted to the office of the MM for every position shortlisted

Responsible Manager		**Manager Expenditure**	**Acc. Manager**	**Senior Finance Manager/ CFO: Ms S Hlatshwayo**
Action no.	**COMF no.**	**Summary of detailed Audit Findings in the Final Management Report for 2024/25**		
32	**28**	Leave Paid in Excess of 48 Days on Termination		

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
32	28	The payroll and HR processes do not enforce the 48-day leave encashment limit as required by clause 3.1.7 of the Collective Agreement and supervisory review procedures are insufficient to detect non-compliance before payments are processed.	It is recommended that: • Ensure when relevant official review and approve all termination payments, should check that leave paid does not exceed the limit. • Review all leave payouts made during the year to check whether similar overpayments occurred and take corrective action where necessary. • Management should ensure that a leave system that is able to ensure compliance with the leave policy is implemented.	a. HR will forfeit all leave day in excess of 48 days b. Payment to existing staff be limited to 48days c. Calculation for the final pay salary be made the following month d. All calculation for the salaries prepared by Accountant, reviewed by manager expenditure and authorised by CFO	Ongoing	Leave days report from system Payday Policy Monthly Salary reports signed off by CFO

Responsible Manager		Manager IT	Acc. Manager	Director Corporate Services: M Mbuyisa
Action no.	**COMF no.**	**Summary of detailed Audit Findings in the Final Management Report for 2024/25**		
33	**32**	Lack of a comprehensive ICT strategy may result in misaligned technology initiatives, unmitigated IT risks, and insufficient planning for future ICT needs (Re-report)		

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
33	32	The Accounting Officer did not ensure that management's commitments made to address the previous audit finding were implemented in an adequate and timely manner. As a result, the revised ICT Strategy & Implementation Plan was not comprehensively reviewed during the 2024–25 financial period, and the critical elements required to support infrastructure planning, lifecycle management, upgrade scheduling, and SLA oversight remained excluded from the document.	The ICT Steering Committee should ensure that the ICT Strategy & Implementation Plan is comprehensively reviewed and updated to include all required critical elements. The revised plan should: • Define and institutionalise an ICT risk management process, including the identification, assessment, mitigation, monitoring, and reporting of ICT related risks, with clear responsibilities assigned. • Establish formal planning parameters for infrastructure and capacity forecasting, as well as hardware and software lifecycle management, to ensure that all	a. To review of the current ICT Strategy & Implementation Plan to incorporate the following: • Integration of ICT risk management processes within the strategy document. • Inclusion of infrastructure and capacity assessment findings, currently under review. • Clear SLA management and renewal procedures aligned with the budget cycle and supported systems. b. To assess current ICT infrastructure	30 June 2026	Reviewed ICT Strategy & Implementation Plan ICT Infrastructure assessment report

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
			systems operate on supported and secure platforms. • Document clear procedures for the timely renewal and approval of ICT SLAs and align renewal timelines with the Municipality's budget cycle to prevent lapses in contractual support.			

Responsible Manager		Manager IT: N Mzimela Manager SCM: B.Molefe	Acc. Manager	Director Corporate Services: M Mbuyisa CFO: S Hlatshwayo
Action no.	**COMF no.**	**Summary of detailed Audit Findings in the Final Management Report for 2024/25**		
34	**33**	Lack of a comprehensive ICT strategy may result in misaligned technology initiatives, unmitigated IT risks, and insufficient planning for future ICT needs (Re-report)		

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
34	33	The Chief Financial Officer (CFO) together with the ICT Manager had not ensured that management commitments made to resolve the previous audit finding were timeously actioned. Additionally, inadequate contract management and monitoring processes were implemented at the Endumeni Municipality which resulted in insufficient oversight of the services provided by Contour Technology (Pty) Ltd, and a failure to ensure the SLA held with Total Computer Services (Pty) Ltd was aligned with the Municipality's budget cycle and renewed in a timely fashion.	The Chief Financial Officer together with the ICT Manager should ensure that agreed upon action plans to resolve prior audit findings are adequately and timeously implemented. Along with this, formal contract management and SLA monitoring processes should be established and consistently applied for both the Contour and Traffic Contravention Systems to ensure effective oversight and accountability of service providers. At a minimum, this should include: • Establishing and documenting a structured service provider performance monitoring process, including the use of service level reports, performance scorecards, and periodic review meetings with the service providers.	**a. Traffic Contravention System (TCS) - Total Computer Services (Pty) Ltd** - To perform quarterly reviews of service provider performance. **b. Contour Prepaid Electricity Vending System - Contour Technology (Pty) Ltd** - To perform quarterly reviews of service provider performance.	30 June 2026	Traffic Contravention System (TCS) - Total Computer Services (Pty) Ltd 1. Service provider performance review records (attendance register, meeting minutes) Contour Prepaid Electricity Vending System - Contour Technology (Pty) Ltd 2. Service provider performance review records (attendance register, meeting minutes)

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
			Evidence of these reviews should be retained for accountability and audit purposes. • Ensuring that all SLAs are aligned to the Municipality's financial year and renewed prior to expiry to avoid periods where services operate without enforceable contractual terms.			

Responsible Manager		Manager IT: N Mzimela	Acc. Manager	Director Corporate Services: M Mbuyisa
Action no.	**COMF no.**	**Summary of detailed Audit Findings in the Final Management Report for 2024/25**		
35	**35**	Omission of key incident management processes and guidance from ICT Security Policy and Procedures may result in inconsistent, delayed or inefficient responses to IT security incidents (Re-report)		

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
35	35	Financial and performance management: Information technology systems The ICT Steering Committee did not adequately review the ICT Helpdesk and Incident Management Policy to ensure that key incident management processes were incorporated in line with COBIT, King IV and ISO/IEC 27000, which are the ICT governance and information security frameworks formally endorse by Council at Endumeni Municipality. As a result, critical incident management guidance and procedures were omitted from the approved ICT Helpdesk and Incident Management Policy.	The ICT Manager in collaboration with the ICT Security Officer should: • Ensure that the ICT Helpdesk and Incident Management Policy is thoroughly reviewed and updated to include key guidance on incident management processes, in line with the ICT governance and information security frameworks adopted by the Municipality. • Once updated, the ICT Helpdesk and Incident Management Policy should be formally approved and distributed to all relevant stakeholders for implementation.	a. To review and enhance the ICT Helpdesk and Incident Management Policy to ensure that all key elements - such as incident definitions, response planning, detection, escalation, forensic evidence handling, and communication protocols are incorporated in alignment with the ICT governance and information security frameworks formally adopted by the Municipality, including COBIT, King IV, and ISO/IEC 27000 standards. b. To prepare an item to council for the adoption the reviewed ICT Helpdesk and Incident Management Policy	31 March 2026	Reviewed ICT Helpdesk and Incident Management Policy Council resolution (review of ICT Helpdesk and Incident Management Policy)

Action no.	COMF no.	Summary of detailed Audit Findings in the Final Management Report for 2024/25
36	**38**	Munsoft system hosted on an outdated operating system increases exposure to cybersecurity threats and vulnerabilities

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
36	38	Financial and performance management: Information technology systems The ICT Strategy Plan, which should outline the long-term vision, objectives, and roadmap for ICT within the Municipality, was not adequately documented. As a result, there were no formal processes to support infrastructure planning, capacity forecasting, hardware and software lifecycle management, or system and software upgrade scheduling, leading to the Municipality operating critical IT systems and hardware on outdated and unsupported technology infrastructure.	The ICT Steering Committee should ensure that the current ICT Strategy Plan is thoroughly reviewed and updated. • The updated plan should be comprehensive, clearly defining the long-term vision, objectives, and ICT roadmap, and should establish formal processes for infrastructure planning, capacity forecasting, hardware and software lifecycle management, and system/software upgrade scheduling. • Implementing these measures will ensure that critical IT systems are maintained on supported and up-to-date technology infrastructure, thereby reducing operational risks, mitigating security vulnerabilities, and safeguarding financial and revenue operations.	a. To maintain records of procured extended Red Hat Enterprise Linux subscription effective 01 July 2025. b. To review the ICT Strategy and 5-Year Plan to strengthen infrastructure planning, capacity forecasting, lifecycle management, and upgrade scheduling to prevent similar occurrences in future.	30 June 2026	Extended Red Hat Enterprise Linux subscription effective 01 July 2025. Reviewed ICT Strategy & Implementation plan

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
			Additionally, the ICT Manager, in collaboration with the service provider, Munsoft (Pty) Ltd, should ensure that the Red Hat Enterprise Linux (RHEL) version 8.0 operating system is either upgraded to a currently supported version or that an active Red Hat maintenance support subscription is procured to ensure continued security patching and vendor support.			

Action no.	COMF no.	Summary of detailed Audit Findings in the Final Management Report for 2024/25
37	**39**	Inadequate antivirus and network security patch management processes may render Endumeni Local Municipality vulnerable to IT security threats and system outages (Re-report)

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
37	39	Financial and performance management: Information technology systems The Accounting Officer did not ensure that management's commitments to address the previous audit finding were implemented in a timely manner. Furthermore, non-compliance with the ICT Antivirus and Patch Management Policies was due to delays in budget allocation, which deferred the completion of the Windows Active Directory (AD) repair, server refresh, as well as the installation of ESET Server Security and the procurement of Patch Manager Plus. As a result, ICT remained unable to monitor the distribution and installation of the latest antivirus	The Accounting Officer should ensure that commitments made to address audit findings are adequately and timeously actioned. • Budget provisions must be planned and approved in advance to prevent delays in the deployment of critical ICT security tools and infrastructure upgrades, and to allow for the timely implementation of key ICT initiatives impacting the availability of IT systems. • The ICT Manager must ensure compliance with the ICT Antivirus and Patch Management Policies. • The ESET Server Security should be fully implemented, centrally	a. To procure the renewal of ESET license b. To procure ManageEngine Patch Manager Plus, which enables automated patch management, and centralised reporting.	30 June 2026	Extended Red Hat Enterprise Linux subscription effective 01 July 2025. Reviewed ICT Strategy & Implementation plan

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
		definitions and network security patches on the Municipality's workstations and servers, directly contributing to the risk materialisation.	managed, and continuously monitored to verify that all workstations and servers receive the latest antivirus updates and virus definition files. Evidence of update status and remediation actions must be recorded and retained for audit and monitoring purposes. • Patch Manager Plus must be fully deployed and configured to allow automated patch scanning, deployment, and exception reporting across all municipal systems. The ICT unit must maintain a complete and up-to-date hardware and software inventory and produce periodic patch compliance reports for review by management.			

Action no.	COMF no.	Summary of detailed Audit Findings in the Final Management Report for 2024/25
38	40	Logon violations not monitored for the Windows Active Directory, Munsoft, Payday and Traffic Contravention System may result in unauthorised access attempts or potential security breaches not being identified (Re-report)

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
38	40	Financial and performance management: Information technology systems The Accounting Officer did not ensure that management's commitments to address the previous audit finding were implemented in a timely manner. Furthermore, non-compliance with the Audit Logging Requirements outlined in the ICT Accounts Management Policy was due to the following factors, which hindered ICT's ability to generate the required reports for effective monitoring, review, and audit purposes during the year: • Budget constraints, which delayed both the repair of the Windows AD and the acquisition of the AD monitoring tool. As a result, the tool required to enable ICT to log, monitor, and track unauthorised	The Accounting Officer, in collaboration with the Chief Financial Officer (CFO) and the Manager: ICT should ensure that commitments made to address audit findings are adequately implemented and actioned in a timely manner. Furthermore, the ICT Manager should: • Ensure that audit logging and monitoring settings are adequately configured and enabled on the procured AD monitoring tool, to allow the Network System Administrator and ICT Security Officer to effectively monitor and track unauthorised access attempts and security events within the Windows AD environment.	a. To configure Windows Active Directory logon violation events b. To configure Munsoft logon violation events c. To configure Payday logon violation events d. To configure TCS logon violation events	29 October 2025	To configure Windows Active Directory logon violation events review reports To configure Munsoft logon violation events review reports To configure Payday logon violation events review reports To configure TCS logon violation events review reports

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
		access attempts and security events within the AD environment was only procured after the 2024-25 financial period. • Inadequate training, which resulted in ICT personnel being unaware that the Payday and Traffic Contravention Systems had the functionality to generate a report of invalid user login attempts. • System functionality limitations, which prevented ICT from logging, monitoring, and tracking unauthorised access attempts and security events within the Munsoft system's environment.	• Ensure that ICT personnel receive comprehensive and ongoing training on all critical systems, including Payday and the Traffic Contravention System, to enhance their understanding of system functionalities and available control features. A report of unauthorised access attempts and security events should be periodically generated and monitored, with anomalies identified being followed up on. • Engage with the service provider, Munsoft (Pty) Ltd to determine whether enhancements can be made to enable the logging and tracking of unauthorised access attempts and security events on the Munsoft system. If such enhancements are not feasible, management should conduct a risk assessment of the current security management processes to identify areas where the required controls cannot be implemented.			

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
			Based on this assessment, management should determine and implement appropriate mitigating controls to address any identified gaps. The results and recommendations should then be communicated to the relevant committee for consideration, to ensure that the associated risks are either formally accepted or adequately mitigated in line with internal risk management processes.			

Action no	COMF no	Summary of detailed Audit Findings in the Final Management Report for 2024/25
39	**41**	Inadequate password history settings on the Traffic Contravention System weakens user authentication security and increases the risk of unauthorised system access

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
39	41	Financial and performance management: Information technology systems	The Manager: ICT should engage with the Traffic Contravention System service provider, Total Client Services, to determine whether the	a. To update the backend code to enforce a password history of the last six (6) passwords remembered.	29 October 2025	Screenshot, showing password settings for TCS

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
		The Traffic Contravention System project implementation team did not ensure that the password configuration standards prescribed in the Information Security Policy were fully applied during the system's configuration and deployment within the municipal environment. As a result, the Traffic Contravention System failed to enforce the required password history settings as specified in the policy.	system can be enhanced to enforce password history settings in line with the standards outlined in the Information Security Policy. If such enhancements are not feasible, management should conduct a risk assessment of the current security management processes on the Traffic Contravention System, in order to identify areas where the required controls cannot be implemented. Based on this assessment, appropriate mitigating controls to address any identified gaps should be implemented. The results and management actions should thereafter be formally communicated to the relevant governance committee for consideration, to ensure that the associated risks are either formally accepted or adequately mitigated in line with internal risk management processes.			

Action no	COMF no	Summary of detailed Audit Findings in the Final Management Report for 2024/25
40	42	Inadequately implemented user account management processes for the Windows Active Directory, Munsoft, Payday and Traffic Contravention Systems increase the likelihood of inappropriate access being assigned and undetected unauthorised activities (Re-report)

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
40	42	Financial and performance management: Information technology systems The ICT Manager and IT System Administrators did not ensure that management commitments made to resolve previous audit findings were adequately actioned. Additionally: • Delays in budget allocation had deferred the procurement of the Microsoft Audit Manager Plus tool, which prevented ICT from being able to monitor user account management activities performed by users with administrative access. • The ICT System Administrators did not ensure that the all user requests were accompanied by ICT Access Request Forms and that type of access/module the users required access to were clearly	The ICT Manager in collaboration with the IT System Administrators should ensure that management commitments made to resolve previous audit findings are adequately actioned, and that: • The Microsoft Audit Manager Plus tool is correctly configured to enable the ICT unit to effectively manage user accounts and monitor activities on the Windows Active Directory. Additionally, system default accounts should be managed in line with IT leading best practices. • All user account management requests are accompanied by valid ICT Access Request Forms, and that once submitted, they are thoroughly reviewed to ascertain that all required information and that types of	a. To configure Windows Active Directory account activities b. To maintain records of ICT access request forms c. To review systems (Active Directory, Munsoft, TCS, PayDay) user activities, access level permissions, and logon violations	31 March 2026	Windows Active Directory account activities configurations ICT access request forms (fully signed) To ICT systems (Active Directory, Munsoft, TCS, PayDay) review reports on user activities, access level permissions, and logon violations

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
		specified on the forms, prior to access being granted on the Munsoft and Payday systems. • The Chief Financial Officer and Director: Community Services in collaboration with the Director: Corporate Services and ICT Manager, did not ensure that adequate due diligence was applied when the monthly ICT System Reviews were conducted during the 2024-25 financial period. As a result, anomalies in the user account management processes within the Munsoft and Traffic Contravention Systems environment were not promptly identified and corrected.	access and/or modules the user requires access to, are clearly documented on the form. • Perform an assessment of all active accounts on the Munsoft and Traffic Contravention System to ensure that access levels are appropriate and aligned with each user's job responsibilities, and no individual has the ability to both initiate and complete a transaction, in line with segregation of duties and principle of least privilege requirements. Furthermore, IT system reviews should be used as a mechanism to detect and promptly correct any anomalies in user account management processes.			

Action no.	COMF no.	Summary of detailed Audit Findings in the Final Management Report for 2024/25
41	43	Inadequately implemented user account management processes for the Windows Active Directory, Munsoft, Payday and Traffic Contravention Systems increase the likelihood of inappropriate access being assigned and undetected unauthorised activities (Re-report)

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
41	43	Financial and performance management: Information technology systems The Accounting Officer did not ensure that management commitments made to resolve the previous audit findings were timeously actioned, resulting in this finding being re-reported from 2021-22 through to the current 2024-25 financial period. Additionally: • The ICT Steering Committee did not adequately review the ICT DR Plan to ensure that key guidance on DR processes were incorporated into the Plan, and that the document was aligned to the COBIT, King IV, and ISO/IEC 27000 recognised ICT governance and information security frameworks formally endorsed by Council at Endumeni Municipality.	The Accounting Officer, in collaboration with the ICT Steering Committee and ICT Manager should ensure that commitments made to address previous audit findings are adequately and timeously actioned and further ascertain that: • The ICT DR Plan is thoroughly reviewed and updated to include key guidance on DR processes such as definition of disaster scenarios, specification of critical IT systems be recovered, and the completion of a Business Impact Analysis (BIA), in line with the ICT governance and information security frameworks adopted by the Municipality. Once updated, the Plan should be formally approved and distributed to	a. To review the DR Plan to address the identified gaps: • Clear definitions of disaster scenarios will be incorporated to ensure a structured response to various potential disruptions; • A comprehensive list of systems, applications, and platforms covered by the Plan will be documented; and • A Business Impact Analysis (BIA) and risk assessment will be conducted in consultation with all municipal departments to ensure that business requirements and critical dependencies are adequately reflected in the revised DR Plan.	30 June 2026	Review DR Plan Veeam backup management software configurations Budget submission that includes the establishment of a disaster recovery facility

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
		• Veeam backup management software was only fully implemented in the Municipality's environment as of 28 February 2025. As a result, the Windows Active Directory and Traffic Contravention Systems were not backed up between 01 July 2024 and 27 February 2025. Consequently, recovery tests could not be conducted during this period, as no backups were available to assist ICT in restoring or verifying the recoverability of these critical systems. • An offsite facility has not yet been established due to delays in developing an organisation-wide Business Continuity Plan (BCP), with the Municipality still being in the process of obtaining guidance from oversight and support bodies, such as the Provincial Treasury.	all relevant stakeholders for implementation. • The Veeam backup management software is correctly configured to back up all critical IT systems managed by ICT, with backups for the Windows Active Directory and the Traffic Contravention System scheduled according to the backup methods and frequency requirements outlined in the ICT Backup Policy. • Subsequently, these backups should be tested for restorability and DR simulations conducted in line with the ICT DR Plan to verify that critical systems and associated business operations can be effectively restored within the required timeframes.	b. To reconfigure Veeam backup management software to backup all critical ICT systems c. To source funds to establish a disaster recovery facility to ensure continued operations in case of a disaster		

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
			• The establishment and finalisation of the Business Continuity Plan (BCP), as well as the setup of an offsite facility is prioritised, to ensure that critical IT systems and business operations can be restored and continue in the event of a disruption.			

Action no.	COMF no	Summary of detailed Audit Findings in the Final Management Report for 2024/25
42	**44**	Inadequate backup management controls may result in the municipality not being able to rely on backups taken to restore lost or corrupted data (Re-report)

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
42	44	Financial and performance management: Information technology systems The Accounting Officer did not ensure that management's commitments to	The Accounting Officer, in collaboration with the ICT Manager and Network Administrator, should ensure that:	a. To reconfigure Veeam backup management software to backup all critical ICT systems b. To test the backups restorability on a quarterly basis.	31 March 2026	Review DR Plan Veeam backup management software configurations

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
		address the previous audit finding were implemented in a timely manner. Furthermore, delays in procuring the backup management software intended to facilitate local server backups and data transfer to cloud storage, resulted in the late implementation of the Veeam backup management solution.	• Commitments made to address previous audit findings are adequately and timeously actioned. • The Veeam backup management software is correctly configured to back up all critical IT systems managed by ICT, including the Windows Active Directory and Traffic Contravention System, in accordance with the methods and frequency requirements set out in the ICT Backup Policy. • Regular backup restoration tests and disaster recovery (DR) simulations are conducted to verify the recoverability of data and to ensure that critical systems and associated business operations can be effectively restored within the required timeframes.			Budget submission that includes the establishment of a disaster recovery facility

Action no.	COMF no.	Summary of detailed Audit Findings in the Final Management Report for 2024/25
42	44	Inadequate program change management processes may result in unauthorised or inappropriate changes being implemented on the Munsoft, Payday and Traffic Contravention Systems (Re-report).

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
42	44	Financial and performance management: Information technology systems The Accounting Officer did not ensure that management's commitments to address the previous audit finding were implemented in a timely manner. Furthermore, delays in procuring the backup management software intended to facilitate local server backups and data transfer to cloud storage, resulted in the late implementation of the Veeam backup management solution.	The Accounting Officer, in collaboration with the ICT Manager and Network Administrator, should ensure that: • Commitments made to address previous audit findings are adequately and timeously actioned. • The Veeam backup management software is correctly configured to back up all critical IT systems managed by ICT, including the Windows Active Directory and Traffic Contravention System, in accordance with the methods and frequency requirements set out in the ICT Backup Policy. • Regular backup restoration tests and disaster recovery (DR)	a. To reconfigure Veeam backup management software to backup all critical ICT systems b. To test the backups restorability on a quarterly basis.	31 March 2026	Veeam backup management software configurations Backup restore testing reports (quarterly)

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
			simulations are conducted to verify the recoverability of data and to ensure that critical systems and associated business operations can be effectively restored within the required timeframes.			

Action no	COMF no	Summary of detailed Audit Findings in the Final Management Report for 2024/25
43	**45**	Inadequate program change management processes may result in unauthorised or inappropriate changes being implemented on the Munsoft, Payday and Traffic Contravention Systems (Re-report).

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
43	45	Financial and performance management: Information technology systems The Accounting Officer did not ensure commitments made to address the previous audit finding were adequately actioned. Additionally:	The Accounting Officer, in collaboration with the ICT Manager must ensure that commitments made to address audit findings are adequately and timeously actioned and should: **For Munsoft:** • The ICT unit should ensure that all program changes, including	a. To strengthen records-management processes to ensure that future RFCs include all mandatory documentation, including explicit rollback plans or backup-log evidence. b. To table an item to the Risk Management Committee (RMC) on system non-capabilities to	30 June 2026	ICT changement records Item to the RMC for risk acceptance on system non-capability to maintain auto generated changes log

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
		• Inadequate records management resulted in the ICT unit being unable to locate and provide the portion of the RFC form that would confirm whether a rollback plan was prepared prior to the release of version 8.2.0 into the Municipality's Munsoft production environment. • The Payday and Traffic Contravention Systems do not have built-in functionality to allow management to generate the program change history reports required for tracking, monitoring and audit purposes. Furthermore, the ICT unit had not taken the necessary steps to ensure that the change management risk related to Payday was included for consideration in upcoming Audit Committee meetings. • The management and administration of the Traffic Contravention System was previously the responsibility of the service provider. The ICT unit only received training to administer the	minor version upgrades, are supported by a documented and approved rollback plan prior to deployment into the production environment. • The ICT unit should also improve records management practices to ensure that change documentation, including RFC forms, approval evidence, testing results, and rollback plans, are securely stored and readily retrievable for audit and monitoring purposes. **For Payday and the Traffic Contravention System:** • The ICT unit, in consultation with the relevant service providers, should assess and implement feasible solutions to enable the generation, retention, and review of program change history. • Where system limitations prevent full logging capabilities, the ICT unit should establish and document manual or compensating controls to track,	maintain auto generated changes log.		

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
		system after it was migrated into the ICT environment and was therefore not aware of the program change log limitations until they were identified during the audit.	review, and approve system changes. **Governance and Oversight:** • If system enhancements are not feasible, management should conduct a risk assessment of the current program change management processes for the Payday and Traffic Contravention Systems to identify areas where the required controls cannot be implemented. Based on the outcome of this assessment, appropriate mitigating controls to address any gaps identified should be implemented. The results of the assessment, along with proposed management actions, should thereafter, be formally communicated to all relevant governance committees for consideration, to ensure that the associated risks are either formally accepted or adequately mitigated in line with the Municipality's risk management processes.			

Technical Services

Responsible Manager	Manager PMU	Acc. Manager	Director Technical Services: M Buthelezi

Action no.	COMF no.	Summary of detailed Audit Findings in the Final Management Report for 2024/25
44	30	Construction of Marikana Road

Construction Of Marikana Road

1. **Project delays with cost escalations**
   - Multiple contractors causing project delays
   - Cost Escalations

2. **Quality defects**
   - Design did not cater for site catchment area.
   - Poor workmanship and items that could not be verified on site
   - Bellmouth and access to the house
   - Limitation of scope

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
44	30	• Lack of monitoring by the municipality and consultant to timely resolve project challenges so that the project timeline and cost are not negatively impacted. • Effective project management was not in place to ensure that the project execution was conducted efficiently. Furthermore, critical milestone was not adequately	Management should implement the following: • The leadership of the municipality should take a stronger approach to rectify the project management process failures otherwise the intended timely delivery of quality infrastructure projects would not materialise.	a. Review of project designs with end-user departments. b. BTO to attend project monthly meetings. c. Assessment of Contractors and Consultants performance monthly. d. Correction of identified defects utilising the retention available.	30 June 2026	Monthly reports; Attendance registers of meetings; Final close out report

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
		addressed, hindering informed decisions regarding the contractor capabilities on the project completion when slow progress was identified. This contributed to project delays and was compounded by insufficient monitoring mechanisms, which failed to ensure timely achievement of key milestones. • Poor contractor performance monitoring and delayed enforcement of contractual remedies by consultant and municipal staff. • Inadequate planning and risk management, including reliance on contingency funds for non-contingent events. • Weak oversight by both the consultant and municipality in addressing early warning signs. • Inaccurate design gradient or insufficient design review.	• The municipal manager, with all department heads should enforce disciplined project management processes in all processes across all departments. This will provide consistency and clarify expectations of all project management teams as project management is not a discipline for only the technical members but for all members in the team. • Address the project management failures in identifying skills gaps in relation to the professional registration requirements (section 19) of the Project and Construction Management Professions PCMP Act. • Where project management is outsourced, compliance to the Act should be one of the prerequisites, in addition to other competencies that are required (e.g. engineering).	e. Training of the PMU staff on the General Conditions of Contract and its amendments. f. Alignment of project budget with desired scope of work.		

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
		• Poor quality control during construction. • Lack of proper verification by the consultant before approving works. • Failure to implement all elements of the approved design. • Lack of due diligence and ineffective site supervision and monitoring by the project team (internal and external) to identify and address poor workmanship during the construction, which resulted in the defects. • Absence of formal documentation or approval for design variations.	• Strengthen contract management by enforcing strict performance monitoring and early intervention protocols and applying penalties and termination clauses promptly. • Improve proactive planning and risk management processes, e.g. over design and documentation completion before contractor appointment and contingency plans for genuine unforeseen events. • Enhance accountability through post-project reviews to identify systemic weaknesses and implement performance-based evaluation for consultants and contractors. • Finalise a time bound action plan for recommendations made on this project for approval by the accounting officer, execute the action plan, monitor the progress and report thereon at regular intervals and take corrective			

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
			actions until all matters are finalised. • The drainage system should be redesigned or reconstructed where necessary to ensure adequate stormwater conveyance and protection against future washouts. • The eroded backfill behind the culvert headwalls should be reinstated with proper compaction and erosion protection measures (e.g. gabions, riprap, or concrete apron). • The municipality should strengthen quality assurance measures in future projects to ensure compliance with design standards and long-term performance expectations. The municipality should perform the following: • Investigate the reason behind the omission of the traffic circle and			

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
			provide supporting documentation such e.g. Approved Variation order. • Hold project managers or consultant who certified work complete and contractor who did not complete the work accountable. • Enhance project controls to ensure all future design changes are approved and documented before implementation. • Institute consequence management/ contractual remedies against the municipal employees and/ or the consultant that have contravened or not performed their responsibilities with due diligence, which resulted in poor quality work. Any consequential loss arising from the poor quality of work should be investigated with view to recovering from individual/s responsible			

Action No	COMF no.	Summary of detailed Audit Findings in the Final Management Report for 2024/25
42	**44**	The indicator is not consistent, well-defined and verifiable – Kunene farm and Buyaphile

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
42	44	Management did not review technical indicator descriptions for performance information to ensure that indicators have a clear, unambiguous definition so that data be collected consistently. There is a common understanding of input, processing and output for all performance measures/ indicators.	It is recommended that, • Management should ensure before the approval of the Service Delivery Budget Implementation Plan that all performance measures/indicators are well defined. • Furthermore, management should review technical indicator description for performance information to ensure that indicators have a clear, unambiguous definition so that data be collected consistently, and there is common understanding of input, processing and output for all	a. Review the KPI description on the SDBIP to only cater for the infrastructure outlay for households to be electrified.	31 March 2026	Final approved adjusted SDBIP

Action no	COMF no.	Root Causes	Control Improvements	Detailed Action plan	Completion	Monitoring Mechanisms
			performance measures/ indicators.			

6.3. Financial Position

The inability to pay all Eskom invoices by the municipality is the main reason behind the bad financial position that the municipality finds itself in. The root cause of this situation is the high rate of electricity losses incurred by the municipality due to theft.

There is hope however that this situation will soon be turned around with the introduction of smart meters that will enhance control over the distribution of electricity and its consumption by customers. The debt collection rate stands at 83 % at the reporting date but is expected to increase as soon as stronger control over electricity distribution is secured, since the municipality uses electricity disconnections as a collection mechanism.

6.4. Liquidity Management

Cash to Cost-coverage Ratio
Measures the municipal ability to meet at least its monthly fixed operating commitments from cash and short-term investment without collecting any additional revenue, indicates 1.09 months in 2025 compared to 0.55 months in year 2024 and is in the lower end of the norm of 1 to 3 months.

The Quick Ratio:
Measures the ratio of current assets excluding receivables and inventory against current liabilities, has decreased from 0.14 in year 2024 to 0.13 in 2025. As the norm in this case is 1.00, this indicator also suggests the possibility of a potential liquidity problem.

The Current Ratio:
Measures current assets against current liabilities, has decreased slightly from 0.37:1 in 2024 to 0.35:1 in 2025. This is below the norm of 1:50 to 2:1. This ratio indicates the municipality's ability to utilize its near cash assets to pay for its short-term liabilities as they become due. The fact that these three ratios are below the sector norms indicates a deterioration in cash management and hence they should be seen as warning signals and be responded to, accordingly.

6.5. Debtors Management

Debtors Collection Rate:
This ratio shows the level of payments in relation to billings for collectable debtors at financial year end and is 83% (104% in 2024), which is below the target recommended by National Treasury of 95%. This highlights there are some challenges in collecting revenue.

Net Debtors Days:
This Ratio adjusts for Municipality's who have had significant write-offs of Irrecoverable Debtor balances in the Gross Debtors Days analysis as it only assesses the performance of collectable Debtors. In addition, it provides an indication of the quality of credit control policy, effectiveness of the implementation thereof and quality of revenue management.

If the ratio is above the norm, this indicates that the Municipality is exposed to significant Cash Flow Risk. This is also an indication that the municipality is experiencing challenges in the collection of outstanding amounts due to it. In addition, this indicates that a significant amount of potential cash is tied up in consumer debtors and the municipality must improve its revenue and cash flow management.

Endumeni Municipality **net debtor days to receive payment for bills for services is 104 days which is a significant increase from last year's 86 days**. This figure still exceeds the norm of 30 days and indicates that the Municipality continues to be exposed to significant cash flow risk and is facing challenges in the collection of outstanding amounts.

6.6. Liability Management

Creditors Payment Period:

This represents the average number of days it took for the Municipality's creditors to be paid. For the year under review the municipality has paid all creditors within 30 days from date of receipt of invoice except for Eskom Bulk Purchases which took 230 days to pay in 2025 and 225 days in 2024 and the norm is 30 days. The municipality is facing financial constraints hence the difficulty in paying the Eskom invoices.

A period of longer than 30 days to settle creditors is normally an indication that the Municipality may be experiencing cash flow challenges.

National Treasury Circular 71

Invoices paid after 30 days are only invoices that may be in dispute and are being held back for verification. The municipality has sufficient working capital to fund the operational activities of the municipality." Long Term Loans: The municipality does not have any long-term borrowings.

6.7. Asset Management/ Utilisation

Capital Expenditure		Unspent Grants		Repairs & Maintenance	
2023/24	**2024/25**	**2023/24**	**2024/25**	**2023/24**	**2024/25**
R17.5 Million	R29.6 Million	R10.6 Million	R2.1 Million	R15.8 Million	R15.9Million

Repairs & Maintenance

The expenditure on repairs and maintenance increased marginally in 2025 to R 15.9 million from R15.8 million in 2024. In both years the repairs and maintenance expenditure as a percentage of property plant and equipment amounts to **5%** which reflects a growing appreciation of the importance of maintaining the municipal infrastructure.

6.8. Revenue Management

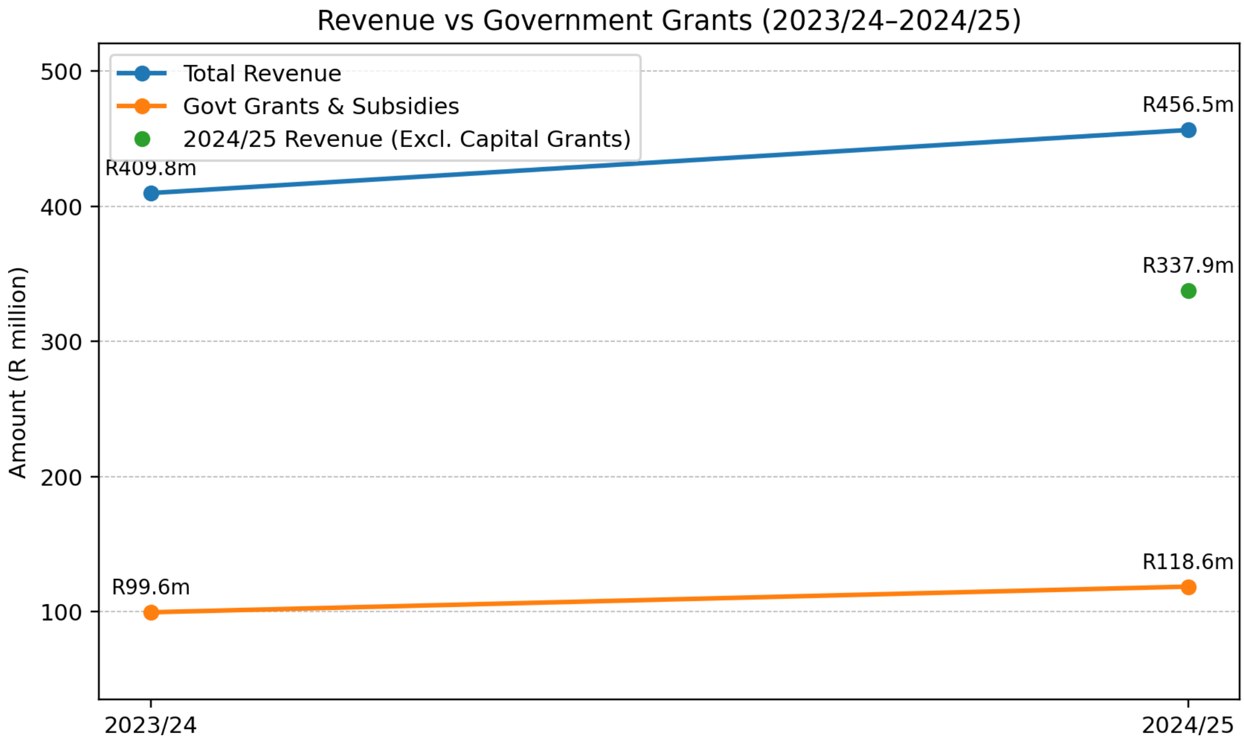
6.8.1. Growth in Active Consumer Accounts

It is important when making policy decisions on revenue to be able to assess all aspects of the revenue base, especially in the potential growth of the number of active consumer accounts. This analysis assists Council to assess the real growth in its paying customer base versus growth due to tariff and inflationary adjustments.

Due to the absence of any large-scale developments in terms of residential housing and sluggish, almost non-existent economic growth, all growth in revenue figures can be largely attributed to tariff and inflationary adjustments. **This was exacerbated by the large-scale theft of electricity which resulted in above 40% losses of electricity purchased from Eskom**. There is hope that this will be turned around with the installation of smart meters expected to be concluded before the end of the 2026 financial year. This is expected to result in improved control over the provision of electricity and the curtailment of electricity losses

6.8.2. Revenue Growth

Total revenue from all sources increased from R409.8 million in 2024 to R456.5 million in 2025. Taking capital grants out of consideration, the revenue figure goes down to R337.9 million. The fluctuation of total revenue over the last two years was above the inflation rate and reflects that the municipality is on the right track to improving revenue collection and reducing electricity losses. The government grants and subsidies revenue for 2025 amounts to R 118.6 million which is an increase of R19 million 2024.

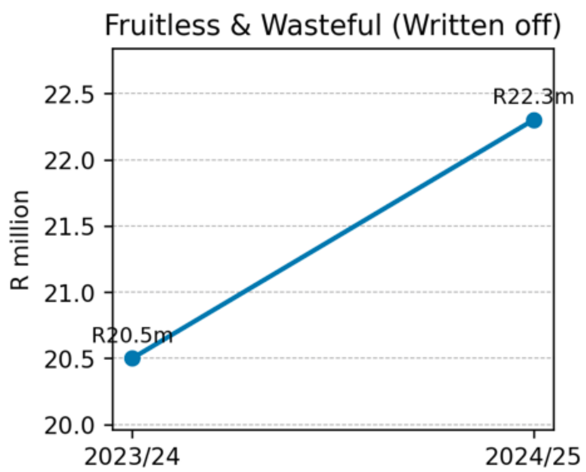


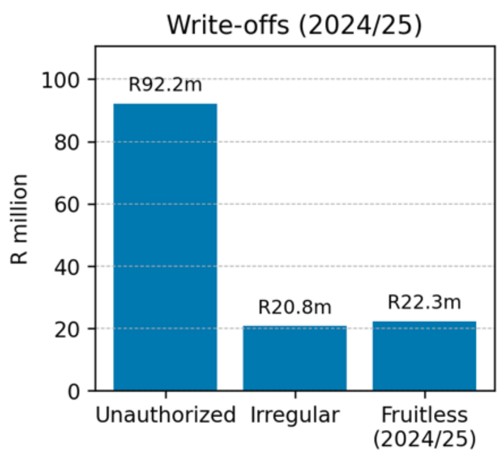
6.9. Expenditure Management

Unauthorized Expenditure - R 92.2 million was written off during the year under review.

Irregular expenditure - R20.8 million was written off during the financial year under review.

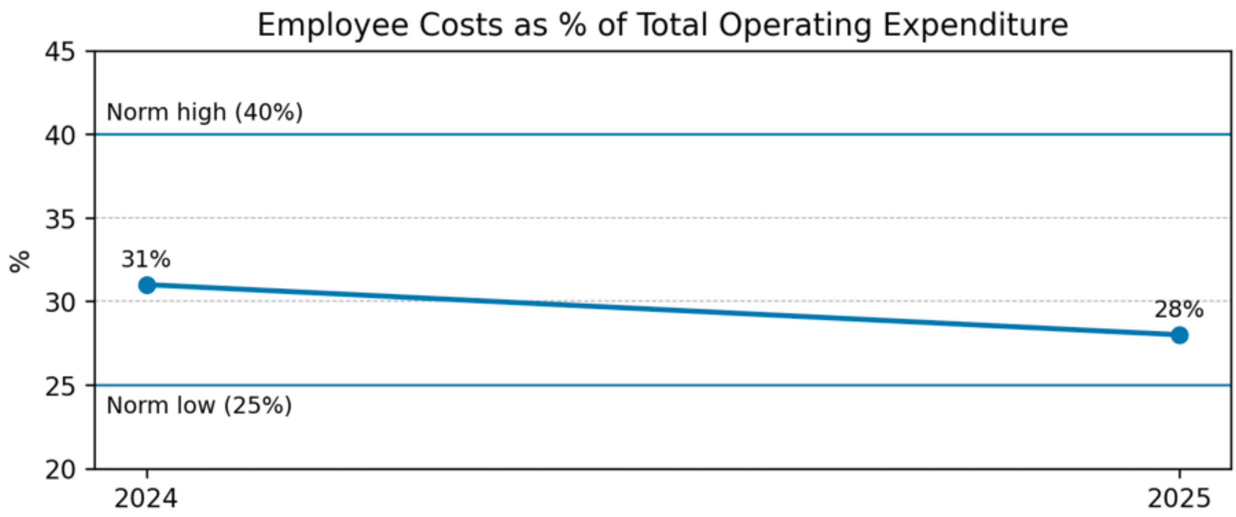
Fruitless and wasteful expenditure - R 22.3 million (2024: R 20.5 million) was written off during the financial year under review. This expenditure arose from the outstanding balance on the Eskom account.





Remuneration of Employees & Councillors:

- Employee-related costs increased by 6% from R 149.6 million in 2024 to R 159.3 million in 2025.
- As a percentage of total operating expenditure, the employee related costs amount to 28 % in 2025 and 31% in 2024.
- This is well within the norm of 25.0 to 40.0%.



Budget vs Actual (Statement of Comparison of Budget and Actual Amounts)

Table 6.1: Revenue – Budget vs Actual

Item	Approved Budget	Adjustments	Final Budget	Actual	Difference
Service charges	231 152 541	3 627 357	227 525 184	174 621 932	- 52 903 252
Rendering of services	820 572	- 282 500	538 072	555 204	17 132
Construction contracts income	9 558 996		9 558 996	8 312 174	- 1 246 822
Rental of facilities and equipment	1 118 940	- 293 500	825 440	1 220 997	395 557
Interest on receivables from	2 400 096	3 063 021	5 463 117	4 625 212	
Licenses and permits	4 619 688	-1 446 000	3 173 688	4 089 604	915 916
Other income	877 764	- 557 198	320 566	354 663	34 097
Interest received -on investment	2 890 764	-1 466 459	1 424 305	3 142 696	1 718 391
Total revenue from exchange	253 439 361	-4 609 993	248 829 368	197 576 424	- 51 252 944
Property rates	114 298 920		114 298 920	111 713 435	- 2 585 485
Government grants & subsidies	109 712 004	13 369 040	123 081 044	118 600 939	- 4 480 105

Total revenue from non-	236 391 660	19 092 640	255 484 300	258 881 098	3 396 798
Total revenue	489 831 021	14 482 647	504 313 668	456 457 522	- 47 856 146

Table 5.2: Expenditure – Budget vs Actual

Item	Approved Budget	Adjustments	Final Budget	Actual	Difference
Employee related costs	-153 729 374	7 821 890	-145 907 484	-154 009 737	- 8 102 253
Employee costs - Remuneration	- 6 923 628	- 575 100	- 7 498 728	- 5 348 155	2 150 573
Depreciation and amortisation	-16 889 568	1 625 487	-15 264 081	- 14 972 055	292 026
Impairment loss	- 1 482 936		- 1 482 936	- 544 162	938 774
Lease rentals on operating lease	- 769 356		- 769 356	- 2 943 754	
Debt Impairment	-17 995 116		-17 995 116	- 37 036 729	
Bulk purchases	-178 693 860		-178 693 860	-197 359 996	
Contracted Services	- 46 955 848	-10343783	- 57 299 631	- 56 766 861	532 770
Transfers and Subsidies	- 630 000		- 630 000	- 609 585	20 415
General Expenses	- 35 037 756	-2885488	- 37 923 244	- 39 411 478	- 1 488 234
Total expenditure	- 459 107 442	-4356994	-463 464 436	-548 841 878	- 85 377 442
Operating deficit	30 723 579	10125653	40 849 232	- 92 384 356	-133 233 588

Source: Statement of Comparison of Budget and Actual Amounts (Annual Financial Statements, year ended 30 June 2025).

ASSESSMENT BY THE ACCOUNTING OFFICER ON ARREARS: MUNICIPAL TAXES & SERVICE CHARGES

The accounting officer's assessment indicates that the municipality continues to experience significant levels of arrears on both municipal taxes (property rates) and service charges (electricity, refuse, rentals, etc.), driven largely by low collection rates, aging debtors, and high levels of impairment.

---

1. **Property Rates (Municipal Taxes) Arrears**

Overall position

- Gross rates debtors: R142,840,126
- Impairment provision: R125,780,609
- Net recoverable amount: R17,059,517

Age analysis

- Over 365 days: R92,847,726
- 121–365 days: R27,628,262
- This shows 84% of rates debt is older than one year, indicating severe recovery challenges.

Reasons for arrears

- Consistent non-payment by households & businesses
- Customers in financial distress
- Accounts handed over or inactive
- Indigent households with long-outstanding balances
- Correction of property valuation roll disputes

Accounting officer's position

- High arrears necessitate substantial impairment, reducing the likelihood of recovering most old debt.
- Collection remains a core financial risk.

2**. Service Charges Arrears**

Includes electricity, refuse removal, rentals, VAT-related receivables.

Overall position

- Gross service charges debtors: R128,678,725
- Impairment provision: R70,608,283
- Net recoverable amount: R58,070,442

Electricity debtors

- Over 365 days: R4,382,906
- Continued arrears are linked to high consumption, disconnections, and illegal connections.

Refuse debtors

- Over 365 days: R42,754,790
- Aged refuse debt remains persistently high (69%+ older than 1 year).

Sundry and rental debtors

- Similar patterns of long-outstanding accounts with limited recoverability.

Accounting officer's position

- Collection levels are not improving sufficiently.
- Large impairment provisions indicate that the municipality is unlikely to recover much of the historic debt, and continues to face liquidity pressures.

---

3. Impairment & Arrears Management

Impairment methodology

- Based on collection rates, credit risk profiles, indigent status, and accounts older than 30 days.
- Discount rate applied: 10% for statutory receivables.

Statutory receivables impaired

- R130,590,390 impaired (rates, fines, VAT-related).

Exchange receivables impaired

- R70,608,283 (electricity, refuse, rentals).

Key indicators used for arrears assessment

- Accounts handed over
- Default on payment arrangements
- Ageing >30 days
- Indigent customers
- Inactive / disputed accounts

---

4. Overall Assessment

The accounting officer concludes that:

- Arrears remain critically high, dominated by long-outstanding property rates and refuse accounts.
- Collection challenges continue to undermine cash flow, contributing to:
  - High impairments
  - Deficit position for the year
  - Reliance on grants for operational sustainability
- Old debt (>365 days) has minimal chance of recovery, hence the large impairment provisions.
- The municipality must intensify revenue enhancement, strengthen credit control, and review indigent and debt management policies.

ASSESSMENT BY THE ACCOUNTING OFFICER: PERFORMANCE AGAINST MEASURABLE PERFORMANCE OBJECTIVES FOR REVENUE COLLECTION

Section 17(3)(b) of the MFMA requires municipalities to set measurable performance objectives for revenue from each source and for each vote in the approved annual budget. The accounting officer must assess performance against these objectives at year-end. Based on the audited 2024/2025 results, the following assessment is provided:

1. Overall Performance Against Revenue Collection Targets

The municipality did not meet the majority of its revenue collection targets for the 2024/2025 financial year. Actual total revenue amounted to R456.46 million, which is R47.86 million less than the final adjusted budget of R504.31 million. This represents a shortfall of 9.48%. [Document | Word]

The under-performance was mainly driven by:

Lower-than-projected service charges collections
Weaker than expected property rates performance
Lower grant receipts from capital funding streams
High levels of debt impairment, which reduced the effective collectible base
Adverse economic conditions leading to consumer non-payment

2. Assessment by Revenue Source

2.1 Service Charges

Category	Final Budget	Actual	Variance	Performance
Electricity & Solid Waste	R227.53m	R174.62m	R52.90m	Target not met

The municipality collected 23% less than planned from service charges.
High non-payment rates, illegal connections, and affordability challenges negatively affected electricity revenue.
Large arrears and significant impairments (R70.6m) further impacted effective revenue performance. [Document | Word]

2.2 Property Rates
Budget: R114.30 million
Actual: R111.71 million
Variance: –R2.59 million (–2.3%)

Property rates collections were slightly below target, largely due to:

High arrears (>R92 million older than 365 days)
Customer affordability pressures

Ongoing objections and valuation disputes
Impairment of R125.8 million, limiting the realizable revenue base

2.3 Fines, Penalties and Forfeits
Budget: R18.10 million
Actual: R27.69 million
Variance: +R9.58 million

This category exceeded the target by 53%, mainly due to:

Higher traffic enforcement activity
Increased penalties on overdue accounts

2.4 Government Grants and Subsidies
Operational Grants

Budget: R123.08 million
Actual: R118.60 million
Variance: –R4.48 million

Capital Grants
Capital grants (MIG, INEP, EEDSM, etc.) experienced delays and under-expenditure, leading to:

Lower receipts
Unspent conditional grants carried over (R2.17 million)

Performance Objective: Not met due to delayed project implementation and slower-than-planned drawdowns.

2.5 Other Revenue (Miscellaneous Income, Rentals, Licensing)

Most categories performed within modest variances, with revenue from rentals and licensing slightly above expectations.
Interest on receivables increased due to slow payments, but this does not reflect real cash inflow.

3. Performance by Vote (Functional Areas)
3.1 Technical Services (Electricity, Refuse, Roads)
Major contributor to under-performance due to:
Lower service charge collections
High electricity losses (46% technical & non-technical)
Impairment of refuse and electricity debtors

3.2 Community Services
Under-performance mainly from:
Lower revenue from community facilities
High indigent support and unaffordable tariff increases

3.3 Planning & Development
Slight improvement from development fees and building control income.
Overall contribution still low and below budget targets.

3.4 Governance & Administration
Revenue mainly from grants and interest.
Performance aligned with budget except for delayed grant drawdowns.

4. Key Factors Affecting Performance
The accounting officer notes the following systemic issues:
4.1 High Levels of Arrears

Rates arrears (>365 days): R92.8m
Refuse arrears (>365 days): R42.75m
Electricity arrears (>365 days): R4.38m

4.2 High Debt Impairment

Debt impairment expense: R37.04m
Historic consumer debt deemed irrecoverable: R9.1m written off

4.3 Economic Pressures
Consumers continue to face affordability constraints, reducing payment levels.
4.4 Revenue Leakage

Electricity losses (46%) significantly eroded revenue.

4.5 Grant Dependency
The municipality remains heavily reliant on grants due to inadequate own-revenue performance.

5. Accounting Officer's Overall Conclusion
Based on the performance against the measurable objectives:
The municipality did not fully achieve its revenue collection objectives for the 2024/2025 financial year.
This is evidenced by:

Major shortfall in service charges revenue

Slight under-collection of property rates
Delayed capital grant receipts
High debt impairment and poor payment levels
Electricity and refuse revenue severely below target
Persistent arrears and liquidity pressure

However, some positive performance was noted in fines and penalties, and certain miscellaneous revenue streams.
Continued implementation of the Revenue Enhancement Strategy, stricter credit control, reduction of electricity losses, and improved billing accuracy are required to improve future performance.

1.AUDITED 2024/25 ANNUAL

PERFORMANCE REPORTASSESSMENT OF SERVICE PROVIDERS

2. AUDITED 2024/25 ANNUAL FINANCIAL

STATEMENTS

3. 2024/25 AUDIT REPORT (Auditor General)

4. 2024/25 AG Action Plan

5. AUDIT COMMITTEE CHAIRPERSON'S

REPORT FOR THE 2024/25 FINANCIAL

YEAR

6. OVERSIGHT REPORT 2024/2025

ENDUMENI LOCAL MUNICIPALITY
"TOGETHER IN PROSPERITY"

Annual Performance Report FY 2024/25

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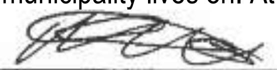
FOREWORD BY HIS WORSHIP THE MAYOR CLLR AM MKHIZE

In word and in action Endumeni Local Municipality has proven to be bold in its ambition of providing basic service delivery. The 2024/2025 Annual PerformanceReport that I am presenting is a dear attestation that the municipality has demonstrated accountability, leadership, integrity, transparency and responsiveness. The achievements displayed in this report are a testimony that good governance with good intentions is the hallmark of the municipality. It emphasizes on our core passion, which is implementation with integrity. Our keenness to provide basic service delivery is a motivating drive to improve on the previous financial year's performance. Amid the discouraging state of economic affairs in our country, we are not deterred from providing the basic needs, improving the lives of our communities and creating job opportunities. Our commitment the Provision of electricity remains a priority. We continue to work hard in providing electricity waste removal, and roads, and promoting social and economic development within the communities. We will not be discouraged by the slithering tendency of destroying the municipal infrastructure.

It is with pride that this report describes Endumeni as an organisation that is excelling in transformation and development. We continue to invest in workforce in order to meet service delivery demands, by implementing a culture of continuous learning and improvement. The Endumeni Local Municipality's Integrated Development Plan (IDP) and the Service Delivery Budget and Implementation Plan (SDBIP) ensure the municipality remains customer centric in its approach and prioritization of projects, awareness, training and development within Endumeni Local Municipality.

The social, economic and infrastructural needs of the community are welt articulated in the IDP which governs the remaining term. The Annual Performance Report is thus a critical document in assessing the progress we have made in service delivery and enables the council to regularly report to the communities thus enhancing accountability and public participation. The Municipality remains resolute to the call of responsibility to improve the lives of the residents in Endumeni community. Felicitations for the enormous achievements go to Amakhosi, Council of Endumeni local Municipality, Executive Members of Council, Portfolio Committees, Municipal Public Accounts Committee, Audit Performance Committee, management and all employees of Endumeni local Municipality. Your consistent efforts and commitment to improving the lives of the people of Endumeni Local Municipality, continue to drive service delivery through integrity.

We must continue to be bold in our ambition of fighting poverty. We need to keep on improving moral standards to provide a strong foundation for good governance. The fruits of development must the reach the people of Endumeni Local Municipality. The dream to be the most progressive and developing district municipality lives on. At all times, we must be trusted to deliver!



CLLR AM MKHIZE

HONORABLE MAYOR: ENDUMENI LOCAL MUNICIPALITY

1. INTRODUCTION

The Endumeni Local Municipality Annual Performance Report for the 2024/2025 financial year is compiled in accordance with the legislative requirements of Chapter 6, Section 46 of the Municipal Systems Act, (No 32 of 2000)and Chapter 12 of the Municipal Finance Management Act, (No 56 of 2003).

This report highlights the key performance measures included in the 2024/2025IDP Review. These priority measures constituted the Endumeni Local Municipality's Scorecard for the 2024/2025financial year. The report presents the year-end performance results for the 2024/2025financial year.

The Performance Audit Committee for the 2024/2025financial year was comprised of the same members as the Audit Committee. These members were appointed in August 2021. The Performance Audit Committee was established in accordance with Section 142(2)(a) of the Local Government Municipal Planning and Performance Management Regulations of 2001. During the 2024/2025financial year, the Performance Audit Committee convened six (6) meetings.

Top Management, Audit Committee and Stakeholders

Category	Name	Position
Performance Audit Committee Members	Mr. D.E Sithole	Chairperson
	Mr. S.M Ngidi	Member (resigned)
	Ms. M. Gabela	Member
	Mr. V. Kubeka	Member
Internal Audit	Miss S.P. Khumalo	Manager Internal Auditor
	Mr. B Msibi	Internal Auditor
External Stakeholders	The Auditor General	
	Municipal Finance	Provincial Treasury & COGTA
	Municipal Performance	COGTA
Senior Management	Adv. N.N Khambule	Acting Municipal Manager
	Mrs. C.B. Mkhize	Chief Financial Officer
	Mr. M.E Mbuyisa	Executive Manager: Corporate Services
	Mr. M.B. Buthelezi	Executive Manager: Technical Services
	Ms A.K.N Dlungwana	Executive Manager: Planning and Economic Development
	Mr. B.A. Xulu	Executive Manager: Community Services

2. PURPOSE OF THE REPORT

The main purpose of this report is to account to the citizens of Endumeni Local Municipality for the progress made by the municipality in improving community life through service delivery. Furthermore, this report serves as a key performance document for the communities and other stakeholders, upholding the principles of transparency and accountability inherent in government operations. It aligns with the South African ethos of participatory democracy and cooperative governance.

This report is compiled in accordance with the legislative requirements of Chapter 6, Section 46 of the Municipal Systems Act, (No 32 of 2000), which mandates municipalities to prepare annual performance reports reflecting their performance against the targets set in their Integrated Development Plans (IDPs). Additionally, it adheres to Chapter 12 of the Municipal Finance Management Act, (No 56 of 2003), which requires municipalities to maintain and report on financial and performance management systems to ensure accountability and transparency in the use of public resources.

3. METHODOLOGY

According to the provisions of the Municipal Systems Act, (No 32 of 2000), municipalities are required to monitor and measure their performance by preparing quarterly and mid-year performance reports, as stipulated in Chapter 6 of the Municipal Systems Act (No 32 of 2000) on performance management systems. These quarterly and mid-year reports collectively form the municipality's Annual Performance Report, in compliance with Section 46 of the Municipal Systems Act (No 32 of 2000).

4. LEGISLATIVE FRAMEWORK

Section 46 of the Municipal Systems Act (No 32 of 2000) requires a municipality to prepare a performance report for each financial year that reflects the following:

- The performance of the municipality and each external service provider during that financial year.
- A comparison of the performance against the targets set and the performance in the previous financial year.
- Measures taken to improve performance.

The Annual Performance Report is part of the municipality's Annual Report, as required by Chapter 12 of the Municipal Finance Management Act (No 56 of 2003).

5. PERFORMANCE MANAGEMENT PROCESS

The annual process of managing performance at organizational level within the Endumeni Local Municipality involves the steps as set out in the diagram below:

6. PERFORMANCE AND SUPPORTING INFORMATION

This section presents a comprehensive overview of the Municipality's performance for the 2024/2025 financial year, referencing supporting documentation, including the Municipal Scorecard.

1. Cross-Cutting Interventions

This focus aligns with the requirements of Section 46 of the Municipal Systems Act (No 32 of 2000) and, therefore, reflects the following:

- The performance of the Municipality for the financial year under review.
- Comparisons to the performance of the previous financial year.
- Measures taken to improve performance.

7. MUNICIPAL SCORECARD

The Municipal Scorecard – Annexure A approach reflects the six (6) national KPA's and local priorities and enables a wider assessment of how the Municipality has performed. The performance report is based on measures included within the Municipal Scorecard.

These were adopted by Council on the 30 June 2024. These targets were reviewed and adjusted and adopted by Council at the end of February 2025.

8. OVERVIEW OF THE PERFORMANCE INFORMATION

In the 2024/25 financial year, the municipality set a total of 82 performance indicators across its six Key Performance Areas (KPAs). Of these, 58 indicators were achieved and 24 were unachieved, resulting in an overall achievement rate of 70.7%.

This marks a decline from the 78% overall achievement rate recorded in the 2023/24 financial year, signalling a regression of just over 7 percentage points. While the municipality still managed to deliver on more than two-thirds of its planned targets, the downward trend highlights emerging risks in sustaining performance levels year-on-year.

Figure 1 : Graphic illustration KPA's and PMS information

For a more detailed scorecard, see attached excel spreadsheet of the 2024/25 Annual Performance Report.

TABLE 1: RESULTS PER KPA

KPA's	Total number of KPI's	KPI's achieved	%	KPI's not achieved	%	Total %
Municipal Transformation & Institutional Development	11	9	81.8%	2	18.2%	100%
Basic Service Delivery	24	20	83.3%	4	16.7%	100%
Local Economic Development	7	5	71.4%	2	28.6%	100%
Good Governance and Public Participation	11	10	90.9%	1	9.1%	100%
Municipal Financial Viability and Management	16	11	68.8%	5	31.2%	100%
Cross Cutting	13	5	38.5%	8	61.5%	100%
Total	**82**	**60**	**73.2%**	**22**	**26.8%**	**100%**

Comparative histogram of KPI performance (2021/22 – 2024/25)

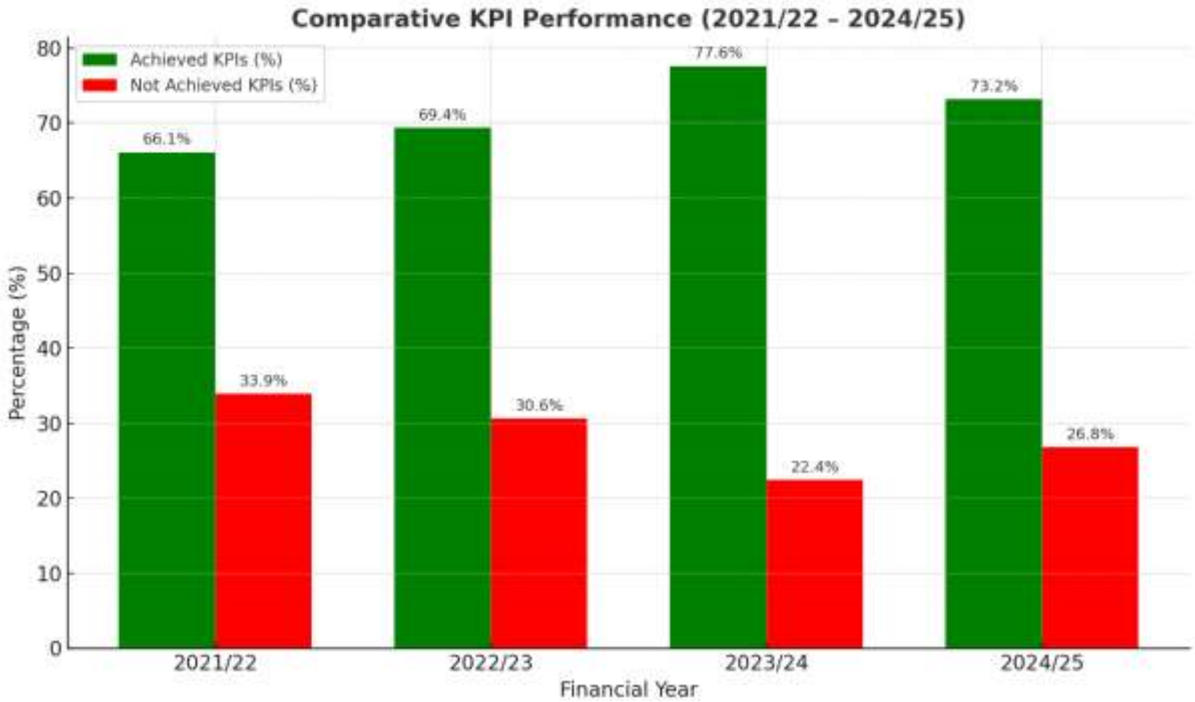


Figure 2 : Municipality Performance Report : KPI's Achieved vs Not Achieved

Financial Year	Total KPIs	Achieved	% Achieved	Not Achieved	% Not Achieved
2021/22	118	78	66.1%	40	33.9%

2022/23	98	68	69.4%	30	30.6%
2023/24	67	52	77.6%	15	22.4%
2024/25	82	60	73.2%	22	26.8%

9 PERFORMANCE SUMMARY PER KER PERFORMANCE AREA

This section indicates, in more detail, the performance of the municipality for the financial year under review. The performance reporting of the municipality is prepared in line with the six (6) National Key Performance Arears and is the focus of the Municipal Systems Act (No 32 of 2000), Section 46 requirements and therefore reflects the performance of the municipality for the financial year under review, comparisons to performance of the previous financial year and measures taken to improve performance.

9.1 Municipal Institutional Development and Transformation

Out of 11 KPIs, 9 were achieved (81.8%) and 2 were not achieved (18.2%). This indicates strong progress in institutional strengthening, human capital development, and organisational efficiency. The achievement rate reflects the municipality's efforts in capacity building and maintaining compliance with governance frameworks.

9.1.1 Performance Highlights for 2024/2025

Adoptions and Reviews

- Adoption of the PMS Framework
- Adoption of the Human Capital Policies
- Adoption of the ICT-related Policies
- Adoption of the Organogram
- Review and adoption of the IPMS Policy
- Publication of the Performance Agreements for the Municipal Manager (MM) and Senior Managers

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Employment Equity

- The municipality did not have an Employment Equity Plan in place but has since developed one to comply with the Employment Equity Act.
- An Employment Equity Report was successfully submitted by the due date of **15 January 2025** (non-submission would have resulted in penalties).
- Female representation in Top Management positions has increased.
- The Employment Equity Committee is functional, although its work was delayed due to the resignation of the Director: Corporate Services, who also served as Employment Equity Manager.

Recruitment and Selection Policy

- Critical positions have been filled, including the **Director: Planning** and the **Director: Corporate Services**.

Skills and Training Development

- Over **250 employees** were trained through **LGSETA funding** and the Training Vote.
- The municipality could not achieve **100% budget spending** due to SCM process delays.
- The **Workplace Skills Plan (WSP)** and **Annual Training Report (ATR)** were submitted on time to LGSETA on **30 April 2025**.

Functionality of LLF (Local Labour Forum)

- The LLF is functional; however, some meetings did not sit due to **lack of quorum**.

Leave Accruals

- Improvements have been noted following the alignment of leave management mechanisms with the **Leave Policy** and **Conditions of Service**.
- Leave balances submitted as at **30 June 2025** reflect progress, though differences in employee leave cycles remain a challenge. This will be resolved under the new **Munsoft contract**.
- The **Employee Self-Service (ESS)** system will be updated to allow uploading of supporting documents, preventing loss during transition.

Cascading of IPMS (Individual Performance Management System)

- The cascading of IPMS is underway. As this is a new initiative, it is still in its early stages ("crawling stage"), with the aim of achieving maturity through **collective participation**.

Occupational Health and Safety (OHS) Matters

- Compliance with OHS standards is being prioritised, with focus placed on conducting **building assessments** to fix hazardous areas and align with Department of Labour requirements.
- The municipality is compliant with **COIDA**, as the **Letter of Good Standing** has been secured.
- **All fire extinguishers** across municipal facilities were serviced as at **30 June 2025**

9.1.2 Challenges

- Insufficient Funding for Sector Plan Reviews: The municipality currently lacks dedicated financial resources to undertake the periodic review of sector plans, thereby undermining alignment with evolving policy priorities and service delivery demands.
- Political Influence Over the Organogram: The organisational structure remains subject to political considerations, limiting the administration's ability to design and implement an efficient and merit-based staffing framework.
- Inadequate Incentives for IPMS Implementation: The Individual Performance Management System (IPMS) suffers from low levels of uptake and commitment, largely due to the absence of meaningful incentives to drive performance accountability.

- Limited Capacity for Policy Analysis and Training: The institution faces a shortfall in skilled personnel and training opportunities, which constrains evidence-based policy analysis, formulation, and implementation.

9.1.3 Measures Taken to improve Performance

- Strengthening Financial Planning: Efforts have been made to mobilise limited resources more strategically, including prioritisation of critical programmes and exploring alternative funding mechanisms for sector plan reviews.
- Enhancing Governance Structures: Clearer separation of administrative and political roles is being pursued through adherence to legislative prescripts, thereby reducing undue political influence on the organogram and safeguarding organisational integrity.
- Improving IPMS Implementation: The municipality has introduced awareness sessions and is exploring performance-linked recognition mechanisms to enhance compliance and participation in the Individual Performance Management System (IPMS).
- Capacity Building Initiatives: Training workshops, skills development interventions, and collaboration with external stakeholders (such as COGTA and SETAs) are being implemented to improve policy analysis and strengthen institutional capacity.

9.2 Basic Service Delivery

This KPA recorded a strong performance, with 20 out of 24 KPIs achieved (83.3%) and only 4 (16.7%) not achieved. This demonstrates notable progress in the provision of water, sanitation, electricity, and roads, though the remaining service backlogs still need targeted interventions to close performance gaps.

9.2.1 Performance Highlights for 2024/2025

- Under community services- environment and waste management the collection has been 100% which covers residentail, industrial , semi-rural and businesses areas.
- Technical services – We have secured grant for smart meters rollout which is anticipated to assist in the reduction of electricity distribution losses.
- We have obtained the approval from COGTA to utilise savings from old massification grants which had not been used by the municipality for over the past three financial years (2021/2022, 2022/2023, 2023/2024).
- We have achieved 100 % of Municipal Infrastructure Grant (MIG) Expenditure by 30 June 2025.
- We also managed to achieve 100% of Intergrated National Electrification Programme (INEP) Expenditure by 30 June 2025.
- We also achieved 100% of Energy Effeciency Demand Side Management Grant (EEDSM) Expenditure by 30 June 2025.

9.2.2 Challenges

Aging Waste Management Fleet: The current waste management fleet is old and increasingly unreliable, resulting in frequent breakdowns and service delivery interruptions.

- Critical Staff Shortages: There is a persistent shortage of personnel, exacerbated by the lack of timely replacement of staff lost through retirement, resignation, or death.
- Underfunding of Operational Costs: Operational budgets remain inadequate to meet the full demands of service delivery, leading to compromised efficiency and quality.
- Deteriorating Municipal Infrastructure: Key municipal facilities—including community halls, libraries, office buildings, and roads—are old and in need of significant refurbishment or replacement.
- Unsecured Cemeteries: Facilities such as the Sthembile Old Cemetery and the Landfill Site Cemetery remain unfenced, raising concerns around safety, dignity, and proper management.
- Absence of a Buy-Back Centre: The municipality lacks a recycling buy-back centre, limiting efforts to promote waste reduction, circular economy practices, and sustainable environmental management.
- Inadequate Animal Pound Infrastructure: The municipal animal pound remains without electrification, hampering its functionality, safety, and compliance with animal welfare standards.
- Access roads : Inability to adequately maintain rural access roads due to lack of yellow fleet.
- Aging revenue generation infrastructure : due to the lack of financial resources, the municipality has not been able to fully implement the recommendations of the electricity master plan conducted in 2020 by the Development Bank of South Africa which indicated that the municipality will require in excess of R500 million to fully refurbish its electrical infrastructure.
- Climate change: the rise of climate change has negative impact on the municipality's roads network. As a result, the municipality has experienced four disasters during the period of 2022/2023 , 2023/2024 and 2024/2025 financial years.
- Budget allocation : the municipality is experiencing financial constrains and thus is unable to budget for its infrastructure maintainace as per norms and standards as issued by National Trasuery of 8% of the revenue budget of the municipality.
- Cable theft: the municipality has experienced a number electrical cables which were stolen resulting in unplanned electricity disruptions increased expenditure in emergency procument.

9.2.3 Measures Taken to Improve Performance

- Improved Budget Allocation for Operations and Capital Projects: Provision has been made for sufficient budgetary support to cover operational costs and capital expenditure, including the procurement of yellow plant machinery and the recruitment of critical staff.
- Investment in Infrastructure Refurbishment: Dedicated budget has been allocated towards the renovation and upgrading of municipal facilities such as libraries, community halls, and other public buildings to ensure safety, accessibility, and improved service delivery.
- Promotion of Recycling Initiatives: Efforts are underway to attract investors for the establishment of a buy-back centre, aimed at advancing sustainable waste management and supporting a circular economy.
- Electrification of the Animal Pound: Solar energy infrastructure is being installed at the municipal animal pound to provide a reliable and cost-effective electricity supply, thereby enhancing compliance with animal welfare standards and improving operational efficiency.

9.3 Local Economic Development

Performance under LED shows a moderate achievement level, with 5 out of 7 KPIs achieved (71.4%) and 2 (28.6%) not achieved. While progress has been made in supporting SMMEs, creating jobs, and promoting economic growth, challenges persist in sustaining employment opportunities and fully unlocking local economic potential.

9.3.1 Performance Highlights for 2024/2025

- We have forged partnership with AirBnB, Africa Ignite , Tourism Film and Department of Economic Development Tourism and Environmental Affairs on local home stays programme.
- Packaging of the LED Catalytic Projects
- Signing the Service Level Agreement in Place with uMzinyathi Development Agency
- Facilitation of the annual Dundee July Race.

9.3.2 Challenges

- Lack of specialist capacity internally.
- Lack of support for existing and emerging businesses with the municipality in providing exposure to the local and regional market.
- Lack of business identity to attract investors.
- The musuem has no strategy to revive its research centre.
- The musuem lack catalogue system for management of the documents.
- The relationship between the Board of Trustee and Municipality.
- Limited Internal Budget Provision.
- Lack of Bulk Infrastructure to support new developments.
- Deteriorating infrastructure.
- Infrastructure Vandalism.
- The Social Labour Plans are not articulating the current economic strategies and needs of the community.

9.3.3 Measures Taken to improve Performance

- Sourcing of the external funding for the LED Projects
- Strengthening the working relationship with the Mining Houses and local businesses
- Reduction of Red Tape
- Electronic system for business licences

9.4 Municipal Financial Viability and Management

This area remains a concern, with 11 out of 16 KPIs achieved (68.8%) and 5 (31.2%) not achieved. Although financial controls and revenue collection measures have shown improvement, persistent challenges such as debtor management, cash flow constraints, and audit compliance continue to undermine performance in this critical KPA.

9.4.1 Performance Highlights for 2024/2025

During the year under review, the following highlights were achieved:

- Appointment of Debt Collector: Engaged a debt collection agency to assist the municipality with recovering debts that are over 90 days old.
- Enhanced Strategies for Audit and Financial Improvement: Implemented more strategies aimed at improving municipal audit outcomes and enhancing financial stability.
- Appointed the Munisoft : the ERP is essential to improve the financial management of the municipality and also for providing services for data cleansing with hand-holding training on the system functionality for all the active modules that are on the system.
- Interim Financial statements : were done to improve the current Audit outcome.
- Cost Containment Measures: Developed and adopted cost containment measures to address the municipality's financial challenges effectively.
- Budget Funding Plan and Action Plan: Created a Budget Funding Plan and Action Plan, which are being implemented and monitored on a monthly basis.
- System Upgrade and Integration: Upgraded and integrated municipal systems to improve efficiency and data accuracy.
- Implementation of Token Identification Development Programme: Rolled out the Token Identification Development Programme to enhance service delivery and revenue collection.
- Data Cleansing and Updates: Conducted data cleansing and regularly updated information to maintain accurate records.

9.4.2 Challenges

- Excessive Electricity Losses: Significant electricity losses due to theft and deteriorating infrastructure.
- High Employee-Related Costs: Substantial costs associated with employee salaries and benefits.
- High Security Costs: Significant expenditure on security measures.
- Significant Eskom Debt: Large debt owed to Eskom, with difficulties in meeting Eskom Debt Relief conditions.
- Large Debtors Book: Considerable amounts owed by government entities, businesses, and households.
- Low rate of debt collection across all the debtors owed to the municipality.

- No revenue enhancement and debt collection strategy which articulates all the key role players and key drivers for enhancement of revenue collection at place.
- High rate of absentism with the BTO middle managers which directly affect perfomace in financial management.

9.4.3 Measures Taken to improve Performance

1. Excessive Electricity Losses

- Infrastructure Upgrades: Prioritise replacement of ageing transformers, substations, and lines to reduce technical losses
- Smart Metering: Introduce prepaid and smart metering systems to track usage more accurately and curb theft.
- Community Awareness & Enforcement: Run awareness campaigns on illegal connections while strengthening enforcement through collaboration with SAPS and community policing forums.
- Energy Diversification: Invest in renewable energy micro-grids (e.g., solar-powered streetlights) to reduce reliance on the grid and operational losses.

2. High Employee-Related Costs

- Workforce Optimisation: Undertake a staff establishment review to ensure positions are aligned with service delivery priorities.
- Performance-Based Contracts: Link salary adjustments and bonuses to measurable key performance indicators (KPIs).
- Skills Development & Multi-Skilling: Upskill employees to perform multiple functions, reducing the need for overstaffing.
- Outsourcing Non-Core Services: Consider outsourcing selected non-core services to reduce permanent salary burdens.

3. High Security Costs

- Technology Deployment: Replace or supplement physical guarding with surveillance cameras, drones, and alarm-linked response systems.
- Risk-Based Security Planning: Focus security resources on critical and high-risk municipal assets rather than blanket coverage.
- Partnerships: Collaborate with SAPS and neighbourhood watch structures to enhance safety at reduced costs.

4. Significant Eskom Debt

- Debt Restructuring: Engage Eskom and National Treasury to negotiate revised payment terms under the Eskom Debt Relief guidelines.

- Strict Payment Prioritisation: Ringfence electricity revenue so that it is paid directly to Eskom before other uses.
- Revenue Protection Programme: Curb electricity theft and improve collection efficiency to ensure adequate revenue for bulk payments.

5. Large Debtors Book

- Segmented Debtors Management: Classify debtors (government, business, households) and develop tailored collection strategies.
- Government Engagement: Escalate unpaid government accounts to provincial and national treasuries for intervention.
- Payment Incentives: Introduce settlement discounts or interest write-offs for early/once-off payments.
- Legal Enforcement: Strengthen credit control policies and partner with debt collection agencies for chronic defaulters.

6. Low Rate of Debt Collection

- Revenue Collection Strategy: Develop and adopt a comprehensive revenue enhancement strategy linked to the IDP and SDBIP.
- Automation: Deploy revenue management software and automate billing to reduce leakages.
- Customer Engagement: Regular statements, SMS reminders, and digital payment channels (e.g., mobile apps) to improve payment convenience.
- Disconnection Campaigns: Enforce disconnections for non-paying consumers with clear, transparent procedures.

7. Absence of Revenue Enhancement Strategy

- Formal Policy Adoption: Draft and adopt a Revenue Enhancement and Debt Collection Strategy that defines roles of the CFO, BTO, Revenue Unit, and Council oversight.
- Cross-Departmental Task Team: Establish a revenue task team including Finance, Legal, Community Services, and Corporate Services to ensure coordination.
- New Revenue Streams: Explore alternative revenue sources such as service fees for parking, advertising rights, land leases, and renewable energy generation.

8. High Rate of Absenteeism Among BTO Middle Managers

- Attendance Monitoring: Introduce biometric or digital attendance systems.
- Disciplinary Measures: Enforce labour policies against habitual absenteeism.
- Performance Management: Tie attendance and active supervision to the municipal performance management system (PMS).

- Leadership Development: Provide coaching and mentoring to improve commitment and accountability.

Measures Taken to Improve Performance

- Reduction of Electricity Losses: The municipality has initiated infrastructure maintenance and upgrade programmes, coupled with community awareness campaigns and anti-theft interventions, to curb electricity losses and improve revenue protection.
- Control of Employee-Related Costs: Workforce planning and organisational efficiency reviews are being implemented to contain escalating employee-related costs, ensuring sustainability while aligning staffing with service delivery priorities.
- Optimisation of Security Expenditure: Security contracts are being reviewed and rationalised, with a shift towards cost-effective measures such as technology-based surveillance systems to reduce reliance on costly manual security services.
- Management of Eskom Debt: Structured engagements with Eskom and National Treasury are underway to negotiate feasible repayment plans and compliance with Debt Relief conditions, thereby stabilising the municipality's financial position.
- Improvement of Debtors Book: Active follow-ups and targeted engagement with government entities, businesses, and households have been strengthened to reduce outstanding debt and increase municipal cash inflows.
- Enhanced Debt Collection: The municipality has intensified its debt collection processes, including issuing demand notices, entering into payment agreements, and leveraging legal mechanisms where necessary to improve recovery rates.
- Revenue Enhancement and Collection Strategy: A comprehensive Revenue Enhancement and Debt Collection Strategy has been developed to clearly outline key role players, performance targets, and mechanisms for sustainable revenue mobilisation.
- Addressing Absenteeism in BTO: Attendance monitoring and consequence management measures have been introduced for BTO middle managers, supported by performance accountability frameworks to strengthen reliability and efficiency in financial management.

9.5 Good Governance and Public Participation

This KPA reflects the municipality's best performance, achieving 10 out of 11 KPIs (90.9%), with only 1 (9.1%) not achieved. This highlights significant progress in strengthening community participation, oversight, transparency, and accountability mechanisms. It also indicates improved compliance with statutory reporting and governance requirements.

9.5.1 Performance Highlights for 2024/2025

- Timeous Holding of the Performance Audit Committee Meetings
- Timeous Holding of the Council Meetings
- Timeous Holding of the MPAC Meetings
- Pre-IDP IDP/Budget Consultative Meetings eight sites
- Holding of the IDP/Budget Consultative Meetings all wards
- Strategic planning held on the 03rd and 4th of June 2025.

9.5.2 Challenges

- Non-adherance to annual schedule of MPAC, ExCo Meetings , Council and Porfolios especially Q4
- Late submission compliance items for council adoption (e.g Policies, Budget related , Annual Report, and IDP).
- Lack of e-filing system for information storage and sharing in the muncipality.
- Limited budget for public participation consulations such as IDP Road shows.
- Limitation on PMS training adhearance and attandance internally.
- No position for IGR as a results IGR matters have no room for implementation.

9.5.3 Measures Taken to improve Performance

In response to the challenges identified, the municipality has initiated a number of corrective actions to strengthen institutional performance and compliance:

1. Strengthening Governance and Oversight:
   A compliance calendar has been developed to improve adherence to the annual schedule of MPAC, ExCo, Council, and Portfolio meetings. The Office of the Municipal Manager is monitoring meeting schedules closely to ensure that statutory items are processed within the prescribed timelines.
2. Improving Timeliness of Submissions:
   Internal deadlines for the preparation and tabling of compliance documents (such as policies, budget-related items, the Annual Report, and the IDP) have been introduced. This includes earlier engagements with Audit Committee and Section 79 Committees to allow adequate time for Council adoption.
3. Introduction of an e-Filing and Records Management System:
   The municipality is piloting a digital information management system to improve filing, storage, and sharing of records. This will reduce delays, strengthen institutional memory, and ensure greater accessibility of compliance documents across departments.
4. Enhancing Public Participation:
   Efforts have been made to reallocate resources within the communications and IDP units to supplement the limited budget for community consultations. Partnerships with provincial departments and local stakeholders are being explored to co-fund IDP Roadshows and extend outreach.
5. PMS Training and Capacity Building:
   Refresher workshops on the Performance Management System (PMS) are being rolled out in phases. Attendance registers and compliance monitoring tools are in place to ensure that employees not only attend but also implement PMS requirements effectively.
6. Institutionalisation of Intergovernmental Relations (IGR):
   Although a formal position for IGR does not exist, an interim arrangement has been established through the Office of the Speaker and the Municipal Manager to coordinate IGR matters. This ensures that intergovernmental priorities are not overlooked and that collaboration with district, provincial, and national stakeholders continues.

9.6 Cross-Cutting

This is the weakest-performing KPA, with only 5 out of 13 KPIs achieved (38.5%) and 8 (61.5%) not achieved. Key weaknesses relate to transversal issues such as integrated planning, environmental sustainability, ICT optimisation, and risk management. These gaps demonstrate a need for urgent corrective measures to enhance alignment between strategic planning and operational execution.

9.6.1 Performance Highlights for 2024/2025

- Effective establishment of the Municipal Planning Tribunal
- Review of Endumeni Singular Land Use Scheme
- Sourced funding for the development of three Precint Plans.
- Sourced funding for the development the Human settlement sector plan.

9.6.2 Challenges

- Lack of bulk infrastructure to support new developments.
- Most of the land at the outskirts due to lack of attraction for investors.
- Electricity capacity to support new developments.
- Limited Internal Budget Provision for Planning Purposes
- Limited human capacity
- A need for more feasibility studies for restructuring of all urban nodes.
- Lack of urban development plans in Dundee node.
- Contravition of building regulations and non-compliance with SPLUMA requirements from the public this has negative impact on the revenue collection.

9.6.3 Measures Taken to improve Performance

- Engange with uMzinyathi District Municipality to unblock the issue of bulk services for support the new development.
- Develop business plan for funding of urban development plans in Dundee node.
- Conduct awareness campagns to enforce the bylws against perpetractors.
- Budget prioritasation of Provision for Planning purposes.

10. PERFORMANCE COMPARISM

Overall achievement of the Municipality's service delivery targets increased during the 2024/25 financial year. Due to financial challenges, the municipality implemented cost containment measures in order to increase its financial position which led to under-spending, and delays in the procurement processes, and also the challenges experienced with the financial system.

TABLE 3: YEAR-ON-YEAR COMPARATIVE PERFORMANCE

KEY PERFORMANCE AREA (KPA)	2023/2024	2024/2025	INCREASE / DECLINE
Municipal Transformation & Institutional Development	100.0	81.8	-18.2
Basic Service Delivery	58.3	83.3	+25.0
Local Economic Development	85.7	71.4	-14.3

Good Governance & Public Participation	100.0	90.9	-9.1
Municipal Financial Viability & Management	66.7	68.8	+2.1
Cross Cutting	69.2	38.5	-30.7

11. ASSESSMENT OF THE PERFORMANCE OF EXTERNAL SERVICE PROVIDERS

During 2024/2025 financial year, Endumeni Local Municipality had the following external service providers which were contracted to the Municipality to provide a range of services. In terms of Section 46 (1) (a) of the Municipal Systems Act, (No 32 of 2000), the Municipality has to provide performance details of the external service providers contracted during the year under review and the performance assessment of these service providers.

Assessment of the performance of External Service Providers

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

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

Bid Number	Name of External Service Provider	Date Contract Awarded	Service provided in terms of the SLA	Value of the Contract	Assessment of Service Providers Performance 2024/25 Financial Year			2024/25 Financial Year		Assessment of Service Providers Performance 2024/25 Financial Year		
					G	S	P	Responsible Department	Expenditure	G	S	P
B19/20 20-21	Control Room & AV Solutions (PTY)Ltd	23-Mar-21	Design, Hosting & Maintenance of Website	363,043.50	x			CORPORATE SERVICES	106 148.00	x		
B03/20 23-24	Contour	30-Oct-23	Prepaid Vending System	1,555,847.00		X		BTO	266 173.28		X	
B01/20 23-24	Fidelity Cash Solutions (PTY) Ltd	30-Oct-23	Cash in transit security (36 month	R693,985.32			X	BTO	299 323.40			x
B10/20 23-24	First Rand Bank Limited	13-May-24	Provision of banking services (60 months)		x			BTO		x		

B32/20 23-24	Fiso Trading	21-Oct-24	FUEL (AS AND WHEN REQUIRED)			x		BTO	2 924 612.00		x	
B03/20 24-25	XTEC KZN (PTY)Ltd	19-Dec-24	Leasse and maintenance of photocopiers/printers (36 months)	5,497,893.00	X			CORPORATE SERVICES	- 1,459,772.06	x		
B02/20 24-25	Maphisa Holdings (PTY) Ltd	2-Dec-24	Operating animal pounud (36 months)	584,776.00	x			COMMUNTIY SERVICES	-123992	x		
B25/20 24-25	Total Computer Services	9/6/2025	Provisioning, Commissioning , Support and Maintenance of An advanced Traffic Contravention System for a Period of 36 Months	234 618.40	x			CORPORATE SERVICES	160 955.60	x		

B12-2023-24	Bakani Industrial Solutions (Pty)Ltd	08 January 2021	Upgrade of Electricity Infrastructure (100W LED Streetlights)	3,830,242.90	X			TECHNICAL SERVICES	2 983631.25	X		
B13-2023-24	Mmelani St Group (Pty)Ltd	24 October 2022	Construction Roads Infrastructure (Construction of 3,11KM Herodi Gravel Road)	5,365,307.75	X			TECHNICAL SERVICES	2 878 335.58	X		
B21-2023-24	Makoloni Projects (Pty)Ltd	20 June 2023	200 Kunene Craydon Farm electricity connections (Phase 2)	6,094,182.78		x		TECHNICAL SERVICES	5 305 453.01		x	
B38-2023-24	Senzelwe Trading 112 CC	11 January 2023	Construction Roads Infrastructure (Kwathelaphi Gravel Road)	3,704,794.10		X		TECHNICAL SERVICES	1 032 558.92		x	
Q71-2024-25	Think About Trading Enterprise	11 January 2023	Construction Roads Infrastructure (Upgrade of Argyle Road)	1,913,972.03			X	TECHNICAL SERVICES	1 230 511.49			x

Q72-2024-25	Sbone Trading	14 December 2023	Construction Roads Infrastructure (Upgrade of Dean Mohammed Lane)	1,175,461.76		x		TECHNICAL SERVICES	R 2 299 060,69		x	
Q73-2024-25	Melozee Enterprises	01 October 2024	Construction Roads Infrastructure (Upgrade of Nyembe Road)	968,815.53		x		TECHNICAL SERVICES	R1 175 611,00		x	
Q80-2024-25	Asiziqalele Contractors CC	31 January 2024	Construction Roads Infrastructure (Dlamini Gravel Road)	R12 688 163,44	X			TECHNICAL SERVICES	R9 688 991,68	X		
B16-2023-24	Asiziqalele Contractors CC	07 February 2024	Construction of Community Asset: Cemetries (Glencoe Cemetery P1)	2,067,699.62	X			TECHNICAL SERVICES	9 289 866.54	X		
B37/2023-24	Nethile projects (pty) ltd	15 March 2024	Construction Roads Infrastructure Bulwer Street	1,962,585.97	X			TECHNICAL SERVICES	715 658.01	X		

B34/2023-24	BI Infrastructure Consulting (PTY)Ltd	04 April 2024	PM: Construction Roads Infrastructure (Kwathelaphi Gravel Road)	518,671.17	X			TECHNICAL SERVICES	283 721.00	X		
B34/2023-24	BI Infrastructure Consulting (PTY)Ltd	18 June 2021	PM: Construction of Bulwer Street	274,762.04	X			TECHNICAL SERVICES	81 250.00	X		
B128/2020-21	Dlamindlovu consulting	18 June 2021	PM: Nyanyeni electrification	244,228.44	X			TECHNICAL SERVICES	(1,317,708.63)	X		
B04-2022-23	Shantis Electrical (PTY)Ltd	29 May 2023	22 Nyanyeni electricity connections	2,035,237.00		x		TECHNICAL SERVICES	1,317,708.63			
B18-2020-21	BTMN Engineers	30 June 2021	392 Kunene Craydon Farm electricity connections (Phase 1)	15,181,451.27	X			TECHNICAL SERVICES	(1,005,543.39)	x		
28/2023-24	BTMN Engineers	30 June 2021	PM: 200 Kunene Craydon Farm electricity connections (Phase 2)	1,042,194.66	X			TECHNICAL SERVICES	(2,233,746.50)	x		

	DLV Project Managers & Engineers (PTY)Ltd	10-October-2018	PM:Construction of Community Asset: Cemetries (Glencoe Cemetery P1)	1,776,342.88	X			TECHNICAL SERVICES	(567,064.65)	x		
29/2023-24	DLV Engineers	18-November-2024	PM: Refurbishment of 192.7m x 5m wide Dean Mohamed Lane	567,064.65	X			TECHNICAL SERVICES	(538,134.17)	x		
29/2023-24	Dlamindlovu consulting	30-June-2021	PM: Nyanyeni electrification	244,228.44	X			TECHNICAL SERVICES	(1,317,708.63)	x		
B04-2022-23	Shantis Electrical (PTY)Ltd	29-May-2022	22 Nyanyeni electricity connections	2,035,237.00	X			TECHNICAL SERVICES	(1,317,708.63)	x		
B18-2020-21	BTMN Engineers	05-April-2023	392 Kunene Craydon Farm electricity connections	15,181,451.27	X			TECHNICAL SERVICES	(14,395,880.56)	X		
28/2023-24	BTMN Engineers	05-April-2023	PM: 200 Kunene Craydon Farm electricity connections (Phase 2)	1,042,194.66	X			TECHNICAL SERVICES	(1,005,543.39)	x		

	DLV Project Managers & Engineers (PTY)Ltd	10-October-2018	PM:Construction of Community Asset: Cemetries (Glencoe Cemetery P1)	1,776,342.88	x			TECHNICAL SERVICES	(2,233,746.50)	x		
29/2023 -24	DLV Engineers	18-November-2024	PM: Refurbishment of 192.7m x 5m wide Dean Mohamed Lane	567,064.65	x			TECHNICAL SERVICES	(567,064.65)	x		
29/2023 -24	Simphulwazi Engineers	18-November-2024	PM: Refurbishment of 771.0m x 5m wide Nyembe Street	538,134.17		x		TECHNICAL SERVICES	(538,134.17)		x	
29/2023 -24	Vumundzuku Engineers	18-November-2024	PM: Resurfacing of 1.010km x 7.5 wide Argyle Street	1,074,745.48	x			TECHNICAL SERVICES	(1,042,637.06)	x		
29/2023 -24	Zenkcon	18-November-2024	PM: Sithembile combo courts	(320,000.00)	x			TECHNICAL SERVICES	(320,000.00)	x		

B36/20 23-24	BI Infrastructure Consulting (PTY)Ltd	30-May-2024	PM: Construction of Herodi Gravel Road Ward 1	948,391.11	x			TECHNICAL SERVICES	(951,738.42)	x		
Q51/20 24-25	FBL Security	05/02/2025	Provision of VIP Protection Service	R504 000.00		X		Corporate Services	R 978,143.04		X	
	BI Infrastructure Consulting (PTY)Ltd		PM: KwaSithole Gravel Road	-	x			TECHNICAL SERVICES	(747,684.10)			
B36/20 23-24	Siwa	18 November 2024	PM: Dlamini Gravel Road	1,009,952.95	X			TECHNICAL SERVICES	(971,708.08)	X		
B11/20 23-24	ZLM Project Engineering	10-January-2024	Buyaphile/Fan komo Electrification 3 8 connections (TURNKEY)	4,817,429.42	x			TECHNICAL SERVICES	(3,040,043.84)	x		
B11/20 22-23	DLANGISA GROUP (PTY) LTD	8/1/2023	APPOINTMEN T OF AN AUCTIONEER	9.23%			x		Not provided			x
2023/24 EXTERNAL SERVICE PROVIDERS CONTRACTED UNDER REGULATION 32 NONE												

12. LESSONS LEARNT

During the year under review, the municipality faced several challenges, including excessive electricity losses due to theft and deteriorating infrastructure, infrastructure vandalism, lack of a robust financial system, and an unfunded budget. Despite these obstacles, valuable lessons were learned regarding the effectiveness of contingency plans to ensure continuous service delivery to the community.

Strategic Insights and Actions:

1. Budget Funding Plan:
   - The municipality has developed a budget funding plan linked to specific activities and deliverables. This plan is designed to ensure the municipal budget is fully funded. According to the Provincial Treasury assessment, the municipal budget is expected to be fully funded by 2028.
2. Procurement Plan:
   - A comprehensive procurement plan aligned with the Service Delivery and Budget Implementation Plan (SDBIP) has been established. This plan aims to fast-track service delivery and provide clear timelines. It will serve as an early warning system for poor performance, allowing for timely corrective measures.
3. Debt Collection:
   - To address the outstanding debtors' book, the municipality has appointed a debt collection agency. This initiative will help recover debts from government entities, businesses, and households, thereby improving the municipality's cash/coverage ratio.
4. Electricity Theft and Revenue Enhancement:
   - The municipality has engaged a service provider to tackle electricity theft and enhance revenue. Their scope includes:
     - Auditing meters, including bulk meters, to identify and rectify issues related to theft and malfunction.
     - Installing smart meters.
     - Securing electricity kiosks.
     - Upgrading the electricity infrastructure.

Commitment to Strategic Objectives:

Local government plays a pivotal role in providing basic services to the community. The Endumeni Local Municipality remains committed to pursuing strategic objectives that aim to improve the living conditions of its residents. Through careful planning, efficient resource management, and proactive measures, the municipality seeks to overcome challenges and enhance service delivery.

In conclusion, the lessons learned during this period have reinforced the importance of strategic planning and contingency measures. By addressing financial and infrastructural challenges, the municipality is better positioned to serve its community and achieve its long-term goals.

13. CONCLUSION

The municipality entered into several service level agreements (SLAs) with external providers during the 2024/25 financial year, covering ICT, financial services, cash security, infrastructure development, electricity projects, and community assets. The contracts vary significantly in scope and value, ranging from small-scale consultancy services to multi-million-rand infrastructure projects.

The total expenditure recorded indicates that while service providers are delivering on key contractual obligations, performance assessments highlight mixed results, with some providers demonstrating satisfactory or good delivery, while others are underperforming.

1. Assessment of Service Providers (2024/25 Financial Year)

Corporate & Administrative Services

- Control Room & AV Solutions (Pty) Ltd: Contract for website design, hosting and maintenance. Performance satisfactory (S), expenditure R106,148.00.
- First Rand Bank Limited: Provision of banking services. Performance satisfactory, though expenditure records reflect irregularities.
- XTEC KZN (Pty) Ltd: Lease and maintenance of photocopiers/printers (36 months). Contract value R5.49 million; performance marked as good (G) but expenditure (-R1.46 million) reflects credit/adjustment.
- Maphisa Holdings (Pty) Ltd: Operating the animal pound. Performance satisfactory; however, expenditure reflects irregularities (-R123,992).
- FBL Security: VIP Protection Services. Performance satisfactory, with expenditure exceeding contract value (R978,143.04 vs R504,000), raising concern for contract management compliance.

2. Budget & Treasury Office (BTO)

- Contour: Prepaid vending system. Performance satisfactory (S); expenditure R266,173.28.
- Fidelity Cash Solutions (Pty) Ltd: Cash-in-transit contract. Performance poor (P); expenditure R299,323.40.
- Fiso Trading: Fuel supply contract. Performance satisfactory; expenditure R2.92 million.

3. Technical Services

- Bakani Industrial Solutions (Pty) Ltd: Streetlight upgrade (LED). Performance good; expenditure R2.98 million.
- Mmelani St Group (Pty) Ltd: Roads construction (Herodi Gravel Road). Performance good; expenditure R2.87 million.
- Makoloni Projects (Pty) Ltd: Electricity connections (200 Kunene Craydon Farm, Phase 2). Performance satisfactory; expenditure R5.3 million.
- Senzelwe Trading CC: Roads construction (Kwathelaphi Gravel Road). Performance satisfactory; expenditure R1.03 million.
- Think About Trading Enterprise, Sbone Trading, Melozee Enterprises, Asiziqalele Contractors CC: Roads upgrades (various). Performance mixed; some good, others satisfactory, though several projects reflect significant underspending/over-expenditure.
- Dlamindlovu Consulting, BTMN Engineers, DLV Engineers: Project management services. Performance shows challenges with multiple contracts reflecting poor performance and large negative expenditure balances, indicating possible disputes, penalties, or irregularities.

- Zenkcon, Vumundzuku Engineers, Simphulwazi Engineers: Smaller infrastructure projects. Mostly marked satisfactory, though several show financial misalignments.

4. **Key Observations**

- Performance Split: Service providers show a mix of good (G) and satisfactory (S) ratings, but a worrying number scored poor (P), particularly in large infrastructure/electrification projects.
- Financial Oversight Issues: Multiple contracts reflect negative expenditure balances or over-expenditure beyond contract value. This points to weaknesses in contract management, invoicing controls, or disputes.
- Infrastructure Delivery: Most construction-related projects (roads, cemeteries, electricity connections) progressed, though not without cost overruns and performance concerns in some cases.
- Corporate Services Contracts: Administrative services such as website hosting, banking, ICT, and security were delivered, but cost overruns (e.g., FBL Security) and credit adjustments raise compliance concerns.
- High-Risk Providers: Recurring underperformance and financial irregularities linked to BTMN Engineers, DLV Engineers, and Dlamindlovu Consulting highlight the need for stricter oversight and possible blacklisting consideration.

5.Recommendations

1. Strengthen Contract Management: Implement tighter controls on expenditure against contract value, with early warning systems to detect overruns.
2. Quarterly Service Provider Reviews: Performance reviews must be conducted quarterly, with escalation of poor performance to Council and National Treasury if necessary.
3. Blacklisting Consideration: Chronic underperformers with negative expenditure balances should be reported for restriction from future tenders.
4. Capacity Building in SCM & Project Management: Enhance training for municipal officials on contract oversight to reduce irregularities.
5. Performance-Based Penalties: Enforce penalty clauses in SLAs where underperformance is evident.

ENDUMENI LOCAL MUNICIPALITY
Annual Financial Statements
for the year ended 30 June 2025

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	The provision of services (electricity and refuse) to communities in a sustainable manner, to promote social and economic development and to promote a safe and healthy environment.
Mayoral committee	
Mayor	Cllr AM Mkhize
Speaker	Cllr AM Nsibande
Councillors	Cllr MS Abdool
	Cllr NM Gopie
	Cllr P Xaba
	Cllr XM Msezane
	Cllr LB Zulu
	Cllr Z Shelembe
	Cllr AZ Sadeck
	Cllr M Phakati
	Cllr MT Ngcobo
	Cllr SM Kheswa
	Cllr FN Mthethwa
Grading of local authority	3
Chief Financial Officer (CFO)	Mrs CB Mkhize
	Ms S.P Hlatshwayo (Acting)
Accounting Officers	Advocate NN Khambule (23 July to September 2025)
	S Ntombela (Resigned on 31 May2025)
	MB Buthelezi (Acting from 1 to 30 June 2025)
	Mr. M Sithole (October 2025 - Current Acting)
Registered office	Endumeni Local Municipality
	3000
Business address	54 Victoria Street
	Civil Centre
	Dundee
	3000
Postal address	Private bag X2024
	Dundee
	3000
Bankers	First National Bank
Auditors	Auditor General South Africa
Attorneys	Nompumelelo Hadebe Inc Phumla Nkosi Attorneys Lalaparsard Inc SKG Ntombela Attorneys

General Information

Level of assurance	These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.

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

Abbreviations used:

PAYE	Pay As You Earn
VAT	Value Added Taxation
GRAP	Generally Recognised Accounting Practice
UIF	Unemployement Insurance Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
MPAC	Municipal Public Accounts Committee

Accounting Officer's Responsibilities and Approval

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

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

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

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

The accounting officers are 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 officers have reviewed the municipality’s cash flow forecast for the year 30 June 2025 to 30 June 2026 and, in the light of this review and the current financial position, they are satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is dependent on the funding from government grants and subsidies and collections from services rendered. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

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

The accounting officer certifies that salaries, allowances and benefits of councillors as disclosed in note 30 of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the constitution read with Remuneration of Public Bearers Act No. 20of 1998.

The annual financial statements set out on pages 5 to 119, which have been prepared on the going concern basis, were approved by the accounting officer on 30 November 2025 and were signed on its behalf by:

Mr. M Sithole (October 2025 - Current Acting)
Accounting officer

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	30 June 2025	30 June 2024 Restated*
Assets			
Current Assets			
Inventories	3	7,854,422	7,881,542
Financial assets	4	11,552,984	10,899,041
Receivables from non-exchange transactions	5	23,250,070	13,553,222
Receivables from exchange transactions	6	58,070,442	44,017,318
Cash and cash equivalents	7	47,528,703	31,031,707
		148,256,621	**107,382,830**
Non-Current Assets			
Investment property	8	135,766,006	131,585,806
Property, plant and equipment	9	351,698,193	338,054,096
Intangible assets	10	140,559	214,419
		487,604,758	**469,854,321**
Total Assets		**635,861,379**	**577,237,151**
Liabilities			
Current Liabilities			
Employee Benefits Obligations	11	4,675,000	4,529,000
Payables from exchange transactions	12	421,928,877	271,966,239
VAT payable	13	-	233,321
Consumer deposits	14	6,073,521	6,056,878
Unspent conditional grants and receipts	15	2,172,572	10,576,499
		434,849,970	**293,361,937**
Non-Current Liabilities			
Employee Benefits Obligations	11	66,578,000	58,063,000
Provisions	16	10,105,783	9,230,081
		76,683,783	**67,293,081**
Total Liabilities		**511,533,753**	**360,655,018**
Net Assets		**124,327,626**	**216,582,133**
Reserves			
Housing Development Fund	17	5,126,881	5,119,140
Accumulated surplus		119,200,751	211,462,999
Total Net Assets		**124,327,632**	**216,582,139**

* See Note 42

Statement of Financial Performance

Figures in Rand	Note(s)	12 months ended 30 June 2025	12 months ended 30 June 2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	18	174,621,932	156,393,883
Rendering of services	19	555,204	543,257
Construction contracts income	20	8,312,174	3,960,074
Interest Income - financial assets	4	653,942	687,065
Rental of facilities and equipment	21	1,220,997	957,004
Interest on receivables from exchange transactions	22	4,625,212	3,222,460
Debt forgiven - Interest waived on accounts payable	43	-	12,024,034
Licences and permits	23	4,089,604	4,437,241
Other income	24	354,663	557,467
Interest income on investment	25	3,142,696	2,159,452
Total revenue from exchange transactions		**197,576,424**	**184,941,937**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	111,713,435	104,147,966
Transfer revenue			
Government grants & subsidies	27	118,600,939	99,177,815
Public contributions and donations	9	878,688	29,885
Fines and penalties	29	27,688,036	21,547,395
Total revenue from non-exchange transactions		**258,881,098**	**224,903,061**
Total revenue		**456,457,522**	**409,844,998**
Expenditure			
Employee related costs	30	(154,009,737)	(144,795,858)
Remuneration of councillors	31	(5,348,155)	(4,857,419)
Depreciation and amortisation	32	(14,972,055)	(15,292,488)
Finance costs	33	(30,734,709)	(22,328,832)
Lease rentals on operating lease	34	(2,943,754)	(2,432,970)
Debt Impairment	35	(37,036,729)	(20,943,128)
Bad debts written off	35	-	(22,595,108)
Unreconciled items written-off	36	(9,104,657)	-
Bulk purchases	37	(197,359,996)	(166,084,870)
Contracted Services	38	(56,766,861)	(44,440,872)
Transfers and Subsidies	39	(609,585)	(794,884)
General Expenses	40	(39,411,478)	(31,535,832)
Total expenditure		**(548,297,716)**	**(476,102,261)**
Operating deficit		**(91,840,194)**	**(66,257,263)**
Loss on disposal of assets and liabilities	9	(855,581)	(1,462,014)
Fair value adjustments	41	4,180,200	5,084,806
Actuarial gains/losses	11	(3,179,000)	7,591,014
Impairment loss	59	(544,162)	(393,918)
Inventories losses/write-downs		(23,514)	6,551
		(422,057)	**10,826,439**
Deficit for the		**(92,262,251)**	**(55,430,824)**

* See Note 42

Statement of Changes in Net Assets

Figures in Rand	Housing Development Fund	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	5,075,422	282,936,950	288,012,372
Adjustments			
Prior year adjustments 42	-	(16,043,127)	(16,043,127)
Balance at 01 July 2023 as restated*	**5,075,422**	**266,893,823**	**271,969,245**
Changes in net assets			
Surplus for the	-	(55,430,824)	(55,430,824)
Current year movement	43,718	-	43,718
Restated* Balance at 01 July 2024	**5,119,140**	**211,463,002**	**216,582,142**
Changes in net assets			
Surplus for the	-	(92,262,251)	(92,262,251)
Current year movement	7,741	-	7,741
Balance at 30 June 2025	**5,126,881**	**119,200,751**	**124,327,632**
Note(s)	17		

The accounting policies on pages 13 to 45 and the notes on pages 46 to 119 form an integral part of the annual financial statements.

* See Note 42

Cash Flow Statement

Figures in Rand	Note(s)	12 months ended 30 June 2025	12 months ended 30 June 2024 Restated*
Cash flows from operating activities			
Receipts			
Poperty rates & Fines		104,759,500	100,025,914
Sale of goods and services		174,159,796	172,666,769
Grants		115,094,098	105,969,123
Interest income		4,625,212	3,222,459
		398,638,606	381,884,265
Payments			
Employee costs		(161,151,367)	(142,657,583)
Suppliers		(157,148,718)	(198,301,338)
Finance costs		(28,956,176)	(21,269,388)
		(347,256,261)	(362,228,309)
Net cash flows from operating activities	44	**51,382,345**	**19,655,956**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(29,086,502)	(14,612,031)
Net cash flows from investing activities		**(29,740,445)**	**(15,580,815)**
Cash flows from financing activities			
Net increase/(decrease) in cash and cash equivalents		**21,641,900**	**4,075,141**
Cash and cash equivalents at the beginning of the year		25,886,803	26,956,561
Cash and cash equivalents at the end of the year	7	**47,528,703**	**31,031,702**

The accounting policies on pages 13 to 45 and the notes on pages 46 to 119 form an integral part of the annual financial statements.

* See Note 42

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	231,152,541	(3,627,357)	**227,525,184**	174,621,932	**(52,903,252)**	23% Note60
Rendering of services	820,572	(282,500)	**538,072**	555,204	**17,132**	3%
Construction contracts income	9,558,996	-	**9,558,996**	8,312,174	**(1,246,822)**	(13%)
Interest income - financial assets	-	-	**-**	653,942	**653,942**	100%- Note60
Rental of facilities and equipment	1,118,940	(293,500)	**825,440**	1,220,997	**395,557**	50% - Note60
Interest on receivables from exchange transactions	2,400,096	3,063,021	**5,463,117**	4,625,212	**(837,905)**	(15%) -Note61
Licences and permits	4,619,688	(1,446,000)	**3,173,688**	4,089,604	**915,916**	29%-Note61
Other income	877,764	(557,198)	**320,566**	354,663	**34,097**	11%
Interest received -on investment	2,890,764	(1,466,459)	**1,424,305**	3,142,696	**1,718,391**	121% -Note61
Total revenue from exchange transactions	**253,439,361**	**(4,609,993)**	**248,829,368**	**197,576,424**	**(51,252,944)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	114,298,920	-	**114,298,920**	111,713,435	**(2,585,485)**	23%-Note61
Transfer revenue						
Government grants & subsidies	109,712,004	13,369,040	**123,081,044**	118,600,939	**(4,480,105)**	36%-Note61
Public contributions and donations	-	-	**-**	878,688	**878,688**	100%-Note61
Fines, Penalties and Forfeits	12,380,736	5,723,600	**18,104,336**	27,688,036	**9,583,700**	53%-Note61
Total revenue from non-exchange transactions	**236,391,660**	**19,092,640**	**255,484,300**	**258,881,098**	**3,396,798**	
Total revenue	**489,831,021**	**14,482,647**	**504,313,668**	**456,457,522**	**(47,856,146)**	
Expenditure						
Employee related costs	(153,729,374)	7,821,890	**(145,907,484)**	(154,009,737)	**(8,102,253)**	6%
Employee costs - Remuneration of councillors	(6,923,628)	(575,100)	**(7,498,728)**	(5,348,155)	**2,150,573**	29%-Note61
Depreciation and amortisation	(16,889,568)	1,625,487	**(15,264,081)**	(14,972,055)	**292,026**	2%
Impairment loss	(1,482,936)	-	**(1,482,936)**	(544,162)	**938,774**	63%-Note61
Finance costs	-	-	**-**	(30,734,709)	**(30,734,709)**	(100%)-Note 61
Lease rentals on operating lease	(769,356)	-	**(769,356)**	(2,943,754)	**(2,174,398)**	(283%)-Note61
Debt Impairment	(17,995,116)	-	**(17,995,116)**	(37,036,729)	**(19,041,613)**	(106%)-Note61
Unreconciled items written - off	-	-	**-**	(9,104,657)	**(9,104,657)**	(100%)-Not 61
Bulk purchases	(178,693,860)	-	**(178,693,860)**	(197,359,996)	**(18,666,136)**	(104%)-Note61
Contracted Services	(46,955,848)	(10,343,783)	**(57,299,631)**	(56,766,861)	**532,770**	
Transfers and Subsidies	(630,000)	-	**(630,000)**	(609,585)	**20,415**	3%
General Expenses	(35,037,756)	(2,885,488)	**(37,923,244)**	(39,411,478)	**(1,488,234)**	4%
Total expenditure	**(459,107,442)**	**(4,356,994)**	**(463,464,436)**	**(548,841,878)**	**(85,377,442)**	
Operating deficit	**30,723,579**	**10,125,653**	**40,849,232**	**(92,384,356)**	**(133,233,588)**	
Loss on disposal of assets	-	-	**-**	(855,581)	**(855,581)**	(100%)-Note61

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Fair value adjustments	-	-	-	4,180,200	**4,180,200**	100%-Note61
Actuarial gains/losses	-	-	-	(3,179,000)	**(3,179,000)**	(100%)-Note61
Inventories losses/write-downs	-	-	-	(23,514)	**(23,514)**	(100%)-Note61
	-	**-**	**-**	**122,105**	**122,105**	
Deficit before taxation	**30,723,579**	**10,125,653**	**40,849,232**	**(92,262,251)**	**(133,111,483)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**30,723,579**	**10,125,653**	**40,849,232**	**(92,262,251)**	**(133,111,483)**	

Reconciliation

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	9,379,382	(248,896)	**9,130,486**	7,854,422	**(1,276,064)**	14%
Financial assets	-	-	**-**	11,552,984	**11,552,984**	100%-Note61
Receivables from non-exchange transactions	57,287,850	-	**57,287,850**	23,250,070	**(34,037,780)**	59%-Note61
Receivables from exchange transactions	132,309,616	(5,725,127)	**126,584,489**	58,070,442	**(68,514,047)**	54%-Note61
Cash and cash equivalents	11,736,959	4,006,236	**15,743,195**	47,528,703	**31,785,508**	202%-Note61
	210,713,807	**(1,967,787)**	**208,746,020**	**148,256,621**	**(60,489,399)**	
Non-Current Assets						
Investment property	124,328,244	12,776	**124,341,020**	135,766,006	**11,424,986**	9%
Property, plant and equipment	376,093,997	11,629,115	**387,723,112**	351,698,193	**(36,024,919)**	
Intangible assets	1,187,717	14,641	**1,202,358**	140,559	**(1,061,799)**	88%-Note61
	501,609,958	**11,656,532**	**513,266,490**	**487,604,758**	**(25,661,732)**	
Total Assets	**712,323,765**	**9,688,745**	**722,012,510**	**635,861,379**	**(86,151,131)**	
Liabilities						
Current Liabilities						
Employee Benefits Obligations	-	-	**-**	4,675,000	**4,675,000**	(100%)-Note61
Payables from exchange transactions	215,683,549	(436,900)	**215,246,649**	421,928,877	**206,682,228**	
Taxes and transfers payable (non-exchange)	(448)	-	**(448)**	-	**448**	
Consumer deposits	5,727,075	-	**5,727,075**	6,073,521	**346,446**	6%
Unspent conditional grants and receipts	4,110,768	-	**4,110,768**	2,172,572	**(1,938,196)**	47%-Note61
	225,520,944	**(436,900)**	**225,084,044**	**434,849,970**	**209,765,926**	
Non-Current Liabilities						
Employee Benefits Obligations	-	-	**-**	66,578,000	**66,578,000**	100%-Note61
Provisions	55,828,187	-	**55,828,187**	10,105,783	**(45,722,404)**	82%-Note61
	55,828,187	**-**	**55,828,187**	**76,683,783**	**20,855,596**	
Total Liabilities	**281,349,131**	**(436,900)**	**280,912,231**	**511,533,753**	**230,621,522**	
Net Assets	**430,974,634**	**10,125,645**	**441,100,279**	**124,327,626**	**(316,772,653)**	
Net Assets						
Reserves						
Housing Development Fund	5,075,421	-	**5,075,421**	5,126,881	**51,460**	
Accumulated surplus	425,899,213	10,125,645	**436,024,858**	119,200,751	**(316,824,107)**	
Total Net Assets	**430,974,634**	**10,125,645**	**441,100,279**	**124,327,632**	**(316,772,647)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Taxation	91,431,000	-	**91,431,000**	104,759,500	**13,328,500**	
Sale of goods and services	256,329,000	4,296,000	**260,625,000**	174,159,796	**(86,465,204)**	
Grants	119,206,000	13,369,000	**132,575,000**	115,094,098	**(17,480,902)**	
Interest income	2,891,000	2,543,000	**5,434,000**	4,625,212	**(808,788)**	
	469,857,000	**20,208,000**	**490,065,000**	**398,638,606**	**(91,426,394)**	
Payments						
Employee costs	(153,404,000)	-	**(153,404,000)**	(161,151,367)	**(7,747,367)**	
Suppliers	(297,635,000)	(6,170,000)	**(303,805,000)**	(157,148,718)	**146,656,282**	
Finance costs	-	-	**-**	(28,956,176)	**(28,956,176)**	
	(451,039,000)	**(6,170,000)**	**(457,209,000)**	**(347,256,261)**	**109,952,739**	
Net cash flows from operating activities	**18,818,000**	**14,038,000**	**32,856,000**	**51,382,345**	**18,526,345**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(28,655,000)	(10,031,000)	**(38,686,000)**	(29,086,502)	**9,599,498**	
Net cash flows from investing activities	**(28,655,000)**	**(10,031,000)**	**(38,686,000)**	**(29,740,445)**	**8,945,555**	
Net increase/(decrease) in cash and cash equivalents	(9,837,000)	4,007,000	**(5,830,000)**	21,641,900	**27,471,900**	
Cash and cash equivalents at the beginning of the year	21,563,000	-	**21,563,000**	25,886,803	**4,323,803**	
Cash and cash equivalents at the end of the year	**11,726,000**	**4,007,000**	**15,733,000**	**47,528,703**	**31,795,703**	

Significant Accounting Policies

Figures in Rand	Note(s)	2025	2024

1. Significant accounting policies

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

1.1 Basis of preparation

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

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

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

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Materiality

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

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

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

1.5 Significant judgements and sources of estimation uncertainty

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

In the process of applying its accounting policies, and in preparing the annual financial statements, management is required to make various judgements, including estimates and assumptions, that may affect the determination of the reporting framework, affect amounts represented in the annual financial statements and as well as related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

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

Significant Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Receivables from exchange & non-exchange transactions

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

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

Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 11.

Effective interest rate

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

Significant Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

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

Recognition and Derecognition of Land

Legislation or similar means governs the ownership, custodianship and/or the use of land in the public sector. The following situations outlined in legislation or similar means, may have an impact on the recognition and derecognition of land:

- the municipality may be required to act as the custodian of the land;
- the municipality may be the legal owner of the land;
- the municipality may be required to use the land or may be granted a right to use the land to meet its service delivery objectives; or
- restrictions may be imposed on an entity in relation to the transfer of the land.

This Interpretation addresses the following issues in relation to the recognition and derecognition of land:

- Should the legal owner of the land always recognise the land as its asset in the financial statements
- How will a right granted to an entity in a binding arrangement, which enables it to direct access to the land, and to restrict and deny the access of others to the land, affect whether it recognises the land
- Should the legal owner or the custodian of the land recognise the land as its asset?
- When should the land be derecognised from an entity’s financial statements
- How should the land be accounted for when there is joint control of land?

The municipality should assess whether it controls land using the following criteria:

- legal ownership
- the right to direct access to land, and to restrict or deny the access of others to land.

A binding arrangement is an arrangement that confers enforceable rights and obligations on the parties to the arrangement as if it were in the form of a contract. It includes rights from contracts or other legal rights and can be evidenced in several ways:

- a contract concluded between the parties;
- legislation, supporting regulations or similar means including, but not limited to laws, regulation, policies, decisions concluded by authorities such as cabinet, executive committees, boards, municipal councils and ministerial orders (referred to as legislation or similar means for purposes of this Interpretation);
  or
- through the operation of law, including common law.

A binding arrangement is often, but not always, in writing, in the form of a contract or documented discussions between the parties.
Where the entity concludes that it controls land, an asset is recognised in the statement of financial position in accordance with the applicable Standard of GRAP. If the entity concludes that it does not have control over the land, land is derecognised as an asset from the statement of financial position in accordance with the applicable Standard of GRAP.

Recognition and de-recognition of land are carried at cost less any accumulated amortisation and any impairment losses.

Significant Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Accounting by principals and agent

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

Additional information is disclosed in Note .

Impairment of statutory receivables

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

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

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

1.6 Investment property

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

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

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

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

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

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

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

Fair value

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

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

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

Any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in surplus and deficit.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 38).

Significant Accounting Policies

1.7 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Buildings	Straight-line	5 - 30 years
Roads and Paving	Straight-line	3 - 100 years
Plant and machinery	Straight-line	3 - 20 years
Furniture and fixtures	Straight-line	3 - 50 years
Motor vehicles	Straight-line	4 - 20 years
Electricity	Straight-line	3 - 80 years
Other Property, Plant and Equipment	Straight-line	10 - 30 years

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

Significant Accounting Policies

1.7 Property, plant and equipment (continued)

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

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

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

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

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

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

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 9).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 9).

1.8 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

Significant Accounting Policies

1.9 Intangible assets

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

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.

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

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

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

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

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	2 - 5 years

1.10 Financial instruments

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

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

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.

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

Significant Accounting Policies

1.10 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, the municipality shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:

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

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

A residual interest is any contract that manifests an interest in the assets of an municipality 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.

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.

1.10 Financial instruments (continued)

Classification

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

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

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Subsequent measurement of financial assets and financial liabilities

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

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

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

Gains and losses

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

1.10 Financial instruments (continued)

Impairment of Financial Instruments

Impairment is a loss in the future economic benefits or service potential of a financial asset.

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

If there is an indication that financial assets, or a group of financial assets, 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 financial assets, or group of financial assets, is reduced, either directly or through the use of an allowance account.

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 municipality discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the financial asset, or group of financial assets, for which the future cash flow estimates have not been adjusted.

The amount of the impairment losses is recognised in surplus or deficit.

Off-setting

A financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when, an 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 financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability.

Derecognition

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.

An entity shall remove a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

1.11 Statutory receivables

Identification

1.11 Statutory receivables (continued)

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.

Accrued interest

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

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

Other charges

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

Impairment losses

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:
- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.

1.11 Statutory receivables (continued)

- 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.

1.12 Leases

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

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

Operating leases - lessor

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

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

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

Significant Accounting Policies

1.12 Leases (continued)

Operating leases - lessee

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

1.13 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

1.14 Construction contracts income

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

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

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

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

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

The municipality 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, the municipality considers whether it is a contractor.

Significant Accounting Policies

1.14 Construction contracts income (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 completion of a physical proportion of the contract work.

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

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

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

1.15 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

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

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

Cash and cash equivalents comprise bank balances, cash on hand, and investments..

1.16 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

1.16 Impairment of cash-generating assets (continued)

Designation

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

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

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

Identification

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

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

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

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and

1.16 Impairment of cash-generating assets (continued)

Composition of estimates of future cash flows

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

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.16 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

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

1.17 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.

Significant Accounting Policies

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

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.

Designation

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

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

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

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

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.

Significant Accounting Policies

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

Value in use

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

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

Depreciated replacement cost approach

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

The replacement cost and reproduction cost of an asset is determined on an “optimised” basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

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

Service units approach

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

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.

Significant Accounting Policies

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

Significant Accounting Policies

1.18 Employee benefits

Identification

Employee benefits

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

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

Post-employment benefits are employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment.

Other long-term employee benefits are all employee benefits other than short-term employee benefits, post-employment benefits and termination benefits.

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either: (a) an entity's decision to terminate an employee's employment before the normal retirement date; or (b) an employee's decision to accept an offer of benefits in exchange for the termination of employment.

Classification of plans

A binding arrangement is an arrangement that confers enforceable rights and obligations on the parties to the arrangement as if it were in the form of a contract. It includes rights from contracts or other legal rights.

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

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.

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

Net defined benefit liability (asset)

The net defined benefit liability (asset) is the deficit or surplus, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling.

The deficit or surplus is: (a) the present value of the defined benefit obligation; less (b) the fair value of plan assets (if any); plus (c) any liability that may arise as a result of a minimum funding requirement.

The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Defined benefit cost

Service cost comprises: (a) current service cost, which is the increase in the present value of the defined benefit obligation resulting from employee service in the current period; (b) past service cost, which is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the entity in the number of employees covered by a plan); and (c) any gain or loss on settlement.

Net interest on the net defined benefit liability (asset) is the change during the period in the net defined benefit liability (asset) that arises from the passage of time.

Significant Accounting Policies

1.18 Employee benefits (continued)

Remeasurements of the net defined benefit liability (asset) comprise: (a) actuarial gains and losses; (b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and (c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

Actuarial gains and losses are changes in the present value of the defined benefit obligation resulting from: (a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and (b) the effects of changes in actuarial assumptions.

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

A settlement is a transaction that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit plan, other than a payment of benefits to, or on behalf of, employees that is set out in the terms of the plan and included in the actuarial assumptions.

Short-term employee benefits

Recognition and measurement

All short-term employee benefits

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:

(a) 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.

(b) As an expense, unless another Standard of GRAP requires or permits the inclusion of the benefits in the cost of an asset.

Short-term paid absences

The entity recognises the expected cost of short-term employee benefits in the form of paid absences as follows:

(a) in the case of accumulating paid absences, when the employees render service that increases their entitlement to future paid absences; and

(b) in the case of non-accumulating paid absences, when the absences occur.

The entity measures the expected cost of accumulating paid absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period.

Bonus, incentive and performance related payments

The entity recognises the expected cost of bonus, incentive and performance related payments when, and only when:

(a) the entity has a present legal or constructive obligation to make such payments as a result of past events; and

(b) a reliable estimate of the obligation can be made. A present obligation exists when, and only when, the entity has no realistic alternative but to make the payments.

Significant Accounting Policies

1.18 Employee benefits (continued)

Termination benefits

Recognition

The entity recognises a liability and expense for termination benefits at the earlier of the following dates: (a) when the entity can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of GRAP 19 and involves the payment of termination benefits.

Measurement

The entity measures termination benefits on initial recognition, and measures and recognise subsequent changes, in accordance with the nature of the employee benefit, provided that if the termination benefits are an enhancement to post-employment benefits, the entity applies the requirements for post-employment benefits. Otherwise:

(a) If the termination benefits are expected to be settled wholly before twelve months after the end of the reporting period in which the termination benefit is recognised, the entity applies the requirements for short-term employee benefits.

(b) If the termination benefits are not expected to be settled wholly before twelve months after the end of the reporting period, the entity applies the requirements for other long-term employee benefits.

1.19 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 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.

1.19 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

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 47.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Significant Accounting Policies

1.19 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.16 and 1.17.
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

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

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

1.20 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.21 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).

Rendering of services

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

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

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

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

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

Interest income

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

1.22 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

1.22 Revenue from non-exchange transactions (continued)

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

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

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

Transfers

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

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

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

Fines

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

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

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

Gifts and donations, including goods in-kind

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

1.23 Investment income

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

1.24 Borrowing costs

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

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

1.25 Accounting by principals and agents

Identification

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

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

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

1.25 Accounting by principals and agents (continued)

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.

1.26 Comparative figures

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

1.27 Unauthorised expenditure

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

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

1.28 Fruitless and wasteful expenditure

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

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

1.29 Irregular expenditure

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

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

1.30 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.31 Segment information

A segment is an activity of the municipality:
- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same municipality);
- 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 municipality's financial statements.

1.32 Budget information

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

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

1.32 Budget information (continued)

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.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.33 Related parties

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

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

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

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

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

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

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

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

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

1.34 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.

Significant Accounting Policies

1.35 Unspent conditional grant

This represent funds unspent at the end of the financial reporting period on grants received from national and provincial government or any other external parties that can only be spent according to conditions stipulated in the memorandum of understanding. The amount is recognised as current liability until the conditions are met whereby it will be capitalised to the related projects or recorded as an expenditure and revenue realised as well. Failure to meet stipulated conditions at the end of each period will require the municipality to apply for a roll over or pay back the outstanding amount to the fund providers.

1.36 Value Added Taxation

The municipality is registered with the South Africa Revenue Services (SARS) for VAT on the payment basis, in accordance with section 15 (2) of the VAT Act No. 89 of 1991.

1.37 Prior period errors

A prior period error is 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 opening balances of assets, liabilities and net assets are restated for the earliest period for which retrospective restatement is practicable (which may be the current period).

When it is impracticable to determine the cumulative effect, at the beginning of the current period, of an error on all prior periods, the comparative information is restated to correct the error prospectively from the earliest date practicable.

1.38 Collateral held

Collateral held includes financial assets, non-financial assets and other forms of collateral such as guarantees or encumbrances over assets.

The entity recognises assets relating to collateral held if it meets the recognition criteria in other accounting policies.

The entity disclose the nature and amounts of collateral recognised or held, in the notes to the financial statements.

1.39 Contracted services

This group of accounts distinguish between Outsourced Services, Contractors and Consultant and professional Services.

Contractors are required to provide services that are not the core business of the municipality. It is normally not cost effective to maintain these skills within the department. Contractors include costs associated with the use of contracted individuals or businesses on projects or tasks.

Consultant and professional Services refer to specialist services and skills provided that are required for the achievement of a specific objective, with the aim of providing expert and professional advice on a time and material basis. It is unnecessary to maintain these skills in-house, since they are required on a once-off or temporary basis. Therefore, a consultant is a professional person appointed by the municipality to provide technical and specialist advice or to assist with the design and implementation of specific project or programs.

Outsourced Services refers to services which the municipality should have the capacity and expertise to carry out certain services, but for some reasons not utilising their own staff to save costs or due to temporal incapacity.

Recognition and measurement:
Contracted service expenses are recognised on an accrual basis.

Contracted services transactions are recognised on to the financial systems upon receipt or accrual of goods or services acquired by the municipality.

The value of goods or services to be recognised is determined by the supporting documentation received from the supplier.

Contracted services expenses are accounted for excluding value added tax where applicable.

Significant Accounting Policies

1.40 General expenses

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets, other than those relating to distributions to owners.

Recognition and measurement:

Expenses are recognised on an accrual basis.

This means a basis of accounting under which transactions are recognised when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions are recorded in the accounting records and recognised in the financial statements of the periods to which they relate.

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 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 2023 Improvements to the Standards of GRAP 2023		
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	Not stated	Unlikely there will be a material impact
• GRAP 103 (amended): Heritage Assets		
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact

3. Inventories

Consumable stores	7,854,422	7,881,542

Inventory pledged as security

None of the inventory items were pledged as security in current and prior financial reporting period.

4. Financial assets

At amortised cost		
Security Held - Eskom This relates to security held by Eskom for all accounts openned by the municipality. The security is repayable upon closure of electricity account. The interest income is charged at a rate of 6.92% per annum	11,552,984	10,899,041
Current assets		
At amortised cost	11,552,984	10,899,041

Financial assets pledged as collateral

Collateral

None of the financial assets were pledged as collateral for liabilities or contingent liabilities in current ad prior year.

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024

4. Financial assets (continued)

Financial assets reconciliation - Security held by Eskom

Reconciliation of financial assets - 2025

	Opening balance	Interest income	Closing balance
Eskom Account Number - 5052894928	2,319,389	497,876	2,817,265
Eskom Account Number - 8291633064	8,297,933	139,163	8,437,096
Eskom Account Number - 9299096549	281,591	16,895	298,486
Eskom Account Number - 5399047711	136	-	136
	10,899,049	**653,934**	**11,552,983**

Reconciliation of financial assets - 2024

	Opening balance	Additions	Interest Income	Closing balance
Eskom Account Number - 5052894928	2,169,297	-	150,092	2,319,389
Eskom Account Number - 8291633064	7,760,960	-	536,973	8,297,933
Eskom Account Number - 9299096549	-	281,591	-	281,591
Eskom Account Number - 5399047711	-	128	8	136
	9,930,257	**281,719**	**687,073**	**10,899,049**

5. Receivables from non-exchange transactions

	2025	2024
Gross balances		
Consumer debtors - Rates	142,840,126	117,898,959
VAT refunds (SARs)	4,678,671	-
Fines	25,198,039	20,401,439
	172,716,836	**138,300,398**
Less: Allowance for impairment		
Consumer debtors - Rates	(125,780,609)	(104,396,253)
Fines	(23,686,157)	(20,350,923)
	(149,466,766)	**(124,747,176)**
Net balance		
Consumer debtors - Rates	17,059,517	13,502,706
VAT refunds (SARs)	4,678,671	-
Fines	1,511,882	50,516
	23,250,070	**13,553,222**
Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Consumer debtors - Rates	17,059,517	13,502,706
Fines	1,511,882	50,516
VAT refunds (SARs)	4,678,671	-
	23,250,070	**13,553,222**
Financial asset receivables included in consumer debtors above	**-**	**-**
Total consumer debtors	23,250,070	13,553,222

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024

5. Receivables from non-exchange transactions (continued)

Consumer debtors - Rates		
Current (0 -30 days)	12,249,778	7,523,370
31 - 60 days	3,579,185	4,580,521
61 - 90 days	3,356,283	3,337,622
91 - 120 days	3,178,892	2,880,564
121 - 365 days	27,628,262	21,090,634
> 365 days	92,847,726	78,242,201
Reconcilling items - Timing difference (refer to N1)	-	244,047
Less: Impairment provision	(125,780,609)	(104,396,253)
	17,059,517	**13,502,706**

VAT refunds (SARs)		
Current (0 -30 days)	4,678,671	-

Fines		
Current (0 -30 days)	394,900	259,100
31 - 60 days	462,400	153,100
61 - 90 days	412,400	232,100
91 - 120 days	490,400	367,800
121 - 365 days	2,727,450	2,242,400
> 365 days	20,710,489	17,146,939
Less: Impairment provision	(23,686,157)	(20,350,923)
	1,511,882	**50,516**

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024

5. Receivables from non-exchange transactions (continued)

Summary of statutory receivables by customer classification

Consumers		
Current (0 -30 days)	7,007,748	4,051,772
31 - 60 days	2,196,503	2,582,535
61 - 90 days	2,022,651	2,010,953
91 - 120 days	1,916,205	1,798,112
121 - 365 days	13,199,030	10,799,720
> 365 days	67,936,356	58,522,123
	94,278,493	**79,765,215**

Industrial/ commercial		
Current (0 -30 days)	4,433,205	3,019,322
31 - 60 days	1,035,448	1,533,195
61 - 90 days	950,476	940,508
91 - 120 days	884,383	729,617
121 - 365 days	5,559,239	3,434,467
> 365 days	14,998,309	11,657,251
	27,861,060	**21,314,360**

National and provincial government		
Current (0 -30 days)	808,825	417,096
31 - 60 days	347,177	464,791
61 - 90 days	383,099	386,162
91 - 120 days	378,243	352,835
121 - 365 days	8,869,993	6,856,447
> 365 days	9,913,278	8,062,827
	20,700,615	**16,540,158**

Total		
Current (0 -30 days)	12,249,778	7,523,370
31 - 60 days	3,579,128	4,580,521
61 - 90 days	3,356,226	3,337,622
91 - 120 days	3,178,831	2,880,564
121 - 365 days	27,628,262	21,090,634
> 365 days	92,847,942	78,242,201
	142,840,167	**117,654,912**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(124,747,176)	(142,361,018)
Contributions to allowance	(24,719,590)	17,613,842
	(149,466,766)	**(124,747,176)**

5. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

Property rates is levied in terms of the Municipal Property Rates Act 6 of 2004, hence this is therefore recognised as a statutory receivable.

Traffic fines are governed by Administrative Adjudication of Road Traffic Offences Act, No. 46 of 1998 (AARTO) and National Road Traffic Act, No. 93 of 1996 of South Africa, hence this is therefore recognised as a statutory receivable.

The municipality is required to levy or pay tax at a rate of 15% as per requirements of section 7 of the Value Added Tax Act No. 89 of 1991. VAT amount is based on the supply of good or service by the municipality in the course of furtherance of any enterprises conducted by the municipality.

Determination of transaction amount

The transaction amount is calculated by applying the Council approved rates against the valuation of individual properties within the municipality jurisdiction. Council approved rebates and exemptions are further applied to reduce the transaction amount.

The transaction amount is calculated by determining the value of the traffic offence as stipulated in the traffic fines schedule. The initial transaction amount may qualify for discounts or reduction based on stipulated conditions.

The transaction amount is determined by application of 15% on all taxable supplies incurred by the municipality. The net amount between the amount actually received from sale of taxable goods or services and acquisition of taxable goods or services will be submitted to SARS as the amount receivable/payable. A receivable arises when VAT input amount paid to suppliers is more than VAT output amount received from customers.

Interest or other charges levied/charged

Applicable interest rate is 10% for property rates in current financial year which is consistence to prior year.

No interest is charged on traffic fines owed by consumers and VAT refunds from SARs

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

Statutory receivables are assessed for impairment annually using the collection rate method. This methods involves calculating average collection rate per customer which is determined by taking collection rate for current and prior periods and devide by number of periods being considered. The estimated default rate (impairment rate) is equal to 100% less average collection rate.

Additional factors considered for testing impairment of statutory receivables:

i. Customers' accounts where a formal arrangement has been made and no payment has been made in current and comparative year.

ii. Customers who fail to comply with agreed arrangement during current and prior year.

iii. Customers' accounts handed over to debt collectors and /or power of attorney

iv. Customers' accounts owing for more than 30days which is the credit period given by the municipality.

v. Customers' accounts indicated as inactive on the ledger.

vi. Customers accounts presented to chief finance officer for consideration to write-off.

vii. Indigent customers where accounts are outstanding for more than 30 days.

Figures in Rand	30 June 2025	30 June 2024

5. Receivables from non-exchange transactions (continued)

The impairment indicators were determined management using professional judgemental and experience obtained from the past practice and statistics in relation to municipal debt collection.

Historical collections trends from SARs are used a basis for assessing whether VAT refund amount must be impaired or not. SARs normally settle all refunds on time and there is no period with a disputed refund, therefore no impairment has been calculated.

Discount rate applied to the estimated future cash flows

The municipality applies a rate of 10% to all statutory receivables accounts balances older than 30 days. This rate is deemed to be the market value as it takes the effect of inflation and other economic factors into account. For impairment calculations, there was no discounting of expected future costs performed because the receivables balance as per debtors age analysis represents the present value of expected future cash inflows. The receivables age analysis has already factored in the effect of time value of money.

No discounting applied as this amount declared to SARs represents the present value of the future cash flows to be received from SARS.

Statutory receivables past due but not impaired

Based on the impairment methodology applied by the municipality, all statutory receivables older than 30 days (credit term) are considered for impairments.

Statutory receivables impaired

As of 30 June 2025, Statutory receivables of 130,590,390 (2024: 130,477,900) were impaired and provided for.

The amount of the provision was (125,780,609) as of 30 June 2025 (2024: (124,747,175)).

6. Receivables from exchange transactions

Gross balances		
Electricity	20,551,354	22,179,078
Service charges	556,242	1,384,413
Refuse	61,868,903	48,825,345
VAT input tax receivable	38,675,953	23,421,020
Rental of facilities and equipment	2,385,966	1,581,297
Sundry debtors	4,640,307	4,919,293
	128,678,725	**102,310,446**
Less: Allowance for impairment		
Electricity	(7,647,654)	(6,633,401)
Service charges	(539,647)	(1,141,341)
Refuse	(56,284,586)	(44,434,009)
Rental of facilities and equipment	(1,763,646)	(1,492,919)
Sundry debtors	(4,372,750)	(4,591,458)
	(70,608,283)	**(58,293,128)**
Net balance		
Electricity	12,903,700	15,545,677
Service charges	16,595	243,072
Refuse	5,584,317	4,391,336
VAT input tax receivable	38,675,953	23,421,020
Rental of facilities and equipment	622,320	88,378
Sundry debtors	267,557	327,835
	58,070,442	**44,017,318**

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024

6. Receivables from exchange transactions (continued)

Electricity		
Current (0 -30 days)	12,120,769	11,819,799
31 - 60 days	803,732	3,138,493
61 - 90 days	589,558	1,407,655
91 - 120 days	510,943	547,077
121 - 365 days	2,143,446	1,388,856
> 365 days	4,382,906	3,706,017
Reconcilling items - Timing difference (refer to N1)	-	171,181
Less: Debt impairment	(7,647,654)	(6,633,401)
	12,903,700	**15,545,677**

Service charges		
Current (0 -30 days)	-	14
31 - 60 days	-	14
61 - 90 days	-	19
91 - 120 days	-	23
121 - 365 days	3,723	769,120
> 365 days	552,519	615,223
Less impairment	(539,647)	(1,141,341)
	16,595	**243,072**

Refuse		
Current (0 -30 days)	4,600,819	2,640,529
31 - 60 days	1,536,636	1,882,339
61 - 90 days	1,414,471	1,512,145
91 - 120 days	1,392,612	1,335,641
121 - 365 days	10,169,575	8,474,355
> 365 days	42,754,790	32,624,615
Reconcilling items - Timing difference (refer to N1)	-	355,721
Less: Debt impairment	(56,284,586)	(44,434,009)
	5,584,317	**4,391,336**

VAT input tax receivable		
Current (0 -30 days)	38,675,953	23,421,020

Rental of facilities and equipment		
Current (0 -30 days)	589,454	43,718
31 - 60 days	35,301	37,553
61 - 90 days	35,331	32,728
91 - 120 days	33,913	31,558
121 - 365 days	231,291	189,914
> 365 days	1,460,676	1,245,826
Less: Debt impairment	(1,763,646)	(1,492,919)
	622,320	**88,378**

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024

6. Receivables from exchange transactions (continued)

Sundry debtors

Current (0 -30 days)	233,581	284,378
31 - 60 days	15,508	16,033
61 - 90 days	23,435	12,672
91 - 120 days	10,958	-
121 - 365 days	85,885	22,819
> 365 days	4,270,940	4,583,391
Less: debt impairment	(4,372,750)	(4,591,458)
	267,557	**327,835**

Summary of debtors by customer classification

Consumers

Current (0 -30 days)	4,734,101	2,666,543
31 - 60 days	1,628,946	1,838,149
61 - 90 days	1,490,994	1,449,855
91 - 120 days	1,418,906	1,324,053
121 - 365 days	10,037,306	8,511,173
> 365 days	44,623,018	36,030,332
	63,933,271	**51,820,105**

Industrial/ commercial

Current (0 -30 days)	7,788,839	4,726,945
31 - 60 days	778,433	1,981,541
61 - 90 days	335,665	591,234
91 - 120 days	318,982	235,566
121 - 365 days	1,344,629	1,827,963
> 365 days	5,284,024	4,331,759
	15,850,572	**13,695,008**

National and provincial government

Current (0 -30 days)	2,854,056	2,297,987
31 - 60 days	790,908	1,254,742
61 - 90 days	355,276	924,128
91 - 120 days	572,723	354,680
121 - 365 days	918,420	505,920
> 365 days	876,165	2,448,125
	6,367,548	**7,785,582**

Total

Current (0 -30 days)	15,376,996	9,691,475
31 - 60 days	3,198,287	5,074,432
61 - 90 days	2,181,935	2,965,216
91 - 120 days	2,310,611	1,914,299
121 - 365 days	12,300,355	10,845,063
> 365 days	50,783,207	42,810,217
	86,151,391	73,300,702
Add pre-paid electricty	-	4,903,382
	86,151,391	**78,204,084**

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024

6. Receivables from exchange transactions (continued)

Reconciliation of allowance for impairment

Balance at beginning of the year	(58,293,128)	(61,622,414)
Contributions to allowance	(12,315,155)	3,329,286
	(70,608,283)	**(58,293,128)**

Recveivables from exchange transactions pledged as security

None of the receivables from exchange transactions were pledged as security.

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

None of the financial assets that are fully performing have been re-negotiated in the last year.

Consumer debtors past due but not impaired

The municipality gives customers a grace period of 30 days to settle their account. All individual customer accounts older than 30 days are considered for impairment, therefore none has passed due and not impaired.

Consumer debtors impaired

As of 30 June 2025, consumer debtors of 72,482,833 (2024: 63,606,295) were impaired and provided for.

The amount of the provision was (70,608,283) as of 30 June 2025 (2024: (58,293,128)).

The carrying amount of consumer debtors are denominated in the following currencies:

Rand	-	44,158,584

N1 - Reconcilling items - Timing difference

Prior year adjustment were made in current year on the consumer debtors module to restate some consumer debtors who were incorrectly written-off in prior year. The consumer debtors module does not have adjustment to correct transactions which must affect prior periods. The net reconciling value in receivables from exchange and non-exchange transactions is **R 770,984.87** in prior year.

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	17,566	15,295
Bank balances	9,229,056	8,129,374
Short-term deposits	38,282,081	22,887,038
	47,528,703	**31,031,707**

Cash and cash equivalents pledged as collateral

None of the cash and cash equivalents amount has been pledged as collateral security.

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024

7. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2025	30 June 2024	30 June 2025	30 June 2024
First National Bank - Main Account (62025460651)	9,229,057	8,129,374	12,324,829	8,144,669
First National Bank - Call Account (62025460651) - projects	4,063,315	5,093,696	4,063,315	5,093,696
First National Bank - Call Account (62045928069) - Sibongile Hostel	379,773	354,777	379,773	354,777
First National Bank - Call Account (62063967718) - Sithembile Hostel	555,027	518,997	55,027	518,997
Fist national Bank- Call Account (62412969084) - Housing Operating Account	679,420	635,399	679,420	635,399
First National Bank - Call Account (62509652419) - INEP	1,315,161	8,044	1,315,161	8,044
First National Bank- Call Account (62509650851) -MIG	510,196	742,732	510,196	742,732
First National Bank - Call Account (62113431390) - Money Markets	7,556	3,985,679	7,556	3,985,679
First national Bank - Call Account (63071551379) - Electricity sale	4,630	61,132	4,630	61,132
First National Bank - Call Account (62127781236) - Talana Museum Trust	24,141	22,752	24,141	22,752
ABSA Bank - Account (9384302143) - Liquidity Plus massification Projects	3,108,883	2,901,085	3,108,883	2,882,840
ABSA Bank - Fixed deposit (2081357436) - Proceeds on sale of assets	2,087,956	1,310,047	2,087,956	1,310,047
First National Bank - Call Account (63089254444) - SETA grant	332,721	674,875	332,721	641,875
First National Bank - Call Account (63089252498) - Energy Efficiency Grant	2,499,259	40,731	2,499,259	40,731
First National Bank - Call Account (63089253743) - EPWP Grant	337,080	3,592	337,080	3,592
First national Bank - Call Account (63097863063) - Disaster Recovery Grant	1,271,007	6,493,197	1,271,007	6,493,197
First National Bank - Call Account (63089251242) - Fiance management Grant	170,240	1,838	170,240	1,838
First National Bank - Call Account (62173631948) - Sibongile library Internet	2,509,280	89,711	2,509,280	89,711
Standard Bank - (06 866 262 9 - 001)	10,234,061	-	10,234,061	-
Standard Bank	8,192,375	-	8,192,375	-
Total	**47,511,138**	**31,067,658**	**50,106,910**	**31,031,708**

8. Investment property

	2025			2024		
	Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	135,766,006	-	135,766,006	131,585,806	-	131,585,806

Reconciliation of investment property - 2025

	Opening balance	Fair value adjustments	Total
Investment property	131,585,806	4,180,200	135,766,006

Reconciliation of investment property - 2024

	Opening balance	Transfers	Fair value adjustments	Total
Investment property	124,461,000	2,040,000	5,084,806	131,585,806

Pledged as security

None of the municipal investment property was pledged as security to a liblity in current and prior year.

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

Valuations were performed by an independent valuer, TESA Properties (Pty) Ltd , Professional Valuer. The valuer is not connected to the municipality and have recent experience in the location and category of the investment property being valued. The valuation was based on open market value.]

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment

	2025			2024		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	68,510,244	-	68,510,244	68,510,244	-	68,510,244
Buildings	107,601,177	(39,480,915)	68,120,262	107,458,770	(34,799,197)	72,659,573
Plant and machinery	23,490,423	(15,141,610)	8,348,813	24,009,884	(14,624,523)	9,385,361
Furniture and fixtures	5,321,549	(4,502,494)	819,055	5,689,409	(4,646,076)	1,043,333
Motor vehicles	16,273,572	(12,098,927)	4,174,645	15,689,339	(11,226,104)	4,463,235
IT equipment	8,299,350	(5,982,168)	2,317,182	7,335,856	(5,671,952)	1,663,904
Raod Infrastructure	237,103,565	(98,527,638)	138,575,927	208,408,008	(90,831,103)	117,576,905
Community assets	22,484,207	(3,163,184)	19,321,023	7,957,799	(2,498,410)	5,459,389
Construction Work-in-progress	3,023,458	-	3,023,458	20,809,296	-	20,809,296
Electrical Infrastructure	62,189,823	(26,100,442)	36,089,381	59,603,638	(26,090,183)	33,513,455
Solid waste infrastructure	5,458,210	(3,060,007)	2,398,203	5,790,119	(2,820,718)	2,969,401
Total	**559,755,578**	**(208,057,385)**	**351,698,193**	**531,262,362**	**(193,208,266)**	**338,054,096**

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Transfers received	Donations received	Other movements	Other changes, movements	Depreciation	Impairment loss	Total
Land	68,510,244	-	-	-	-	-	-	-	-	68,510,244
Buildings	72,659,573	142,409	(2)	-	-	-	-	(3,534,139)	(1,147,579)	68,120,262
Plant and machinery	9,385,361	77,070	(5,594)	-	215,686	-	-	(1,323,710)	-	8,348,813
Furniture and fixtures	1,043,333	109,007	(12,296)	-	41,594	-	-	(362,583)	-	819,055
Motor vehicles	4,463,235	584,233	-	-	-	-	-	(872,823)	-	4,174,645
IT equipment	1,663,904	1,108,788	(16,418)	-	200,346	-	-	(639,438)	-	2,317,182
Road Infrastructure	117,576,905	-	(11,479)	28,712,123	-	-	46,428	(7,261,447)	(486,603)	138,575,927
Community	5,459,389	-	-	14,105,346	421,062	-	-	(664,774)	-	19,321,023
Construction Work-in-progress	20,809,296	25,031,631	-	(42,817,469)	-	-	-	-	-	3,023,458
Electrical infrastructure	33,513,455	2,587,650	(203)	-	-	-	-	-	(11,521)	36,089,381
Solid waste infrastructure	2,969,401	-	-	-	-	(285,441)	(46,428)	(239,329)	-	2,398,203
	338,054,096	**29,640,788**	**(45,992)**	**-**	**878,688**	**(285,441)**	**-**	**(14,898,243)**	**(1,645,703)**	**351,698,193**

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers received	Other Movements	Donation received	Depreciation	Impairment loss	Total
Land	68,510,244	-	-	-	-	-	-	-	68,510,244
Buildings	70,270,234	-	-	6,108,193	-	-	(3,718,854)	-	72,659,573
Plant and machinery	11,964,794	482,166	(1,695,814)	25,735	-	-	(1,369,583)	(21,937)	9,385,361
Furniture and fixtures	1,343,912	65	(3,130)	67,000	-	-	(357,235)	(7,279)	1,043,333
Motor vehicles	5,521,510	-	(228,646)	-	-	-	(829,629)	-	4,463,235
IT equipment	1,865,699	331,343	(16,265)	-	-	29,885	(546,758)	-	1,663,904
Road Infrastructure	122,998,343	-	-	1,321,575	-	-	(6,386,234)	(356,779)	117,576,905
Community	1,937,365	-	-	3,985,721	-	-	(463,697)	-	5,459,389
Construction Work-in-progress	17,225,641	15,091,879	-	(11,508,224)	-	-	-	-	20,809,296
Electrical Infrastructure	33,843,420	1,670,560	(345,979)	-	-	-	(1,654,546)	-	33,513,455
Solid waste infrastructure	3,455,878	-	(47)	-	(711,912)	-	225,482	-	2,969,401
	338,937,040	**17,576,013**	**(2,289,881)**	**-**	**(711,912)**	**29,885**	**(15,101,054)**	**(385,995)**	**338,054,096**

Other Movements relates to changes in cash flow projections on the valuation of landfill site obligation.

Pledged as security

None of the property plant and equipment were pledged as security in current and prior year.

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	10,798,747	7,401,627	2,608,940	20,809,314
Additions/capital expenditure	20,658,805	3,909,820	463,221	25,031,846
Transferred to completed items	(28,711,851)	(11,033,186)	(3,072,161)	(42,817,198)
	2,745,701	**278,261**	**-**	**3,023,962**

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024

9. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	8,111,456	3,560,562	5,553,624	17,225,642
Additions/capital expenditure	4,008,866	7,893,786	3,189,244	15,091,896
Transferred to completed items	(1,321,575)	(4,052,721)	(6,133,928)	(11,508,224)
	10,798,747	**7,401,627**	**2,608,940**	**20,809,314**

All work in progress projected has been completed on time, none are taking longer to be completed, nor halted or suspended.

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		
Maintainance of building and facilities	899,960	1,044,991
Maintainance of equipment	185,334	1,044,991
Maintainance of unspecified assets	14,779,486	13,726,400
	15,864,780	**15,816,382**

Cost relating to maintenance of property plant and equipment are included in contracted services disclosure note 38.

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

Notes to the Annual Financial Statements

Figures in Rand

10. Intangible assets

	2025			2024		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	994,076	(853,517)	140,559	994,123	(779,704)	214,419

Reconciliation of intangible assets - 2025

	Opening balance	Amortisation	Total
Computer software, other	214,419	(73,812)	140,559

Reconciliation of intangible assets - 2024

	Opening balance	Disposals	Amortisation	Total
Computer software, other	1,339,840	(1,133,151)	7,730	214,419

Pledged as security

None of the intangible assets were pldeged as sucurity in current and prior year.

11. Employee Benefits Obligations

Non-current liabilities	66,578,000	58,063,000
Current liabilities	4,675,000	4,529,000
	71,253,000	**62,592,000**

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

Figures in Rand	30 June 2025	30 June 2024

11. Employee Benefits Obligations (continued)

Carrying value:		
Medical aid fund liability	(63,015,000)	(55,126,000)
Long service award liability	(8,238,000)	(7,466,000)
	(71,253,000)	**(62,592,000)**

Changes in the net defined liability are as follows:

Long service award:		
Opening balance	(7,466,000)	(6,524,836)
Service cost	(856,000)	(662,205)
Finance charges	(784,000)	(656,742)
Benefits paid	-	808,441
Actuarial gains	(296,000)	881,342
Addition pf pro-rata LSA	1,164,000	(1,312,000)
	(8,238,000)	**(7,466,000)**

Medical Aid Fund		
Opening balance	(55,126,000)	(55,828,187)
Service cost	(1,888,000)	(2,536,973)
Finance costs	(6,483,000)	(6,945,260)
Benefits paid	3,365,000	3,474,748
Actuarial loss / (gains)	(2,883,000)	6,709,672
	(63,015,000)	**(55,126,000)**

Net expense recognised in the statement of financial performance are as follows:

Medical Aid Fund		
Current service costs	1,888,000	2,536,973
Finance costs	6,483,000	6,945,260
Actuarial loss / (gains)	2,883,000	(6,709,672)
Benefits paid	(3,365,000)	(3,474,748)
	7,889,000	**(702,187)**

Long Service Award:		
Current service costs	856,000	662,205
Finance costs	784,000	656,742
Actuarial gains	296,000	(881,342)
Benefits paid	(1,164,000)	(808,441)
	772,000	**(370,836)**

Calculation of actuarial gains and losses:		
Actuarial loss / (gains) – Medical Aid Obligation	2,883,000	(6,709,672)
Actuarial loss/(gains) – Long Service Award	296,000	(881,342)
	3,179,000	**(7,591,014)**

Key assumptions used - Medical Aid Fund Obligations:

Assumptions used at the reporting date:		
Discount rates used	11.00 %	12.10 %
CPI Inflation rate	5.00 %	6.10 %
Medical aid contribution inflation rate	6.80 %	7.60 %
Net discount rate (medical aid contributions)	3.90 %	4.20 %

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024

11. Employee Benefits Obligations (continued)

Maximum subsidy inflation rate	4.50 %	5.30 %
Net discount rate (maximum subsidy)	6.20 %	6.40 %

The next contribution increases were assumed to occur at 1 January 2025. The next increase to the maximum subsidy was assumed to occur with effect from 1 July 2025.

Key Demographic Assumptions:

Average retirement age	62	62
Mortality during employment	SA 85-90	SA 85-90
Mortality post-employment	PA(90) -1 with a 1% mortality improvement p.a. from 2010	PA(90) -1 with a 1% mortality improvement p.a. from 2010
Continuation of membership at retirement	75%	75 %
Proportion of in-service non-members joining a scheme by retirement and continuing with the subsidy at retirement	60%	60 %
Proportion with a spouse dependant at retirement	15%	15 %

Key Assumption used - Long Service Award:

Assumption	Valua p.a	Value p.a
Discount rate	10.10 %	11.36 %
CPI inflation rate	4.10 %	5.48 %
General earnings inflation rate	5.10 %	6.58 %
Net discount rate	4.80 %	4.58 %

The next general earnings increase was assumed to take place on 1 July 2025.

Key Demographic Assumptions:

Average retirement age	62
Mortality during employment	SA 85 - 90

Assumption	Age	Female	Male
Termination of service (resignation and retrenchment rates per annum)	20	9.00 %	9.00 %
Termination of service (resignation and retrenchment rates per annum)	30	6.00 %	6.00 %
Termination of service (resignation and retrenchment rates per annum)	40	5.00 %	5.00 %
Termination of service (resignation and retrenchment rates per annum)	50	3.00 %	3.00 %
Termination of service (resignation and retrenchment rates per annum)	55	- %	- %

Sensitivity analysis:

Medical Aid Fund Obligation:

The DBO at this valuation was recalculated to show the effect of:

11. Employee Benefits Obligations (continued)

i. A one percentage point increase and decrease in the assumed medical aid contribution inflation rate;

ii. A one percentage point increase and decrease in the discount rate;

iii. A one-year age increase and decrease in the assumed rates of post-employment mortality;

iv. A one-year decrease in the assumed average retirement age; and

v. A decrease of ten percentage points in the assumed proportion of in-service members that remain members at retirement.

Sensitivity analysis on the defined benefit obligation (R Millions):

Asuumptions	Change	Eligible employees	Continuation members	Total DBO	%Change
Central assumptions		24.449	38.566	63.015	
Medical aid contribution inflation rate	+ 1 %	26.607	39.746	66.353	5 %
	- 1 %	21.779	37.057	58.836	- 7 %
Discount rate	+1 %	20.915	35.706	56.621	- 10 %
	- 1 %	28.889	41.882	70.771	+12 %
Post-employment mortality	+ 1 yr	23.921	37.479	61.400	- 3 %
	- 1 yr	24.967	39.642	64.609	+ 3%
Average retirement age	- 1 yr	27.266	38.566	65.832	+ 4 %
Membership continuation	- 10 %	21.261	38.566	59.827	- 5 %

The post-employment mortality adjustment “-1 yr”, for example, assumes that someone aged 70 will experience the mortality of someone aged 69. The DBO is expected to increase under this scenario because members are expected to live longer.

Sensitivity analysis on current service and interest costs for year ending 30/06/2025:

Assumption	Change	Current Svc. Cost	Interest costs	Total Costs	%Change
Central assumption		1,888,000	6,483,000	8,371,000	
Medical Aid contribution	+ 1 %	2,090,000	6,874,000	8,964,000	+7 %
Inflation rate	- 1 %	1,647,000	6,009,000	7,656,000	- 9 %
Discount rate	+ 1 %	1,604,000	6,299,000	7,903,000	- 6 %
	1 %	2,251,000	6,685,000	8,936,000	+ 7 %
Post-employment mortality	+ 1 yr	1,849,000	6,313,000	8,162,000	- 2 %
	- 1 yr	1,949,000	6,651,000	8,162,000	- 2 %
Average retirement age	- 1 yr	2,112,000	6,761,000	8,873,000	+ 6%
Membership continuation	+ 10 %	1,643,000	6,145,000	7,788,000	- 7 %

Long service award obligation:

The DBO at this valuation was recalculated to show the effect of:

Notes to the Annual Financial Statements

11. Employee Benefits Obligations (continued)

i. A one percentage point increase and decrease in the assumed general earnings inflation rate;

ii. A one percentage point increase and decrease in the assumed discount rate;

iii. A two-year increase and decrease in the assumed average retirement age of eligible employees; and

iv. A two-fold increase and a 50% decrease in the assumed rates of termination of service.

Sensitivity analysis on the DBO:

Assumption	Change	DBO	%Change
Central assumptions		8,238,000	
General earnings inflation rate	+ 1 %	8,726,000	+ 6 %
	- 1 %	7,794,000	- 5 %
Discount rate	+ 1 %	7,788,000	- 5 %
	- 1 %	8,741,000	+ 6 %
Average retirement age	+ 2 yrs	8,802,000	+ 7 %
	- 2 yrs	7,639,000	- 7 %
Rates of termination of service	x2	7,101,000	+ 14 %
	x0.5	8,995,000	+9 %

Sensitivity analysis on current service and interest costs for year ending 30/06/2025:

Sensitivity analysis on current service and interest costs for year ending 30/06/2025:

Assumption	Change	Current Svc. cost	Interetst cost	Total	% Change
Central assumptions		856,000	784,000	1,640,000	
General earnings inflation rate	+ 1 %	920,000	834,000	1,754,000	+ 7 %
	- 1 %	798,000	738,000	1,536,000	- 6 %
Discount rate	+ 1 %	805,000	802,000	1,607,000	- 2 %
	- 1 %	913,000	762,000	1,675,000	+ 2 %
Average retirement age	+ 2 yrs	908,000	851,000	1,759,000	+ 7 %
	- 2 yrs	800,000	720,000	1,520,000	- 7 %
Rates of termination of service	x2	680,000	662,000	1,342,000	- 18 %
	x0.5	978,000	865,000	1,843,000	+ 12 %

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024

12. Payables from exchange transactions

Trade payables	306,578,800	169,101,194
Payments received in advanced - contract in process	11,096,886	13,588,685
Trade payables - accruals	54,569,358	52,274,108
Retention liability	3,296,529	3,480,623
Accrued leave pay	12,425,599	11,710,946
Accrued bonus	7,033,045	4,892,816
Salary control account	6,554,552	5
Deposits received	374,987	95,881
VAT output accruals	19,999,121	16,821,981
	421,928,877	**271,966,239**

13. VAT payable

VAT Control	-	233,321

14. Consumer deposits

Electricity	5,861,501	5,872,476
Housing rental	212,020	184,402
	6,073,521	**6,056,878**

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Energy Efficiency and Demand Side Management Grant	750	3,250
Expanded Public Works Programme Integrated Grant	-	1,281
Municipal Disaster Recovery Grant	920,471	6,400,000
Municipal Pound	2,109	2,109
Services Sector SETA	465,939	630,830
Greenest Municipality Competition	653	653
Upgrade of Sithembile Hostel	518,997	518,997
Housing projects	206,365	206,365
Upgrade Sbongile Hostel	56,788	56,788
Building Plan Managent System	500	500
Massification Grant	-	2,755,726
	2,172,572	**10,576,499**

Movement during the year

Balance at the beginning of the year	10,576,499	4,833,455
Additions during the year	39,550,012	38,392,859
Income recognition during the year	(47,953,939)	(32,649,815)
	2,172,572	**10,576,499**

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

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

See note 27 for reconciliation of grants from National/Provincial Government.

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

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024

16. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	9,230,081	(285,442)	1,161,144	10,105,783

Reconciliation of provisions - 2024

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	8,751,754	(711,912)	1,190,239	9,230,081

Glencore Landfill Site is situated approximately 2.5 km South of the Endumeni municipality office in Glencore. The access to the site is taken off the R602 highway and the landfill is located on slightly undulating ground, with coordinates are 28°11'31.25"S, 30°09'01.39"E. Figure 2 of the expert report shows the location and general layout of the landfill site.

Financial assumptions:

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

For calculating the inflation on professional services, the “Consumer Price Index – P0141, specifically Table B2 - CPI headline year-on-year rates” was used. The price adjustment from June 2024 to May 2025 is 2,8%;

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

The discount rate used is for the period shown in the table below (based on South African Government Bonds Yield curve);

The estimate for the Glencoe site is higher than that estimated for the previous year due to a much larger area considered for closure. It does not appear that the historical disposal area was taken into consideration in the previous year’s report. The remaining airspace is estimated to be more than 200 years. Due to ever-changing legislative requirements, potential future landfill conditions, changes in license conditions, financial fluctuations and future needs, a maximum closure period of 30 years was considered for the provisions.

Key financial assumptions used:

Discount rate (D)	12.63 %	12.58 %
Consumer price inflation (C) - (Stats SA, Jun-Jun)	2.80 %	5.10 %
CPI (Bond yield curves)	7.06 %	6.97 %

License Status and Legal Compliance:

The Glencore landfill is licensed for operations in terms of the National Environmental Management: Waste Act, 2008 (Act 59 of 2008). The ten-year permit, DC24/WML/0003/2010 was issued by the Department of Agriculture and Environmental Affairs (KwaZulu Natal Province) on the 25th of July 2013. The permit was later reviewed on the 18th of November in 2020 by the Department of Economic Development, Tourism and Environmental Affairs, KZN and given another 10 years with a new license number DC24/WML/0003/2010/REV2020/01.

17. Housing Development Fund

Opening balance	5,119,140	5,075,421
Change during the year	7,741	43,719
	5,126,881	**5,119,140**

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024

18. Service charges

Sale of electricity	146,718,744	129,644,017
Solid waste	27,903,188	26,749,866
	174,621,932	**156,393,883**

19. Rendering of services

Sales of Goods and Rendering of Services:Building plans	64,820	46,288
Sales of Goods and Rendering of Services:Cemetery	291,740	290,615
Sales of Goods and Rendering of Services:Clearance certificates	91,165	88,279
Sales of Goods and Rendering of Services:Encroachment fees	50,609	60,359
Sales of Goods and Rendering of Services:Entrance fees	-	4,336
Sales of Goods and Rendering of Services:Parking Fees	1,468	-
Sales of Goods and Rendering of Services:Photo copying services	55,402	53,380
	555,204	**543,257**

20. Construction contracts income

Integrated National Electrification Programme		
Current-year receipts	8,312,174	3,960,074
Conditions met - transferred to revenue	(8,312,174)	(3,960,074)
	-	**-**

21. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	1,220,997	957,004

22. Interest on receivables from exchange transactions

Interest - Receivables	4,625,212	3,222,460

23. Licences and permits

Trading	104,792	45,019
Road and Transport	3,977,563	4,370,961
Market Porters	7,249	21,261
	4,089,604	**4,437,241**

24. Other income

Administrative Handling Fees	295,271	310,412
Cash Surpluses	7,467	8,888
Insurance Refund	51,925	238,167
	354,663	**557,467**

25. Investment revenue

Interest revenue		
Interest income from bank and investment accounts	3,142,696	2,159,452

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024

26. Property rates

Rates received

Residential properties	47,420,915	44,588,133
Commercial properties	28,505,153	26,727,623
State owned properties	10,628,074	9,235,211
Small holdings and farms	7,064,506	6,390,698
Minning properties	794,204	778,807
Vacant land	7,878,507	8,222,485
Industrial properties	9,422,076	8,205,009
	111,713,435	**104,147,966**

Valuations

Residential properties	4,501,289,000	4,501,289,000
Commercial and industrial properties	1,174,704,000	1,174,704,000
State owned properties	498,127,000	498,127,000
Municipal properties	319,837,000	319,837,000
Small holdings and farms	1,456,842,000	1,456,842,000
Minning properties	17,880,000	17,880,000
Vacant land	81,143,000	81,143,000
Public benefits organisation properties	161,085,000	161,085,000
Worship residential properties	141,260,000	141,260,000
Housing services properties	12,735,000	12,735,000
Cemetry private properties	230,000	230,000
	8,365,132,000	**8,365,132,000**

Valuations on land and buildings are performed every 5 years. The new general valuation came into effect on 1 July 2023.

Rates are levied on monthly basis and the 12% interest is levied on outstanding rates per annum.

Property rates levied in terms of the Local Government: Municipal Property rates Act No.6 of 2004 with effect from 01/07/2023. Interim valuations are processed on a quartely basis to take into account changes in individual land values due to consolidations and subdivisions.

The new general valuation was implemented on 01 July 2023.

Assessment rates: Cents in the rand on markert valuation as follows:	2025	2024
Agriculture properties	0.42	0.42
Business and Commercial	3.70	5.11
Industrial Properties	4.37	4.37
Mining Properties	4.37	4.37
Public Service Properties	4.03	4.03
Public Service Infrastructure	0.42	0.42
Residential Properties	1.68	1.68
Vacant Properties	13.26	13.26
Public Benefits organisation	0.42	0.42

Rebates:	2025	2024
Agricultural Properties	60.00 %	60.00 %
Small holdings	10.00 %	10.00 %
Business and commercial properties	12.00 %	12.00 %
Industrial Properties	12.00 %	12.00 %
Residential Properties	22.00 %	22.00 %
Public Service Infrastructure	100.00 %	100.00 %
Pensioners (Earning R4500 per month)	25.00 %	25.00 %

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024
26. Property rates (continued)		
Pensioners (Earning R4501 - R5000 per month)	20.00 %	- %
Pensioners (Earning R5001 - R5500 per month)	15.00 %	15.00 %
Pensioners (Earning R5501 - R6500 oer month)	10.00 %	10.00 %
	286.00 %	**266.00 %**

The first R15 000 of the Valuation of residential properties are exempt from the calculation of rates.

Figures in Rand	30 June 2025	30 June 2024

27. Government grants & subsidies

Operating grants

Equitable share	70,647,000	66,528,000
Expanded Public Works Program Grant	1,562,281	1,540,719
Local Government Financial Management Grant	2,000,000	2,100,000
Libraries Archives and Museums Grant	7,942,000	5,812,711
Municipal Pound	-	130,150
Sibongile Hostel grant	-	580,304
Public Sector SETA	649,903	73,181
	82,801,184	**76,765,065**

Capital grants

Municipal Infrastructure Grant	17,155,000	17,416,000
Energy Efficiency and Demand Side Management Grant	4,002,500	4,996,750
Municipal Disaster Recovery Grant	11,886,529	-
Massification grant	2,755,726	-
	35,799,755	**22,412,750**
	118,600,939	**99,177,815**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	47,953,939	32,649,815
Unconditional grants received	70,647,000	66,528,000
	118,600,939	**99,177,815**

Equitable Share

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

Municipal Infrastructure grant

Opening balance	-	51,326
Current-year receipts	17,155,000	17,416,000
Conditions met - transferred to revenue	(17,155,000)	(17,416,000)
Paid back to treasury	-	(51,326)
	-	**-**

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

Libraries Archives and Museums Grant

Current-year receipts	7,942,000	-
Conditions met - transferred to revenue	(7,942,000)	-
	-	**-**

Energy Efficiency and Demand Side Management Grant

Opening balance	3,250	-
Current-year receipts	4,000,000	5,000,000
Conditions met - transferred to revenue	(4,002,500)	(4,996,750)
	750	**3,250**

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024

27. Government grants & subsidies (continued)

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

Expanded Public Works Programme Integrated Grant

Opening balance	1,281	-
Current-year receipts	1,561,000	1,542,000
Conditions met - transferred to revenue	(1,562,281)	(1,540,719)
	-	**1,281**

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

Municipal Disaster Recovery Grant

Opening balance	6,400,000	-
Current-year receipts	6,407,000	6,400,000
Conditions met - transferred to revenue	(11,886,529)	-
	920,471	**6,400,000**

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

Pound Grant

Opening balance	2,109	132,259
Conditions met - transferred to revenue	-	(130,150)
	2,109	**2,109**

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

Public Sector SETA

Opening balance	630,830	454,211
Current-year receipts	485,012	249,800
Conditions met - transferred to revenue	(649,903)	(73,181)
	465,939	**630,830**

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

Greenest Municipality Competition

Opening balance	653	653

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

Local Government Financial Management Grant

Current-year receipts	2,000,000	2,100,000
Conditions met - transferred to revenue	(2,000,000)	(2,100,000)
	-	**-**

Upgrade of Sithembile Hostel

Opening balance	518,997	483,098
Current-year receipts	-	35,899

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024

27. Government grants & subsidies (continued)

	518,997	**518,997**

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

Ex 18 Housing Project

Opening balance	206,365	206,365

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

Upgrade Sibongile Hostel

Opening balance	56,788	593,025
Current-year receipts	-	44,067
Conditions met - transferred to revenue	-	(580,304)
	56,788	**56,788**

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

Building Plan Managent System

Opening balance	500	500

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

Massification

Opening balance	2,755,726	2,755,726
Conditions met - transferred to revenue	(2,755,726)	-
	-	**2,755,726**

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

28. Public contributions and donations

Donations recieved	878,688	29,885

Reconciliation of conditional contributions

Current-year receipts	878,688	29,885
Conditions met - transferred to revenue	(878,688)	(29,885)
	-	**-**

29. Fines and penalties

Illegal Connections Fines	1,093,468	629,613
Overdue Books Fines	5,939	7,482
Municipal Traffic Fines	5,217,250	4,263,250
Property Rates Penalties	21,371,379	16,647,050
	27,688,036	**21,547,395**

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024

30. Employee related costs

Basic salaries	98,268,110	92,752,487
Bargaining council	52,601	48,346
Bonus	9,677,963	10,113,470
Medical aid - company contributions	10,965,240	10,434,685
Unemployment insurance fund	799,225	726,135
Leave pay expenses	3,012,882	(347,159)
Defined contribution plans	17,578,671	15,484,322
Overtime payments	2,804,022	2,703,148
Long-service awards	809,866	2,171,998
Acting allowances	365,250	575,226
Car allowance	6,124,963	5,775,319
Housing benefits and allowances	503,364	487,347
Group Life Insurance	256,412	287,353
Cellular and Telephone	328,491	317,358
Standby allowance	2,462,677	3,265,823
	154,009,737	**144,795,858**

Remuneration of municipal manager (MR S NTOMBELA)

Annual Remuneration	850,627	892,743
Car Allowance	109,994	116,118
Cell phone allowance	24,200	26,400
Cash gratitude	20,340	8,475
Contributions to UIF, Medical and Pension Funds	111,676	120,793
Leave final	154,778	-
Housing allowance	18,416	-
	1,290,031	**1,164,529**

Remuneration of chief finance officer (MRS CB MKHIZE)

Annual Remuneration	748,547	705,026
Car Allowance	150,000	150,000
Housing allowance	96,000	78,000
Cell phone allowance	14,400	14,400
Contributions to UIF, Medical and Pension Funds	2,269	2,074
Cash gratitude	20,340	-
	1,031,556	**949,500**

Remuneration of chief finance officer (MR MA NGCOBO)

Back pay	-	21,119
Cash gratitude	-	13,560
Contributions to UIF, Medical and Pension Funds	-	177
	-	**34,856**

Remuneration of executive directors - Planning and economic development (MR BMN HLATSHWAYO)

Annual Remuneration	294,272	762,237
Car Allowance	49,972	119,933
Housing allowance	22,999	50,111
Cell phone allowance	6,000	14,400
Cash gratitude	20,340	20,340
Contributions to UIF, Medical and Pension Funds	47,799	189,739
Leave pay	87,393	-
	528,775	**1,156,760**

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024

30. Employee related costs (continued)

Remuneration of executive directors - Planning and economic development (MS AKN DLUNGWANA)

Annual remuneration	55,000	-
Vehicle allowance	12,345	-
Cell phone allowance	1,200	-
Contributions to UIF, Medical and Pension Funds	13,151	-
Acting allowance	28,397	-
	110,093	**-**

Remuneration of executive directors - Technical Services (MR MB BUTHELEZI)

Annual Remuneration	700,418	628,342
Car Allowance	164,872	143,054
Cell phone allowance	14,400	13,792
Contributions to UIF, Medical and Pension Funds	131,526	125,358
Cash gratitude	20,340	-
	1,031,556	**910,546**

Remuneration of executive directors - Technical Services (MR M SITHOLE)

Acting allowance	-	4,453

Remuneration of executive directors - Technical Services (MRS SM NDEBELE)

Back pay	-	21,119
Cash gratitude	-	13,560
Contributions to UIF, Medical and Pension Funds	-	177
	-	**34,856**

Remuneration of executive directors - Corporate Services (MR MM NDIMA)

Annual Remuneration	297,603	178,563
Car Allowance	75,000	45,000
Cell phone allowance	6,000	3,600
Contributions to UIF, Medical and Pension Funds	17,022	10,212
Cash gratitude	20,572	-
Leave pay	39,697	-
	455,894	**237,375**

Remuneration of executive directors - Corporate Services (MR TP QWABE)

Acting allowance	-	47,582

Remuneration of executive directors - Corporate Services (MR SP ZULU)

Annual Remuneration	-	167,978
Back pay	7,850	38,607
Car allowance	-	32,246
Cell phone allowance	-	3,150
Cash gratitude	3,390	20,340
Contributions to UIF, Medical and Pension Funds	-	30,802
	11,240	**293,123**

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024

30. Employee related costs (continued)

Remuneration of executive directors - Community Services (MR BA XULU)

Annual Remuneration	703,716	696,315
Car Allowance	172,032	144,959
Cell phone allowance	14,400	14,400
Contributions to UIF, Medical and Pension Funds	121,069	121,062
Cash gratitude	20,340	20,340
	1,031,557	**997,076**

31. Remuneration of councillors

Mayor	728,830	510,849
Deputy Mayor	294,428	349,982
Mayoral Committee Members	1,222,661	1,183,121
Speaker	594,147	409,359
Councillors	2,508,089	2,404,108
	5,348,155	**4,857,419**

32. Depreciation and amortisation

Property, plant and equipment	14,898,243	15,101,054
Intangible assets	73,812	191,434
	14,972,055	**15,292,488**

33. Finance costs

Interest on late payment to Eskom	22,306,565	13,352,854
Interest on late payment to SARS	-	183,737
Interest charges on provision for landfill site	1,161,144	1,190,239
Interest on employee obligations	7,267,000	7,602,002
	30,734,709	**22,328,832**

34. Lease rentals on operating lease

Equipment		
Contractual amounts	2,943,754	2,432,970

35. Debt impairment & Bad debt write-off

Debt impairment	37,036,729	20,943,128
Bad debts written off	-	22,595,108
	37,036,729	**43,538,236**

36. Unreconciled items written-off

Write-off of unreconciled items in cash book	9,104,657	-

37. Bulk purchases

Electricity - Eskom	197,359,996	166,084,870

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024

37. Bulk purchases (continued)

Electricity losses

Units purchased	92,403,635	85,469,307
Units sold	(49,987,028)	(50,042,850)
Total loss	**42,416,607**	**35,426,457**
Comprising of:		
Distribution loss	7,392,291	6,837,545
Theft loss	35,024,316	28,588,912
Total	**42,416,607**	**35,426,457**
Percentage Loss:		
Distribution loss	8 %	8 %
Theft loss	38 %	33 %
Total	**46 %**	**41 %**

38. Contracted services

Outsourced Services		
Administrative and Support Staff	16,624	11,125
Business and Advisory	2,842,287	1,415,841
Catering Services	427,870	314,837
Casual labour - EPWP	1,548,114	1,540,719
Internal Auditors	265,327	-
Personnel and Labour	1,055,285	979,416
Professional Staff	1,238,431	986,790
Connection/Dis-connection	345,502	324,020
Drivers Licence Cards	309,996	363,795
Consultants and Professional Services		
Business and Advisory	396,350	245,935
Legal Cost	5,577,964	3,346,445
Contractors		
Electrical	11,148,085	4,536,189
Employee Wellness	53,250	-
Maintenance of Buildings and Facilities	899,960	1,044,991
Maintenance of Equipment	185,334	213,448
Maintenance of Unspecified Assets	14,779,486	13,726,400
Plants, Flowers and Other Decorations	1,605	446
Transportation	6,381	134,616
Safeguard and Security	15,669,010	15,255,859
	56,766,861	**44,440,872**

39. Transfer and subsidies

Other subsidies		
LG SETA	609,585	81,431
Grant in Aid	-	583,303
Animal pound	-	130,150
	609,585	**794,884**

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024

40. General expenses

Advertising	374,921	307,533
Auditors remuneration	3,866,740	3,821,826
Bank charges	793,031	1,019,340
Commission paid	3,807,375	1,905,300
Consumables	3,047,191	1,906,154
Delivery expenses	215	2,893
Entertainment	46,375	56,207
Insurance	2,603,360	2,951,875
IT expenses	1,232,588	1,293,920
Skills development levy	1,308,485	1,220,818
Postage and courier	2,922	257,022
Printing and stationery	568,262	526,045
Protective clothing	751,977	324,012
Subscriptions and membership fees	1,667,049	1,562,621
Telephone and fax	339,356	95,082
Transport and freight	6,969,171	6,127,455
Travel - local	1,612,263	1,285,333
Utilities - Other	7,477,807	4,886,667
Ward Committees	2,117,851	1,417,350
Learnerships and Internships	477,881	554,533
Landfill site expenditure	-	13,846
Indigent relief	346,658	-
	39,411,478	**31,535,832**

41. Fair value adjustments

Investment property (Fair value model)	4,180,200	5,084,806

42. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024

42. Prior-year adjustments (continued)

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Current Assets:					
Financial assets (N1)		-	10,899,041	-	10,899,041
Receivables from exchange transactions (N3)		77,328,475	(17,570,888)	(15,740,269)	44,017,318
Receivables from non - exchange transactions (N3)		8,774,158	(10,961,205)	15,740,269	13,553,222
Inventory		7,760,921	120,621	-	7,881,542
Cash and cash equivalents		35,699,265	(4,667,558)	-	31,031,707
Non-current assets:					
Investment property		129,556,000	2,029,806	-	131,585,806
Property, plant and equipment		336,580,295	1,473,801	-	338,054,096
Intangible assets		15,255	199,164	-	214,419
Current liabilities:					
VAT payable		-	(233,321)	-	(233,321)
Payables from exchange transactions		(260,415,911)	(11,450,847)	(99,481)	(271,966,239)
Consumer deposits		(6,164,409)	8,050	99,481	(6,056,878)
Employee benefits obligations (N2)		(3,365,000)	(1,164,006)	-	(4,529,006)
Provisions		(2,377,129)	2,377,129	-	-
Non-current liabilities:					
Employee benefits obligations (N2)		(51,761,000)	(6,302,000)	-	(58,063,000)
Provisions (N4)		(18,226,962)	8,996,881	-	(9,230,081)
Net Assets:					
Accumulated surplus		(242,800,436)	26,218,297	-	(216,582,139)

Statement of financial performance

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024

42. Prior-year adjustments (continued)

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Revenue from exchange transactions		176,752,096	3,635,756	4,554,085	184,941,937
Revenue from non-exchange transactions		229,455,546	1,600	(4,554,085)	224,903,061
Employee related costs		(150,368,476)	(2,029,384)	7,602,002	(144,795,858)
Finance costs		(11,258,364)	(3,468,466)	(7,602,002)	(22,328,832)
General expenses		(30,642,583)	(893,247)	-	(31,535,830)
Contracted services		(44,456,185)	4,569,398	(4,554,085)	(44,440,872)
Construction expenditure		(4,554,085)	-	4,554,085	-
Depreciation and amortisation		(15,688,141)	395,653	-	(15,292,488)
Lease rentals on operating leases		(1,092,950)	(1,340,018)	-	(2,432,968)
Debt impairment		(4,492,330)	(16,450,798)	-	(20,943,128)
Bad debts written off		(21,917,156)	(677,952)	-	(22,595,108)
Transfers and subsidies		(583,303)	(211,581)	-	(794,884)

Financial Assets: (N1)

An error occurred in prior year whereby security withheld by Eskom on municipal accounts opened was not recorded on the financial accounting system of the municipality, ***Journal No. 365.***

Below is the impact of the correction:

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024

42. Prior-year adjustments (continued)

30 June 2023:

Dr Financial Assets - Security Withheld by Eskom		9 930 257
Cr Retained surplus		(9 930 257)

Description: Accounting for security withheld by Eskom on municipal electricity accounts.

30 June 2024:

Dr Financial Assets - Security withheld by Eskom		687 065
Cr Debt forgiven - Interest on Eskom Account (Revenue from exchange transactions)		(687 065)

Accounting for interest accrued on financial assets.

Dr Financial assets - Security withheld by Eskom		281 719
Cr Electricity costs - Operating costs		(281 719)

Description: Accounting for additional security withheld on new municipal accounts opened.

Adjustments reconciliation (9,930,257+687,065+281,719) = R 10,899,041.

42. Prior-year adjustments (continued)

Employee benefits Obligations(N2)

Error 1: Management noted that employee obligation was understated on the financial system compared to the employee obligation experts reports for the period ending 30 June 2023. **Journal No. (378 & 225**) were processed to take on these liability.

Below is the impact of the correction:

30 June 2023:

Dr Net Assets:Accumulated Surplus/(Deficit):Correction of Prior Period Error	6,524,836
Dr Current Liabilities:Provision:Long-service Awards	2,666,307
Cr Current Liabilities:Defined Benefit Obligations:Medical	(3,474,748)
Cr Liabilities:Non-current Liabilities:Provisions:Long-service Awards	(5,716,395)

Description: Accounting for current portion of long service award liability processed as provision in prior year.

Error 2: Management noted that long service obligation current costs reported on the financial statements were understated by R 941,164 and related obligation was understated by the same amount. Adjusting journal was processed to correct this error.

30 June 2024:

Dr Current costs - Long service award (employee related costs)	941,164
Cr Long Service Award - (Current liabilities)	(355,559)
Cr Long Service Award - Non-Current Liabilities)	(585,605)

Description: Accounting for current costs of long services award.

Adjustments reconciliation - Current Liability (355,559 + 3,474,748 - 2,666,307) = 1,164,006.

Adjustments reconciliation - Non - Current Liability (5,716,395 + 585,605) = R 6,301,994.

42. Prior-year adjustments (continued)

Receivables from exchange and non-exchange transactions (N3)

Error 1: An error occurred in prior year whereby VAT input accrual was charged during settling of suppliers account. The VAT input accrual must be raised during invoicing stage not payment stage, therefore this error resulted to overstatement of VAT input accruals receivables which is presented under receivables from exchange transactions and understatement of payables from exchange transaction.

Below is the impact of the correction:

30 June 2024:

Dr Payables from exchange transaction (Trade payables accruals)	12 220 011
Cr Receivables from exchange transactions (VAT input accrual receivables)	(12 220 011)

Description: Correcting VAT input double accounted on the system during capturing and payment of invoices.

Error 2: An error occurred in prior year whereby accrued income relating to cash sales of electricity was not accounted for on the system. Supporting schedules to the cash sales of electricity was received subsequent to year end, and the transaction was incorrectly accounted as a debit to trade payables accruals.

30 June 2024:

Cr Payables from exchange transaction (Trade payables accruals)	(4 903 184)
Dr Receivables from exchange transactions (Service charges - electricity)	4 903 184

Description: Accounting for accrued income on electricity cash sales which was omitted from the system.

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024

42. Prior-year adjustments (continued)

Error 3: An error occurred whereby the municipality overpaid insurance in previous years. Upon cancellation of the insurance contract, an amount of **R 158,597** was recoverable from the insurance providers. This amount was not accounted for in the municipal financial system. An adjustment was to correct this error.

Below is the impact of the correction:

30 June 2024:

Cr Receivables from exchange transactions	(158,597)
Dr Retained surplus	158,597

Description: Accounting for recoverable insurance which was incorrectly omitted from the financial system.

Error 3: Management identified transactions relating to property rates which were reported as merchandising, jobbing and contracts under receivables from exchange transactions. It was practically impossible to correct this error on the consumer debtors age analysis, therefore a reclassification journal was processed to correct this error and present these transactions in the correct class, ***Journal No.498***.

Below is the impact of the correction:

30 June 2024:

Dr Receivables from non-exchange transactions	2,859,842.51
Dr Receivables from non-exchange transactions	(2,859,842.51)

Description: Reclassification of property rates from merchandising Jobbing and contracts (receivables from exchange transaction)

Error 4: Management noted that there are changes to market values of properties and this has to be effected retrospectively. The adjustment to prior years was corrected against retained surplus, ***Journal No. (604 & 626).***

Below is the impact of the correction:

30 June 2024:

Dr Receivables from non-exchange transactions	244,240.01
Cr Retained surplus	(244,240.01)

Description: Accounting for adjustment to market values of properties.

Error 5: Management performed a re-calculated provision for bad debts and noted significant difference compared to values disclosed in prior years. An adjustment was performed to correct the error, ***Journal 646***.

Below is the impact of the correction:

30 June 2024:

Dr Debt impairment expenditure	14,066,887
Cr Provision for debt impairment	(14,066,887)

Description: Accounting for addition debt impairment for the year.

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024

42. Prior-year adjustments (continued)

Adjustments reconciliation - Receivables from non- exchange transactions (15,740,269- 14,066,887.31-325,831.09+570,071.10+2,859,842.51+1,600 = R 4,779,063.69 (increase).

Provisions (N4)

Error 1: An error occurred in prior year whereby provision for landfill site opening balance was not aligned to the expert's valuation report as of 30 June 2023. A correction was made against retained surplus, **Journal No. 380.**

Below is the impact of the correction:

30 June 2023:

Dr Provision for landfill site (Current portion)	628 651
Dr Provision for landfill site (Non-current portion)	4 362 535
Cr Retained Surplus	(4 991 185)

Description: Accounting for alignment of provision for landfill site liability to the expert reports as of 30 June 2023.

Error 2: An error occurred in prior year whereby increase in provision for landfill site obligation was understated and did not agree to expert's valuation report for the period ending 30 June 2024. Correction was made to align the amounts as per the financial accounting system of the municipality to the final valuation report, **Journal No.(381,524 & 525**).

Below is the impact of the correction:

30 June 2024:

Dr Provision for landfill site - Current portion (179,790+1,568,688)	1,748,478
Dr Provision for landfill site - Non-current portion (2,817,647+1,353,861- 478,327)	3,693,182
Dr Interest expenses - Finance costs (1,378,185+1,190,239)	2,568,424
Cr Contribution to provision (Operating costs)	(2 911 836)
Cr Net Assets Accumulated Surplus/(Deficit)	(4,386,336)
Cr Non-current Assets - Solid Waste Infrastructure	(711,912)

Description: Correcting movement in provision for landfill site to align to the exert's report as of 30 June 2024.

Adjustments reconciliation - Current Liability (179,790 + 628,651 + 1,568,688) = R 2,377,129 (decrease).

Adjustments reconciliation - Non - Current Liability (4,362,535 + 3,693,182) = R 8,055,717 (decrease).

42. Prior-year adjustments (continued)

Payables from exchange transaction (N5)

Error 1: An error occurred in prior year whereby some invoices relating to 2022 financial year were not raised as expenditure on the accounting system of the municipality. These invoices were subsequently paid in 2023 using the accruals data string. The error was corrected and invoices were raised against retained surplus,**Journal No. (404,402 & 376)**.

Below is the impact of the correction:

30 June 2023:

Dr Retained surplus	1 619 435
Cr Payables from exchange transactions (Trade creditors accruals)	(1 619 435)

Description: Accounting for invoices omitted in financial period ending 30 June 2023.

Error 2: An error occurred in prior year whereby VAT input accrual was charged during settling of suppliers account. The VAT input accrual must be raised during invoicing stage not payment stage, therefore this error resulted to overstatement of VAT input accruals receivables which is presented under receivables from exchange transactions and understatement of payables from exchange transaction, **Journal No. (362,396 &401).**

Refer to error 1 under receivables from exchange and non-exchange transaction discussed above.

Error 3: An error occurred in prior year whereby security withheld by Eskom on municipal accounts opened was not recorded on the financial accounting system of the municipality.

Refer to errors on financial assets discussed above.

Error 4: The municipality received a debt receive on interest charged on Eskom accounts. An error occurred whereby the amount disclosed as debt forgiven was understated. An adjustment was made to correct this error, **Journal No. (122,360&362).**

Below is the impact of the correction:

30 June 2024:

Dr Debt forgiven on Eskom account - revenue from exchange transaction	8 913 621
Cr Payables from exchange transactions (Trade creditors accruals)	(8 913 621)

Description: Reversal of in - correct amount raised for debt forgiven on Eskom account.

Dr Payables from exchange transactions (Trade creditors accruals)	12 024 034
Cr Debt forgiven on Eskom account - (Revenue from non - exchange transaction)	(12 024 034)

Description: Accounting for debt forgiven on Eskom Accounts.

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024

42. Prior-year adjustments (continued)

Error 5: An error occurred in prior year whereby interest income one investment was raised against accrual account. Furthermore an investment account was closed and funds where transferred to trade payables accruals account instead on main account. The adjustment was made to correct this error.

Below is the impact of the correction:

<u>30 June 2024:</u>

Dr Cash and Cash Equivalents:Cash at Bank	11 893
Dr Cash and Cash Equivalents:Cash at Bank - Interest	18 021
Cr Trade and & Payable Exchange Transactions:Intercompany/Parent-subsidiary Transactions	(29 915)

Description: Adjusting investment account closure and interest income incorrectly recorded as a liability.

Error 6: An error occurred in prior year whereby interest on investment accounts was incorrectly posted to payables from exchange transaction data strings which led to overstatement of payables from exchange transactions. An adjustment was made to correct this error.

Below is the impact of the correction:

<u>30 June 2024</u>

Dr Payables from exchange transactions (Trade creditors accruals)	1 298
Cr Interest on investments - (Revenue from exchange transaction)	(1 298)

Description: Adjusting for interest income which was incorrectly raised against payables from exchange transactions.

Error 7: An error occured whereby management noted a supplier account which was not accounted for on the system. This relates to district municipality's account which was never recognised on the financial system.

42. Prior-year adjustments (continued)

Revenue from exchange and non-exchange transaction (N6)

Error 1: An error occurred in prior year whereby the total amount of interest waived on Eskom account was understated by R 3 110 413. An adjustment was made to correct the error.

Below is the impact of the correction:

30 June 2024

Dr Payables from exchange transactions (Trade creditors)	3 110 413
Cr Debt forgiven - Interest on Eskom Account (Revenue from exchange transactions)	(3 110 413)

Description: Accounting for additional interest waived on Eskom account.

Error 2: An error of omission occurred in prior year whereby interest on financial assets was not accounted for in the financial accounting system of the municipality. An adjustment of **R 687 065** (increase) was made to correct this omission error.

Refer to errors on financial assets discussed above.

Error 3: An error occurred in prior year whereby some interest amounts on investment were captured as a liability on the financial accounting system of the municipality hence accruals balance disclosed was overstated.

Refer to errors on payables from exchange transaction discussed above.

Furthermore, some interest amounts on investments were omitted on the financial accounting system, hence interest income amount disclosed was understated.

An adjustment was made to correct this findings.

Below is the impact of the correction:

30 June 2024

Dr Call Deposits and Investments (Cash and cash equivalents)	129,932.20
Cr Interest income on bank and investments (Revenue from exchange transactions)	(129,932.20)

Description: Accounting for additional interest omitted in prior year.

Error 4: An error occurred in prior year where by contract revenue was presented as revenue from non-exchange transaction instead of revenue from exchange transaction. This led to overstatement on revenue from non-exchange transactions and understatement of revenue from exchange transactions by R 4 554 085. This was corrected by mapping the related data strings to appear under exchange transaction, no journal was processed.

Error 5: Management noted that construction revenue amount reported in prior year includes VAT output accruals, hence revenue from exchange transactions was overstated by **R 594,011**. The adjustment was processed to correct this error, Journal No. 588

Figures in Rand	30 June 2025	30 June 2024

42. Prior-year adjustments (continued)

Error 6: An error occurred in prior year whereby traffic fines revenue were understated by R 1,600 compared to the traffic fines schedule for the year. An adjustment was made to correct this findings.

Below is the impact of the correction:

30 June 2024

Dr Traffic fines (Receivables from non-exchange transactions)	1 600
Cr Fines, penalties and forfeits (Revenue from non-exchange transactions)	(1 600)

Description: Accounting for additional traffic fines revenue omitted in prior year.

Error 7: Management noted that pre-paid electricity revenue amount reported as of 30 June 2024 was understated compared to the supporting schedules. An adjustment was made to correct this error, ***Journal 424.***

Below is the impact of the correction:

30 June 2024

Dr Traffic fines (Receivables from exchange transactions)	301,005
Cr Service charges (Revenue from exchange transactions)	(301,005)

Description: Accounting for additional revenue from prepaid electricity.

Adjustments reconciliation - Revenue from exchange transactions (4,554,085+3,110,413+129,932+687,065+1,298-594,011+301,005) = R 8,189,788.18 (Increase)

Adjustments reconciliation - Revenue from non-exchange transactions (1,600 - 4,554,0850) = R 4,552,285 (decrease).

Inventory (N7)

Error 1: An error occurred in prior year where by incorrect write-off were made on the inventory listing. This resulted to some stock values to have negative balances as at the end of 2024. The error was corrected and prior period amount has been restated accordingly.

Below is the impact of the correction:

30 June 2024

Dr Inventory (Current assets)	120,610
Cr Retained surplus	(120,610)

Description: Accounting for inventory values which were incorrectly written - off.

Notes to the Annual Financial Statements

42. Prior-year adjustments (continued)

Expenditure (N8)

Error 1 - Finance costs: An error occurred in prior year whereby interest charged on medical aid fund and long service award obligation was incorrectly presented as employee related costs. This led to overstatement of employee related costs presented in prior year audited financial statements. The error has been corrected by re-mapping the interest costs data string to appear under finance costs. This has an impact of increasing finance costs and decreasing employee related costs by **R 7 602 002**. No adjusting journal was made.

Error 2 - Finance costs: An error of omission occurred in prior year whereby interest charged on Eskom account was not captured on the financial accounting system of the municipality which led to an understatement of finance costs presented in prior year audited financial statements. An adjustment of **R 1 218 783** was made to correct the error, ***Credit note No (505701872631 & 829166802452).***

Below is the impact of the correction:

30 June 2024

Dr Finance cost	1 218 783
Cr Trade creditors (Payables from exchange transactions)	(1 218 783)

Description: Accounting for additional interest on Eskom account which was omitted in prior year.

Error 3 - Finance costs: An error occurred in prior year whereby interest charged on provision for landfill site was presented together with operating costs on the financial accounting system of the municipality which led to an overstatement of operating costs and understatement of finance costs amount presented in prior year audited financial statements. An adjustment of **R 1 190 238.60** was made to correct this error, ***Journal 524***.

Refer to errors on provisions discussed above.

Error 4 - Contracted services: In addition, management identified that audit committee related costs which is contracted services were incorrectly presented as general expenditure in prior year audited financial statement. General expenditure was over stated by ***R 245,935*** and contracted services also understated by the same amount. Audit committee data strings were re-mapped to contracted services from general expenditure, no adjusting journal.

Error 5 - Contracted services: An error occurred in prior year whereby construction contracts expenditure was incorrectly presented as a separate line item on the face of statement of financial performance. These expenditure must be presented as contracted services, a total of **R 4 554 085** has been classified by way of mapping the data string to the correction category. The impact is an increase to contracted services amount presented in prior year audit amount and decrease of construction expenditure.

No adjusting journals were made.

Error 6 - Lease rental on operating lease: An error occurred in prior year whereby lease rental transactions were captured under general expenses data strings.This led to overstatement and understatement of operating costs and operating rental on operating lease amount respectively, ***Journal 630***.

Below is the impact of the correction:

30 June 2024

Dr Operating rental on operating lease	1 340 019
Cr General expenditure	(1 340 019)

Description: Accounting for operating rental on operating lease which was incorrectly recorded as general expenditure.

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024

42. Prior-year adjustments (continued)

Error 7 - Debt impairment: Management changed the debt impairment calculation methodology by factoring in the customer collection rate as a measure to determine the risk profile of each customer. Application of this methodology led to additional debt impairment compared to what was presented in prior year audited financial statements. An adjustment was made to account for this restatement, ***Journal No. (646 &653).***

Below is the impact of the correction:

30 June 2024

Dr Debt Impairment (Expenditure)	16,450,798
Cr Provision for bad debts - Receivables from non-exchange transactions	(14 066 888)
Cr Provision for bad debts - Receivables from exchange transactions	(2 383 910)

Description:Accounting for additional debt impairment due to adoption of a revised debt impairment calculation methodology.

Error 8 - Bad debts written-off: Management wrote-off amounts relating to indigent consumers which were incorrectly billed in previous financial years. The amount processed on the financial system was understated by **R 677,952** compared to the schedule supporting the write-off. and adjustment was made to correct this error, ***Journal No.653***.

Below is the impact of the correction:

30 June 2024

Dr Bad debts written-off (Expenditure)	677,952
Cr Retained surplus	(677,952)

Description: Accounting for error on bad debts written-off which were understated on the financial system.

Error 9 - Depreciation and amortisation: Management identified three hostels used for rental purposes which were incorrectly accounted for as property plant and equipment instead of investment property. These assets have been removed from the property plant and equipment and captured as investment property to correct the error. The depreciation associated with these hostels has been reversed accordingly which led to decrease in total depreciation amount reported in prior year audited financial statements.

Furthermore, management identified portion of solid waste infrastructure assets which has incorrect original useful life for depreciation calculation. The depreciation from previous years was overstated. Correction has been made to include the correct original useful life which resulted to a decrease in the depreciation expense for the year.

Below is the impact of the correction:

30 June 2024

Dr Accumulated depreciation - Solid Waste Infrastructure (Expenditure)	197,022
Dr Accumulated depreciation - Other assets (Expenditure)	188,479
Cr Depreciation and amortisation	(385,501)

Description: Accounting for depreciation and amortisation adjustments due to identified errors.

42. Prior-year adjustments (continued)

Error 10 -Transfers and subsidies: Management noted that data strings relating to grant in aid were presented as personnel and labour costs under contracted services. Contracted services reported in prior year was overstated by **R 203,332** and transfer and subsidies was understated by the same amount. The affected data strings were mapped to correct section which led to increase in transfer and subsidies and a decrease in contracted service by the same amount. ***No adjusting journal processed.***

Error 11: Management identified some invoices relating to prior year which were not captured on the system. An adjustment was made to correct this error, ***Journal (444,470 &475)***.

Below is the impact of the correction:

<u>30 June 2024</u>

Dr Contracted services - legal fees	727,223
Dr Travel and Subsistence - Operational costs	352,725
Cr Trade Payables accruals	(1,111,594)

Description: Accounting for additional accrued expenditure.

Error 12: Management identified commission paid related costs which were captured as contracted services instead of operational costs. An adjustment was processed to correct this error, ***Journal no. 666.***

Below is the impact of the correction:

<u>30 June 2024</u>

Dr Commission paid - Operating costs	1,905,300
Cr Contracted services - professional staff	(1,903,300)

Description: Accounting for re - classification of commission paid.

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024

42. Prior-year adjustments (continued)

Error 13: Management identified that movement in provision for bad debts was incorrectly captured as operating costs in prior year. The client capitalised the solid waste assets and any changes due to expected cash flow fluctuations must be capitalised to the asset value. An adjustment was processed to correct this error, Journal No. 381.

Below is the impact of the correction:

30 June 2024

Dr Landfill site provision	1,533,651
Dr Finance costs - landfill site provision	1,378,185
Cr Landfill site expenditure - Operating costs	(2,911,836)

Description: Reversing landfill site expenditure.

Error 14: Management noted discrepancies to the bonus accrual processed in prior year compared to the supporting schedules. An adjustment was made to correct this error, ***Journal 482 & 484)***.

Below is the impact of the correction:

30 June 2024

Dr Bonus accrued expenses	2,624,708
Dr Accrued Bonus Liability	(2,624,708)

Description: Accounting for additional bonus accrual for the year.

Adjustments Reconciliation:

1. ***Employee related costs (1,739,588+885,120-7,602,002) = R 4,977,294 (decrease)***

2. Finance Costs (7,602,002+1,190,238+921,105+297,677) = R 10,011,023 (Increase)

3. Lease rental = R 1,340,020 (Increase)

4. Debt impairment (24,351,443-7,900,643) = R 16,450,800 (Increase).

5. Contracted services = (4,554,085+315,525+119,915+291,300 + 245,934) = R 3,621,942 (increase).

6. Transfers and Subsidies (8,250+203,331) = R 211,581 (increase).

7. ***General expenditure (1,905,300-203,331-2,911,836-281,591-245,934+31,645+352,725-1,340,020) = -R 2,693,042 (increase).***

Property plant and equipment (N9)

Error 1 - Solid Waste Infrastructure: Management appointed experts to perform valuation of provision for landfill site liability. The results confirmed that the cost of the landfill site assets was overstated by **R 711,912** on initial recognition date. An adjustment was made to decrease the cost of solid waste infrastructure.

Furthermore, management noted that solid waste infrastructure was depreciated over 15 years in the past instead of 55 years. An adjustment has been made and prior period accumulated depreciation has been restated to account for error. The total decrease in accumulated depreciation of this respective asset is **R 2,700,929** which was processed in prior year opening balance.

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024

42. Prior-year adjustments (continued)

Error 2 - Other assets: Management identified some hostels used for rental purposes which were accounted for as property, plant and equipment instead of investment property on the financial system. The adjustment made as follows, cost **R 7,599,856** (decrease0 and accumulated depreciation of **R 6,877,399** (decrease). The net adjustment is **R 722,457** (decrease).

Below is the impact of the correction:

30 June 2024

Dr Accumulated depreciation - Solid Waste Infrastructure	2,897,951
Dr Accumulated depreciation - Other assets (Property, plant and equipment)	6,877,399
Cr Cost - Other assets (Property, plant and equipment)	(7,599,856)
Cr Cost - Solid waste infrastructure (property plant and equipment)	(711,912)
Cr Retained surplus	1,463,582
Cr Provision for landfill site liability	711,912

Description: Accounting for adjustments on property plant and equipment.

43. Debt forgiven - Interest waived on accounts payable

Interest waived on Eskom Accounts	-	12,024,034

44. Cash generated from operations

Deficit	(92,262,251)	(55,430,824)
Adjustments for:		
Depreciation and amortisation	14,972,055	15,292,488
Gain on sale of assets and liabilities	855,581	1,462,014
Fair value adjustments	(4,180,200)	(5,084,806)
Finance costs	-	183,737
Impairment deficit	544,162	393,918
Debt impairment	37,036,729	20,943,128
Bad debts written off	9,104,657	22,595,108
Movements in operating lease assets and accruals	-	238,977
Inventory losses or write-downs	(23,514)	6,551
Changes in working capital:		
Inventories	27,120	1,556,631
Receivables from exchange transactions	(61,675,911)	126,993
Statutory receivables	496,571	(3,308,246)
Payables from exchange transactions	148,577,115	14,410,510
VAT	4,911,991	746,048
Taxes and transfers payable (non-exchange)	-	39,298
Unspent conditional grants and receipts	(8,403,927)	5,749,954
Consumer deposits	16,643	329,802
	49,996,821	**20,251,281**

45. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024

45. Financial instruments disclosure (continued)

	At cost	Total
Financial assets	11,552,984	11,552,984
Trade and other receivables from exchange transactions	58,070,442	58,070,442
Cash and cash equivalents	47,528,703	47,528,703
	117,152,129	**117,152,129**

Financial liabilities

	At cost	Total
Consumer deposits	6,073,521	6,073,521
Trade and other payables from exchange transactions	421,928,877	421,928,877
	428,002,398	**428,002,398**

2024

Financial assets

	At cost	Total
Financial assets	10,899,041	10,899,041
Trade and other receivables from exchange transactions	44,017,318	44,017,318
Cash and cash equivalents	31,031,707	31,031,707
	85,948,066	**85,948,066**

Financial liabilities

	At cost	Total
Consumer deposits	6,056,878	6,056,878
Trade and other payables from exchange transactions	271,966,239	271,966,239
	278,023,117	**278,023,117**

46. Commitments

Authorised capital expenditure

	2025	2024
Already contracted for but not provided for		
• Infrastructure assets	1,998,168	3,695,798
• Community assets	1,428,378	6,132,949
• Other assets	-	809,491
• Electrical infrastructure	4,138,401	-
	7,564,947	**10,638,238**

	2025	2024
Total capital commitments		
Already contracted for but not provided for	7,564,947	10,638,238

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024

47. Contingencies

Unfilled conditions and other contingencies attaching to government grants related to agricultural activity.

Litigation case and cause of actions	Representative	Date of instruction	Status	Progress /challenges	2025	2024
Section 106 Civil Litigation COGTA instituted an investigation at Endumeni Local Municipality for mal-adminstration and made findings to institute civil litigation against all officials implicated in the report.		2019	In progress	Awaiting report from finance department on the amounts to include on the case.	> 1 000 000	> 1 000 000
END/026/20 Endumeni Contractors The matter emanates from SIU investigation report which found out that the extension of scope on the landfill site was irregular because the same amount was actually quoted for in the original tender submitted. the estimated amount to be recovered is R 1.2 million.		2020	In progress	The matter to be set down for trial	1 200 000 50/50% chances of winning the case.	1 200 000 50/50% chances of winning the case.
M.K.E Makgatho N.O & others The municipality awarded a contract for training MFMP to the said service provider. It later transpired that their appointment was irregular and on the eve of the commencement with the program, their contract was unilaterally terminated by the municipality. the service provider approached the courts for an order of reinstatement. The matter was withdrawn as an application and resitituted as an action proceedings. The matter is defended by the municipality with 70% prospect of success. The contract value is R 969,000.00 plus legal costs associated with the matter. This matter was withdrawn by the plaintiff with an intention to supplement particulars of the claim and to reinstitute them. The municipality is deafening the matter.		2019	In progress	Pre-trial conference did not sit and the matter was postponed.	1,474,135.73	1,474,135.73

Notes to the Annual Financial Statements

Figures in Rand					30 June 2025	30 June 2024

47. Contingencies (continued)

END/036/20 SNL SERUWE This matter emanates from the skills audit report which was conducted internally. Upon verification of the qualifications, it was discovered that the respondent submitted a fraudulent metric certificate . Consequence management was implemented by terminating the contract of employment and to recover salary that was paid to her by attaching the pension fund.	Nompumelelo Hadebe Inc	2020	In progress	Awaiting report from finance department on the amounts to include on the case.	53 207.95	53 207.95
END/037/20 NW ZITHA his matter emanates from the skills audit report which was conducted internally. Upon verification of the qualifications, it was discovered that the respondent submitted a fraudulent metric certificate . Consequence management was implemented by terminating the contract of employment and to recover salary that was paid to her by attaching the pension fund.	Nompumelelo Hadebe Inc	2020	In progress	Awaiting report from finance department on the amounts to include on the case.	87 156.52	87 156.52
END/049/21 mabilisa & Ngwenya This matter emanates from legal costs against the municipality after. The municipality was facing an application for interdict by Mbube security services. Colleagues ignored legal advise from four different lawyers and the matter was lost with costs. Council resolved to implement consequence management against implicated employees.		2022	Proposing to close the file and terminate further instructions	Employee given opportunity to settle the matter amicably to avoid attaching their bank accounts as the last resort	Waiting for confirmation. The employees in questions are still employed by the municipality attachment of salaries, pension or properties is possible.	Waiting for confirmation. The employees in questions are still employed by the municipality attachment of salaries, pension or properties is possible.

47. Contingencies (continued)

Anderson Vogt Consulting CC Action proceedings instituted by Anderson Vogt for a breach of contract. Anderson is claiming R 1 812 319.95 for unpaid invoices in relation to work done on a housing project at Dlamini, Forestdale Integrated Housing Project. The municipality is skeptical and decided to defend the matter while investigating the veracity of the claim.		2024	Pleading are closed and the matter is ripe for hearing.	Should the municipality not defent the matter, a court may issue a default judgemental confirming liability to Anderson Vogt. The municipality has engaged the assistance of the department of Human Settlement to verify the authenticity of the claim. Cost of defending the matter is justifiable.	1 812 319.95	1 812 319.95
S.N ZWANE C NO.69/25 Outstanding Legal fees	Nompumelelo Hadebe Inc	2025			27 371.25	
MS N.W Zitha C No. 70/25 Outstanding legal fees	Nompumelelo Hadebe Inc	2025			87 156.52	
MS N.W Zitha C No 71/25 Outstanding legal fees	Nompumelelo Hadebe Inc	2025			34389.73	
Mr. B.B Mdletshe C No.72.25 Outstanding legal fees	Nompumelelo Hadebe Inc	2025			22 346.23	
mass Eviction C No.73/25 Outstanding legal fees	Nompumelelo Hadebe Inc	2025			29 725.00	

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024

47. Contingencies (continued)

Mayor S.R Mbatha C No.76.25 Outstanding legal fees	Nompumelelo Hadebe Inc	2025			118 061.25	
Mr Vincent Ntombela C No.77/25 Outstanding legal fees	Nompumelelo Hadebe Inc	2025			6 871.25	
Mr. B.B Mdletshe C No.78.25 Outstanding legal fees	Nompumelelo hadebe Inc.	2025			11 988.75	
Mr. B.B Mdletshe C No.79.25 Outstanding legal fees	Nompumelelo Hadebe Inc.	2025			13 598.75	
Barnard Griffits C No. RC04/25	Nompumelelo Hadebe Inc	2025			259 377.50	
Endumeni Contractors CC C No. 05/25	Nompumelelo Hadebe Inc.	2025			396 577.50	
Mr. M.K.E makgatho Outstanding Legal fees	Nompumelelo Hadebe Inc.	2025			507 135.73	
CCG Systems (Pty) Ltd C No.5425.25P	Nompumelelo Hadebe Inc.	2025			448,280.00	
SLA Mhlungu Review Application	The South Local Government Council issued an award of reinstatement	2025				
Subtotal	-	42,494	-	-	36,456	143

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024

48. Related parties

Relationships	
Key management	Refer to note 30

Councillors Owing the municipality

Surname and Names	Opening balance	Amount Paid	Amount Billed	Closing balance
Cllr Amina Sadeck	-	(229)	229	-
Cllr Mbulelo Phakathi	459	(400)	419	478
Cllr Siphamndla Kheswa	-	(229)	229	-
Cllr Zitha Shelembe	995	(995)	995	995
Cllr M S Abdol	8,312	(5,520)	6,984	9,777
Cllr N Gopie	-	(229)	229	-
Cllr I Zulu	-	(1,245)	1,241	(4)
Cllr Xaba P	8,298	(700)	661	8,259
Cllr Msezane	1,633	(300)	248	1,581
	19,697	**1,388**	**1,388**	**21,086**

Remuneration of management

Management class: Councillors

2025

Name	Basic salary	Travelling allowance	Cell phone allowance	Total
Mayor	728,830	-	42,677	771,507
Speaker	594,147	-	43,200	637,347
MPAC Chairperson	238,517	128,432	43,200	410,149
Executive committee	661,584	94,512	86,400	842,496
Councillors	2,269,572	71,484	345,600	2,686,656
	4,492,650	**294,428**	**561,077**	**5,348,155**

2024

Name	Basic salary	Travelling allowance	Cell phone allowance	Back pay	Total
Mayor	494,135	-	42,200	16,714	553,049
Speaker	395,307	-	42,200	14,052	451,559
MPAC Chairperson	233,283	125,905	42,200	13,093	414,481
Executive Committee	611,235	122,668	84,400	34,086	852,389
Councillors	2,077,421	101,409	326,800	80,311	2,585,941
	3,811,381	**349,982**	**537,800**	**158,256**	**4,857,419**

49. Comparative figures

Certain comparative figures have been reclassified.

50. Risk management

Financial risk management

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024

50. Risk management (continued)

Liquidity risk

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

At 30 June 2025	Less than 1 year
Trade and other payables	421,928,877
Consumer deposits	6,073,521

At 30 June 2024	Less than 1 year
Trade and other payables	271,966,239
Consumer deposits	6,056,878

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

Financial instrument	2025	2024
Cash and cash equivalent	47,528,703	31,031,707
Receivables from exchange transactions	58,070,442	44,017,318
Financial assets	11,552,984	10,899,041

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.

51. Going concern

We draw attention to the fact that at 30 June 2025, the municipality incurred a deficit of R 92,262,251 and that the municipality's total assets exceed its liabilities by 124,327,632.

The municipality identified the following factors affecting going concern of the municipality:

- Current liabilities exceed current assets, this reflects possible difficulties to settle short term obligations when they fall due.
- Unfavourable current and quick ratio of 31% and 29% respectively. The municipality is in a position where it cannot utilise its current assets to settle current liabilities when the fall due.
- Receivables from exchange and non-exchange transaction increased by a combined ratio of 23%. The municipality is not collecting enough cash flows from its customers.

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024

51. Going concern (continued)

- Payables from exchange transactions increased by 54,87% which confirms difficulties experienced by the municipality in settling its debts. The municipality has been facing challenges to honor Eskom debt as per the agreed payment arrangement.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officers continue to procure funding for the ongoing operations for the municipality and government grant allocations. The municipality relied on the following mitigating factors to support going concern basis:

Grants and subsidies:

The table below shows the funds allocated to the municipality for the next three years as per DORA. These funds will be made available to finance operations of the municipality in each financial reporting period and management is confident to receive these funds.

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024

51. Going concern (continued)

Government Grant allocation:	2025/2026	2026/2027	2027/2028
Equitable Shares	72,758,000	74,106,000	77,446,000
Financial Management Grant	2,000,000	2,000,000	2,300,000
Extended Public Works program Grant	1,699,000	-	-
Municipal Infrastructure Grant	17,873,000	19,063,000	19,754,000
Energy Efficient Grant	4,000,000	5,000,000	-
Integrated National Electrification Program Grant	3,420,000	5,000,000	5,226,000
	101,750,000	**105,169,000**	**104,726,000**

Budget forecast:

Management prepared a forecast budget for the next two years which reflect a favourable amounts to support the goings concern assumption used in preparation of financial statements for the period ending 30 June 2025. Below is the summary of the forecast:

Item description	2024/2025	2025/2026	2026/2027
Net cash from operating activities	39,949,000	34,755,000	36,528,000
Surplus for the year	44,867,000	33,935,000	37,280,000
	84,816,000	**68,690,000**	**73,808,000**

In addition to the grants and subsidies to be received from the government, the budget forecast shows favourable projected cash inflow from operating activities which is an additional funding to municipal activities in the following financial periods. Furthermore, projected surplus for the following financial periods adds to the municipal reserves and gives confident that the municipality will continue as a going concern.

Other Considerations:

Management achieved a collection rate of 75% for all outstanding customer accounts in current year. Debt collectors have been appointed to assist the municipality with collecting cash from long outstanding customer accounts. This will positively increase liquidity position of the municipality and its ability to fund operations in the following financial periods.

The municipality does not have any defaults on loans or borrowing which will pose risk on going concern and operations of the municipality.

The municipality does not have any significant litigation claim which will negatively affects its operations and result to massive cash outflows.

Management is confident that the government grants together with cash flow from operations will suffice to fund municipal operations, there is no need to source additional funding.

As at the reporting date, there is no indication of the need to sale substantial assets of the municipality. In addition, none of the municipality has been held as a security for failure to settle any debt or litigation claim.

Payables from exchange transactions is mainly due to huge amount owed to Eskom Pty Ltd. The municipality received a letter confirming a debt write-off of R 25,241,581.60. This improves municipality's current ratio and reduces pressure on municipal cash flows.

The municipality have will receive smart meter grant in kind of R 46,000,000 which is a revenue enhancement strategy for the municipality. Installation of smart meters is currently underway and it will increase municipal collections from operating revenue.

Conclusion:

Based on the assessment above, management is confident that the municipality will have sufficient funds to finance its operations and is in a position to settle its obligations without posing risk on going concern, therefore financial statements are prepared on a going concern basis.

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024

52. Events after the reporting date

The municipality applied for a debt relief of R 75,724,744.79 as of 31 March 2023 subject to conditions to be met. The National Treasury assessed Endumeni Municipality's compliance over the first debt relief cycle (01 July 2023 to 30 June 2024). The Municipality is assessed to have substantially met (achieved 86 per cent) the conditions of its debt relief approval during the first cycle of its participation. The National Treasury therefore hereby instructs Eskom to write-off one third (1/3) of the municipal debt of Endumeni Local Municipality to the value of R 25 241 581.60. The debt write-off to be effected in Eskom's financial system within 30 days from the date of this letter. Eskom to align its accounting records and the municipality's Eskom statement(s) and invoice(s) to reflect the debt write-off within two (2) calendar months from the date of this letter. The letter to confirm write-off was received on 14th of August 2025. As at year end, there was no conditions or evidence to confirm that this debt relief will be approved as it was pending assessment from national treasury.

The chief financial officer resigned subsequent to submission of annual financial statement. There is no conditions which warrants any adjustment to the financial statements as presented on 30 June 2025.

53. Unauthorised expenditure

Opening balance as previously reported	144,547,751	76,710,468
Less: Amount written-off	(93,370,096)	(45,284,880)
Add: Amount authorised - current	93,370,096	39,038,335
Add: Amount authorised - prior period	-	28,798,948
Closing balance	**144,547,751**	**144,547,751**

During prepreation of annual financial statements, management identified additional unauthorised expenditure relating to financial period ending 30 June 2024. This was mainy due to additional provision for impairment, additional finance costs and other related expenditure adjustments made to total costs of the municipality. Total prior period additional unathorised expenditure if R 28,798,948. Total of R 45,284,880 was written-off.

Unauthorised Expenditure incurred is attributed by:

Non-cash	40,632,510	52,475,395
Cash	52,737,586	15,361,888
	93,370,096	**67,837,283**

Unauthorised expenditure worth R105,016,345 incurred in financial period ending 30 June 2025 was submitted to council for write-off. During audit engagement, an error was identified on provision for bad debts calculations, bonus accrual calculations and leave pay accruals calculations which forms part of the initial unauthorised expenditure schedule submitted for write-off. Corrections were made to address audit findings raised and the total unauthorised expenditure decreased by R11,646,249. Municipal council members approved a write-off of unauthorised expenditure as follows:

- Unauthorised expenditure representing non-cash items 67,669,813.
- Unauthorised expenditure representing cash items 37,346,532.
- Less correction of errors identified during audit engagements (11,646,249
- Remaining unauthorised expenditure for the year **93,370,586**

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024

53. Unauthorised expenditure (continued)

Analysed as follows: non-cash

Finance costs	8,428,144	8,792,241
Depreciation and amortisation	-	3,055,604
Inventory write-off	23,514	-
Irrecoveable bad debts write-off	-	22,595,107
Loss on disposal of property, plant and equipment	855,581	6,462,014
Debt impairment	19,041,613	11,570,428
Unreconciled items written-off	9,104,657	-
Actuarial gains/losses	3,179,000	-
	40,632,509	**52,475,394**

Analysed as follows: cash

Bulk purchases	18,666,136	-
Finance costs	22,306,565	13,536,591
General expenditure	1,488,234	-
Employee related costs	8,102,251	-
Lease rentals on operating lease	2,174,398	1,640,415
Transfers and subsidies	-	184,884
	52,737,584	**15,361,890**

Figures in Rand	30 June 2025	30 June 2024

54. Deviation from supply chain management regulations

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

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

Reasons for deviations:

Sole Provider:	7,150,774	-
Financial System support procured on emergency basis due to bid objection and re-advertisement. Financial system procured on emergency basis. Due to datastrings misalignment, MSCOA segment issues that resulted in thedisclaimer audit opinion, Munsoft was appointed to conduct Data cleansing and AFS preparation support		
Sole provider:	9,247	-
IIA Training on a new Global Internal Audit Standards.		
Sole provider:	4,484	-
Human Capital training		
Sole provider:	23,364	-
Current service provider for the Payroll/HR system		
Sole provider:	6,155	-
Sole supplierand Munufacturing for the Ultra lyte speed machine calibration		
Sole provider:	76,820	-
Printing of section 56 summons book		
.		
Sole provider:	29,664	-
Parking meters Machanism conversion in Dundee town		
Sole provider:	1,545,215	-
Hiring of Mayors vehicle		

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024

54. Deviation from supply chain management regulations (continued)

Emergency:	284,395	-
Emergency repairs and maintenance at industrial area and strathmore park.		
Emergency:	267,950	-
200kVA Transformer replacement in Sithembile.		
Emergency:	804,000	-
200kVA Transformer replacement in Dundee.		
Emergency:	2,983,767	-
Transformer was striked by lightning.		
Emergency	14,990,297	-
Provision of security services for Endumeni Municipal Properties.		
Emergency:	35,347	-
Appointment of Presiding Officer		
Emergency	2,960,620	-
Solle provider	19,862	-
Battery charger blew charging cards and need to be replaced		
Non- compliance with SCM regulation S36(1)(a)(i).	-	4,351,826
Non- compliance with SCM regulation SS36(1)(a)(ii)	-	2,299,713
Non- compliance with SCM regulation S36(1)(a)(v)	-	5,515,003
	31,191,961	**12,166,542**

55. Fruitless and wasteful expenditure

Opening balance as previously reported	5,610,104	12,644,665
Add: Fruitless and wasteful expenditure identified - current	22,306,565	13,536,591
Less: Amount written-off (prior periods)	-	(20,571,152)
Less: Amount written off - current	(22,306,565)	-
Closing balance	**5,610,104**	**5,610,104**

Fruitless and wasteful expenditure is presented inclusive of VAT.

55. Fruitless and wasteful expenditure (continued)

Fruitless and wasteful expenditure arises from interest paid to Eskom and Umzinyathi District Municipality on long outstanding suppliers account balance.

Municipal council members approved a write-off of fruitless and wasteful expenditure valued at R 22,306,565.

Notes to the Annual Financial Statements

Figures in Rand		30 June 2025	30 June 2024

55. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings		
Interest charged - Eskom	Referred to council for write-off	20,484,382	13,352,854
Interest charged - Munsoft	Referred to council for write-off	43,649	-
Interest charged - Umzinyati District Municipality	Referred to council for write-off	1,778,534	-
Interest charged - SARs	Referred to council for write-off	-	183,737
		22,306,565	**13,536,591**

Amount recovered

None of the fruitless and wasteful expenditure presented above has been recovered in current or prior year.

55. Fruitless and wasteful expenditure (continued)

Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R 22,306,565 R 20,571,152 in 2024 from the total fruitless and wasteful expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

Finance costs - interest on long outstanding amount	22,306,565	20,571,152

56. Irregular expenditure

Opening balance as previously reported	32,954,400	33,627,969
Add: Irregular expenditure - current	20,856,271	5,289,658
Add: Irregular expenditure - prior period	-	11,079,003
Less: Amount witten-off	(20,856,270)	(17,042,230)
Closing balance	**32,954,401**	**32,954,400**

Notes to the Annual Financial Statements

Figures in Rand		30 June 2025	30 June 2024

56. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings		
Supllier chain management policies not followed	Procurement processes are underway - no desciplinary or criminal proceedings have been taken yet.	4,791,462	5,289,658
There was no contract for service rendered.			
SCM Processes were not followed	SCM Policy has been reviewed to factor panel selection criteria - no desciplinary or criminal proceedings have been taken yet.	16,009,808	11,079,003
Panel selection criteria inadequate.			
SCM Processes were not followed	SCM Policy has been reviewed to factor panel selection criteria	55,000	-
Advert was not placed on municipal website.			
		20,856,270	**16,368,661**

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024

56. Irregular expenditure (continued)

Amount recovered

None of the irregular expenditure balance was recovered in current or prior year.

Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R 20,856,270.74 in 2025 and R 17,042,230 in 2024 from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

57. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1,639,470	1,543,789
Amount paid - current year	(1,639,470)	(1,543,789)
	-	-

Audit fees

Current year subscription / fee	3,866,740	3,821,826
Amount paid - current year	(3,866,740)	(3,821,826)
	-	-

PAYE and UIF

Current year subscription / fee	22,424,608	20,241,747
Amount paid - current year	(22,424,608)	(20,241,747)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024

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

Pension and Medical Aid Deductions

Current year subscription / fee	39,192,649	25,919,007
Amount paid - current year	(39,192,649)	(25,919,007)
	-	-

VAT

VAT receivable	4,678,670	-
VAT payable	-	233,321
	4,678,670	**233,321**

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

58. Segment information

General information

Identification of segments

The municipality is organised into 4 reportable segments which are community services, planning and development, technical services and unallocated. The segments were organised around the type of services delivered to the community. Management uses these same segments to determine strategic objectives of the municipality.

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

Aggregated segments

The municipality operates in KwaZulu Natal province.

Notes to the Annual Financial Statements

Figures in Rand

58. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Community Services	Planning and Development	Technical Services	Un-allocated	Total
Revenue					
Revenue from non-exchange transactions	22,550,847	-	41,358,025	194,972,228	258,881,100
Revenue from exchange transactions	32,442,042	1,073,120	155,206,079	8,855,183	197,576,424
Total segment revenue	**54,992,889**	**1,073,120**	**196,564,104**	**203,827,411**	**456,457,524**
Entity's revenue					**456,457,524**
Expenditure					
Bulk Purchases	-	-	197,359,996	-	197,359,996
Contracted Services	9,336,910	1,771,800	19,542,254	26,115,904	56,766,868
Depreciation and Amortisation	2,064,960	-	9,250,360	3,656,733	14,972,053
Employee Related Cost	61,808,190	11,637,520	28,637,171	51,926,854	154,009,735
Interest; Dividends and Rent on Land	-	-	22,258,319	8,476,390	30,734,709
Operating Leases	2,014,700	96,210	-	832,846	2,943,756
Operational Cost	9,716,360	2,387,856	4,482,469	22,824,792	39,411,477
Remuneration of Councillors	-	-	-	5,348,155	5,348,155
Unreconciled items written-off	-	-	-	9,104,657	9,104,657
Transfers and Subsidies	-	-	-	609,585	609,585
Loss on disposal of assets and liabilities	-	-	-	855,581	855,581
Fair Value Adjustment	-	-	-	(4,180,200)	(4,180,200)
Debt impairment	17,229,827	-	690	19,806,212	37,036,729
Inventory	-	-	-	23,514	23,514
Impairment loss	-	-	-	544,162	544,162
Actuarial gains/losses	-	-	-	3,179,000	3,179,000
Total segment expenditure	**102,170,947**	**15,893,386**	**281,531,259**	**149,124,185**	**548,719,777**
Total segmental surplus/(deficit)	**(47,178,058)**	**(14,820,266)**	**(84,967,155)**	**54,703,226**	**(92,262,253)**

Notes to the Annual Financial Statements

Figures in Rand

	Community Services	Planning and Development	Technical Services	Un-allocated	Total
58. Segment information (continued)					
Assets					
Current assets	60,895,456	(2,610,266)	99,190,198	(9,218,764)	148,256,624
Non-current assets	27,418,905	11,668,518	133,769,059	314,747,878	487,604,360
Total segment assets	**88,314,361**	**9,058,252**	**232,959,257**	**305,529,114**	**635,860,984**
Total assets as per Statement of financial Position					**635,860,984**
Liabilities					
Current liabilities	10,372,803	268,319	186,024,342	238,184,502	434,849,966
Non-current liabilities	-	-	-	76,683,784	76,683,784
Total segment liabilities	**10,372,803**	**268,319**	**186,024,342**	**314,868,286**	**511,533,750**
Total liabilities as per Statement of financial Position					**511,533,750**

2024

	Community Services	Planning and development	Technical Services	Un-allocated	Total
Revenue					
Revenue from exchange transactions	31,744,150	783,965	145,781,666	6,632,156	184,941,937
Revenue from non-exchange transactions	19,286,437	580,304	26,254,510	178,781,810	224,903,061
Total segment revenue	**51,030,587**	**1,364,269**	**172,036,176**	**185,413,966**	**409,844,998**
Entity's revenue					**409,844,998**

Notes to the Annual Financial Statements

Figures in Rand

58. Segment information (continued)

Expenditure					
Bulk purchase	-	-	166,084,870	-	166,084,870
Contracted Services	9,716,166	1,167,127	14,799,978	18,757,596	44,440,867
Depreciation and Amortisation	4,263,363	245,816	8,737,535	2,045,775	15,292,489
Employee Related Cost	58,172,489	12,214,596	27,037,711	47,371,058	144,795,854
Interest; Dividends and Rent on Land	-	-	13,352,854	8,975,978	22,328,832
Debt impairment	(4,174,928)	-	2,062,555	23,055,501	20,943,128
Irrecoverable Debts Written Off	-	1,800	-	22,593,307	22,595,107
Operating Leases	1,615,828	8,578	43,740	764,822	2,432,968
Operational Cost	9,364,427	231,204	3,816,942	18,123,263	31,535,836
Remuneration of Councillors	-	-	-	4,857,418	4,857,418
Transfers and Subsidies	-	320,000	393,453	81,431	794,884
Loss on disposal of assets	-	-	-	1,462,014	1,462,014
Fair Value Adjustment	-	-	-	(5,084,806)	(5,084,806)
Impairment loss	-	-	-	393,918	393,918
Inventory	-	-	-	(6,551)	(6,551)
Actuarial gains/lass	-	-	-	(7,591,014)	(7,591,014)
Total segment expenditure	**78,957,345**	**14,189,121**	**236,329,638**	**135,799,710**	**465,275,814**
Total segmental surplus/(deficit)	**(27,926,758)**	**(12,824,852)**	**(64,293,462)**	**49,614,256**	**(55,430,816)**
Assets					
Current Assets	33,237,342	(2,476,993)	75,047,468	1,575,525	107,383,342
Non-current Assets	25,210,691	11,451,127	120,206,531	312,985,975	469,854,324
Total segment assets	**58,448,033**	**8,974,134**	**195,253,999**	**314,561,500**	**577,237,666**
Total assets as per Statement of financial Position					**577,237,666**
Liabilities					
Current Liabilities	9,925,744	201,341	76,850,222	206,385,134	293,362,441
Non-current Liabilities	-	-	-	67,293,082	67,293,082
Total segment liabilities	**9,925,744**	**201,341**	**76,850,222**	**273,678,216**	**360,655,523**

Notes to the Annual Financial Statements

Figures in Rand

	Community Services	Planning and development	Technical Services	Un-allocated	Total
58. Segment information (continued)					
Total liabilities as per Statement of financial Position					**360,655,523**

Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies, except that pension expense for each segment is recognised and measured on the basis of cash payments to the pension plan.

59. Impairment loss

Impairments		
Property, plant and equipment	544,162	393,918

60. Budget differences

Material differences between budget and actual amounts

The excess of actual expenditure over the final budget of 15%. There were no other material differences between the final budget and the actual amounts.

Service charges unfavourable variance. The municipality anticipated an increase in electricity connections from electrification program underway. Furthermore, refuse collections did not improve as there were less new properties registered within the ,municipal jurisdiction.

60. Budget differences (continued)

Non-Cash Movement - hence there is no budget. The disposal relates to a Council resolution of assets that were old and could not be found and verified.

Non cash movement - Gains and Losses for Fair Value Adjustment:Investment Property which were note budgeted for.

Non-Cash Item - Gains and Losses Actuarial Assessments - Long Service Awards which was not budgeted for.

Service charges unfavourable variance. The municipality anticipated an increase in electricity connections from electrification program underway. Furthermore, refuse collections did not improve as there were less new properties registered within the municipal jurisdiction.

Interest income - financial assets favourable variance: This was a new discovery of transactions omitted and never captured on the system; hence municipality did not budget for this.

Rental of facilities and equipment-favourable variance: The municipality experienced high demand for utilisation of municipal assets compared to the anticipated rate.

Interest on receivables from exchange transactions-Unfavourable: The collection rate increased in current year; hence more customers reduced their outstanding balances and other settle them completely. This led to a lower receivables balance which resulted to lower interest charged.

License and permits - favourable variance: More licenses acquired by customers compared to the expected results after analysing prior period trends.

Interest received on investment-favourable: The municipality spent majority of the year with a significant high bank and investment balance which accumulated more interested than budgeted for.

Property rates -unfavourable variance: The municipality expected new property registration, and this expectation was considered during preparation of the budget, however this did note materialise by end of the year.

Grants and subsidies-Unfavourable variance: Some projects were not completed in current year and budgeted for.

Public contribution and donations-favourable: The variance emanates from the donations that the municipality received - a new segment was created in the AFS preparation processes to align with MSCOA.

Fines, penalties and forfeits: increase in penalties because customers are taking longer to settle their accounts.

Remuneration of councilors-favourable:Remuneration of councilors was over budgeted during the budgeting period.

Finance costs-unfavourable: Interest charges was not budged for. The high interest on the bulk Eskom account is because of the high Eskom debt, the municipality owes Eskom R307M by the end of June 2025. The municipality is failing to pay Eskom the current bulk account in full as per the Eskom Debt reliefconditions as the municipality is facing financial constraints.

Impairment loss-favourable: Impairment loss was omitted during budget period.

Lease rental from operating lease-Unfavourable: Vodacom and Xtec were previously not recognized as operating lease payments. The lease payments emanate fromXtec and Vodacom - some machines and telephone lines may be billed but are not utilized or are broken.

Unrecognised items written-off-unfavourable: This was not available during preparation of municipal Budget.

Bulk purchase-unfavourable: Increase in electricity consumption compared to what was budgeted by the municipality.

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024

60. Budget differences (continued)

Debt impairment-Unfavourable:The variance stems from the new debt impairment methodology, which is a non-cash item, where the estimates changed and there was a change in the high non payment rate.

Financial assets-favourable: This was municipal assets identified and recognised during the financial year which wee not available during preparation municipal budget.

Receivables from non-exchange & non exchange transactions-unfavourable variance: Debt impairment increased which reduced the actual receivable amount.

Cash and cash equivalents-favourable variance: Increase in investments for the year.

Intangible assets-unfavourable: The municipality ended up not acquiring the intangible assets.

Employee obligation-Unfavourable: No budget was allocated to employee related costs as a separate line item. This was budgeted for under provisions.

Unspent conditional grants-Unfavourable variance; other projects were not completed as planned hence there is an unspent balance.

Provision for landfill site-Unfavourable variance: The new experts apported to perform the valuation changed the method used in the past which end up changing the cash flow projection of the landfill site.

AUDITOR-GENERAL SOUTH AFRICA

AUDIT REPORT

Endumeni Local Municipality

2024-25

Date: 29 November 2025

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

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Endumeni Local Municipality set out on pages x to x, 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 the statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, except for the possible effects of the matter described in the basis for qualified opinion section of this report, the financial statements present fairly, in all material respects, the financial position of the Endumeni 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 (SA Standards of GRAP), the requirements of the Municipal Finance Management Act 56 of 2023 (MFMA) and the Division of Revenue Act 24 of 2024 (Dora).

Basis for qualified opinion

Revenue from exchange transactions – service charges

3. I was unable to obtain sufficient appropriate audit evidence that service charges included in revenue from exchange transactions had been properly accounted for, due to the status of the accounting records. I was unable to confirm the service charges included in revenue from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to service charges included in revenue from exchange transactions stated at R174,62 million in the financial statements.

Contracted services – safeguard and security

4. I was unable to obtain sufficient appropriate audit evidence for safeguard and security included in contracted services, due to inadequate internal controls for verification of receipt of these services before the expenditure was recorded in the accounting records. I was unable to confirm safeguard and security included in contracted services by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to safeguard, and security expenditure included in contracted services stated at R15,67 million in note 38 to the financial statements.

Cash and cash equivalents

5. I was unable to obtain sufficient appropriate audit evidence that cash and cash equivalents for the current and previous year had been properly accounted for, due to the status of the accounting records. I was unable to confirm the cash and cash equivalents by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to cash and cash equivalents stated at R47,53 million (2023-24: R31,03 million) in the financial statements.

Cash flow statement

6. I was unable to obtain sufficient appropriate audit evidence that the cash flow statement had been properly accounted for, due to multiple errors identified. Consequently, I was unable to determine whether any adjustments to the cash flow statement in the financial statements were necessary.

Irregular expenditure

7. The irregular expenditure incurred during the current financial year under audit was not included in the notes to the financial statements, as required by section 125(2)(d) of the MFMA. Expenditure was incurred in contravention of the supply chain management requirements, resulting in irregular expenditure. I was unable to determine the full extent of the irregular expenditure that occurred during the financial year as it was impracticable to do so.

Context for opinion

8. 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.

9. 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.

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

Emphasis of matters

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

Going concern

12. As stated in note 51, these events or conditions, along with other matters as set forth in note 51, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Material losses - electricity

13. As disclosed in note 37 to the financial statements, material electricity losses of 42,42 million units (2023-24: 35,43 million units) was incurred, which represents 46% (2023-24: 41%) of total electricity purchased. These losses were mainly attributed to the theft of electricity, outdated electricity meters and dwindling infrastructure.

Material impairment - receivables

14. As disclosed in note 5 to the financial statements, the municipality recognised a provision for impairment on receivables of R149,47 million (2023-24: R124,75 million) as the recoverability of these debts was considered doubtful.

15. As disclosed in note 6 to the financial statements, the municipality recognised a provision for impairment on receivables of R70,61 million (2023-24: R58,29 million) as the recoverability of these debts was considered doubtful.

Restatement of corresponding figures

16. As disclosed in note 42 to the financial statements, the corresponding figures for 30 June 2024 were restated as a result of an errors in the financial statements of the municipality at, and for the year ended, 30 June 2025.

Other matter

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

Unaudited disclosure notes

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

Responsibilities of the accounting officer for the financial statements

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

20. 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

21. 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.

22. 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 at page 11, forms part of my auditor's report.

Report on the annual performance report

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

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

- m2 of potholes patching by 30 June 2025
- Construction of 6,22 km x 6m wide New Kwa Sithole Gravel Road
- Construction of 3,11 km x 6m wide Herodi Gravel Road
- Construction of 1,13 km x 6m wide Dlamini Gravel Road
- Construction of Marikana Asphalt Road
- Rehabilitation of Sithembile Sports facility
- Resurfacing of Argyle Street
- Refurbishment of Dean Mohamed Lane
- Refurbishment of Nyembe Street
- Construction of the Glencoe Cemetery
- Refurbishment of KwaThelaphi Road
- Refurbishment of Bulwer Street

- Kunene Craydom Farm Electrification Phase 2 for 200 connections
- Kunene Craydom Farm Electrification Phase 1 for 278 connections
- Buyaphile/Fankomo Electrification Phase 2 for 38 connections
- Total number of formal households and business areas with access to refuse removal once a week.

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

26. I performed procedures to test whether:

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

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

28. The material findings on the reported performance information for the selected material indicators are as follows:

Total number of formal households and business areas with access to refuse removal once a week

29. An achievement of 33 271 was reported against a target of 33 271. I could not determine whether the reported achievement was correct, as the indicator was not well defined, and I

could not verify the methods and processes used to measure the achievements. Consequently, the reported achievement might be more or less than reported and was not reliable for determining if the target has been achieved.

Kunene Craydom Farm Electrification Phase 2 for 200 connections

30. An achievement of 61% was reported against a target of 60%. I could not determine whether the reported achievement was correct, as the indicator was not well defined, and I could not verify the methods and processes used to measure the achievements. Consequently, the reported achievement might be more or less than reported and was not reliable for determining if the target has been achieved.

Kunene Craydom Farm Electrification Phase for 278 connections

31. An achievement of 100% was reported against a target of 100%. I could not determine whether the reported achievement was correct, as the indicator was not well defined, and I could not verify the methods and processes used to measure the achievements. Consequently, the reported achievement might be more or less than reported and was not reliable for determining if the target has been achieved.

Buyaphile/Fankomo Electrification Phase 2 for 38 Connections

32. An achievement of 38% was reported against a target of 30%. I could not determine whether the reported achievement was correct, as the indicator was not well defined, and I could not verify the methods and processes used to measure the achievements. Consequently, the reported achievement might be more or less than reported and was not reliable for determining if the target has been achieved.

Other matters

33. I draw attention to the matters below.

Achievement of planned targets

34. The annual performance report includes information on reported achievements against planned targets and provides measures taken to improve performance. This information should be considered in the context of the material findings on the reported performance information.

35. The table that follows provides information on the achievement of planned targets and lists the key 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 x to x.

Basic service delivery

Targets achieved: 83% Budget spent: 118%		
Key indicator not achieved	**Planned target**	**Reported achievement**
% of Municipal Disaster Recovery Grant (MDRG) expenditure by 30 June 2025 (2023-24 rollover)	100%	98%
MDRG expenditure by 30 June 2025	100%	88%
Resurfacing of Argyle Street	100%	75%
Percentage to curb electrical losses as per the National Energy Regulator of South Africa (Nersa) by 30 June 2025	20%	41%

Material misstatements

36. 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. Management did not correct all of the misstatements, and I reported material findings in this regard.

Report on compliance with legislation

37. 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.

38. 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.

39. 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.

40. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements

41. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

Expenditure management

42. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The expenditure disclosed does not reflect the full extent of the irregular expenditure incurred as indicated in the basis for disclaimer of opinion paragraph. The majority of the disclosed irregular expenditure was caused by non-compliance with MFMA supply chain management (SCM) Regulations.

43. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R22,31 million, as disclosed in note 55 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was incurred by the municipality because the Eskom account was not paid on time.

44. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R93,37 million, as disclosed in note 53 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed unauthorised expenditure was caused by overspending on certain budget votes.

45. Reasonable steps were taken to ensure that money owed by the municipality was not always paid within an agreed period, as required by section 65(2)(e) of the MFMA.

Strategic planning and performance management

46. The performance management system and related controls were inadequate as it did not describe how the performance planning, measurement and reporting processes should be conducted and managed, as required by municipal planning and performance management regulation 7(1).

Revenue management

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

Procurement and contract management

48. Some of the goods and services within the prescribed transaction value for competitive bids were procured without inviting competitive bids, as required by SCM Regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM Regulation 36(1). Similar non-compliance was also reported in the prior year.

49. The preference point system was not applied for some of the procurement of goods and services as required by section 2(1)(a) of the Preferential Procurement Policy Framework Act.

Other information in the annual report

50. The accounting officer is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and those selected material indicators in the scoped-in development priority presented in the annual performance report that have been specifically reported on in this auditor's report.

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

52. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected material indicators in the scoped-in development priority presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Internal control deficiencies

54. 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.

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

56. Leadership did not implement effective controls to ensure accurate financial reporting, nor did they exercise adequate oversight of compliance with applicable legislation, which resulted in a qualified opinion on the financial statements, material findings on the annual performance report as well as non-compliance with key legislation.

57. Management did not implement effective preventative controls and diligent oversight over the review and validation of documents to ensure that recorded amounts were supported by credible information. Policies and procedures were also not fully adhered to over compliance with legislation. In addition, management did not implement adequate records management over vital source documentation to support recorded amounts.

Other report

58. I draw attention to the following engagements conducted by various parties. This report did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

59. The KwaZulu-Natal Department of Cooperative Governance and Traditional Affairs conducted an investigation into allegations of fraud, corruption and maladministration which occurred at the municipality, in respect of the appointment of a service provider. The investigation was completed and a report issued on 7 March 2025. The municipal official resigned before council could institute disciplinary action.

Auditor-General

Pietermaritzburg

29 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 material performance indicators and on the municipality's compliance with selected requirements in key legislation.

Financial statements

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

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

Communication with those charged with governance

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

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

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003	Section 1 – Paragraph (a), (b) & (d) of the definition: irregular expenditure, Section 1 – Definition: service delivery and budget implementation plan, Sections 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 29(1), Sections 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), 32(2)(b), Sections 32(6)(a), 32(7), 53(1)(c)(ii), 54(1)(c), 62(1)(d), 62(1)(f)(i), Sections 62(1)(f)(ii), 62(1)(f)(iii), 63(1)(a), 63(2)(a), 63(2)(c), 64(2)(b), Sections 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), Sections 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1), Sections 122(2), 126(1)(a), 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii), Sections 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 170, Sections 171(4)(a), 171(4)(b)
MFMA: Municipal Budget and Reporting Regulations, 2009	Regulations 71(1), 71(2), 72
MFMA: Municipal Investment Regulations, 2005	Regulations 3(1)(a), 3(3), 6, 7, 12(2), 12(3)
MFMA: Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014	Regulations 5(4), 6(8)(a), 6(8)(b), 10(1)
MFMA: Municipal Supply Chain Management Regulations, 2017	Regulations 5, 12(1)(c), 12(3), 13(b), 13(c), 13(c)(i), 16(a), 17(1)(a), Regulations 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a), Regulations 27(2)(e), 28(1)(a)(i), 28(1)(a)(ii), 29(1)(a), 29(1)(b), Regulations 29(5)(a)(ii), 29(5)(b)(ii), 32, 36(1), 36(1)(a), 38(1)(c), Regulations 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43, Regulations 44, 46(2)(e), 46(2)(f)
Municipal Systems Act 32 of 2000	Sections 25(1), 26(a), 26(c), 26(h), 26(i), 29(1)(b)(ii), 29(3)(b), 34(a), 34(b),

Legislation	Sections or regulations
	Sections 38(a), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, 43(2), 56(a), 57(2)(a), Sections 57(4B), 57(6)(a), 66(1)(a), 66(1)(b), 67(1)(d), 74(1), 93J (1), 96(b)
MSA: Municipal Planning and performance Management Regulations, 2001	Regulations 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 3(6)(a), 7(1), 8, 9(1)(a), 10(a), Regulations 12(1), 15(1)(a)(i), 15(1)(a)(ii)
MSA: Municipal Performance Regulations for Municipal Managers and Managers directly Accountable to Municipal Managers, 2006	Regulations 2(3)(a), 4(4)(b), 8(1), 8(2), 8(3)
MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014	Regulations 17(2), 36(1)(a)
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations 5(2), 5(3), 5(6), 8(4)
Annual Division of Revenue Act	Section 11(6)(b), 12(5), 16(1); 16(3)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations	Regulations 17, 25(7A)
Municipal Property Rates Act 6 of 2004	Section 3(1)
Preferential Procurement Policy Framework Act 5 of 2000	Sections 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), 6(8), Regulations 7(1), 7(2), 7(3), 7(6), 7(8), 8(2), 8(5) 9(1), 10(1), 10(2), Regulations 11(1), 11(2)
Preferential Procurement Regulations, 2022	Regulations 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)

		AUDITOR GENERAL ACTION PLAN 2024 - 2025						
Action Number	**AG Report Ref. Nu**	**Summary of Detailed Audit Findings in the Final Management Reports for 2024/2025**	**Plan to address AG finding**			**Status on Implementation progress as at (Date)**		
			Detailed Action Plan	**Completion Date**	**Monitoring mechanism**	**Progress**	**% work completion**	**Implementation status**
	Revenue from exchange transactions- service charge							
1#	3	I was unable to obtain suffecient appropriate audit evidence that service charges included in revenue from exhange transactions had been properly accounted for, due to the status of the accounting records. I was unable to confirm the service charges included in revenue from exchange transection by alltrenative means. Consequently, I was unable to determine whether any adjustment wasnecessary to servcice charges included in revenue from exchange transactions stated at R174,62 million in the finanacial statements	a) Establish an effective records management system/ processes for the efficient retrieval and storage of information which is referenced and easily accessible.	31 January 2026	Scanned copies of meter books for each month.			
			b) Scan meter books after capturing and file electronic readings					
			c) Finalize the smart meter project to ensure readings are taken remotely using the smart meters system that will be linked to Munsoft.		Smart meter project implementation report.			
			d) Where meter readings are taken manually photos will be taken as POE to support readings		Photos of smart meters showing actual readings			
	Contracted services- safegard and security							
2	4	I was unable to obtain sufficient appropriate audit evidence for safeguarding and security included in contracted services, due to inadequete internal controls for verification of receipt of these services before the expenditure was recorded in the accounting records. I was unable to confirm safeguard and security included in contracted services by alternative means. consequently, i was unable to determine whether any adjustment was necessary to safeguard, and security expenditure included in contracted services stated at R15,67 million in note 38 to the financial statements	a. Terminate the current contracts as they are irregular.	uary 2026	Termination letter			
			b. Re-advertise the procurement of security contracts.		Advert of procurement of security services as per SCM regulations			
			c. conduct needs analysis in respect to sites and guards effectiveness.		Needs analysis report			
			d. Random security point verifications to be conducted and reports to be submitted as support to the invoices prior to payments being processed.		Monthly Reports from Safety and Security/ Attendance registers signed by the guard on duty, Company			

			e. Attendance registers to be signed daily by all guards at the respective security points.	31 Jan	Company Supervisor/ Manager Safety and security/Contract register.			
			f. Any discreprencies will be addressed with the relevant security companies and adjusted invoices will be requeted.		Adjusted invoices if applicable			
	Cash and cash equivalents							
3	5	I was unable to obtain sufficient appropriate audit evidence that cash and cash equivalent for the current and previous year had been properly accounted for, due to the status of the accounting records. I was unable to confirm the cash and cash equivalents by alternative means. Consequentlly, i was unable to determine whether any adjustment was necessary to cash and cash equivalent stated at R47,53 million (2023-24:R31.03 million) in the financial statements	a. Reassess Bank reconciliation business process and address inefficiences that prevent accurate and effective reconcilliation processes	31 January 2026	System generated Bank reconcilliation / Excel bank reconcilliation/ bank statement			
			b. Redo the bank reconciliation for the prior year and put all the supporting documents for the audit file					
			c. Introduce an "off system" reconcilliation which will provide support to the bank reconcilliation that is processes on Munsoft.					
			d. Update the Cash Management Policy and add the Bank Recon paragraph		Revised Cash and investment policy			
	Cash flow statement							
4	6	I was unable to obtain sufficient appropriate audit evidence that cash flow statement had been properly accounted for, due to multiple errors identified. Consequently, I was unable to determine whether any adjustments to the cash flow statement in the financial statements were necessary	a. Perform Cash Flow Statements when compiling the Quarterly financial statements and Interim Financial Statements		Manual Cash Flow Statement AFS Preparation Plan GRAP Standards Interim financial statements			

			b.The following measures will be conducted to ensure that the Cash Flow Statements are corretly stated: - Cross casting of the financial statements with the cash flow - Casting of the quarterly/Interim financial statements - Compare the closing balances of the 2024-25 Audited AFS and the 2025-26 Q1 Finanvial Statements - The Interim financial statements' schedules will be prepared by an Accountant, checked by a Manager Budger, reviewed by theSenior Finance Manage and authorized by CFO to ensure that the listed below are complied with: - financial statements are proof-read to identify spelling errors - compare financial statements to all supporting schedules	On-Going				
			c. Training on GRAP standards to ensure financial statement preparers inhouse and are adequately competence with the standards		Agenda & attendance register			
	Irregular expenditure							
5#	7	The irregular expenditure incurred during the current financial year under audit was not included in the notes to the financial statements, as required by section 125(2)(d) of the MFMA . Expenditure was incurred in contravention of the supply chain management requirements resulting in irregular expenditure. I was unable to determine the full extent of the irregular expenditure that occured during the financial year as it was impractical to do so.	a. Establish an effective records management system/ processes for the efficient retrieval and storage of information which is referenced and easily accessible.		Deviation registers; Commitment registers; Contract registers; and other SCM registers with supporting documents SCM Monthly Report Checklist as per section 125(2)(d) of the MFMA			

			b. Analyse contract register to identify contracts expiring in three months to alert user department for the purpose of readverting and or stopping use of the services affected by the contract.		Contract register			
			c. Budget & Reporting will circulate a system extracted report of the YTD expenditure for HOD's attention.		Excel expenditure tracking tool; and Expenditure tracking tool using			
			d. Continuos verification of all payments (direct & indirect) prior processing to eliminate unauthorised expenditure.	Monthly	Expenditure tracking tool & Section 71, 72 and 52(d) reports			
			e. The Expenditure Manager will identify UIFW expenditures as and when payments are made and conduct voucher audit on a monthly basis and notify the SCM to update the UIFW register. Link this to employee's job descriptions		Voucher audit checklist; and UIFWE register			
			f. The UIFW register will be updated every month and reported at MPAC for investigation.		UIFW register and MPAC minutes			
			g. The municipality will implement the UIFW Reduction Plan to curb the increase of UIFW expenditure		UIFW reduction plan			
			h. Table all incurred UIFW expenditure to council and council refer the UIFW expenditure to MPAC for investigation		UIFW register and MPAC minutes Council Resolution			
			i. MPAC investigate UIFW expenditure on a quarterly basis		Quarterly Internal audit reports on Irregular expenditure register			

ENDUMENI

ENDUMENI LOCAL MUNICIPALITY KZN

OVERSIGHT REPORT

2024/2025

TABLE OF CONTENTS

1. INTRODUCTION

1.1 In terms of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) and Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000), each municipality must prepare an Annual Report for each financial year. The purpose of the Annual Report is to:

a) To provide a record of activities of the municipality or municipal entity during the financial year to which the report relates.

b) To provide a report on performance against the budget of the municipality or municipal entity for that financial year; and

c) To promote accountability to the local community for the decision made throughout the year by the municipality or municipality entity. The Annual Report 2024/2025 was tabled in the oversight committee on the 18th of March 2026 (Thursday).

1.2 The final step in the reporting process is for Council to consider the Annual Report in the light of the findings contained in an Oversight Report. This is in terms of Section 129 of the MFMA.

1.3 The Oversight report is compiled by the Municipal Public Accounts Committee (MPAC) as established by Council.

1.4 The MPAC represents a separation of powers between the Executive Committee and the administration and is aimed at enhancing accountability and good governance.

1.5 The Oversight Report is prepared using guidelines prepared by the National Treasury as per MFMA Circular 32.

1.6 It attempts to address comments and submissions made by the community and stakeholders, as well as the observations and recommendations of the MPAC.

2. BACKGROUND ON THE 2024/2025 ANNUAL REPORT

2.1 Section 121 of the Local Government: Municipal Finance Management Act 56 of 2003 (MFMA) stipulates that; "

a) Every municipality and every municipal entity must for each financial year prepare an annual report in accordance with this Chapter.

b) The council of a municipality must within nine months after the end of a financial year deal with the annual report of the municipality and of any municipal entity under the municipality's sole or shared control in accordance with section 129.

2.2 The purpose of an annual report is to provide a record of activities of the municipality or municipal entity during the financial year to which the report relates.

(a) To provide a report on performance against the budget of the municipality or municipal entity for that financial year; and

(b) To promote accountability to the local community for the decision made throughout the year by the municipality entity.

2.3 The annual report of the municipality must include-

a) The annual financial statements of the municipality, and in addition, if section 122 (2) applies, consolidated annual financial statements, as submitted to the Audited General for audit in terms of section 126 (1).

b) The Auditor General report in terms of section 126 (3) on those financial statements.

c) The annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal Systems Act.

d) The Auditor General's audit report in terms of section 45 (b) of the Municipal Systems Act.

e) An assessment by the municipality's accounting officer of any arrears on municipal taxes and service charges.

f) An assessment by the municipality's accounting officer of the municipality's performance against the measurable performance objectives referred to in section 17 (3) (b) for revenue collection from each source and for each vote in the municipality's approved budget for the relevant financial year.

g) Any explanation that maybe necessary to clarify issues that in connection with the financial statements.

h) Particulars of any corrective action taken or to be taken in response to the issues raised in the audit reports referred to in paragraphs (b) and (d) (i) Any information as determined by the municipality.

i) Any recommendations of the municipality's audit committee; and

j) Any other information as may be prescribed.

2.4 The Annual Report of a municipal entity must include:

a) The annual financial statements of the entity as submitted to the Auditor General for audit in terms of section 126 (2) on those financial statements.

b) The Auditor General's audit report in terms of section 126 (3) on those financial statements.

c) An assessment by the entity's accountable officer of any arrears on those financial statements.

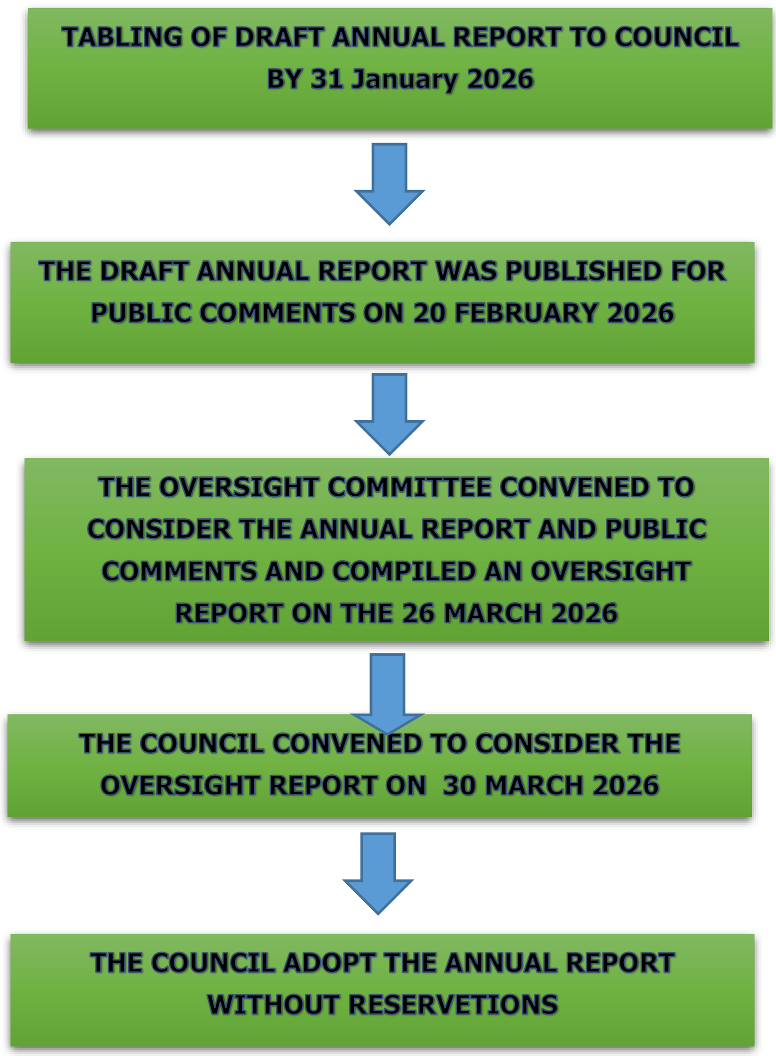
d) An assessment by the entity's accounting officer of the entity's performance against any measurable performance objectives set in terms of the service delivery agreement or other agreement between the entity and its parent municipality.

e) Particulars of any corrective action taken or to be taken in response to issues raised in the audit report referred to in paragraph (b);
f) Any information as determined by the entity or its parent municipality.

g) Any recommendations of the audit committee of the entity or its parent municipality; and

h) Any other information as may be prescribed."

2.5 It is against this background that the annual report in respect of the 2024/2025 financial year will be submitted to Council on the 27th of March 2026 as per the following process flow;



2.6 Accordingly, notice was given in terms of section 21 of Local Government: Municipal Systems Act, N0. 32 of 2000 read with section 127 of the Local Government: Municipal Finance Management Act, 56 of 2003 that the Annual

Report was open for comments and or inputs by the community and stakeholders by 20 February 2026.

2.7 The Annual Report was placed at the municipal offices, and the municipal website www.endumeni.gov.za.

2.8 **Comments** were received from Provincial Department of Corporative Governance and Traditional Affairs and Internal Auditors.

The Provincial Department of Corporative Governance had advised as follows:

a) Annual Report to contain audited annual financial statements, Audit report on AFS, Audit Report on Annual Performance Report
b) Assessment of the performance against the measurable performance objectives for revenue collection
c) Disclosures as per National Treasury Circular 63
d) Performance report to contain the developments and service delivery priorities and performance target set for the next financial year
e) Assessment by the accounting officer on any arrears on municipal taxes and service charges
f) Annual Report to contain the recommendations of the audit committee

Internal Auditors made their inputs as well on the draft Annual Report

(a) Supply Chain Management – Management to consider a brief narrative on the SCM policies and processes and indicate improvements contributing to effective service delivery
(b) Auditor General Findings – Management need to consider incorporate Audit report, Audited AFS and Audit Action Plan.

2.9 The MPAC meeting convened on the 26th of March 2026 to discuss Oversight Report for submission to the Council.

3. FUNCTIONS OF THE OVERSIGHT COMMITTEE

The functions of the oversight committee are to:

a) Undertake a review and analysis of the Annual Report.

b) Invite, receive, and consider inputs from councilors and portfolio committees, on the Annual Report.

c) Consider written comments received on the Annual Report from the public consultation process.

d) Conduct Public Hearing (s) to allow the local community or any organs of state to make representations on the Annual Report.

e) Receive and consider Council's Audit Committee views and comments on the annual financial statements and the performance report.

f) Preparation of the draft Oversight Report, taking into consideration, the views and inputs of the public, representatives of the Auditor General, organs of state, Council's Audit Committee and councilors.

4. COMPOSITION OF THE MUNICIPAL OVERSIGHT COMMITTEE

Cllr. MN Gopie (Chairperson),

Cllr. LB Zulu

Cllr. M Phakathi

Cllr. XM Msezane

5. INPUTS AND COMMENTS FROM THE OVERSIGHT COMMITTEE

5.1 **Quality of submitted Annual Financial Statements (AFS) -** The committee noted improvement in the set of AFS submitted for audit. Management is commended for such improvement and they shall continue to improve and reconduct regular reviews on the AFS.

5.2 The Accounting Officer must ensure that interim AFS and AFS are prepared and presented in a fair manner in accordance with South African Standards of GRAP, MFMA and DORA.

5.3 The Accounting Officer must consider the issue of internal controls very serious and demonstrate sound actions towards giving direction to the affairs of the municipality.

5.4 **Regular review of performance information –** Oversight Committee note the outcome on Annual performance information and findings on Auditor's Report issued by Auditor General from Annual Performance Report.

5.5 There are four(4) material findings in 2024/25 whereby AG could not determine whether the reported achievement was correct. Management need to correct misstatements and material findings.

5.6 Quarterly performance reviews and reporting must be taken serious by management in order to improve on audit readiness.

5.7 Well defined key performance indicators must be developed using SMART principle

5.8 **Unauthorized, Irregular, Fruitless and Wasteful expenditure** – The Committee note with concerns the incurred UIFW expenditure amounting to:

a) Unauthorised Expenditure Incurred in 2025: R93,370,096 and Closing balance: R144,547,751, and in 2024 the amount incurred was R67,837,283.

b) Fruitless And Wasteful Expenditure (F&WE) incurred 2025 -Identified: R22,306,565, Written off by Council: R22,306,565,Closing balance: R5,610,104, and 2024 identified: R13,536,591, Written off: R20,571,152

c) Irregular Expenditure in 2025 Incurred: R20,856,271, Closing Balance: R32,954,401, Written off: R20,856,270. And in 2024 incurred: R5,289,658, Prior period: R11,079,003

OVERALL ROOT-CAUSE ANALYSIS

Financial Management Weaknesses

Chronic inability to pay creditors → interest bills
High debtors impairment → unrealised revenue
Budget overspending → unauthorised expenditure

Supply Chain Failures
Frequent SCM deviations
Lack of proper procurement planning
Bid evaluation errors
Inadequate documentation and audit trails

Governance Gaps
No disciplinary action taken
Council reliance on write-offs
Internal controls not preventing repeat issues

Cash Flow Crisis
Eskom interest alone exceeds R20 million annually
Indicates deep structural liquidity constraints

5.9 It is regrettable that Management failed to prevent UIFW expenditure. The Accounting Officer must ensure that UIFW is prevented as much as possible.

5.10 **Non-compliance with legislation**- Auditor General has raised number of noncompliance matters with laws and regulations. This gives threat to governance and management of the municipal affairs. Management needs to come up with turnaround strategy over this.

5.11 The Committee notes that Management has been able to develop an action plan to addresses matters raised by Auditor General, further suggests that the plan be monitored.

6. 2024/25 ANNUAL REPORT CHECKLIST FOR CONSIDERATION

INFORMATION REQUIRED IN THE ANNUAL REPORT	COUNCIL CONSIDERATIONS AND QUESTIONS	RESPONSES/COMMENTS
1. Financial matters – Annual Financial Statements – Section 121(3) of MFMA	Financial report matters were considered	Yes
Section 121 (3) (a). The annual financial statements (AFS) for the municipality and, if applicable, consolidated statements (with all entities) as submitted to the Auditor-General	The AFS are to be in the form as required by the applicable accounting standards.	Yes
Sections 121 (3) (a), 121 (4) and 121 (4) (b) of the MFMA	This applies to the AFS of municipal entities which this municipality does not have.	Yes
Section 121 (3) (e) of the MFMA is an assessment by the accounting officer on any arrears on municipal taxes and service charges, including municipal entities.	Has an adequate assessment been included? Is there sufficient explanation of the causes of the arrears and of actions to be taken to remedy the situation? Is any other action required to be taken?	Yes
Section 121 (3) (g) of the MFMA talks to particulars of any corrective action taken or to be taken in response to issues raised in the audit report	The conclusion of the annual audit is: • unqualified audit opinion • The objective of the municipality was to improve to unqualified audit opinion which was not achieved. • Taking into account the audit opinion and the views of the audit committee, council considered the following: - To what extent does the report indicate serious financial issues? - To what extent are same issues repeated from previous audits?	An Audit Action Plan was developed and submitted to Auditor General, KZN COGTA and KZN Treasury.

	- Is the action proposed considered to be adequate to effectively address the issues raised in the audit report? - Has a schedule of action been taken and included in the annual report with appropriate due date?	
Section 121 (3) (f) of the MFMA suggests that an assessment by the municipality's accounting officer of the municipality's performance against the performance objectives for revenue source and for each vote in the approved budget.	The budget of the municipality must contain measurable performance objections for revenue from each source and for each vote in the budget, taking into account the IDP (MFMA s 17 (3) (b). the accounting officer must include these objectives in the annual report on performance accordingly. Has the performance met the expectations of council and the community? Have the objectives been met? What explanations have been provided for any non-achievement? What was the impact on the service delivery and expenditure objectives in the budget?	Yes
Section 121 (3) (j) and Section 121 (4) (g) of the MFMA. Recommendations of the Audit Committee in relation to the AFS and audit reports of the municipality and its entities.	Have the recommendations of the audit committee in regard to the AFS been adequately addressed by the municipality and/or the entity? What actions need to be taken in terms of these recommendations? Conclusions on these recommendations and the actions required should be incorporated in the oversight report.	Yes
2. Disclosures – Allocation received and made- Section 123 – 125 of the MFM	Considerations	Yes
Section 123 (1) (a) of the MFMA. Allocations received by and made to the Municipality	The report needs to disclose: • Details of allocations received from another organ of state in the national or provincial sphere.	Yes

	• Details of allocations received from a municipal, entity or another municipality. • Details of allocations made to any other organ of state, another municipality or a municipal entity. • Any other allocation made to the municipality under Section 214 (1) (c) of the Constitution. Have these allocations been received and made? Does audit report confirm the correctness of the allocations received in terms of DORA and provincial budgets? Does the audit report or the audit committee recommend any action?	
Section 123 (1) (c) of the MFMA. Information in relation to the use of allocations received.	Section 123 of the MFMA and the MFMA guidance circular No 11, require that the municipality provide information per allocation received per vote and include. - The current year and details of spending on all previous conditional grants, for the previous two financial years. Information is to be provided per vote. (For example, municipalities must report on all transfers received from provincial housing departments for housing subsidy grants for three financial years, and indicate how such funds were spent, and for what projects. - Information stating whether the municipality has complied with the	Yes

	conditions of the grants, allocations in terms of section 214 (1) (c) of the Constitution and allocations received from other than another organ of state. Where there is non-compliance, details of the reasons for non-compliance are to be provided. - Information on whether allocations under the DORA were delayed or withheld and the reasons advanced for this. This information is required on all allocations excluding the municipality's portion of the equitable share and where prescribed otherwise by the nature of the allocation. The Auditor General will ensure that the audit process includes a proper assessment (and reconciliation) on all national grants received by a municipality. Council should consider this aspect of the audit report and comments by the audit committee on the use of allocations received. Council should be satisfied that-: - The information has been properly disclosed; - Conditions of allocations have been met; and - That any explanations provided are acceptable. The comments of the Auditor General and the views of the audit committee should be used to determine the accuracy and appropriateness of this information.	

Section 125 (1) of the MFMA. Information in relation to outstanding debtors and creditors of the municipality and entities	Municipalities and entities are reminded of the requirement to include, in their annual financial statements, amounts owed to them and persistently delayed beyond 30 days, by national or provincial departments and public entities. It is also a requirement to report on whether the municipality or entity has met its statutory commitments, including the payment of taxes, audit fees, and contributions for pension and medical aid funds. Council should be satisfied that-: - The information has been properly disclosed; - Conditions of allocations have been met; and - That any explanations provided are acceptable.	Yes
3. Disclosures in notes to Annual Financial Statements (AFS)	Considerations relating to section 124	Yes
Information relating to benefits paid by the municipality and entity to councilors, directors and officials.	Information on the following items is to be included in the notes to the annual report and AFS; - Salaries, allowances and benefits of political office bearers, councilors and boards of directors, whether financial or in kind; - Any arrears owed by individual councilors to the municipality or entity for rates and services, which at any time were outstanding for more than 90 days, including the names of those councilors.	Yes

	- Salaries allowances and benefits of the municipal manager, CEO of municipal entity, CFO and every senior manager. - Contribution for pension and medical aid. - Travel, motor car, accommodation, subsistence and other allowances. - Housing benefits and allowances. - Overtime payments. - Loans and advances, and; - Any other type of benefit or allowance related to staff. - Council should be satisfied that information has been properly disclosed; conditions of allocations have been met; and that any explanations provided are acceptable. The comments of the Auditor General and the views of the audit committee should be used to determine the accuracy and appropriateness of this information.	
4. Municipal Performance	Considerations	
The annual performance reports of the municipality and entities	Section 46 of the Local Government: Municipal Systems Act requires municipalities to submit a performance report reflecting the performance of	The 2024/25 Annual Performance Report was submitted to the Auditor General with

	the municipality and each service provider, a comparison of the performance with targets set for the previous year and measures take to improve performance. The report must form part of the annual report. Questions that may be considered are-: - Has the performance report been included in the annual report? - Have all the performance targets set in the budget, SDBIP, service agreements etc., been included in the report? - Does the performance evaluation in the annual report compare actual performance with targets expressed in the budgets and SDBIP approved for the financial year? In terms of key functions or services, how has each performed? E.g. have backlogs for water, sanitation and electricity been reduced? What are the refuse collection volumes, library usage statistics etc.? - To what extent has performance achieved targets set by council? - Is the council satisfied with the performance levels achieved? - Is the community satisfied with performance?	the Annual Financial Statements at the end of August 2025, for auditing purposes. The 2024/25 Annual Performance Report has also been consolidated as part of the 2024/25 draft Annual Report which was submitted to the Council for approval on the 31 January 2026.

	- Has a customer satisfaction survey been undertaken and, if so, how do the results align with the annual report contents? - What were the outcomes of public consultation and public hearings? - What actions have been taken and planned to improve performance? - Is the council satisfied with actions to improve performance? - Did the targets set in the budgets, SDBIP agree with the targets set in the performance contracts of the municipal manager and each senior manager? - Does the report evaluate the efficiency of mechanisms applied to deliver the performance outcomes? - Taking into account the audit report and opinion and the views of the audit committee, is performance considered to be efficient and effective? - To what extent have actions planned for the previous year been carried over to the financial year reported upon? - Have any actions planned in the reported year been carried over to the current or future years? If so are any explanations been provided by providing municipal manager and are these satisfactory? Council should comment and draw	

	conclusions on information and explanations provided.	
Audit reports on performance.		
	Section 45, Local Government: Municipal Systems Act requires that the Auditor General must audit the result of performance measurements, as part of the internal auditing processes and annually. Have the recommendations of internal audit been acted on during the financial year? Have recommendations by internal audit and/or the Auditor General been included in action plans to improve performance in the following years?	The Auditor General audited the 2024/25 Annual Performance Report and there were five queries raised by the Auditor General. Annual Financial Statements was also looked at and Auditor General expressed Qualified opinion on them. There were also matters of noncompliance with laws and regulations raised by Auditor General. The Municipality has prepared an action plan which will assist in dealing with the issue raised by the Auditor General so that they don't re-occur at the end of the 2025/2026 financial year
Performance of municipal entities and municipal service providers.	The annual report of the municipality should provide assessment of the performance of the municipal entities and all contracted service providers. This is in addition to the separate annual reports of the entities. The report should evaluate the effectiveness of these services and whether alternative mechanisms should be considered. Is the council satisfied with the evaluation and conclusions of the municipality? What other actions are considered necessary to be taken by the accounting officer?	The performance of the service providers which were appointed by the municipality during the year under review to provide a specific service was also included as part of the 2024/25 Annual Report.
5. General Information	The following general information is required to be disclosed in the annual report.	

Relevant information on municipal entities.	The municipality should disclose all information relating to the municipal entities under the sole or effective control of the municipality. Information to be disclosed includes names and types of entities, members of the board, addresses, and contact details for entities, the purpose of the entity, the functions, and services provided the type and term of service level agreements with entities.	N/A
The uses of any donor funding support	What donor funding has the municipality received? - Have the purposes and the management agreements for the funding been properly agreed upon. The funds been used in accordance with agreements? - Have the objectives been achieved? Has the use of funds been effective in improving services to the community? - What actions need to be taken to improve utilization of the funds?	No funds were received in a form of donations from any organization, but the municipality do collaborate with other departments and private institutions to deliver services to Endumeni community.
Agreements, contracts and projects under Private-Public-Partnerships.	Has the Council had a signed contract or agreement with and private-public partnership program	
Service delivery performance on key services provided.	This may be a high-level summary, in addition to detailed information on performance, which sets out overall performance under the strategic objectives of the municipality. Overall results on the strategic functions and services should be summarized. This should cover all services whether provided by the municipality, entities or	Service delivery performance summary which sets out overall performance under the strategic objectives of the municipality has also been included in the 2024/25 Annual Report.

	external mechanisms. Council may draw conclusions on the overall performance of the municipality. This information may be found in an executive summary section of the annual report and or in statistical tables.	
Information on long-term contracts.	Details of all long-term contracts including levels of liability to the municipality should be included. Council should ensure all information correctly supplied.	- Control Room &AV Solutions (PTY)Ltd– Design, Hosting and maintenance of Website - Contour– Prepaid Vending Machine. - Fedility Cash Solutions - Cash in transit(36 months). - First Rand Bank Limited – Provision of banking services - Fiso Trading– Fuel(As an when required) - XTEC KZN (PTY) Ltd – Lease and maintenance of photocopiers/ printers - Maphisa Holding(PYT) Ltd – Operating animal pound(36 months) - Total Computer Services– Provisioning, commissioning, support and maintenance of an advancedTraffic Contravention System for a period of 36 months.
Information technology and systems purchases and the effectiveness of these systems in the delivery of services and for ensuring compliance with statutory obligations.	Details of significant IT activities should be outlined indicating the effectiveness of the IT projects and the quality of IT services. Council should consider how effectively the IT services support and facilitate performance of the municipality and whether value for money has been obtained. Details of any future IT proposals should be summarized. Council should comment and draw conclusion on the information provided.	

Three year capital plan for addressing infrastructure backlogs in terms of the Municipal Infrastructure Grant (MIG) framework	A summary of the long-term capital plans and how these address the backlogs of services in the municipality should be provided. This should include details of types and scale of backlogs, projected cost implications, strategies to address the backlogs and plans proposed and/or approved. The summary here should cross reference to the performance reports in the annual report and also will be highlighted in the coming budgets. Council should consider whether the plans appropriately address the backlogs and are consistent with the strategic policy directions of council and needs of the community.	Yes
6. Other considerations recommended		
Timing of Reports	Was the report tabled in the time prescribed? Has a schedule for consideration of the report been adopted?	Yes
Oversight committee or other mechanism	What mechanisms have been put in place to prepare the oversight report? Has a schedule for its completion and tabling been adopted?	Yes
Payment of performance bonuses to municipal officials.	Refer to Section to Section 57 of Local Government: Municipal Systems Act as amended. Bonuses based on performance may be awarded to a municipal manager or a manager directly accountable to the municipal manager after the end of the financial year and only after an evaluation of performance and approval of evaluation by the municipal council. Preferably such evaluation should be considered along with the annual report. The bases upon which	Performance evaluation for 2024/25 financial has not been done due to management instability. Performance Bonuses will be determined by performance assessment rating scores once evaluation has been conducted and also considering the audit outcome of the muncipality

	performance is evaluated for payment of bonuses should be reconciled with municipal performance reported in the annual report. Have bonuses been paid based on achievements of agreed outputs and after consideration of the annual report by council? - If so has a proper evaluation of performance been undertaken? - Was the evaluation approved by council? - Does the performance evaluation align and reconcile with the performance report in the annual report? - If not, what reasons have been advanced for non-reporting of the basis of evaluation in the annual report? - Are payment justified in terms of performance report in the annual report?	

7. CONCLUSION

7.1 The oversight committee commended the Council and Management on the status 2024/25 audit opinion.

7.2 Management needs to maintain and improve on the concerning areas on annual financial statement, APR and stick to reporting timelines to ensure compliance with laws and regulations.

7.3 The oversight committee is pleased to note that all components of the Annual Report are included as is required in terms of Section 121 (3) of the Local Government: Municipal Finance Management Act, Act No. 56 of 2003 as follows:

a) The annual financial statements of the municipality.

b) The Auditor General report.

c) Report of the Audit Committee.

d) The annual performance report of the municipality prepared by the municipality in terms of Section 46 of the Local Government: Municipal Systems Act.

e) The Auditor General's audit report in terms of Section 45 (b) of the Local Government: Municipal Systems Act.

f) An assessment by the municipality's accounting officer of any arrears on municipal taxes and service charges.

g) Particulars of any corrective action taken or to be taken in response to the issues raised in the audit reports.

h) Any explanation that maybe necessary to clarify issues that are in connection with financial statements.

7.4 It is imperative, however, that in order to achieve a clean audit goal, an Audit Response Action Plan should be monitored by all relevant governance structures including the Council on quarterly basis.

7.5 The Oversight committee would like to thank the Council and Management as well as all officials for tirelessly ensuring progressive service delivery by completing many infrastructural and social development project that improved the lives of the previously disadvantaged communities and maintaining and improving on service delivery standards elsewhere,

7.6 A further thanks goes to the Auditor General, the Audit Committee, COGTA, Provincial Treasury and National Treasury for their support and cooperation in completing this annual report oversight process.

7.7 The oversight committee strongly believes that Endumeni Local Municipality and its community will realize substantial and tangible benefits if a similar process is consistently followed in the years to come.

7.8 The oversight committee is grateful for the opportunity to be of service to Endumeni Local Municipality and its citizens.

8. RESOLUTION AND STATEMENT

a) That Oversight Report together with the Annual Report for 2024/25 financial year be approved.

b) That Oversight Report be made public by the Municipal Manager in accordance with Section 129 (3) of the Local Government: Municipal Finance Management Act, 2003

c) That the Oversight Report and Annual Report 2024/25, be submitted to the provincial legislature by the Municipal Manager in accordance with section 132 (2) of the Local Government: Municipal Finance Management Act, 2003.

d) That the classification, validation and recoverability of unauthorized, irregular and fruitless and wasteful expenditure as reflected in the Annual Financial Statements 2024/25, be determined by the Municipal Public Accounts Committee in terms of section 32 of the Local Government: Municipal Finance Management Act, 2003 and that a report in this regard be submitted to the Municipal Council for consideration.

e) That developed AG action plan be noted, and all matters raised by Auditor General be attended to and implemented.

MPAC CHAIRPERSON
Cllr MN Gopie