

# NQUTHU LOCAL MUNICIPALITY



2023/24 ANNUAL REPORT

*"PHAMBILI NGENTHUKO ENQUTHU"*

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# **2023/24 NARRATIVE REPORT**

## CHAPTER 01

### COMPONENT A: MAYOR'S FOREWORD AND MUNICIPAL MANAGER'S REMARKS

#### MAYOR'S FOREWORD



***His Worship the Mayor: Cllr IL Shabalala***

#### **Vision**

Nquthu Local Municipality vision for the current council terms is:

*“To govern with integrity through servant leadership, accountability and responsive governance in order to meet the developmental needs of the people of Nquthu”*

The municipality will always strive to attain this vision. In the 2023/24 financial year, the municipality continued to make progress in pursuit of its IDP objectives and initiated quite a number of infrastructure, local economic development and social programmes and also maintaining a good audit outcome.

#### **Key Policy Developments**

Towards the end of the 2023/24 financial year, key policy changes were initiated by the COGTA at a national level. In this regard, the General Laws Amendment Bill was published on 14 May 2024 as Government Gazette No. 50650. The Bill aims to refine local government legislation by amending key acts to improve operational efficiencies and governance. It seeks to address challenges in the Local Government Sector, enhance service delivery, and promote transparent and accountable local government. The Bill includes provisions for better coordination between government spheres, consideration of growth and climate change in planning, and measures to prevent financial misconduct.

#### **Key Service Delivery Improvements and Achievements**

As Mayor of Nquthu Local Municipality, I am pleased to present a summary of the service delivery achievements of Nquthu Municipality in the 2023/24 financial year, which are as follows:

*Infrastructure development:*

- **Access Roads:** Four access roads were completed, and one was 89% complete.
- **Community Halls:** Five community halls were completed, and seven were under construction.

- **Fire Station:** A fire station in Ward 09 was completed.
- **Waste Management:** The Buy Back Center was 77% complete.
- **Electricity:** 438 new households were connected to the electricity grid, and 203 solar street lights were installed.

#### *Local Economic and Social Development:*

- **Small Businesses:** Support was provided for SMME registration and business licenses.
- **Job Creation:** 231 jobs were created through various programs.
- **Agricultural Support:** Fencing material was provided to support agricultural activities.
- **Youth Development:** 45 beneficiaries received driver's licenses and other various youth development programmes were implemented.

### **Public Participation**

Public participation is one of the most critical aspects of good governance and accountability. There is a variety of platforms that the municipality utilizes for purposes of public participation, including; IDP roadshows, invitation of public comments, SOD turnings, project hand-overs, Facebook page, community meetings, etc. The municipality's ward committee system is functioning very well is receiving good rating from COGTA assessments although the municipality has lost its 100% rating due to few wards with challenges. In preparation for the 2024/25 IDP, the municipality continued its unusual but very effective approach of all existing platforms and events where the Mayor was addressing communities to incorporate Draft IDP and Draft Budget in order to engage our communities without resorting to separate events for this purpose. Moreover, Amakhosi and rate-payers are engaged separately and specifically since they have more specific needs and role.

### **Future Actions**

Notwithstanding the fact that the municipality is making good progress in terms of service delivery, there is still ample room for improvement in the area of maintaining existing assets like roads and municipal buildings. More still need to be done reach the real potential of this municipality which include, among others:

- The municipality maintained its unqualified audit outcome and will be putting even more effort to ultimately achieve a clean audit in the coming financial years.
- The municipality developed Revenue Enhancement Strategy with the assistance of Provincial Treasury and the municipality will also double its effort will be put in implementing that strategy and also implement very stringent measures to reduce its electricity distribution losses.
- The municipality will also seek to improve its infrastructure planning practices to ensure that infrastructure development result in maximum impact on the communities we serve.
- We will also accelerate our fundraising efforts in order to get funds to deal with the huge infrastructure backlog in the municipality, especially access roads.

### **Agreements / Partnerships**

The municipality is in long standing partnership with Bornem Municipality of Belgium which has produced very good results in the areas of waste management, local economic development and early childhood development. Another partner in Assupol Community Trust which has made an immense contribution in the early childhood development sector. Seven (7) ECDs have been built by Assupol Community Trust in the 2023/24 financial year.

## Conclusion

By building on the gains of the 2023/24 financial year, we reaffirm our commitment to leading an administration characterized by cleanliness, effectiveness, efficiency, and economic prudence. Our primary goals include strengthening good governance, enhancing financial management practices, and improving service delivery mechanisms. We will continue to strive for transparency, accountability, and responsiveness to the needs of our residents.

In the 2023/24 financial year, the municipality maintained an unqualified audit opinion, highlighting our ongoing dedication to financial integrity and responsible governance.

I extend my gratitude to all stakeholders, including AmaKhosi aseNdlunkulu for their guidance and provision of land for infrastructure development, executive committee colleagues, the municipal council, management, employees, and supporting government departments. Together, we will continue to build a municipality distinguished by excellence, integrity, and an unwavering commitment to service excellence.



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**MAYOR: CLLR IL SHABALALA**  
**NQUTHU LOCAL MUNICIPALITY**

## REMARKS BY THE MUNICIPAL MANAGER



### **Municipal Manager: MB Jiyane**

It is with immense gratitude and humility that I present these remarks for the annual report of the Nquthu Local Municipality. I am deeply honoured to have had the opportunity to serve the wonderful people of Nquthu. I wish to extend my heartfelt appreciation to the Mayor and all councillors for their unwavering support and guidance throughout this journey.

I would also like to express my sincere thanks to the heads of departments and all our dedicated employees. Your hard work and commitment have been instrumental in achieving our goals and serving our community effectively.

Furthermore, I extend my gratitude to all external stakeholders, especially the government departments and other development partners, for their financial support, guidance, and the various programmes they have implemented for the benefit of the people of Nquthu. Your contributions have been invaluable in our efforts to improve the lives of our residents.

I am proud to announce that we were able to maintain an unqualified audit outcome this year. This accomplishment is a testament to our collective dedication to transparency and accountability. We remain committed to working towards a clean audit in the future.

As we look ahead, I appeal to all stakeholders to continue their support and also appeal to our employees to double their efforts. Together, we can make Nquthu a leading municipality known for good governance, clean and efficient administration, and exceptional service delivery. Thank you.

A handwritten signature in black ink, appearing to read 'mb jiyane', enclosed within a large, loopy oval shape.

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**MB JIYANE**  
**MUNICIPAL MANAGER**

## COMPONENT B: EXECUTIVE SUMMARY

### 1.1. MUNICIPAL POWERS AND FUNCTIONS

In terms of the Municipal Structures Act, Nquthu Local Municipality has designated powers and functions, other powers and functions in terms of service delivery are the competency of the Umzinyathi District Municipality, the provincial government of KwaZulu-Natal and the national government of the Republic of South Africa. Water and sanitation, for example; are the competency of the district municipality under which Nquthu falls. Nquthu has the following powers:

- Access roads and storm water
- Billboards regulation
- Street cleaning
- Local amenities
- Sports and other public facilities
- Local tourism
- Development planning and building regulations

### 1.2. VISSION AND MISSION

#### Vision

*“To govern with integrity through servant leadership, accountability and responsive governance in order to meet the developmental needs of the people of Nquthu”*

#### Mission

To fight underdevelopment by promoting a culture of self-help and self-reliance in our communities through skills development, infrastructure development, protecting the vulnerable groups, fighting drug abuse, promoting safer communities, building the local economy and working hand-in-hand with AmaKhosi and all other stakeholders.

#### Core values

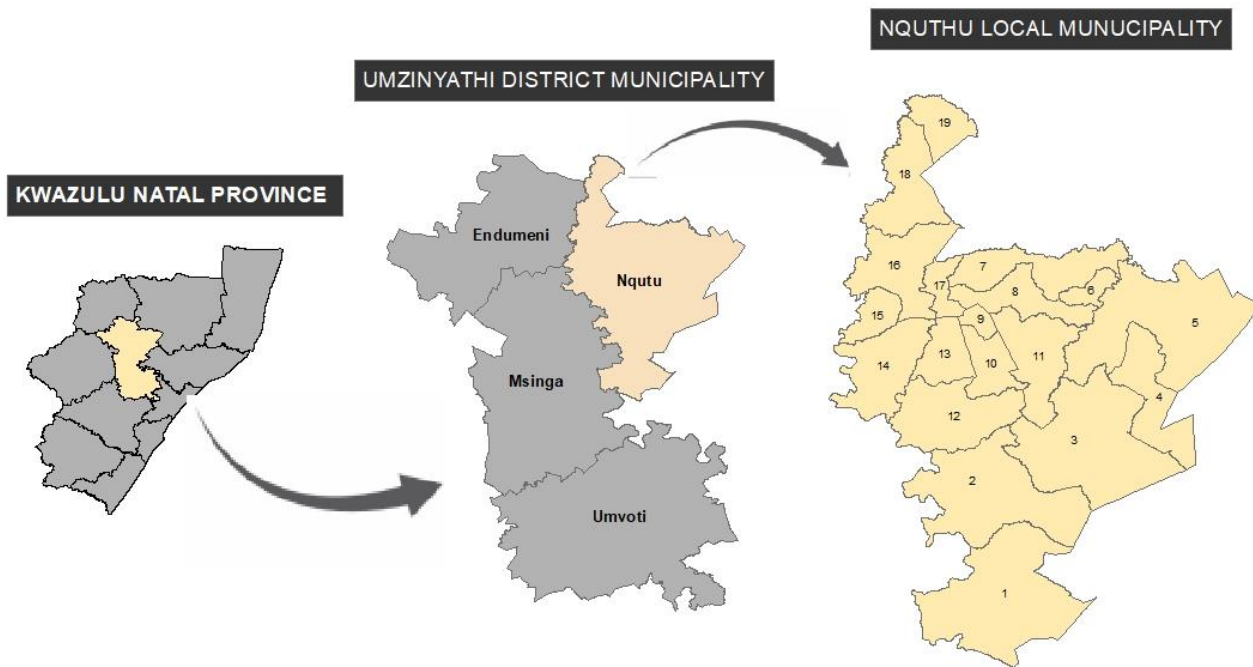
We subscribe to the value system inspired by and premised on the principles of Batho Pele and Ubuntu, which are:

- Solidarity
- Freedom
- Unity in diversity
- Accountability
- Responsiveness
- Customer focus
- Innovation
- Efficiency
- Transparency
- Self-help and self-reliance
- Integrity

#### Spatial vision

*“By 2040 the Nquthu Municipality will have changed its spatial and socio-economic landscape through innovative spatial planning principles of justice, sustainability, efficiency, resilience and good administration that will position the municipality as a destination of choice for tourism and investment”.*

### 1.3. NQUTHU LOCALITY



**Map 1.3:** Nquthu locality

Nquthu LM is located north east of the province of the Province of KwaZulu-Natal and seats at the north eastern boundary of Umzinyathi DM and share borders with the following local municipalities:

- eMadlangeni and Abaqulusi local municipalities on the North. Abaqulusi LM is located within Zululand DM while eMadlangeni is located within Uthukela DM;
- Ulundi LM on the East which is also located within Zululand DM;
- Nkandla LM on the South which is located within King Cetshwayo DM; and
- Msinga LM and Endumeni LM to the West both of which are located within Umzinyathi DM and are sister municipalities of Nquthu LM.

### 1.4. WARD INFORMATION

The municipality is currently demarcated into 17 wards after the Demarcation Board increased them from 15 wards in May 2011 before local government elections. Map 1.3 above shows the location of Nquthu within Umzinyathi District Municipality as well as its position in relation to neighbouring municipalities and also depict ward boundaries which were altered after the 01 November 2021 local government elections when the number of wards increased from 17 to 19.

## 1.5. DEMOGRAPHICS PROFILE

<b>Name</b>	<b>2022</b>	<b>2011</b>	<b>Comment</b>
<b>Total population</b>	201 133	165 307	Total population in 2022 is 201,133, which is 17.8% increase compared to 165,307 in 2011.
<b>Young children (0-14 years)</b>	36,4%	42,4%	Young children (0-14 years) population percentage decreased from 42.4% in 2011 to 36.4% in 2022.
<b>Working age population (15-64 years)</b>	57,7%	52,5%	Working age population (15-64 years) population percentage increased from 52.5% in 2011 to 57.7% in 2022.
<b>Elderly (65+ years)</b>	5,9%	5,1%	Elderly (65+ years) population percentage slightly increased from 5.1% in 2011 to 5.9% in 2022.
<b>Dependency ratio</b>	73,3	90,6	The dependency ratio (young children + elderly) / working-age population improved from 90.6 in 2011 to 73.3 in 2022.
<b>Sex ratio</b>	86,1	83,4	Sex ratio increased from 83.4 in 2011 to 86.1 in 2022.
<b>No schooling (20+ years)</b>	14,0%	18,1%	The percentage of adults with no schooling decreased from 18.1% in 2011 to 14.0% in 2022.
<b>Higher education (20+ years)</b>	4,7%	3,7%	The percentage of adults with higher education slightly increased from 3.7% in 2011 to 4.7% in 2022.
<b>Number of households</b>	33 617	31 610	The number of households increased from 31,610 in 2011 to 33,617 in 2022.
<b>Average household size</b>	6,0	5,2	The average household size decreased from 5.2 in 2011 to 6.0 in 2022.
<b>Formal dwellings</b>	75,5%	63,1%	The percentage of formal dwellings increased from 63.1% in 2011 to 75.5% in 2022.
<b>Flush toilets connected to sewerage</b>	20,1%	5,8%	The percentage of households with flush toilets connected to sewerage increased from 5.8% in 2011 to 20.1% in 2022.
<b>Weekly refuse disposal service</b>	21,9%	8,5%	The percentage of households with weekly refuse disposal service increased from 8.5% in 2011 to 21.9% in 2022.
<b>Access to piped water in the dwelling</b>	20,4%	8,0%	The percentage of households with access to piped water in the dwelling increased from 8.0% in 2011 to 20.4% in 2022.
<b>Electricity for lighting</b>	93,5%	53,0%	The percentage of households with electricity for lighting increased significantly from 53.0% in 2011 to 93.5% in 2022.

**Table 1.5:** Census 2022 overview - **Source:** Stats SA Census 2022

Overall, the data suggests that Nquthu has seen improvements in socio-economic conditions over the past decade. There is greater access to basic services, improved housing and a shift in demographics that may indicate a more productive workforce. However, the percentage of adults with higher education remains relatively low.

## 1.6. FINANCIAL HEALTH

The municipality's audited 2023/24 Annual Financial Statements were relied upon to analyse and assess the financial health of the municipality, as discussed in this section.

### 1.6.1. Budget and treasury department capacity

The budget and treasury department had a permanent CFO for the duration of the financial year. All the units in the department had permanent managers. The municipality always recruit financial interns which has always been absorbed in the past after the end of their internship contracts as part of capacitating the budget and treasury department and as a form of succession planning but this may be impossible going forward due to the fact that the municipality is currently struggling with the employee related cost that is now above the set norm.

### 1.6.2. Audit opinion on the 2023/24 Annual Financial Statements

The annual financial statements of received a unqualified audit opinion from the Auditor General after conducting an audit, and the following opinion was expressed as is also contained in detail in the Audit Report which is part of this annual report *“In my opinion, the financial statements present fairly, in all material respects, the financial position of the Nquthu local municipality as at 30 June 2024 and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 5 of 2023 (Dora).”*

### 1.6.3. Going concern (financial sustainability)

Despite its dependence on government grants, the municipality is financial stable and sustainable due to good leadership and effective and efficient management of its finances. We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus of R 761 971 263 and that the municipality's total assets exceed its liabilities by R 762 122 926.

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 being collection of revenue billed from services rendered.

### 1.6.4. Revenue

In the 2023/24 financial year, Nquthu Local Municipality experienced a notable improvement in its financial performance, with total revenue increasing by 22.96% compared to the previous year. This growth was driven by both exchange and non-exchange transactions, possibly reflecting the municipality's effective management and expanding economic base.

#### *Exchange Transactions*

The municipality's revenue from exchange transactions saw a significant rise, increasing from R41,680,412 in 2023 to R56,222,645 in 2024. This 34.88% increase was primarily fuelled by substantial growth in construction contract revenue and service charges.

**Service charges** rose by 22.88%, from R23,571,545 to R28,965,051. This increase suggests a higher demand for municipal services or an adjustment in service rates, indicating the municipality's ability to effectively cater to the needs of its residents. The most remarkable growth was observed in **construction contract revenue**, which surged by an impressive 167.00%, from R5,795,021 to R15,470,427. This significant rise points to a boom in construction activities managed by the municipality, possibly due to new infrastructure projects or expansions. **Rental of facilities and equipment** also saw a healthy increase of 22.76%, from R792,131 to R972,385. This growth could be attributed to

higher utilization of municipal properties and equipment or increased rental rates. **Other income** remained relatively stable, with a slight increase of 0.28%, from R572,943 to R574,571, indicating consistent miscellaneous income sources. However, **interest revenue** experienced a decrease of 6.47%, from R10,948,772 to R10,240,211. This decline could be due to lower interest rates or reduced investment balances.

#### *Non-Exchange Transactions*

Revenue from non-exchange transactions also saw a significant increase, rising from R254,945,232 in 2023 to R308,499,393 in 2024, marking a 21.00% growth. This increase was driven by higher property rates, government grants, and fines.

**Property rates** revenue increased by 40.41%, from R36,644,800 to R51,452,186. This substantial rise suggests an increase in property values, higher tax rates, or improved collection efficiency, highlighting the municipality's efforts to enhance its revenue base. **Property rates - penalties imposed** also saw a notable increase of 40.88%, from R1,885,688 to R2,656,575. This growth indicates stricter enforcement of timely property rate payments, reflecting the municipality's commitment to maintaining financial discipline. **Licences and permits** revenue experienced a modest increase of 5.51%, from R956,938 to R1,009,692, suggesting stable or slightly increased issuance of permits and licenses. **Government grants and subsidies** rose by 18.45%, from R212,625,046 to R251,834,163. This increase indicates higher financial support from the government, possibly for new projects or increased operational funding, underscoring the municipality's ability to secure essential funding. **Fines, penalties, and forfeits** saw a significant increase of 86.91%, from R827,540 to R1,546,777. This rise suggests stricter enforcement of municipal regulations or an increase in violations, reflecting the municipality's efforts to uphold law and order. However, **donation income** decreased from R2,005,220 to R0, indicating that no donations were received in 2024. This decline could be due to various factors such as changes in donor priorities or economic conditions.

#### **1.6.5. Budget**

The municipality's budget was funded and credible. Of course, there are pressures with regard to insufficient financial resources and competing development priorities but the municipality managed to produce a good and balanced budget that community supported during public participation processes.

- **Total Revenue:** The actual total revenue was R364,722,038, which exceeded the final budget of R289,796,000 by R74,926,038.
- **Total Expenditure:** The actual total expenditure was R305,414,127, which was R7,305,873 less than the final budget of R312,720,000.
- **Surplus:** The actual surplus before taxation was R39,598,132, which was significantly higher than the budgeted deficit of R22,924,000, resulting in a positive variance of R62,522,132.

#### **Key Takeaways**

- The municipality managed to achieve higher-than-expected revenue, particularly from government grants and interest earnings.
- Expenditure was generally well-controlled, with significant savings in employee-related costs and bulk purchases.
- The overall financial performance was better than budgeted, resulting in a substantial surplus.

This analysis highlights the municipality's effective financial management and ability to adapt to changing circumstances, leading to a favourable financial outcome. The actual figures and a more detailed analysis contained in the audited AFS which is part of this report.

### 1.6.6. Expenditure

Expenditure should be incurred in line with the budget and in cases where a there is a need to deviate such deviation was authorized through an adjustment budget and the unspent amounts carried over as savings. However, expenditure was not entirely and necessarily incurred in line with the approved budget and the municipality is working hard to address that weakness.

### 1.6.7. Collection rate

The overall collection rate was 88% which is 7% behind the recommended collection rate norm and a decline of 1% compared with the previous financial year. The municipality has a serious challenge of a high number of poor households which makes it very difficult to make adequate collection, but the municipality is doing everything within its power to improve collection. The municipality has developed a revenue collection strategy that is expected to yield positive results going forward, provided that it is implemented to the letter.

### 1.6.8. Unauthorized, Irregular, fruitless and wasteful expenditure

Despite efforts to eliminate unauthorized, irregular and fruitless and wasteful expenditure; incurrence of such expenditure remains a challenge that the municipality is grappling with and there was an increase in the 2023/24 financial year which means even more effort to enforce compliance is necessary, especially consequence management for those responsible for such expenditure.

## 1.7 ORGANIZATIONAL DEVELOPMENT

### 1.7.1. Critical posts

The municipality has five departments and Section 54 and 56 posts were filled with full-time incumbents for the whole of 2023/24 financial year. Therefore, all departments had HODs and the municipality intends to maintain this trend going forward.

DESIGNATION	STATUS OF THE POST
Municipal Manager	Filled post
Chief Financial officer	Filled post
Director Corporate & Community Services	Filled post
Director Planning, Housing and LED	Filled post
Director Technical Services	Filled post

*Table 1.7.1: Critical posts*

### 1.7.2. Staff establishment

The municipal staff establishment is three hundred and eighteen (318). There was a staff compliment of two hundred and eighty-two (282) employees as at the end of the financial year. The staff vacancy rate was sitting at 11% as at 30 June 2024. This excludes contract employees who are hired specifically to ensure uninterrupted provision of services during holidays, especially the festive season where most employees take leaves.

### 1.7.3. Policy review

In order to ensure compliance and a stable human resource administration, the municipality embarked on an exercise to review or update its human resource policies in order to establish a conducive environment for effective management of human capital. These policies are listed in the table below.

NO.	POLICY	REVIEW DATE
1	Recruitment, selection and appointment policy	17-May-24
2	Induction policy	17-May-24
3	Placement policy	17-May-24
4	Promotion, transfer and secondment policy	17-May-24
5	Relocation policy	17-May-24
6	Acting allowance policy	17-May-24
7	Job evaluation policy	17-May-24
8	Termination of service policy	17-May-24
9	Overtime, stand-by, shift and night work allowance policy	17-May-24
10	Leave policy	17-May-24
11	Training and skills development policy	17-May-24
12	Experiential training policy	17-May-24
13	Succession plan policy	17-May-24
14	Internal bursary policy	17-May-24
15	Disciplinary code and procedure	17-May-24
16	Grievance policy	17-May-24
17	Diversity management policy	17-May-24
18	Employment equity policy	17-May-24
19	HIV and AIDS policy	17-May-24
20	Occupational health policy	17-May-24
21	Sexual harassment policy	17-May-24
22	Smoking in the workplace policy	17-May-24
23	Employee assistance policy	17-May-24
24	Work attendance policy	17-May-24
25	Bereavement policy	17-May-24
26	Dress-code, uniform and protective clothing policy	17-May-24
27	Information and communication usage policy	17-May-24
28	Housing allowance policy	17-May-24
29	Remuneration policy	17-May-24
30	Payroll management and administration policy	17-May-24
31	Performance management policy	17-May-24
32	Human resource strategy	17-May-24

**Table 1.7.3: Reviewed HR Policies**

#### 1.7.4. Vacancy rate

The municipality intend optimizing internal capacity through closing all vacancies. At the end of the financial year the vacancy rate was as detailed in table below:

DEPARTMENTS	TOTAL	FILLED	VACANCIES	RATE
Office of the Municipal Manager	18	16	2	11%
Planning, LED, Housing and Tourism	15	12	3	20%
Corporate	54	52	2	3%

DEPARTMENTS	TOTAL	FILLED	VACANCIES	RATE
Community Services	66	61	5	7%
Budget and Treasury	49	31	18	36%
Technical Services	114	110	6	3%
<b>TOTAL VACANCY RATE</b>	<b>318</b>	<b>282</b>	<b>36</b>	<b>11%</b>

**Table 1.7.4: Vacancy rate**

#### 1.7.5. Skills development

At the beginning of each financial year the municipality developed a workers' skills plan and set aside the budget and an amount of R 300 000 was allocated for 2023/ 2024 financial year to implement this plan. Skills development is one critical element in ensuring that the municipality attains the institutional capacity that allows it to deliver on its delivery mandate. The municipality spent 25% of the WSP budget during the year due to limitation of budget allocation for accommodation.

#### 1.7.6. Employment equity

The municipality is an equal opportunity employer and is committed to ensure a demographic balance of its workforce. The municipality has an employment equity plan in place but it has not reached its targets in full despite its efforts. Employment Equity Plan was submitted to Department of Employment and Labour in 09 January 2024. The municipality have a total of 08 disabled workers.

#### 1.7.7. Injury on duty

The municipality has been fortunate enough not to experience serious fatalities by any worker on duty, especially for staff members doing hazardous work like fire-fighting, electricity maintenance and waste collection. For this financial year, the municipality was able to maintain optimum safety standards for its employees.

#### 1.7.8. Suspensions

There were zero employees on suspension during the financial year and there are 04 pending cases.

#### 1.7.9. Employee wellness programme

The productivity of staff is dependent on a number of factors and one of them is their wellness either socially, economically, physically and emotionally. The municipality always strive to ensure that its employees' wellness is looked after by initiating a number of programmes aimed at supporting them. In this financial year an employee wellness event was held on 21 November 2023 and the following activities were undertaken:

- Presentation by Natal Joint Municipal Pension Fund;
- Financial education – Financial Sector Conduct Authority (FSCA)

In addition to this, most all employees underwent a medical examination which would also inform some of the interventions that the municipality may embark on in future. The municipality appointed a Clinically Psychologist (Opulence Group PTY Ltd) on 25 March 2024 who will assist employees with their problems ranging from abuse, drug problems, emotional, physical problems etc.



**Visual 1:** Highlights of the Employee Assistance Programme, which was organized by the Corporate and Community Services Department’s EAP office under the section, was held at Nquthu Stadium with the aim of creating teamwork among employees. Various games were played. There had also been a Netball team where Technical Services had won, and Council Chamber had won in Soccer. Employee did learn while also enjoying themselves. Gratitude was also expressed to the councillors who participated in the event.

#### **1.7.10. LLF functionality**

The municipality’s LLF is well functioning considering the fact that it is able to hold meetings and also able to consider matters referred to it and engage on them robustly until productive outcomes are realized.

#### **1.7.11. Job evaluation**

The job evaluation was successfully implemented as per the municipality’s policy and SALGA assessment outcomes. Outstanding issues that remain unresolved are being attended to using applicable processes.

#### **1.7.12. Labour unrest/strikes**

All labour related issues are discussed in the LLF and whenever employees have grievances they accordingly follow prescribed grievance procedures. As a result, there were no labour unrest or strikes in the year under review.

### **COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION**

## **2. WARD COMMITTEES**

### **Ward Committees status and functionality**

Ward Committees are established in all 19 wards in the municipality. The municipality submit reports, minutes of meetings and attendance registers to KZN COGTA for assessment in order to determine functionality of ward committees. Ward Committees sits on a monthly basis to discuss community challenges and development interventions and submits report.

However, there is still more work to be done to improve the overall capacity and ensure better functioning of ward committees through training and better information dissemination to ward committees through its chairpersons who are ward councillors.

The functionality of Ward Committees is monitored through the submission of ward reports regarding Ward Committee Performance, which basically assesses the performance of Ward Committees within Nquthu. The performance is measured in terms of the following indicators: -

- Number of Ward Committee Meeting held – 1 per month;
- Number of Ward Committee Meetings chaired by the Councillor – 1 per month;
- Percentage of attendance – 50 plus 1;
- Number of community meetings held – 1 per quarter;
- Number of sectoral reports – 10 per month; and
- Number of reports submitted to the municipality – 1 per quarter.

Majority of wards committees are functioning very well except to two wards which had challenges in the 2023/24 financial year, resulting in a decline to 89.5% from 100% in the previous financial year, as shown below.

War Room as per Ward	Functionality	War Room Champion
Ward 1 (a)	Functional	Cllr Z Sithole
Ward 1(b)	Functional	Cllr Z Sithole
Ward 2	Functional	Cllr. C.S Thusini
Ward 3.	None Functional	Cllr. L. Mkhwanazi
Ward 4.	Functional	Cllr. S.S Langa
Ward 5.	Functional	Cllr. M.E Mnguni
Ward 6.	Functional	Cllr. S.B Simelane
Ward 7.	Functional	Cllr NM Buthelezi
Ward 8.	Functional	Cllr. M.I Khoza
Ward 9.	Functional	Cllr. S.D Masimula
Ward 10.	Functional	Cllr MR Ngobese
Ward 11.	Functional	Cllr. S.M Buthelezi
Ward 12.	Functional	Cllr. S. Radebe
Ward 13.	Functional	Cllr. Z. Ndlovu
Ward 14.	Functional	Cllr. P.W.J Buthelezi
Ward 15.	Partially Functional	Cllr. J.N Khoza
Ward 16.	Functional	Cllr. M.C Mnguni
Ward 17	Functional	Cllr. T.M Hadebe
Ward 18	Functional	Cllr. T.A Dlamini
Ward 19	Functional	Cllr. S.M.C Zikode

**Table 2: Functionality of Ward Committees**

## 2.7. INTERGOVERNMENTAL STRUCTURES

### (a) IGR status and functionality

Intergovernmental relations is very important in the course of service delivery and/or community development to ensure that all organs of government engage and plan together to prevent duplication, fragmentation and also ensure that all government projects and programmes compliments each other. DDM has become the main strategic

programme to ensure that intergovernmental relations produce the results that development planning and execution is well integrated, effective and complimentary across all organs of government. With regard to the above, the municipality must ensure that it participate fully in all IGR structures and initiatives relevant to its functions and/or area of jurisdiction.

Nquthu LM has a fulltime official specifically dedicated to matters of intergovernmental relations. This is part of the municipality's commitment to working in partnership with all other role players in government.

#### **(a) Municipal role and participation in IGR structures**

Nquthu Local Municipality is fully committed to support and participate in all intergovernmental forums because it is the only way that different government role players can work in a well-coordinated and complementary manner. There are no established forums specifically for Nquthu Municipality but we participate at all district level forums with full commitment. And the sector departments attend all IGR forum meetings at a district level.

#### **(b) Relevant IGR structures**

##### ***Umzinyathi district level***

The following are Umzinyathi District Intergovernmental Forum that the municipality is participating on. These forums were established to ensure effective linkages in the DDM decision making processes.

- Speaker's Forum
- Planning Forum
- Disaster Management Forum
- Communicator's Forum

The following IGR Forums will be revived in the next financial year. These forums were functional but with the introduction of the new model old structures were not given full attention in the district.

- Mayor's Forum
- Municipal Manager's Forum
- Corporate Services Forum
- Infrastructure Forum [ Technical]
- General and Social Services Forum
- Chief Financial Officer's Forum

The structures discusses all pronouncements from provincial and national level. The municipality ensures that it table report emanating from this structure to council. However, there are challenges of miscommunication and non-attendance by some stakeholders. It is the belief of the municipality that this structure and other forums can and should be strengthened and well-coordinated for the betterment of every stakeholder and for better communication and better working relationship of all stakeholders.

#### ***Provincial level***

At the Provincial level, there are a number of IGR structures that create a linkage between the provincial sphere of government and local government:

- **Provincial IDP Forums:** These forums take different forms and mainly deal with IDP and SPLUMA issues and such forums are directly responsible for improving IDP credibility ratings in KZN because they allow municipalities and government departments to share information and best practices.
- **MINMEC:** This forum is generally composed of the National Minister and MECs of the same portfolio and in most cases Mayors and Municipal Managers are invited. This is a very important forum especially because if certain decisions have to be taken the seniority of those in attendance make decision making easier.
- **Premiers Coordinating Forum:** This is where the Premier gets the opportunity to engage municipalities on a variety of matters that need collective wisdom and also allow the Premier to set the tone in terms of the policy direction of government.

### ***District Development Model (DDM) platforms***

The President has introduced the a new model, known as the District Development Model (DDM), which aims to deal with the issue of lack of coherence in planning and implementation. The intention of this model is to pursue development through single and integrated plans per district, which will be further synchronized with Integrated Development Plans in municipalities. The Nquthu Municipality supports and will support the Umzinyathi District Municipality in the implementation of this model. The Municipality acknowledges the opportunities offered by this model in accelerating development. The Municipality participates in the implementation of the DDM.

DDM is a practical Intergovernmental Relations (IGR) mechanism for all three spheres of government & SOE's to work jointly and to plan and act in unison. The DDM is thriving at Umzinyathi District and is championed at district level. The municipality participate fully in the DDM Meeting held quarterly . This approach is very useful to ensure a well planned development and in promoting a long terms approach to development as opposed focusing on the short term investment and deferring all developmental challenges to future generations.

### **DDM Structures (Clusters and Hubs)**

#### ***DDM Technical Hub***

Oversee the development and recommendation of the ONE PLAN and ONE BUDGET of the agreed plan, according to district and local strategic objectives, national and provincial priorities and towards district/metro developmental impact.

The Technical Hub sits on a monthly basis to discuss reports submitted by different District Clusters

#### ***DDM Political Hub***

Ensure that all three spheres of government are operating in planning, budgeting & implementation unison thus enabling coherent, seamless and sustainable service delivery and development with integrated impact on the quality of life and quality of living spaces at municipal level. The DDM Political Hub sit on quarterly.

### **District Clusters**

Clusters foster an integrated approach to governance that is aimed at improving government planning, decision making and service delivery. There are four District Clusters within Umzinyathi District that sit on a monthly basis. The Nquthu Local Municipality participates in all clusters as per scheduled meetings. The Clusters report to the DDM Technical Hub. Below is the list of clusters

- Social Service Cluster
- ESID Cluster
- GSCID Cluster
- JPCS Cluster

### ***Operation Sukuma Sakhe (OSS)***

Operation Sukuma Sakhe is a call to the people of KwaZulu-Natal to show the determination to overcome a range of issues that have impacted adversely on communities including poverty, unemployment, crime, substance abuse, HIV / AIDS, tuberculosis and many other issues of concern. Through the implementation of this programme it is envisaged that all challenges are monitored and that an enabling environment for poverty reduction is in place. The programme addresses the challenges of extreme poverty and food insecurity which affect the people of KwaZulu-Natal. It focuses on creating healthy and sustainable communities and providing an integrated programme addressing the empowerment of women, children and other vulnerable groups. OSS is coordinated and implemented at various levels including, the ward, local municipality, district and provincial level. Using the OSS model, KZN is able to institutionalize the coordination and integration of service delivery.

At a local level, Operation Sukuma Sakhe (OSS) Forums are made up of Local Task Team (local municipality level) and War Room at a ward level and convene almost all stakeholder both government and non- governmental stakeholders. The Local Task Team elected the new structure at it meeting held on the 04 May 2023 at Municipal Council Chambers. The main function of OSS is to identify service delivery gaps especially those relating to social or urgent issues so that an intervention can be made by relevant stakeholders.

**Nquthu Local Municipality OSS Structure**

The Nquthu Local Municipality OSS Structure meets quarterly and reports to the District Task Team (DTT) quarterly. The arrangement of the OSS Structure is as follows:

**LOCAL TASK TEAM EXCO MEMBERS**

POSITION	INITIALS AND SURNAME	DEPARTMENT
Chairperson	Mr M Manqele	Nquthu Local Municipality
Deputy Chairperson	Mrs Mthethwa	Department of Justice
Secretary	Mr S Shabalala	Nquthu Local Municipality
Deputy Secretary	Ms M Buthlelezi	Business Chamber

**CIVIL SOCIETY FORUM**

- Chairperson – Mr Wilson Sithole
- Deputy Chairperson- Mrs Lindiwe Mafu
- Secretary - Ms Phumzile Ndlovu
- Deputy Secretary – Ms Thulile Myeza

Local Task Team (LTT) for Nquthu Municipality sits on a monthly basis. Below is the schedule of meeting conducted on the 2023/24 financial year. The schedule for next financial year will be finalized by end of financial year.

2023/2024	
Date	Venue
07 March 2024	Municipal Council Chamber
26 October 2023	Municipal Council Chamber
30 November 2023	Municipal Council Chamber
07 December 2023	Municipal Council Chamber
25 April 2024	Municipal Council Chamber
28 September 2023	Municipal Council Chamber
11 July 2023	Municipal Council Chamber
25 January	Municipal Council Chamber
22 February 2024	Municipal Council Chamber
30 May 2024	Municipal Council Chamber
24 August 2023	Municipal Council Chamber
27 June 2024	Municipal Council Chamber

**(b) Participation of Stakeholders**

Nquthu Local Task Team is established and functional. The attendance of stakeholder departments on the Local Task Team meetings have been improved.

The following departments are attending Local Task Team

- Department of Health
- Department of Home Affairs
- Department of Agriculture and Rural Development

- Department of Social Development
- Department of Home Affairs
- Independent Electoral Commission
- SASSA
- Department of Education,
- SAPS,
- Department of Human Settlement,
- Department Sport and Recreation.
- Department of Correctional Services

### **Operation Sukuma Sakhe Programmes and Support towards DDM implementation**

The Municipality in partnership with relevant department conducted awareness campaign on the 23 February 2024 in Ward 01-Qhudeni on Crime prevention.

Conducting awareness campaigns to schools regarding substance abuse and burglarizing in schools. These programmes will continue to take place in order to fight social challenges facing the community.

Department of Health is conducting the following ongoing Awareness Campaigns on in the community of Nquthu

- Teenage Pregnancy
- Substance Abuse
- HIV/Aids

The community is encouraged to take part during awareness campaigns to obtain information.

The municipality is planning to conduct KHIXI / Operation MBO to ensure at all areas that are far from Nquthu town are getting services that deserve without wasting any money. The services to be provided as follows:

- Health,
- ID Application,
- Indigent Registrations.

The DDM focusses on implementation of immediate priority projects, stabilization of local government and long-term institutionalization of integrated planning. Operation Sukuma Sakhe meeting sits on a monthly basis to discuss reports by Community Development Workers, government departments, support groups and NGOs. The report submitted by these sectors on Local Task Team are then tabled at the District Task Team and DDM Structure.

The current challenge is that the Local Task Team under Nquthu Municipality does not receive any feedback from DDM Structure. The LTT proposes inclusive projects to be funded by district that involve every stakeholders.

The municipality is in partnership with Assupol developing ECD centres. Seven Early Childhood Development Centres will be constructed in the 2024/25 financial year. ECD Educators also receiving capacity building from Assupol as a means of supporting and improving ECD Centres.

### **OSS Challenges**

Limited attendance by some of the departments (Department of Education and Agriculture) to Local Task Team Meetings. None response to reported matters by relevant departments.

## *COMPONENT D: CORPORATE GOVERNANCE*

### **2.8. RISK MANAGEMENT**

Section 62 (1)(c) (i) of the Municipal Finance Management Act (MFMA) No.56 of 2003 assigns an extensive responsibility to the Accounting Officer/ Municipal Manager to take all reasonable steps to ensure that the Municipality has and maintains effective, efficient and transparent systems of risk management and internal controls. Risk management policy of Nquthu Municipality as approved by the Council further extends responsibility to all municipal officials to implement effective systems of risk management within their areas of responsibility.

Enterprise Risk Management (ERM) forms a critical part of any institution's strategic management. It is the process whereby an institution both methodically and intuitively addresses the risk attached to their activities with the goal of achieving sustained benefit within each activity and across the portfolio of activities. ERM is therefore recognized as an integral part of sound organizational management and is being promoted internationally and in South Africa as good practice applicable to the public and private sectors.

The underlying premise of risk management is that every governmental body exists to provide value for its stakeholders. Such value is based on the quality of service delivery to the citizens. All institutions face uncertainty, and the challenge for management is to determine how much uncertainty the institution is prepared to accept as it strives to grow stakeholder value. Uncertainty presents both risk and opportunity, with the potential to erode or enhance value. Value is maximized when management sets objectives to strike an optimal balance between growth and related risks, and effectively deploys resources in pursuit of the institution's objectives

Risk management and Compliance office was transformed by the Accounting Officer (Municipal Manager) to extend its scope of risk and compliance monitoring responsibility to include risk management assurance and compliance reviews in order to:

- (a) Provide assurance on the adequacy and effectiveness of risk management, controls, and governance processes as implemented by the departments of the municipality, including compliance with legislations, regulations, policies and procedures, as well as other prescripts applicable to the Municipality.
- (b) Make recommendations to the Accounting Officer and management for corrective measures, and
- (c) Closely monitor and / or facilitate the implementation of corrective measures as agreed by management and / or approved by the Accounting Officer.

The risk management and compliance office shall co-ordinate its activities with Internal Audit in order to avoid duplication of efforts with internal audit activity and will mainly focus on the scope and /or transactions not covered by internal assurance audit activity during the period under assurance review.

In addition to the above, risk management and compliance office shall assist the Accounting Officer in executing special assignments in instances where internal audit activity is unable to conduct the special assignment due to capacity constraints and / or the requirement for the approval of the audit committee before any assignment could be conducted.

### **2.8.1. Municipal capacity**

#### *Risk management unit*

The risk management unit is located within the office of the municipal manager and consist of a dedicated risk management official.

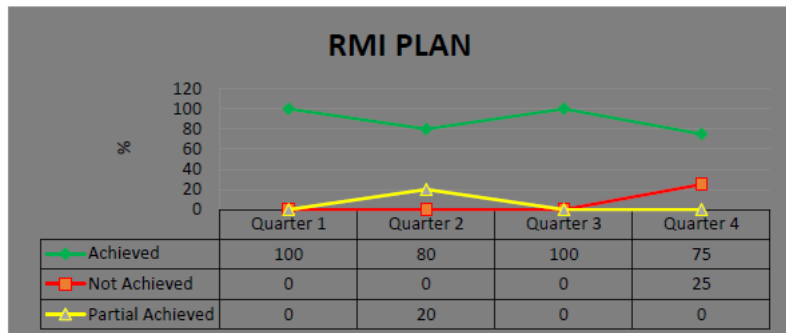
#### *Risk management committee*

There is a risk management committee consisting of an independent chairperson (who is also a member of the audit committee), risk management officer, all HODs and risk champions representing all departments.

#### *Risk management forum*

The risk management forum consists of risk champions representing all departments and also the risk management officer. This forum is responsible for coordinating the work of risk champions and preparing reports to the risk management committee where final decisions are taken. This committee is fully functional.

### 2.8.2. Enterprise Risk Management Implementation Plan (ERMIP)



Key points:

- The ERMIP was fully implemented with a 100% completion rate for Q1. This indicates a strong start to the financial year, with all planned risk management activities being executed as scheduled.
- The ERMIP was 89% implemented by the end of Q3 and Q4. This shows a slight decrease in implementation but still reflects a high level of commitment to risk management.
- Reporting by the RMC Chairperson to the Audit Committee and Council experienced delays due to the timing of meetings, but the targets were eventually achieved.

### 2.8.3. Operational risk action plans

DERP	QUARTER 1			QUARTER 2			QUARTER 3			QUARTER 4		
	A	NA	PA	A	NA	PA	A	NA	PA	A	NA	PA
OMM	100%	0%	0%	90%	10%	0%	94%	6%	0%	79%	21%	0%
BTO	88%	9%	3%	97%	3%	0%	88%	9%	3%	86%	3%	11%
TSD	100%	0%	0%	75%	12%	13%	100%	0%	0%	81%	0%	19%
PLD	93%	7%	0%	100%	0%	0%	94%	6%	0%	86%	14%	0%
CSD	79%	21%	0%	73%	24%	0%	100%	0%	0%	93%	7%	0%

Key points:

- The Office of the Municipal Manager and Technical Service Department achieved 100% implementation of their Q1 action plans.
- On average, 89.3% of operational action plans were implemented in Q1, demonstrating a high level of adherence to risk management protocols.
- The average implementation rate for operational action plans was 90% in Q4, with a peak of 97% in Q3.
- Delays were noted in reporting UIFW to Council, but these were eventually presented and addressed.
- Certain departments faced challenges due to staffing issues, such as the Corporate Services department, which had delays due to document disposal and staffing changes.

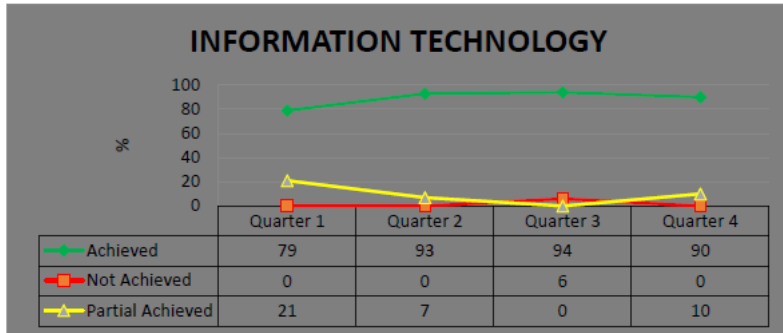
### 2.8.4. Fraud Risk Management

Key points:

- The fraud and ethics risk register was actively monitored, with 73% of planned activities implemented.

- Key activities included vetting newly appointed employees and addressing issues with electricity meters.
- The functioning of the debt review steering committee and visits to households and businesses for by-passed electricity meters were noted as areas needing attention.

### 2.8.5. IT Risk Management



Key points:

- The IT risk register identified 13 risks, with 79% of action plans implemented.
- The municipality is working on improving IT security, especially after a hacking incident, with plans to install additional protection measures.
- The implementation rate for IT risk action plans was 92% in Q4, with a slight decrease from 94% in Q3.
- Outstanding matters included the need for an approved charter for the IT Steering Committee and finalizing the IT asset disposal procedure.

### 2.8.6. Occupational Health and Safety (OHS)

Key points:

- OHS awareness campaigns are scheduled for June 2024 in addition to other risk action plans that were implemented.
- The OHS Committee faced challenges in meeting due to member absences which poses a risk dysfunctionality of this committee.

### 2.8.7. Strategic Risk Management



Key points:

- 80% of action plans were implemented in Q4 (Q3: 79%)
- Key outstanding action plans on strategic risk register include:

- Submitting UIFW reports to Council
- Database of all policies and their review dates
- Conduct performance workshop
- Training on supervisory skills
- Develop interim AFS

### **2.8.8. New, emerging, and materialized risks**

Key points:

- Prevalent of veld fires as a consequence of change in climate conditions has been Identified.
- New risks have been included in the new 2024/25 risk registers.

### **2.8.9. Business Continuity Management (BCM)**

Key points:

- The BCM program is still in draft form as is yet to be finalized.
- The municipality needs to urgently develop and implement a Business Continuity Plan, especially in light of recent IT security incidents.

### **2.8.10. Financial implications**

Key points:

- Some risk mitigations require budget allocations to be effectively implemented.
- Due to budget limitations, certain risks can only be partially mitigated.

### **2.8.11. Risk Management Chairperson recommendations**

#### ***Enhancing risk management culture:***

- ❖ Continue fostering a proactive risk management culture to minimize surprises and reduce the impact of unwanted events.

#### ***Addressing outstanding actions:***

- ❖ Departments should provide more narrative on outstanding matters and remedial measures.
- ❖ Prioritize filling vacancies and addressing delays in policy reviews and compliance activities.

#### ***Improving IT security:***

- ❖ Maintain focus on IT security measures, including the implementation of additional protection and training for the IT team.

#### ***Business continuity planning:***

- ❖ Urgently develop and implement the Business Continuity Plan to ensure critical business processes remain operational during disruptions.

The municipality has made commendable progress in implementing its risk management plans and addressing various risks. However, there are areas that require urgent attention, particularly in IT security and business continuity

planning. By addressing these challenges and continuing to foster a proactive risk management culture, the municipality can further enhance its capabilities and performance in managing risks effectively.

## 2.9. ANTI-FRAUD AND CORRUPTION

Anti-fraud and corruption mitigation is incorporated as part of risk management. The municipality develop an anti-fraud and corruption register with the assistance and support of the Provincial Treasury. As such, fraud and corruption is mitigated as part of risk management function as detailed in the previous section.

## 2.10. SUPPLY CHAIN MANAGEMENT

Supply chain management system in a municipality refers to the coordination and control of the flow of goods, services, and information within the local government's operations. It involves the planning, sourcing, procurement, production, storage, transportation, and distribution of resources needed for the municipality to function effectively and efficiently.

The primary goal of a supply chain management system in a municipality is to ensure the availability of necessary resources while minimizing costs and optimizing service delivery to residents. This system typically includes various components such as inventory management, supplier management, logistics, and information technology infrastructure.

### *Supply chain management policy*

There is SCM Policy and it was duly reviewed on 17 May 2024 as part of an annual policy review process and this policy is subjected to annual reviews to respond to gaps that are identified during implementation. Provincial Treasury has a capacity building team at the municipality and this team provided guidance and inputs on all financial policies to ensure that they are in line with new regulatory requirements.

The policy review focused on a new provision which arises from new regulatory provisions, in particular specific development goals that seek to promote local procurement and economic transformation by allowing the municipality to identify target categories to give preference to.

### *Functioning of bid committees*

<b>Committee</b>	<b>Functionality</b>
<b>Bid Specification Committee</b>	<i>Determines the exact requirements, qualities, quantities or specifications of the product or service to be procured to ensure that it shall correctly serve the purpose for which it was procured for.</i>
<b>Bid Evaluation Committee</b>	<i>Evaluate all received bids to determine the one that meets or exceeds the set requirements in terms of functionality, price and empowerment requirements in order to determine the highest scorer to be recommended to the bid adjudication committee.</i>
<b>Bid Adjudication Committee</b>	<i>Receive recommendations from bid evaluation committee and recommends to the accounting officer to make an appointment having satisfied itself that the bid was correctly evaluated in terms of applicable laws and set criteria and standards.</i>

#### **BID SPECIFICATION COMMITTEE**

- 1) Mr. M Shabalala - Chairperson - Assistant Accountant SCM
- 2) Mr. S Memela – Technician Civil
- 3) Mr. L Khoza – Manager: Waste Management
- 4) Mr. S Shabalala- Management Youth Development

#### **BID EVALUATION COMMITTEE**

- 1) Mr. MF Ngcobo – Manager IDP/PMS
- 2) Mr. ME Sibiyi- Manager Human Resources Management
- 3) Ms. TC Nyandeni- Manager Office of the Municipal Manager
- 4) Ms. P Ntuli - Chairperson

#### **BID ADJUDICATION COMMITTEE**

- 1) Mr BH Bhengu - CFO - Chairperson
- 3) Ms. SS Zulu - SCM Manager
- 5) Mr. L Hlongwane - Director Technical Services
- 6) Mrs KC Shabalala – Director Corporate and Community Services

#### **SECRETARY**

Ms. BN Buthelezi - Data Capturer

All the bid committees as outlined above are fully functional and sit regularly as required and all bid committee members have been trained by both a private institution for an accredited training as well as continuous training conducted by Provincial Treasury. However, there is still ample room for improvement in the overall functioning of bid committees. In most cases, weaknesses in the functioning and/or decisions of bid committees are revealed when there are objections which then uncover procedures or processes that were not followed.

#### ***Objections to bid outcomes.***

There were no objections to bid outcomes/processes in the 2023/24 financial year which is an indication that bidders trust the municipality's SCM system.

#### ***Procurement plan and its implementation***

On an annual basis, the municipality develops the Procurement Plan based on the budget allocated and set timelines which determine dates in which procurement processes must take place for those budget items. The Procurement Plan is always compiled and meets set standards; the real challenge is implementation. There are weaknesses in the implementation of the procurement plan which can be described as follows:

- Late internal requisition processes which make it impossible to meet prescribed legislative timelines for procurement of goods and services (i.e., non-compliant quotation advertisement dates). Should the municipality decide to insist on the prescribed quotation advertisement timelines, then service delivery is delayed and compromised, and therefore; this weakness has serious implications than perceived because the municipality must now choose between compliance and service delivery.
- Deviating from the Procurement Plan to procure unrelated budget items or items that are not at all budgeted for. This results in irregular and unauthorized expenditure that would have been otherwise avoided.
- And finally, failure to adhere to the Procurement Plan promotes poor planning because deviations become a norm rather than an exception. When officials know they can procure goods or services that they have plan for, the pressure to plan properly disappear!

The municipality has put measures in places to promote the implementation of the Procurement Plan, including putting procurement plan implementation indicator for every head of department.

#### ***Challenges***

There are SCM challenges that are experienced by the municipality that the municipality is working hard to address, which are:

- Failure by end user departments to fully implement their procurement plans (as mentioned above) by not sticking to their internal requisition timelines which results in non-compliant periods for advertising of quotations resulting in irregular expenditure.
- Lack of a system or technology to detect false declarations by service providers/bidders, especially those in the employment of the state.

### 2.11. BY-LAWS

The municipality has by-laws that regulates different aspects of municipal business especially as it relates to business administration, traffic management, pounding, land management, development planning, etc. Municipal by-laws were developed and gazetted after being issued to the public for comments, as required by law. The list of by-laws outlined below were gazetted and approved by Council and remain in force.

BY-LAWS	ADOPTION DATE
Municipal Public Road and Street Transport-by laws	29 June 2019
Out-door advertisement – by laws	29 June 2019
Electricity supply- by laws	27 October 2022
Street trading- by-laws	29 June 2019
Standing rules of order- by-laws	27 October 2022
Tariff policy for indigent persons- by-laws	28May 2021
Pound By law	29 June 2019
Rates By laws	28 May 2021
Public Transport By Law	29 June 2019
Disaster Management By Law	29 June 2019
Control of undertakings that sell liquor to the public – By law	29 June 2019
Building Regulations By Law	29 June 2019
Waste Management By Law	29 June 2019
By Laws relating Fire Brigade Services	29 June 2019
Keeping of Animal By Law	29 June 2019
Nuisance By Law	29 June 2019

### 2.12. POLICIES

The municipality has a number of policies some of which regulated matters of internal operations while have implications for the public in general depending on purpose and scope of each policy. Municipal policies mostly relate to human resources, finance, ICT, performance management, fleet management, businesses and records management.

Municipal Policies	ADOPTION DATE
HR Policies	17 May 2024
Finance Related Policies	17 May 2024
ICT Policies	17 May 2024
Performance Management Policy	26 March 2024
Fleet Management Policy	17 May 2024
Communication Policy/ Strategy	26 March 2024

### **2.13. BACK TO BASICS / MFMA CIRCULAR 88**

The B2B programme was introduced as a catalyst to ensure that there is compliance and service delivery in municipalities. The most important municipal functions were selected as main areas of focus upon which all municipalities shall report are submitted COGTA on a quarterly basis. The B2B has been replaced with MFMA Circular 88 from last financial year and indicators were reported and submitted on a quarterly basis.

### **2.14. MUNICIPAL WEBSITE**

The municipal website is a very important instrument communication tool of the municipality. There have been challenges with the functioning of the website in the past but these were resolved by the appointment of a new service provider and the municipality's website has been functioning well.

### **2.15. PUBLIC SATISFACTION SURVEY**

Public satisfaction survey is an important method to evaluate the levels of satisfaction or confidence that the public have about the ability of the municipality to deliver services, but such exercise is expensive and requires that it is conducted professionally to ensure the credibility of its outcomes. Fortunately, the municipality's public participation systems as well as complaint management system enables the municipality to solicit the views of the public on a continuous basis in order to get an idea of satisfaction levels. Further to that, the plans to conduct online surveys in the coming years as this is a more cheaper method for both the municipality and residents.

### **2.16. INTERNAL AUDIT**

In terms of Section 62 (c) of the Municipal Finance Management Act no 56 of 2003 (MFMA), 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-

- i. that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control; and
- ii. internal audit operating in accordance with any prescribed norms and Furthermore, Section 165 (1) of the MFMA, states that the each municipality must have an internal audit unit.

Section 165 (2) states that the internal audit unit of a municipality must-

- (a) prepare a risk-based audit plan and an internal audit program for each financial year;
- (b) advise the accounting officer and report to the audit committee on the implementation of the internal audit plan and matters relating to internal audit;
  - i. internal controls;
  - ii. accounting procedures and practices;
  - iii. risk and risk management;
  - iv. performance management;
  - v. loss control; and
  - vi. compliance with this Act, the annual Division of Revenue Act and any
  - vii. other applicable legislation; and
  - viii. perform such other duties as may be assigned to it by the Accounting Officer.

The municipality has a permanent internal auditor but due to capacity constraints he is supported by a professional and reputable auditing company (Ntshidi & Associates) to ensure that the internal auditing function is performed effectively.

The scope of internal audit is wide to cover as many areas as possible to ensure that internal control deficiencies are identified early enough so that suitable intervention can be made. The internal audit unit conducted an audit and issued a number of reports in the 2023/24 financial year as shown below:

Area	Proposed Commencement Date	Proposed Completion Date	Completion status
<i>Contract &amp; Project Management</i>	Mar-24	Apr-24	Complete
<i>Revenue &amp; Debtors Management</i>	Feb-24	Mar-24	Complete
<i>Supply Chain Management</i>	Feb-24	Mar-24	Complete
<i>Fixed Asset Management</i>	May-24	Jun-24	Complete
<i>Status of Records and interim AFS</i>	Apr-24	May-24	Complete
<i>Grants, Bank &amp; Investments Management</i>	Feb-24	Mar-24	Complete
<i>Payroll and HR Management</i>	Feb-24	Mar-24	Complete
<i>Internal Audit Follow</i>	May-24	May-24	Complete
<i>IT Review</i>	Apr-24	Apr-24	Complete
<i>External Audit Follow</i>	May-24	Jun-24	Complete
<i>Fleet Management</i>	Jan-24	Feb-24	Complete
<i>Quarter 1 Performance review</i>	Oct-23	Nov-23	Complete
<i>Quarter 2 Performance review</i>	Jan-24	Feb-24	Complete
<i>Quarter 3 Performance review</i>	Apr-24	May-24	Complete
<i>Quarter 4 Performance review and Annual Report – 2022/2023</i>	July/August 2023	Aug-23	Complete
<i>AFS review – 2023</i>	July/August 2023	Aug-23	Complete
<i>Expenditure Management</i>	Jan-24	Feb-24	Complete
<i>Inventory</i>	Jun-24	Jun-24	Complete
<i>Other operational reviews:</i>	Dec-23	Dec-23	Complete
<ul style="list-style-type: none"> <li>▪ <i>Waste Management</i></li> <li>▪ <i>Disaster Management</i></li> <li>▪ <i>Occupational Health &amp; Safety</i></li> <li>▪ <i>Traffic management</i></li> </ul>			
<i>Compliance &amp; Governance</i>	Apr-24	Apr-24	Complete

**Table 2.16:** Internal Audit reports issued

## 2.17. AUDIT COMMITTEE

All Audit Committee vacancies are filled with suitably qualified and experienced individuals with different areas of specialization or expertise, namely; performance management, auditing, legal, risk management and accounting. However, the specialist for performance management became vacant during the course of the financial year and it has not been filled.

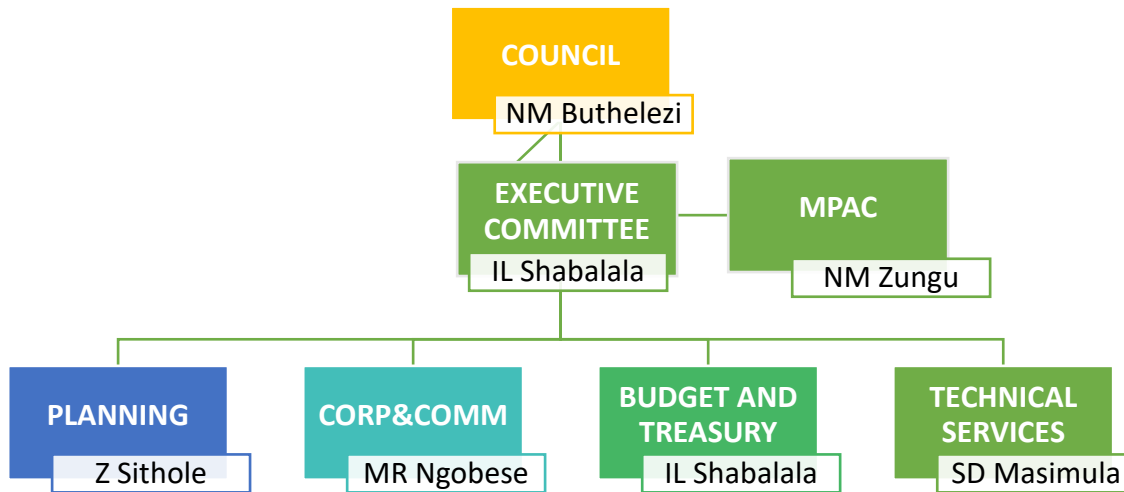
## CHAPTER 02: GOVERNANCE

### COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

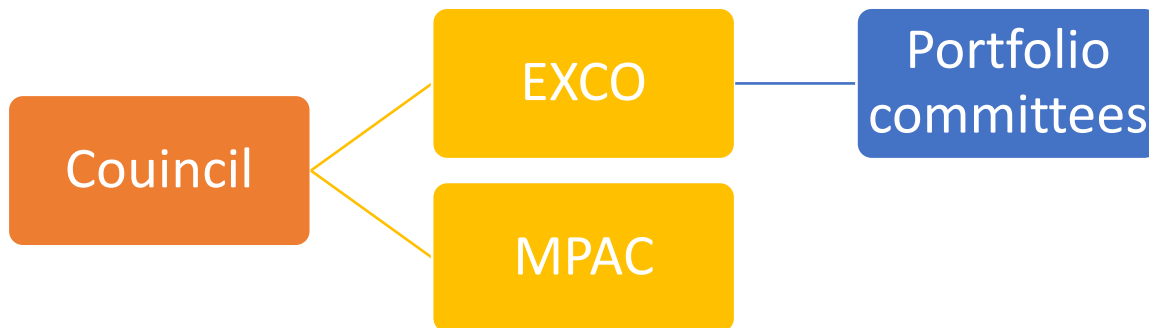
#### 2.18. POLITICAL GOVERNANCE

##### 2.18.1. Political structure

The municipality's highest decision-making structure is Council which is presided over by the Speaker. The structure which looks into the day-to-day business of the municipality is the Executive Committee which is presided over by the Mayor and has subcommittees which are generally referred to as 'portfolio committees'. All chairpersons of portfolio committees are EXCO members and report and/or make recommendations to EXCO which subsequently reports to Council through the Mayor. Portfolio committees are made up by all members of Council and cover all aspects of municipal functions by considering reports and making specific recommendations about specific matters. MPAC is the primary oversight arm of Council and play an oversight role over EXCO and also produce an oversight report on behalf of Council. MPAC reports directly to Council.



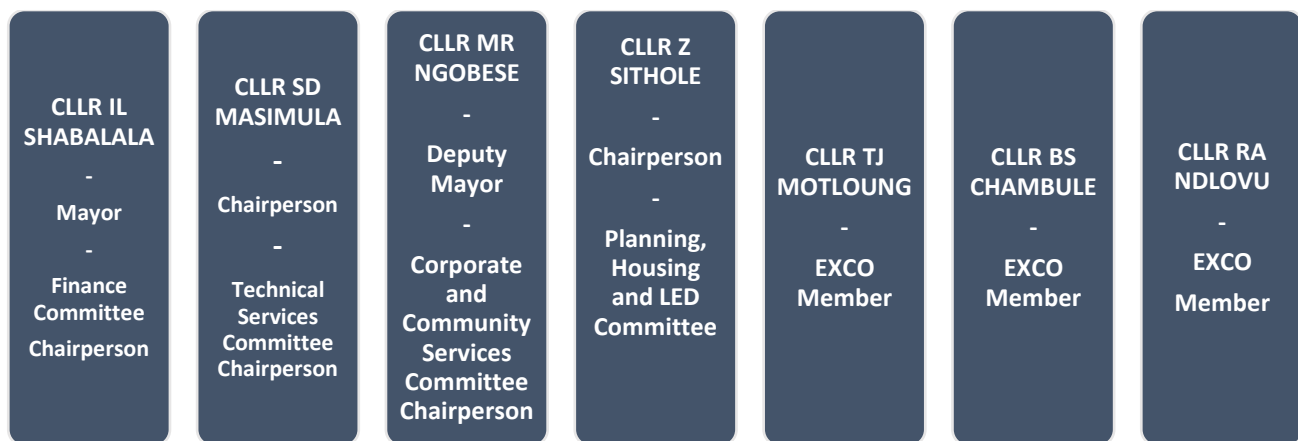
**Figure 1:** Political structure (including names of structures and chairpersons)



**Figure 2:** Relationship between council and its structures

##### 2.18.2. Executive committee

Members of the Executive Committee of the municipality are shown below.



**Figure 3: Members of the Executive Committee**

### 2.18.3. Full time councillors

The municipality has three full-time councillors consisting of the Mayor, Deputy Mayor and Speaker, as shown in the figure below.

<b>MAYOR</b>	• <b>Cllr IL Shabalala</b>
<b>SPEAKER</b>	• <b>Cllr NM Buthelezi</b>
<b>DEPUTY MAYOR</b>	• <b>Cllr MR Ngobese</b>

**Figure 4: Full-time office bearers**

### 2.18.4. Other municipal committees

<b>MUNICIPAL PUBLIC ACCOUNTS (MPAC)</b>			
<b>COUNCILLORS NAME</b>	<b>DESIGNATION</b>	<b>GENDER</b>	<b>PARTY</b>
1. Cllr. NM Zungu	Chairperson	Female	IFP
2. Cllr G.A. N. Buthelezi	Member	Female	IFP
3. Cllr T.A Dlamini	Member	Male	IFP
4. Cllr S.B Simelane	Member	Male	IFP
5. Cllr J.N Khoza	Member	Male	IFP
6. Cllr S.M.C Zikode	Member	Male	ANC
7. Cllr T.M Hadebe	Member	Male	ANC
8. Cllr S.Y Nyoka	Member	Female	EFF
9. Cllr K.A Msimango	Member	Male	ABC
10. Cllr S.S Langa	Member	Male	ANC

**Table 2.18.4: Municipal Public Accounts Committee members.**

### 2.18.5. Portfolio committees

#### *Technical Services:*

<b>NAME AND SURNAME</b>	<b>DESIGNATION</b>
1. Cllr. S.D Masimula	Chairperson
2. Cllr. C.T Buthelezi	Member
3. Cllr. S.B Simelane	Member
4. Cllr. M.E Mnguni	Member
5. Cllr. M.N Khanye	Member
6. Cllr. N.S Vilakazi	Member
7. Cllr. Z. Ndlovu	Member
8. Cllr. J.N Khoza	Member
9. Cllr. FP Hlatshwayo	Member
10. Cllr. SP Mazibuko	Member
11. INKosi SP Zulu	Member

**Table 2.18.5(a):** *Technical Services Portfolio Committee*

#### *Corporate and Community Services:*

<b>INITIALS &amp; SURNAME</b>	<b>DESIGNATION</b>
1. Cllr. MR Ngobese	Chairperson
2. Cllr. L.S Hoffman	Member
3. Cllr. L Mkhwanazi	Member
4. Cllr. S Radebe	Member
5. Cllr. T.J Motloung	Member
6. Cllr. C.S Thusini	Member
7. Cllr. T.A Dlamini	Member
8. Cllr. T.M Hadebe	Member
9. Cllr. JN Khoza	Member
10. Cllr. S.S Langa	Member

**Table 2.18.5(b):** *Corporate and Community Services Portfolio Committee*

#### *Budget and Treasury:*

<b>INITIALS &amp; SURNAME</b>	<b>DESIGNATION</b>
1. Cllr. IL Shabalala	Chairperson
2. Cllr. S Radebe	Member
3. Cllr. MC Mnguni	Member
4. Cllr. MI Khoza	Member
5. Cllr. Z Ndlovu	Member
6. Cllr. BS Chambule	Member
7. Cllr. RA Ndlovu	Member
8. Cllr. CN Xulu	Member
9. Cllr. SM Kunene	Member
10. Ibambabukhosi H M. Mncube	Member

**Table 2.18.5(c):** *Budget and Treasury Portfolio Committee*

*Planning, Housing and Local Economic Development:*

<b>INITIALS &amp; SURNAME</b>	<b>DESIGNATION</b>
1. Cllr. Z Sithole	Chairperson
2. Cllr. SM Buthelezi	Member
3. Cllr. MC Mnguni	Member
4. Cllr. CT Buthelezi	Member
5. Cllr. Z Ndlovu	Member
6. Cllr. SMC Zikode	Member
7. Cllr. PWJ Buthelezi	Member
8. Cllr. GAN Buthelezi	Member
9. Cllr. QM Ngobese	Member
10. Cllr. SG Hlatshwayo	Member

**Table 2.18.5(d):** *Planning, Housing and Local Economic Development Portfolio Committee*

### **2.18.6. Functional analysis**

All these structures mentioned above function optimally as they hold meetings as requires by law and/or the municipality's schedule of meetings. However, there isolated incidents where a quorum is not met due to work related commitments by councillors but that is rectified by referring matters that were tabled before it to EXCO or defer them to the next meeting if those matters are not of an urgent nature.

### **2.19. ADMINISTRATION/MANAGEMENT STRUCTURES**

#### ***(a) Management Committee (MANCO)***

MANCO is fully functional and meets on a weekly basis to attend to municipal work that requires its attention. There are also other committees reporting to MANCO like the Development Compliance Committee which attend to the enforcement of by-laws.

#### ***(b) Development Compliance Committee***

This committee attend to development compliance matters and also the enforcement of municipal by-laws. The main specific areas that this committee focuses is land-invasion and illegal structures, unauthorized bill-boards, stray animals, littering, illegal connections, etc.

#### ***(c) Local Organizing Committee***

This is a standing event management committee which ensure compliance and preparations for all municipal events like public participation, sword turnings and projects hand-overs.

## **CHAPTER 03: SERVICE DELIVERY PERFORMANCE**

### **COMPONENT A: BASIC SERVICES**

#### **3.1. WATER PROVISION**

Water shortage is a serious challenge in Nquthu and the district as a whole. Water provision is UDM function and all water related matters are reported at a district level. The municipality will engage the reports of the district to fully familiarize itself with the actual water service provision actuals.

#### **3.2. SANITATION**

Sanitation, just like water provision, is the function of UDM but the municipality was consulted about some of the sanitation projects being undertaken in Nquthu.

#### **3.3. WASTE MANAGEMENT**

The last few years have seen South Africa taking significant steps towards improved waste management at a policy, legislation and planning level; most significantly with the promulgation of the National Environmental Management: Waste Act 59 of 2008 (hereafter Waste Act), the revised National Waste Management Strategy GN 344 of 2011 (NWMS) and a number of guidelines which have been published. In terms of Schedule 5B of the Constitution of South Africa, 1996 Constitution (Act 108 of 1996) (the Constitution) waste management is a local government competency that must be executed to protect human and environmental health. Hence it is largely at the local authority level where waste policies and plans are physically implemented and hence it is vital that waste planning at this level receives the attention it deserves. Integrated waste management planning plays a key role in this.

##### **3.3.1. Internal capacity**

The waste management unit adequately staffed in terms of personnel, however; this section has a capacity challenge when it comes to waste collection infrastructure like pedestrian bins, skip bins and a not well equipped landfill site that is not entirely compliant.

##### **3.3.2. Waste collection**

Waste collection is divided into two categories, there is billed waste collection for Nquthu Town and also minimal waste collection at the out-flung rural areas which is performed in terms of the municipality's recycling project. The recycling project is being developed because its advantage is three fold; it provides income for waste pickers and waste ambassadors, extend waste collection of the municipality and also improve recycling.

##### **3.3.3. Recycling**

The municipality have a functional Buy Back Centre that is dedicated to sorting, measuring, packaging and storing recyclable waste for selling to recyclers. This facility is properly equipped and employs seven staff and is operated by the service provider.

The following equipment was procured for the Buy Back Centre to run its operations:

- Recyclable waste collection truck;
- Five (5) Ton forklift for moving around heavy loads at the centre;
- Bailing machine;
- Other recycling related equipment.

One of the benefits of the recycling programme is to divert the amount of waste form going to the landfill site thus making an impact in extending its lifespan. However, in the 2023/24 financial year, Buy Back Center operations were disrupted but plans to restores operations were already underway as the financial year ended.

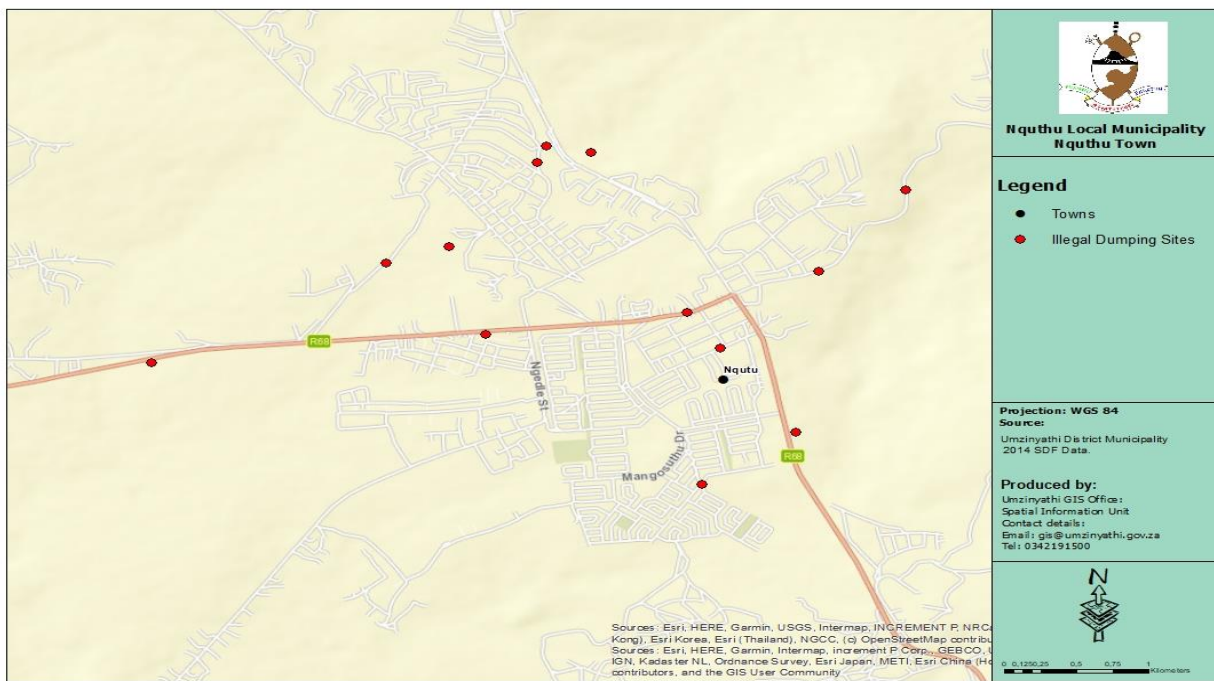
**3.3.4. Landfill site**

The municipality has a licenced landfill site locates at Nondweni. This site is annually audited to ensure that all matters that need to be rectified are attended to. Furthermore, KZN Economic Development, Tourism and Environmental Affairs also audit and issued a non-compliance certificate.

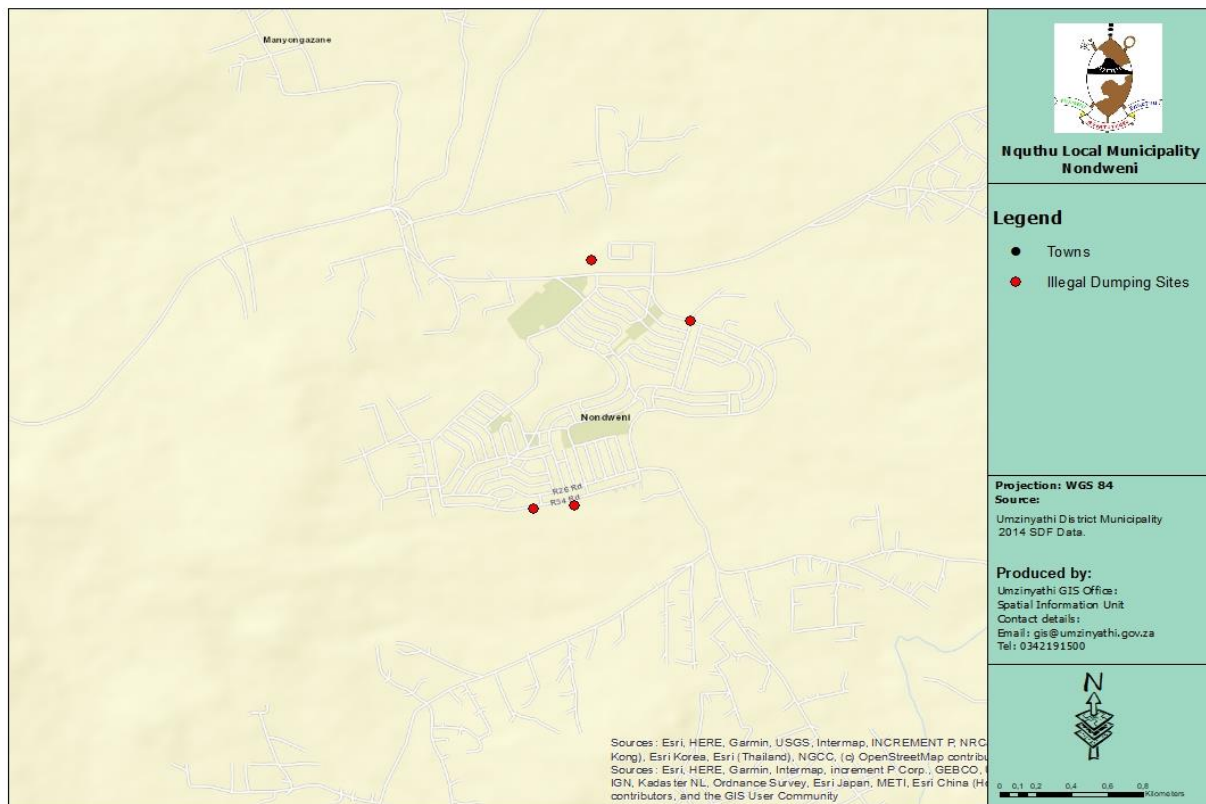
**3.3.5. By-law enforcement**

The municipality has a functional development compliance committee which seeks to enforce waste management bylaws, among other things. The municipality is struggling with the challenge of illegal dumping and identified a number of areas where illegal dumping is a serious challenge, as shown in the maps below.

*Nquthu Town*



## Nondweni area



### 3.3.6. Awareness campaigns

Littering and illegal dumping is partly due to a lack of waste management awareness campaigns. Public awareness on the issues of illegal dumping needs to be improved and the public needs to be informed of who to contact should they witness illegal dumping and what details should be recorded. The municipality normally conducts clean-ups and awareness campaigns at least once per quarter, but we need more in order to achieve positive results. The municipality have an intensive waste management related campaigns in order to inform communities about the role they can play to ensure a cleaner Nquthu.

The municipality conducted two waste management campaigns in the identified hotspot areas to alert communities about best waste disposal practices and the dangers of illegal dumping.

### 3.3.7. Challenges

While the municipality is doing its best to improve waste management within Nquthu, there are still challenges that need to be addressed going forward, including:

- Lack of adequate environmental/waste management education especially in rural areas;
- Street vendors are continuing with burning of waste in Nquthu CBD;
- Extremely inadequate pedestrian bins which promote the culture of throwing litter directly on the streets;
- Illegal dumping seems to be the problem especially along the river banks, and
- Insufficient capacity in terms of equipment and financial resources.

The municipality is utilizing the Development Compliance Committee which a municipality multidisciplinary committee that make recommendations and take collective actions to address challenges of this nature.

### **3.4. ELECTRICITY**

While electricity provision is one of the functions of the municipality but it performs this function in conjunction with Eskom since a larger portion of national electrification grants allocated to Nquthu are channelled into Eskom in terms of DORA. The municipality is fully responsible for electricity reticulation and maintenance in the licenced municipal area which include Nquthu Town and Nquthu township located in Ward 9 (Ward 14 before 01 November 2021). The rest of Nquthu is under the control of Eskom but the municipality does implement electricity connection projects in Eskom areas and hand over those projects to Eskom after completion.

A total of 438 new households were connected to the electricity grid and a total of 45 357 of 50kw/h free electricity units were provided to households in Nquthu. The municipality has set itself a standard of processing applications for new electricity connections within a 14 day turn-around time, however; only 28.5% of these households that had applied were connected within the set turn-around time due to various factors which the municipality will address going forward.

When all the current electricity projects are finalized, Nquthu will then be assessed to determine if it has reached the universal electricity connection status meaning there are no unelectrified areas within the municipality except for new households and few households that may have been omitted by mistake during electricity projects.

### **3.5. FREE BASIC SERVICE AND INDIGENT SUPPORT**

The municipality make provisions for qualifying households by providing FBE and rebates on rates. However, this programmes has not been well managed resulting in audit findings, so the municipality seeks to improve the management of its indigent programme going forward to address current weaknesses.

## **COMPONENT B: ROAD TRANSPORT**

### **3.6. ROADS**

Four (4) access roads were completed and these roads are now in use, and one (1) access roads was at 89% of construction progress as at 30 June 2024 and will be completed in the new 2024/25 financial year. Access and movement have been greatly improved for communities that are serviced by or use these roads.

The municipality continues to meet the set turn-around time to fix potholes in Nquthu Town. Access roads, amounting to 74.9 km in all wards were maintained by blading, exceeding the set target by 19.9 km. Unfortunately, failure to procure the pedestrian roller on time resulted in no pothole being fixed in the 2023/24 financial year, but the this problem had been resolved by acquiring a pedestrian roller as at 30 June 2024.



**Visual 2:** Some of the plant and equipment used by the municipality for road maintenance.

### 3.7. TRANSPORT

The role of function of the municipality as far as transportation is concerned is currently limited to issuing of operating permits and approval of routes to taxi operators and also the maintenance of taxi ranks in terms of ablution facilities and refuse collection. However, plans are underway to develop the municipality's Integrated Local Transport Plan which will become a blueprint for transportation regulation within the municipality.

### 3.8. STORMWATER

Water drainage system is a very critical in managing water flow especially during heavy rains to prevent uncontrolled flooding or dangerous accumulation of water on the road, especially in Nquthu Town. The bulk stormwater project was completed in the previous financial year and none was constructed in the 2023/24 financial year. The main purpose of this stormwater is to channel water away from Nquthu Town's residential areas to prevent potential flooding that may result from heavy rains. The municipality has extensive stormwater network but the maintenance and/or cleaning remains a challenge due to a low repairs and maintenance budget.

## COMPONENT C: PLANNING AND DEVELOPMENT

### 3.9. PLANNING

#### 3.9.1. Integrated development planning

##### ***MEC comments in preparation for 2024/25 IDP***

Municipal Systems Act requires that the IDP be sent to the Provincial MEC for assessment after which the MEC compile comments to assist the municipality to improve the credibility of its IDP. The IDP was duly submitted and the MEC conducted an in-depth assessment of the IDP against set guidelines issued comments for municipal considerations. The MEC comments have been duly considered in the development of the 2024/25 IDP review, however, it should be noted that there are still areas in which the municipality is struggling in like fully aligning its projects and programmes with the long-

term goals and targets of the PGDS, DGDG and the district's One Plan. While an undertaking is made in the planning documents, that is not extended to municipal budget and the actual allocation of financial resources.

As per the MEC recommendations, the municipality participates fully on the DDM structures and processes but, as mentioned above, more still need to be done to fully implement the goals and targets of One Plan in order to realize the set development goals, especially spatial and economic targets.

### **Public consultations**

The municipality has adopted a continuous consultation approach whereby WBPs are identified as strategic tool for a more effective public consultation process whereby Councillors use their meetings to gather the views of the public about their needs and priorities. WBPs then becomes the basis for the IDP review as it specifically identifies community needs, backlog and priorities at a ward level and then align and consolidate that information into the IDP. Specific consultations with different stakeholders were as follows:

- IDP Roadshow: 02 April 2024 – UDM event.
- IDP Stakeholders Forum (LTT): 25 April 2024
- Mayor's consultation with AmaKhosi: 26 April 2024
- Meeting with rate payers: 15 May 2024

### **Input by Councillors**

Councillors are the main representatives of the people, and they understand the needs of the people better. Inputs are continuously received from Councilors during the process. However, councilors will have to ensure that their inputs do not deviate from approved WBPs unless those plans have been amended.

### **Strategic planning resolutions**



The strategic planning made recommendations which eventually adopted by Council. Such recommendations provide a strategic direction and define the development trajectory for the municipality upon which the IDP is based. The Strategic Planning Session was conducted in 19 to 23 February 2024 and KZN COGTA, Assupol Community Trust, UDM, Provincial Treasury and other stakeholders.

**Visual 3:** Councillors at the Strategic Planning Session developing plans and strategies for the 2024/25 financial year.

### ***IDP and Budget Steering Committee***

The municipality, as set out in the IDP and Budget Process Plan, did merge the IDP Steering Committee and the Budget Steering Committee into one committee to ensure proper coordination and alignment since there were challenges when these committees were constituted separately. The IDP and Budget Steering Committee sits frequently on scheduled dates and hold special meetings when the need arises. In most cases, scheduled dates are not entirely followed but all planned meetings are held and timelines are met even although dates may differ. The IDP and Budget Steering Committee is fully functional and the 2024/25 IDP and Budget Steering Committee will further tighten the provisions relating to the functions of this committee to further improve its functionality going forward.

### ***Council approval***

After an intense deliberations, Council ultimately and unanimously approved the 2024/25 IDP Review of 17 May 2024 and directed the Municipal Manager to publish it and send it to the MEC for COGTA.

### **3.9.2. Spatial and development planning**

Spatial and development planning is the function of the Town Planner who heads the development planning section. This section is responsible for the following:

#### ***Programmes/projects***

<b>No.</b>	<b>Programmes/project name</b>	<b>Responsible section</b>
1.	Spatial Development Framework Review	Development Planning
2.	Development of Precinct Plans	Development Planning
3.	Processing Development Applications	Development planning
4	Number of Development Compliance Committee meetings	Development planning
5	Scheme Register update	Development planning
6	Land administration	Development planning
7	Management of Development Planning Risk Register	Development planning
8	Drafting Municipal comments on Developmental matters	Development planning
9	Management of outdoor advertisement	Development planning

#### ***Achievements:***

- There is a functional Municipal Manning Tribunal.
- There is a Municipal Authorised officer.
- There is a Development Compliance Committee to enforce compliance.
- There are planning tools in place.
- The municipality received funding from DARD to review the SDF.

#### ***Challenges:***

- There is a need of budget on activities such as SDF review and precinct plans because they are multidisciplinary.
- Land invasion remains a pervasive challenge and very difficult to contain.
- Shortage of local area plans in strategic areas.
- Shortage of municipal land for development.

### **3.10. GEOGRAPHICAL INFORMATION SYSTEMS (GIS)**

The municipality has an in-house GIS unit which initially had a fulltime and suitably qualified GIS practitioner and also a plotter machine and all required software which the municipality is continuously upgrading. The GIS practitioner did leave the position to occupy a more senior position after which all GIS matters were handled by interns but under his supervision. No permanent GIS practitioner had been appointed at the end of the financial year. The GIS Steering Committee was also established and is fully functional. This unit is primarily responsible for gathering and managing all geographical and statistical data to ensure that the municipality has credible basis for planning and reporting. This unit also provides services to the community especially local learners and architects and also government departments by providing them with maps and printing services.

This unit has been very instrumental in providing mapping and spatial data analysis services to the municipality's IDP and Development Planning sections. Further to that, sector departments, learners as well as the general public make use of this unit for mapping, research or printing of building plans since this unit has a plotter machine. GIS Day was also held to raise awareness about the functions and the usefulness of GIS and different National and Provincial stakeholders participated to impart knowledge to all attendees which included learners, municipal staff and sector departments.

### **3.11. LOCAL ECONOMIC DEVELOPMENT**

#### **(a) Internal capacity**

One of the biggest challenges facing Nquthu is low economic growth, economic participation by the majority and high unemployment rate, therefore; the primary function of this department is to spearhead and coordinate all programmes and projects aimed at dealing with this challenge. For this reason, it becomes very important that this department is well resource in order to be able to tackle these difficult challenges. The municipality's LED unit is located in the planning, housing and led portfolio committee and consists of four officials. In terms of budget, there is a serious shortage due to the low capacity nature of the municipality but every effort is made to make the best out of the meagre available financial resources.

#### **(b) Implementation of LED programmes**

The LED unit has developed and implemented a number of LED related programmes which are set out and reported below. Some of the programmes are implemented with the support of other external stakeholders like sector departments, SEDA, tertiary institutions, etc.

#### ***Driver's License Development Programme:***

This programme was designed to assist the unemployed youth that would otherwise not afford to acquire driver's licenses so that they can be in a better position to look for jobs since most jobs requires a driving license. A total of 45 youths did benefit from this programme in the 2023/24 financial year and 23 of the beneficiaries had already acquired their driving licenses as at 30 June 2024.

#### ***Clothing and Textile Development Program:***

Small business development is one of the key priorities for the South African government to reduce unemployment and creation of job opportunities. It is also one of key important aspect to address the unemployment challenges and human development at Nquthu Local Municipality.

One of the responsibilities of the office of local Economic Development is to support Small medium and micro enterprises to stimulate our local economy and address poverty also to create job opportunities. The program that the office resolved to embark on this financial year is to support the Clothing and Textile Cooperative with training on

how to make school uniforms and overalls, sewing equipment (Industrial sewing machine, overlocker, tables and chairs) where they will be able start their businesses and obtain enough skill to grow and sustain their businesses.



**Visual 4:** Local sewing SMMEs during training organized by the municipality’s LED unit.

**Subcontracting programme:**

The LED section took the initiative to develop Small Medium Micro Enterprises within Nquthu Municipality by establishing a Subcontracting Program. The Program is aimed at growing these businesses through Subcontracting on Municipal Big Projects. The Municipality through the LED Section facilitates the process of linking appointed main contractors with potential Local Subcontractors. The objectives of this programme are as follows:

- To encourage and promote the transfer of skills from well-established enterprises to small enterprises;
- Give effect to the provisions of the Constitution and all economic empowerment laws of South Africa;
- Grow, strengthen and regulate the municipality’s subcontracting programme;
- Nurture, empower and grow local emerging and small enterprises;
- Encourage and promote the transfer of skills from established enterprises to small enterprises, and
- Broaden the economic benefits of public procurement.

**Women in Business Development Seminar:**

The Women's Business event held at VA The Heads Hall went very well. Various speakers emphasized the importance of independence for women. The event was attended by many women. Attendees enjoyed the event, with various committees and delegates receiving certificates and leather-bound files to help them organize their business records. Businesses also benefited from these files, and some participants showcased their work by showcasing it to the seminar to connect with potential customers.



**Visual 5:** The Women's Business event held on 23 August 2023. Various speakers emphasized the importance of independence for women. The event was well attended, with Enough Women providing the speaker of the day. Attendees enjoyed the event, with various committees and delegates receiving certificates and leather-bound files to help them organize their business records. Businesses also benefited from these files, and some participants showcased their work to the attendees.

**Capitalization of local SMMEs:**

The municipality through its different sections and programmes, does providing machinery and equipment to local SMMEs to enable to start, improve or grow their businesses.



**Visual 6:** On 14 July 2023, A tent, 50 chairs and 5 folding tables were handed-over by the Mayor to local cooperatives who need this material for their businesses. Different cooperatives benefit every year.



**EQUIPMENT:**

- Poultry
- Event Management
- Catering Services

**Visual 7:** On 29 February 2024 the Mayor handed-over equipment to various cooperatives from ward 01, 02, 04, 08, 10, 11, 12, 14, 17, and 19. This equipment were for businesses in poultry, catering and event management sectors, in the main.



**Visual 8:** On 31 October 2023, as part of support to small local farmers during the planting season, the municipality provided farmers from all wards with fertilizers and the Department of Agriculture and the Economic Development, Tourism and Environment Affairs were also invited to provide necessary information and basic training to farmers. This is part of support the municipality provide to local which also includes, among other things, fencing and soil cultivation services.

#### COMPONENT D: COMMUNITY SERVICES

### 3.12. COMMUNITY FACILITIES

#### 3.12.1. Library services

Libraries hold significant importance within communities due to their multifaceted contributions. They serve as hubs for knowledge dissemination, education, and social interaction. Libraries play a crucial role in communities, serving as vital centers for knowledge sharing, education, and fostering social connections. They are invaluable resources that provide access to a wide range of information and learning opportunities. Libraries not only offer a diverse collection of books, but they also provide access to digital resources, technology, and educational programs. These institutions promote literacy, empower individuals to acquire new skills, and facilitate lifelong learning.

Library services is one area in which the municipality is performing with the assistance and support of the Department of Arts and Culture which build and fund part of municipal library services. There are also satellite libraries located in different schools. There are four main libraries which are, Nquthu Library, Nondweni Library, Patsoane Library and Ngolokodo Library libraries. Six centres were identified in order to house books and other reading material and six volunteers were employed to run the service. The centres are located at the following areas:

*Isandlwana Tribal Court*

*Ntanyandlovu Primary School*

*Msimbu Secondary School*

*Mhlungwane Community Hall*

*KwaNyezi Primary School*

*Scelimfundo Combined School*

#### **Services and programmes**

In addition to standard library services, there are also a number of other services and/or activities that the library carries out the following highlights are reported for the 2023/24 financial year:

- **Basic Computer Skills training:** The municipality realizes the importance of computer literacy in the current digital environment. Our libraries provide a platform whereby communities are given basic computer skills as a form of skills development. These trainings have assisted a number of youth with computer basic skills.
- **Library Outreach Programme:** Our libraries conduct outreach programmes in order to alert the community about the services rendered in libraries. These outreach programmes are mostly done in local schools and community meetings.



**Visual 9:** Mayor and Speaker handing-over Basic Computer Certificates to pupils of Wetsie High School who had attended computer training at Patsoana Library during school holidays.



**Visual 10:** Participants during the Library for the Blind programme which was conducted on 11 July 2023 to create awareness and encourage blind people to utilize services designed for them at the Nquthu Library.



**Visual 11:** On 23 August 2023, Nondweni Library organized reading competition for primary school learners. The competition was a huge success and winners also participated in the next stage at Nquthu Library on 4 October 2023. The municipality's library team expresses its gratitude to learners, parents and teachers who continue to encourage learners to engage in all activities that promote a culture of reading.

### 3.12.2. Community halls

The municipality has over fifty community halls and has surpassed the CSIR standard that is applied to determine community hall accessibility level in rural areas. This is due to the fact that the municipality has invested a lot in

infrastructure development in the past, especially community halls. In the year under review, a total of five (5) community halls were completed and are now available for booking and use by the public. Seven community halls were still under construction and will be completed in the 2024/25 financial year.



**Visual 12:** (Bottom Left) The Mayor and Cllr Dlamini (Ward 18) unveiling the plaque to officially hand-over Ndatshana Community Hall (Top Right) for use by the community.

### 3.12.3. Cemeteries

#### (i) Authorized cemetery site

The municipality does have an authorized cemetery site in Ward 09 on the outskirts on Nquthu Town but this cemetery is running out of space due to a rocky surface that is quite difficult to excavate for burial purposes. In this regard, burial space for households who are using this cemetery will run out if the municipality does not find alternative land for this purpose. Fortunately, plans are underway two areas have been identified, one area at Mpumelweni near in Nquthu Town will provide burial space for a short period of time while the one at Nondweni will provide burial space for a long period of time, as shown below.

#### (ii) Proposed new cemetery sites

The first site that has been identified is at the outskirts of Nquthu Town near the low-cost housing settlement called Mpumelweni. Geotech study has been conducted on this area and the study made findings which indicate that this site can be used in the short term but a more permanent and more suitable site with a long-term lifespan is still required:

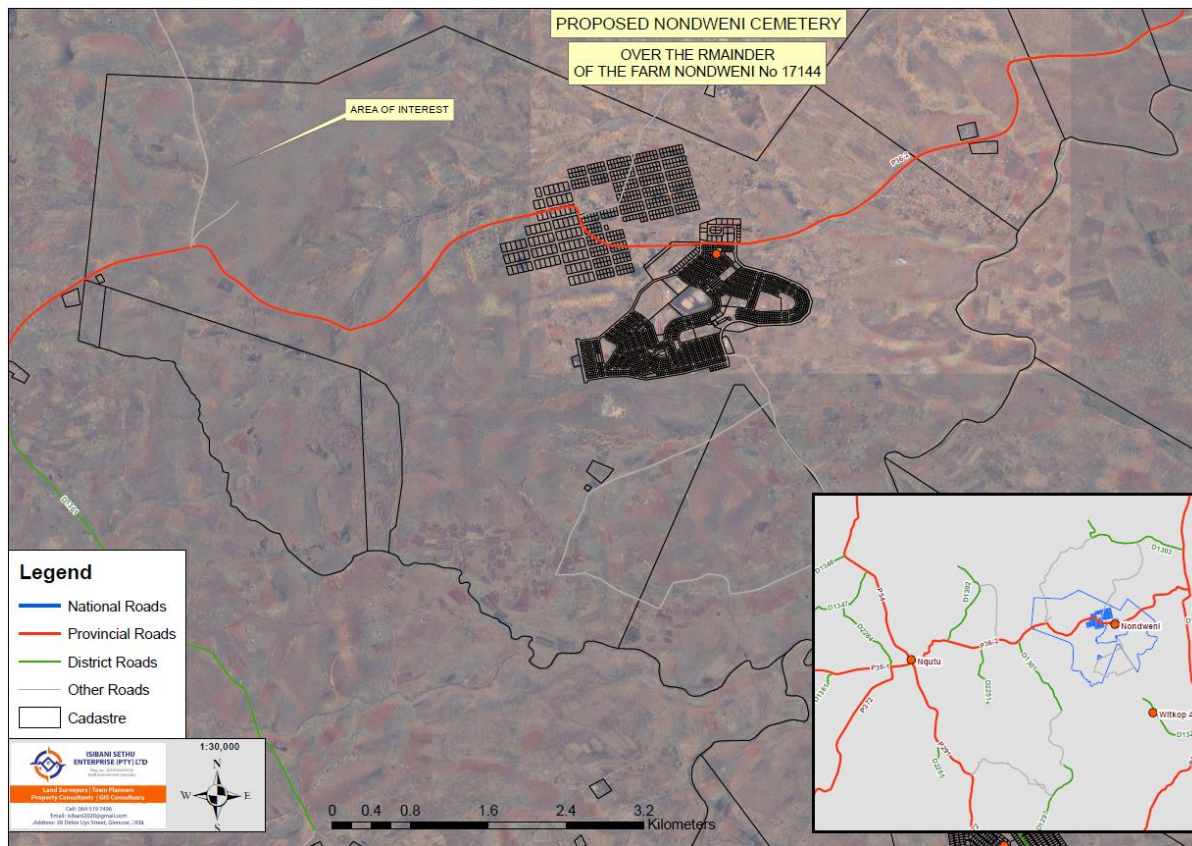
- Excavatability of material will pose a challenge since some sections are underlain by shallow bedrock. In some sections, an excavator will be required to reach the required 1.80m.

- There is a likelihood of intercepting ferricrete during excavation.
- The material on-site was slightly ferruginised, which is an indication of a fluctuating water table.
- Groundwater seepage is also considered unfavourable. Groundwater seepage was observed in TP7 which significantly contributed negatively to the overall rating.
- A 2.50m cut-off wall to divert groundwater away from the cemetery is recommended.
- A groundwater risk assessment must be conducted to confirm whether the community rely on the aquifer or from water supplied by local authorities. This may be confirmed by the local water authority.
- The investigated area may be used for now if there are no other available sites. It is however recommended that the authorities commission another study to find a more suitable site.

*Mpumelweni cemetery site location and layout plan*



## Nondweni proposed long-term cemetery site location



### (iii) Unauthorized cemetery sites

However, in almost all wards/areas in Ingonyama Trust land there is land specifically allocated for burial, so while burial is actually not a challenge for the largest part of Nquthu, all the other cemetery sites are not authorized and do not have the necessary infrastructure and facilities like access roads, fencing, ablution facilities, etc. Other challenges related to these sites include location in potential flood areas or in areas that are vulnerable to soil erosion. There have been cases where the municipality had to intervene to divert water where few graves were in the water path and were being excavated. But be that as it may, there is no ward with no access to burial space. The map and table in the following pages show the location of cemeteries in each ward across the whole of Nquthu, all these sites are not under the control of the municipality, but partnership and corroboration is required to ensure that they are at least accessible and fenced.

## COMPONENT E: ENVIRONMENTAL PROTECTION

### 3.13. POLLUTION CONTROL

The municipality lacks the capacity perform the pollution control both in terms of prevention and enforcement. However, the municipality does take the matter of pollution control very seriously and through its recycling project the municipality contribute in collecting and selling waste that would otherwise be primary sources of pollution.

### 3.14. BIODIVERSITY

Nquthu is very rich in terms of tourism due to its history and also its biodiversity, therefore; biodiversity is not only an environmental issue for the municipality, but is also an economic development issue because of the potential that tourism has in Nquthu.

The municipality has not yet designed specific programmes and projects dealing with matters of biodiversity due to capacity constraints, however; the municipality through its Spatial Development Framework identifies areas that need constant attention of the municipality so that the biodiversity nature and character of Nquthu as a whole and also to ensure that all developmental programmes and projects are geared promote biodiversity protection.

## COMPONENT F: SAFETY AND SECURITY

### 3.15. TRAFFIC MANAGEMENT



**Visual 13:** New Nquthu Traffic Offices and Testing Grounds was officially opened on 22 May 2024.

The municipality's traffic management unit is responsible for traffic management within the area of jurisdiction of the municipality but focuses in Nquthu Town and its surroundings due to capacity constraints. This unit is responsible for all traffic management related functions which includes the following:

- Road traffic management or enforcement of traffic laws on road users.
- Livestock control through pounding of stray animals.
- Examine applicants for learners' licences, issuing of learner's licences, Professional driving permits, renewals of driving licences and we render registering authority services: renewals of licence disc and the permits
- Providing by-law enforcement services to the municipality.

The municipality's traffic management unit also works hand in hand with other national law enforcement agencies to promote and ensure law enforcement.

### 3.15.1. Internal capacity

The unit has a complement of seventeen employees, namely, eight traffic officers, two examiners, one licencing officers, two cashiers, one data capture and three general workers. This unit has dedicated offices and three vehicles. There are six vacancies within the department and processes to procure additional patrol vehicle were under way at the end of the financial year to further improve capacity.

### 3.15.2. Traffic management programmes and activities

The municipality's traffic management unit conducts its own road block and speeding trap exercise but also conduct multidisciplinary road blocks with other law enforcement agencies like RTI and SAPS, especially during busy Easter holidays or festive season. The municipality's traffic department is working tirelessly to enforce traffic management laws in Nquthu as shown by the figures contained in the table below.

DESCRIPTION	NO.
<i>Roadblocks conducted</i>	98
<i>Written notices issued (tickets)</i>	1186
<i>Chargers against offenders</i>	1642
<i>Suspension notices (un-roadworthy cars removed from the road)</i>	67
<i>Road obstructions attended to</i>	3185
<i>Warrants executed</i>	95
<i>Incidents attended (accidents)</i>	15
<i>Awareness campaigns</i>	26
<i>Direct charge / Arrest</i>	6
<i>Number of stray animals impounded</i>	88

**Table 3.15.2:** Traffic police work done

### 3.15.3. Licencing services

The municipality has a licencing division in which provide drivers' licence, professional driving permits and learners licence services.

DESCRIPTION	NUMBER	TARIFF
Professional Driving Permit category G and P	10	R150.00
Temporary Driving Permit	13	R90.00
Drivers' Licence renewal	33	R250.00
Learner's Licence	20	R150.00
Duplicate Learners' Licence	12	R80.00
Licence disc renewals	13	Depends on the GVM of the vehicle
Temporary permit issued	2	R340
Special permit issued	1	R470
Traffic register issued	Nil	

**Table 3.15.3:** Licensing services

In overall, a total of 5 059 community members/applicants received a licences and permits services from the traffic management unit. More services will be included once the municipal testing ground offices commence its operations in the near future.

#### 3.15.4. Animal pounding

Nquthu Local Municipality has an animal pound that is operated by the service provider (Midland Pounds). In the past, Nquthu has had a serious problem of stray animals obstructing traffic and causing problems in the road and Nquthu Town. To address this challenge, an animal pound was constructed to safely keep pounded animals. There are by-laws regulating animal pounding and stray animals are pounded and fines are imposed to owners. Initially, there was a serious push back by members of the community, but that misunderstanding was eventually resolved. This has made a huge improvement although there is still room for improvement. Where necessary or if there is resistance, the municipality's Traffic Unit intervenes to enforce pounding by-laws, but the service provider is utilized to physically capture stray animals on the road and manage all animal pound operations.

#### *Animal pound functionality*

JULY 2023 To APRIL 2024		
Date	Cattle	Location
14 August 2023	7	Nquthu STU
September 2023	9	Nquthu
October 2023	6	Nquthu
November /Dec	24	Nquthu
January 2024	19	nquthu
February 2024	6	nquthu
14 March 2024	1	Nquthu STU
19 March 2024	13	Nquthu
24 March 2024	10	nkondlwaneni
13 May 2024	11	Nquthu STU
18 June 2024	9	Nquthu (P291)
25 June 2024	6	Nquthu (CBD)
30 June 2024	26	Nquthu (P54/1KM)

Date	Goats	Location
28 February 2024	1	Nquthu
1 March 2024	7	Nquthu STU
14 March 2024	8	nquthu
Date	Horses	Location
24 February	9	nquthu

The table above shows that stray animals remain a challenge although pounding has been a successful deterrent in reducing stray animal volumes on the road. In a period from July 2023 to June 2024, a total of 9 horses, 16 goats and 121 cattle were removed from the road and pounded.

### 3.15.5. Testing ground

The construction on the testing ground which will allow the traffic management unit to expand its scope provide vehicle testing and drivers' licence testing services is underway. Once completed, rendering of services will commence as soon as is practically possible. The only construction work that is left is the incorporation of ablution facilities which were not part of the initial scope.

### 3.16. DISASTER MANAGEMENT AND FIRE FIGHTING



**Visual 14:** The Nquthu Fire Station was officially opened on 22 May 2024 and is now fully in operational.

Nquthu is one of the municipalities that suffer the most natural disasters. Natural hazards strike not only with high frequency, but the area also suffers from a large diversity of hazards, including thunderstorms, heavy rain, floods, strong winds and fires. Natural disasters in Nquthu have affected on average the lives of at least 3000 people annually since the 2012 and have caused large economic losses.

The average annual economic damage caused by natural disasters is estimated around 11 million rands. Overall, the most frequent disasters are storms and fires, followed by strong winds. However, the occurrence of disasters varies greatly per ward. Lightning is responsible for the largest proportion of people killed by natural disasters, but fires account for the most people affected.

In addition, Nquthu faces many technological disasters, of which industrial accidents are the most common. However, there is a lack of reliable data when it comes to technological disasters. Although reports can be found in disaster databases and in news items, these are likely to be underrepresenting the actual impact. Environmental and safety hazards are becoming more frequent and are occurring on a larger scale.

Both the Nquthu government and the corporations involved seem to prevent or delay media attention to these hazards. This lack of information also makes it possible for technological hazards to keep happening, because lessons learned from recent disasters are not spread.

Natural disasters seem to become more frequent. In recent years, thunderstorms have occurred more frequently and with higher magnitudes than expected. But hydro-meteorological disasters such as floods and thunderstorms are also becoming more frequent. In the first half of 2023-2024 alone, a number of people have been injured in Nquthu as a result of natural disasters and more than 3000 people have been affected.

Nquthu is a disaster-prone place and one of the major contributors to disaster incidents are lightning strikes/thunderstorms and flooding/drownings. The fire-fighting unit is integrated into the disaster management unit which is primarily responsible for mitigation and responding to disasters. The fire-fighting service is actually the backbone of disaster management because it is the provider of trained personnel and vehicles required to respond to any form of disaster.

### **3.16.1. Internal capacity**

As mentioned above, fire incidents are a serious concern in Nquthu and the municipal fire-fighting unit's capacity is stretched to its limits especially when incidents are in remote areas with terrible terrain making it even more difficult to respond as rapidly as possible. The municipality is doing everything in its power to respond to fire emergencies and disasters within set turn-around time standards. However, there are far flung areas which may make it difficult to respond should fire emergencies occur in those areas and this remains a possibility that the municipality is not in a good position to respond to due to capacity constraints.

### **3.16.2. Disaster Management Plan**

Disaster Management Plan was developed years back as a lead guide to respond to whole spectrum of Disaster Management at local level i.e., prevention, preparedness, mitigation, response, recovery, and rehabilitation. Nquthu Disaster Management Centre acts as an implementing, co-ordinating and monitoring body as per National Policy which Disaster Management Act 57 of 2002. The plan gets reviewed and updated regularly. The plan was last reviewed in June 2024. The plan will be presented in the Council sitting for adoption, it will be implemented over a period of three years.

The updates and amendments in the Disaster Management plan will strengthen the institutional structure and further enhance the disaster management preparedness and emergency response measures. It will also ensure enhanced disaster risk resilient communities.

### **3.16.3. Municipal summer season preparedness and response to disasters**

Summer season 2023. Following activities were undertaken before the onset of Summer:-

- a. Summer season local contingency response plan was reviewed.
- b. Stakeholder contacts details were updated.
- c. Equipment and apparatus were serviced accordingly.
- d. Staff rosters and standby personnel were beefed up.
- e. Relief Items were procured and sourced from various partner and service providers.

Over the course of 2023-2024, the Nquthu Disaster Management Centre continued to mount successful disaster response action by relying on its range of disaster response tools to effectively respond to disasters. Depending on operational needs and realities, operations support was flexibly provided by the Centre itself and disaster management stakeholders. In the process, the Centre estimates that over 3000 beneficiaries were directly or indirectly assisted, and an average of 10 major operations per month received critical logistics support through the coordination.

### **3.16.4. Disaster management advocacy and awareness**

As part of the municipality's disaster mitigation strategy, it has embarked on continuous awareness campaign drive to ensure that our public is informed and vigilant against any possible disaster situation so that they can respond rapidly and in an informed manner. These campaigns mostly target schools since school going learners constitute the most vulnerable groups as they are exposed to lightening and have to cross water flood paths on their way home when there are heavy rains. There is also an SMS service whereby communities are warned about coming or potential extreme weather situations which may have dire outcomes for communities, since almost all disasters are weather related.

- **Schools disaster risk awareness campaigns:** School disaster safety has the overall objectives of Awareness, Preparedness and Mitigation. The whole team was engaged in creating awareness among the students and school community and promoting activities for better preparedness against local hazards and mitigation of their impact.
- **Community disaster awareness:** A community disaster training program focusing on thunderstorms, floods and fires was implemented in Nquthu during 2023-2024 financial period. It covered mitigation, preparedness, and response aspects of natural disaster management. Hundreds of community members participated in the training program delivered by 06 local officials. This program evaluated the impact of participation in this program. Disaster-related cognitions (i.e., disaster expectation, worry about future disasters, loss estimations if a disaster occurs, beliefs in the possibility of mitigation and preparedness) and reported preparedness behaviours were assessed.

The relationship of sociodemographic, previous disaster experience, anxiety, and locus of control variables with disaster-related cognitions and behaviours was examined. Results showed that participants in the training program had more disaster expectation, worry and loss estimation and more preparedness behaviours. However, reported preparedness behaviours were quite low and this result needs to be viewed with caution. These results have important implications for the modification of programs for targeting sustainable behavioural change, which is likely to reduce the impact of future disasters.

DATE	WARD	INSTITUTION
09/04/2024	05	Ogazini Community Hall – War room
10/04/2024	05	Abathwa Primary School
16/04/2024	14	Philani Primary School Masotsheni Primary School
17/04/2024	13	Ngedla Primary School
18/04/2024	19	Mdlenevu Primary School Nkande Primary School
23/04/2024	12	Cebelihle Primary School
26/04/2024	19	Mdlenevu Primary School
29/04/2024	19	Nkande Clinic



**Visual 15:** On 22 April 2024, the Nquthu Fire Station was visited by Ngedla Primary School learners as part of a Station Tour programme. They were taught how fire-fighting equipment work and also what to do in the event of a fire.

### 3.16.5. Response to disasters

Over the course of 2023-2024, the Nquthu Disaster Management Centre continued to mount successful disaster response action by relying on its range of disaster response tools to effectively respond to disasters. Depending on operational needs and realities, operations support was flexibly provided by the Centre itself and disaster management stakeholders. In the process, the Centre estimates that over 3000 beneficiaries were directly or indirectly assisted, and an average of 10 major operations per month received critical logistics support through the coordination.

#### **Disastrous incidents:**

- **02 July 2023:** At Ntababomvu area in ward 05 a structural fire was reported where 07 people were affected by the effects of this incident. This structural fire was a result of unattended candle.
- **14 August 2023:** A grass fire in ward 10, Mfongomfongo area was reported, and one fatality was declared as result of this tragic incident. The deceased person was 60 years of age.
- **04 September 2023:** In ward 12 – Mlahane area next to Magaga Tribal Court, strong winds partially damaged three (3) and totally damaged one (1) house within a homestead. All these four (4) houses are mud houses and are not in satisfactory condition. A total number of seven (7) people are greatly affected.
- **21 October 2023:** Nquthu Municipality- A person aged 61, and her two children were sitting inside their house when the violent lightning hit their house. The children lost consciousness but later woke up to find their mom in critical condition and not breathing. Her children rushed outside and called for help from neighbours. The neighbours quickly rushed to her house only to find that she has died to due lightning shock. Authorities were called, but there nothing that could be done to save her life. This incident occurred in Mhobo area of Ward 13. One of her children sustained moderate injuries.
- An average of 5 people in Nquthu die each year from lightning strikes according to data collected from Disaster Management Centre. All lightning related deaths occur during the summer months.”
- Heavy rains, hail stones, and strong winds accompanied the thunderstorm that hit Nquthu left many homes damaged in Ward 12, 14, 11, 13, 16, and 04.
- **29 November 2023:** In ward 08 - Mabalane area after a severe thunderstorm a cattle was struck by lightning. No injuries were reported.
- **16 December 2023:** An unattended candle claimed a life of an old woman (*the family could not provide her details for privacy purposes*) after a structural fire was reported at Mqhedlana area in ward 14. This woman was mentally challenged and lived with her son.
- **08 January 2024:** On this day one person was struck by lightning. He sustained minor injuries on his arm. He resides at Mhlungwane area in ward 07.
- **03 February 2024:** On this day one person was struck by lightning around 17h30 pm at Nondweni area next to a local store in ward 06. She was quickly transported to the clinic with a private vehicle where she was later declared dead. Two of the other family relatives sustained minor injuries. Cause of this incident was a severe thunderstorm (lightning strike).
- **19 March 2024:** Two (02) mud houses were totally damaged after heavy rains on this day. A total number of nine (09) household members were affected by the effects of this incident. A rebuild would be highly appreciated as this family is in desperate need of permanent and formal dwelling. However, we were able to provide relief stock to this family that resides at Khuphe area in ward 09.

- **15 April 2024:** A family experienced a severe thunderstorm on this day that partially destroyed their formal dwelling. Plastic sheet was given to the affected family of 2 members. This was in ward 09 – Mahlungulu area.
- **04 June 2024:** Nquthu Municipality- A 55-years old man succumbed to fatal injuries and several others sustained injuries ranging from minor to severe as a thunderstorm swept through Ward 14 and 15 in Nquthu at about 14h30 today. Disaster Management operations team became inundated with calls for assistance from residents from 14h50pm. All available officers were immediately dispatched to assist with immediate disaster relief and detailed assessments. Several homes in Zakheni of Ward 14, Jabavu and Hlathi Dam within Ward 15 had collapsed. Trees were uprooted, blocking roads, and damaged electricity infrastructure. Most homes affected had their roofs blown off by strong winds. Dozens of residents, including minor children and elderly are seeking shelter after numerous structural collapses. The deceased man was trapped beneath the collapsed structure while his injured wife called for help. Disaster management teams and other stakeholders are still busy with assessments in the affected areas. The JOC has been activated to assist and coordinated relief efforts.

***Response Measures:***

- a) Local Emergency Operation Centre remained active for round the clock monitoring of developing situation in the local municipal area. Daily updates were shared with all stakeholders.
- b) Weather system, Western, Southern and Northern Rivers (Buffalo, Mfolozi, and Ncome) and their tributaries together with dams (Ncome) were continuously monitored.
- c) Timely displacement of heavy earth moving machinery was ensured at key locations for clearance of landslides/ debris especially along regional and district roads.
- d) The Centre coordinated response support from PDMC, SASSA, ESKOM, and other role-players in disaster response and recovery.
- e) To monitor weather patterns/ significant developments during Summer Season, quarterly coordination meetings of all relevant stakeholders were organized in Umzinyathi District. These meetings assisted in effective decision making and issuance of key instructions to relevant stakeholders.
- f) Relief items (food packs, tents, blankets, tarpaulin and plastic sheets) were dispatched from Nquthu Disaster Management warehouses in Nquthu town.

***Recovery and Rehabilitation Activities:***

- **Donations Received from Partners.** Nquthu Disaster Management Centre received donations from donors to respond effectively to disasters and issue relief materials.
- **Humanitarian Assistance in Collaboration with Department of Social Development.** DSD in consultation with Nquthu DMC distributed different relief items in Mahlungulu, as per following details: -
  - 1) several blankets and sponges distributed in Mahlungulu after thunderstorm incident
  - 2) several food packs distributed amongst the affected citizens Mahlungulu and Nondweni
- **Applications for Financial Assistance.** 529 x applications of affected beneficiaries were received for grievances of their losses on account of various disasters / calamities directly by individuals or through Ward Councillors. These were referred to concerned Provincial Disaster Management Centre for redressal/ necessary action as per NDM Act 2002.

***Relief materials issued to victims:***

LOCAL MUNICIPALITY	Blankets	Salvage sheets	Plastic Sheets	Mattresses/ sponges	Box B	Grocery
NQUTHU	297	20	148	138	03	09

These relief materials issued excludes items or materials issued by Department of Social Development, Human Settlements, and SASSA

### 3.16.6. Losses/damages

Local Municipalities	Types of Incidents	Number of Incidents	Households Affected	Houses Destroyed		People Affected	Fatalities	Injuries	Missing Persons
				Totally destroyed	Partially Damaged				
<i>F – Fires, FL – Floods, HR – Heavy Rains, L –Lightning, HF – House fires, D –Drowning, SF-Snowfall</i>									
	HF	46	46	35	43	433	2	0	0
	HR	110	233	293	144	1512	0	13	2
	L	28	81	23	560	601	3	4	0
	SW	09	200	96	254	1700	0	1	0
<b>Total</b>		<b>193</b>	<b>560</b>	<b>447</b>	<b>502</b>	<b>4246</b>	<b>5</b>	<b>18</b>	<b>00</b>

### 3.16.7. Disaster Risk Reduction

The municipality implemented the following disaster reduction measures:

- **Lightning conductors' installations:** the Municipality installed 180 lightning conductors in various electoral Wards.
- **Donation received from KZN PDMC:** the Municipality received 25 conductors from KwaZulu Natal Provincial Disaster Management Centre. The devices were installed in two Wards.
- The municipality prioritises areas highly prone to lightning strikes when installing lightning conductors to prevent re-occurrence.
- **Dissemination of Weather Forecasting messages.** In order to enhance disaster preparedness capacity and weather forecasting capabilities, the Centre continues to work closely with SAWS to receive and disseminate early warning messages.
- **Revision of Disaster Management Plan.** Nquthu Disaster Management Centre initiated revision of the Local Disaster Management Plan. The purpose of the project is to revise the complete DMP in line with national priorities and international obligations. The project was initiated in June 2023 and includes strengthening DMC's capabilities for information collection and analysis of variety of natural hazards and disasters such as rainfall, inundation, seismic data, etc. Moreover, it covers basic strategy of DRR and its effectiveness based on the results of the risk assessment.
- **Basic First Aid Training for Firefighters and Disaster Management staff.** The Centre in collaboration Human Resources Unit conducted Basic First Aid Training for 21 staff members.

- **Ward Committees Workshop on Disaster Management:** To enhance public awareness on disaster resilience, the Centre conducted a disaster risk management workshop for 190 Ward Committee members. The workshop was aimed at capacitating the ward committee members on general issues relating to disaster response, reporting, and assessment.

#### COMPONENT G: SPORTS AND RECREATION

### 3.17. SPORTS

The Sports unit is located in the Community Services component of the Corporate and Community Services department and has a dedicated employee in the form of the Senior Sports Coordinator. The municipality has done very well in all the categories it is participating in.

The main activities/sports codes organized by the sports unit on an annual basis are in the main the following(as shown in the visuals below):

- Golden Games
- SALGA Games
- Indigenous Games
- Disability Festival
- Mayoral Cup



**Visual 16:** On 15 October 2023, the local SALGA games were held at the Nquthu Stadium, where teams were selected to represent the municipality in the district selections and further sorted for provincial representation. Teams that were finalized were for netball, volleyball, and female soccer. On the following day, male soccer teams and runners (athletics) were selected. The IEC was also present to provide guidance on voting procedures to ensure the integrity of the process.



**Visual 17:** Nquthu teams during SALGA district selections conducted in Dundee on 25 December 2023.



**Visual 18:** The games for people with disabilities were held at the Nquthu Stadium on 30 August 2023. These games selected players to represent the municipality at the district selection.



**Visual 19:** The Mayoral Cup has been closed for two days at Nquthu Stadium where the football teams came from all 19 wards and many Prizes were up for grabs except that all participating teams got R3000 voucher. Also present were scouts from the major football teams such as Sikhukhune, Royal Am, Dlangezwa Hellenic and Richard's bay.

### 3.18. TOURISM, ARTS, CULTURE AND HERITAGE

Nquthu Municipality has very important historical places that makes it a very viable tourist destination. The Tourism unit is located within the LED unit which is under the Planning department. Nquthu boast very important heritage sites which include, among others; iSandlwana battlefield and Ncome battlefield. At iSandlwana there is always an annual commemoration of the battle of iSandlwana which is always graced by the presence and address of His Majesty the King of the Zulu Nation.

A number of programmes were successfully implemented in this financial year, including events that included participation by members of the public. The following programmes were implemented as listed and shown on the visuals below:

- Ingoma yomama nezintombi
- SeSotho Dance competition
- Umaskandi poetry and drama competition
- Iscathamiya, oswenka nonobuhle competition
- Ingoma competition
- Isandlwana commemoration
- Umkhosi woMhlanga



**Visual 20:** Ingoma kashameni, which is an programme conducted annually, was held on 23 December 2023 and was a great success. It took place in an open space behind the Nquthu Plaza. The community of Nquthu came out in large numbers to witness the event, where different groups showcased their artistic prowess. Ten winning teams benefited from a sum of money, and even those who did not win were not left out, as all participating teams received benefits.



**Visual 21:** It was a significant day on 5 October 2023 when the municipality hosted Ingoma yoMama neZintombi competition. The participants benefited from monetary awards, with five teams winning in each category.



**Visual 22:** On 24 December 2023, the municipality closed the year on a very high note with the Scathamoya, oswenka and onobuhle that was well attended. The winners walked away with various prizes. The event was attended at VA Makhoba Hall.



**Visual 23:** The Sotho Dance competition was conducted on 6 October 2023 at Molefe TC. Various teams participated in the event, competing with enthusiasm. The winners received monetary awards, and the competition was honored by the presence of INkosi Molefe himself.



**Visual 24:** On 9 October 2023 and in partnership with KZN Sports, Arts and Culture, and SEDA, the municipality organized a workshop for crafters at VA Makhoba Hall. Participants were taught various aspects of financial management, accounting, and were trained in different skills related to their line of business.



**Visual 25:** The commemoration of the Battle of Isandlwane held on 27 January 2024 at the holy mountain was a great success was graced by the presence of His Majesty the King of the Zulu Nation who addressed the gathering. Many other dignitaries were also present It will be recalled that the commemoration began with a prayer in the preceding week.

## COMPONENT H: SOCIAL INTERVENTIONS

### 3.19. YOUTH AND EARLY CHILDHOOD DEVELOPMENT

The municipality has a dedicated youth development unit which is located in the office of the Municipal Manager. This unit has a compliment of three employees consisting of a youth manager and two officers. There are a variety of youth development programmes that were implemented in the 2023/24 financial year. Early childhood development is the function of the youth development unit. Below are some of the programmes that were undertaken.

## International Nelson Mandela Day

The mayor supported about 190 youth-headed households with food vouchers on 1 September 2023, under the theme: Food Security, Climate Change, and Safe Environment.



***Nelson Mandela International Day was established in 2009 by the United Nations General Assembly to honour the life and work of Nelson Mandela. The day is celebrated on July 18, which is also Mandela's birthday.***

**Visual 26:** On 18 July 2023, the municipality's Library and Youth units jointly visited the INkosi Thathezakhe Special School and Nquthu Place of Safety (eMkabayi) to spend the day with the learners.

### Outreach Programs

- Assupol Community Trust, in partnership with Nquthu Municipality, visited five traditional administrative councils to introduce early childhood centres.
- On 10 October 2023, a youth outreach on job readiness campaign was conducted in partnership with the Department of Economic Development, Tourism, and Environmental Affairs. An Early Childhood Development awareness campaign was held on 23 November 2023.
- On 25-26 January 2024, a back-to-school outreach program was conducted at Nquthu Public Library, with career guidance provided by the University of South Africa.
- On 23 February 2024, a youth outreach program was conducted at KwaNgqulu Community Hall, Ward-1.
- Coordinated the Assupol Community Outreach program on 16 May 2024, at Fahlaza Playground, Ward 3.

### Youth Council Meeting

- The Nquthu Youth Council participated in two district meetings at Umzinyathi District Municipality on 19 July 2023 and 27 September 2023.
- The Youth Council Meeting took place on 26 March 2024, at Indaba Room.

### Public-Private Partnership

The municipality maintained a good working relationship with government departments and stakeholders. The National Department of Agriculture and Rural Development introduced the Presidential NARYSEC program, identifying seven unemployed youth to participate.

### Youth Empowerment in Agriculture

On 8 August 2023, a meeting was held with young farmers and youth agricultural cooperatives to empower youth interested in agriculture. On 1 September 2023, agricultural materials were handed over to youth agriculture. On 4 October 2024, the mayor handed over agricultural materials to eight youth cooperatives, including water tanks, fencing materials, and water pipes.



**Visual 27:** On 4 October 2023, youth led agricultural cooperatives from wards 1, 2, 3, 4, 10, 14, 16, 17 and 18 received various material and equipment they need to improve and grow their agricultural businesses.

### Operation Sukuma Sakhe

- The Youth Manager coordinated Operation Sukuma Sakhe activities, performing secretarial duties during meetings on 26 October 2023 and 30 November 2023.
- On 25 April 2024, the Youth Manager performed secretarial duties during the joint sitting of the OSS-LTT and Local Aids Council meeting at Nquthu Council Chamber.

### Public-Private Partnership

The municipality maintained a partnership with Assupol Community Trust, resulting in the donation of seven ECD centres.

### Creche Material Handing Over

On 4 December 2023, the mayor handed over creche materials to Mdumezulu Creche and Sizameleni Creche.



**Visual 28:** On 4 December 2023, the Mayor visited ECDs in Ward 10 and 18 to hand over various operational equipment and materials like gas heaters, tables, urns etc. to assist these ECDs in their daily operations.

## Mayoral Excellence Awards



**Visual 29:** On 30 January 2024, the mayor issued tokens of appreciation to excelled matriculants during the Mayoral Excellence Awards event. The Excellence Awards ceremony was attended by students who performed well, teachers, parents, and the Department of Education, including inspectors under the uMzinyathi district. Among these students were those who performed well and had were selected to represent uMzinyathi. The Excellence Awards programme was supported and applauded by the Department of Education and other stakeholders.

## School Uniform Handing Over

During the quarter, the mayor handed over school uniforms to six schools around Nquthu.



**Visual 30:** One of the schools in 24 October 2023 where the school uniform was handed over by the Mayor to needy children.

## Career Day

On 10 April 2024, a career day was executed in partnership with the Department of Education at Empumelelweni Hall, Nquthu.

## Youth-Headed Households

On 6 December 2023, the mayor handed over about 190 food vouchers to youth-headed household beneficiaries. The problem of youth headed households was even more exuberated by COVID compounded an already serious problem. Every year during December the Mayor embark on this programme to try to make these households to at least have a better Christmas.

### 3.20. SPECIAL PROGRAMMES (Vulnerable groups)

Vulnerable groups refer to segments of the population that are more susceptible to experiencing social, economic, or physical challenges compared to the general population. These groups often face various forms of disadvantage, such as limited access to resources, discrimination, and marginalization. Vulnerable groups can include but are not limited to children, the elderly, persons with disabilities, households below the poverty line and women. The municipality recognizes the importance of addressing the specific needs and rights of these vulnerable groups by implementing targeted policies, programs, and services that aim to promote inclusivity, equality, and social justice. By prioritizing the well-being and empowerment of vulnerable groups, the municipality strives to create a more equitable and inclusive society, ensuring that no one is left behind.

#### Senior citizens (The elderly)

The elderly people are one of the most vulnerable groups in our society and experience several challenges in their daily lives including, but not limited to, the following:

- Poor health and physical fragility due to advance age.
- Potential neglect by their families, especially since there are no old age homes in Nquthu.
- Long distance to health and pension collection facilities.
- Having to utilize their pension money to support their families due to the high unemployment situation.
- Vulnerable to the nonsensical witchcraft-stereotypes accusations or attacks that may be prevalent in some communities.
- Lack of decent housing and inability to build own housing due to poor physical condition and financial resources since most are pensioners.

*“All organs of state and officials, employees and representatives of organs of state must respect, protect and promote the rights of older persons contained in this Act” (Section 4(2) of the Older Persons Act 13 of 2006)*

#### PROGRAMMES

	Description and rationale	Annual programmes
<b>Senior Citizens Christmas</b>	<i>The purpose of this programme is to make elderly people feel cared for and valued. Elderly people are transported to a single venue to enjoy Christmas lunch and food vouchers are given to them to enjoy with their families.</i>	DECEMBER
<b>Mandela Day</b>	<i>This programme is part of the Mandela Day celebration. The Mayor leads a municipal team of leaders to visit selected persons over 100 years in their home to embrace them with gifts and food vouchers and also hear their challenges and expectations from the municipality and government in general.</i>	JULY

Intended development impact: To ensure that the elderly feel valued by the municipality and also feel part of the community activities despite their advanced age.

Representation and advocacy: The municipality established the Senior Citizens Forum to represent the elderly people and advocate for their needs on their behalf. This forum sits every quarter and the municipality cover the travelling costs for forum members.



**Visual 31:** On 6 December 2023, the Mayor handed over a total of 285 grocery vouchers worth R1000 each to senior citizens who were attending senior citizens Christmas hosted by the Mayor at VA Makhoba Hall. Senior citizens were overwhelmed with joy as most of them are pensioners who also have grandchildren as their dependents.

**People living with disabilities**

People living with disabilities constitute part of the vulnerable groups in our society and have special needs that need to be catered for. There are specific forums that is established to represent the interests of all people living with disabilities in Nquthu to ensure that they are an integrated part of society. Programmes for people living with disabilities include, among others; disability festival and disability parliament and the municipality ensure participation in all provincial programmes. A budget of R 441 893 in the 2023/24 financial year was set aside for people living with disabilities, excluding sports programmes designed specifically for them since those programmes are organized by the municipality’s sport unit.



**Visual 32:** It had been a great joy for the associations of people with disabilities, women, and men to benefit from tools that would help them develop their businesses.



**Visual 33:** Through the municipality’s Sport Unit, in collaboration with Special Programmes Unit which is specifically responsible for the vulnerable groups, the Disability Festival is held on an annual basis. On 20 September 2023, Nquthu team participated in Disability Festival whereby games in different sport codes were held.

### HIV/AIDS

Similar to the rest of South Africa, Nquthu faces the impact of HIV/AIDS, and the municipality recognizes the significance of addressing this health challenge. In this regard, the municipality plays a crucial role in giving a voice to those affected by HIV/AIDS and providing them with the necessary support. Taking a comprehensive approach, the municipality has established an HIV/AIDS Council, led by the Mayor, to coordinate efforts and initiatives. To ensure community-wide engagement and assistance, support were established in each ward, fostering solidarity and mutual support among affected individuals and their families.

The municipality has allocated a some budget from its limited finances to drive HIV/AIDS programs, recognizing that addressing this issue requires financial resources. These programs are implemented in collaboration with non-governmental organizations (NGOs) and sector departments, particularly the Department of Health. By working hand in hand with these partners, the municipality can leverage their expertise, resources, and networks to enhance the effectiveness and reach of the HIV/AIDS initiatives.

Through these concerted efforts, the municipality aims to combat the stigma associated with HIV/AIDS, promote awareness, and provide crucial support services to individuals and families affected by the disease. By creating platforms for dialogue, support, and education, the municipality strives to empower affected parties and ensure their inclusion within the broader community. This multi-faceted approach reflects the municipality's commitment to addressing the complex challenges posed by HIV/AIDS and promoting a more compassionate and supportive society.



**Visual 34:** The World AIDS Day event was held on 5 December 2023 at VA Mkhoba Hall to share information, experiences and show solidarity with HIV/AIDS victims. The event was attended by various government departments, including healthcare, DSD, Justice, and the IEC.



# **AUDITED 2023/24 ANNUAL PERFORMANCE REPORT**

## 1. INTRODUCTION

The municipality compiles an annual performance report at the end of each financial year and submits such report to the Auditor General South Africa (AG) for auditing. One this report has been audited; it is incorporated into the municipality's Annual Report which also includes the audited Annual Financial Statements, Audit Committee report, audit report issued by AG, action plan to address issues raised in the audit report, Council oversight report as well as the narrative report which seeks to simplify and visualize reported municipal information and/or activities. In this regard, this report has been compiled in line with guidelines issued by KZN COGTA for submission and auditing by AG South Africa.

## 2. RISK MANAGEMENT

The municipality has a risk management unit that is staffed by a dedicated Risk Management Officer and a Risk Management Committee and Risk Management Forum, reporting to an independent risk management chairperson. Each department has a dedicated Risk Management Champion to guide the department on all risk management related processes. There is a concerted effort to ensure that auditing and risk management functions complement each other and share useful information so as to ensure that a combined risk management approach as required by MFMA and king code of governance. Risk Management is very relevant to performance management because there are always risk that has a potential to cause underperformance if not properly managed or mitigated.

National Treasury developed the Local Government Risk Management Framework to respond to the requirements of the Municipal Finance Management Act. The following frameworks are put in place so as to ensure that risk management is not seen as an isolated activity of Municipality:

*“(1) ERM is a systematic, coordinated and inclusive process which uses the Institution’s strategy (IDP) and objectives (SDBIP) as the focal points to manage the range of risks and optimize opportunities to enhance the achievement of the strategy and objectives.*

*(2) ERM represents a response to the dilemma that risks (including opportunities) are dynamic and often highly interdependent and need to be managed through a portfolio approach rather than as separate and static events, to achieve comprehensive and integrated attention.*

*(3) ERM also calls for the Institution to look beyond itself, requiring the consideration of risks on performance regardless of whether events originate internally or externally. In other words, the Institution should also be concerned about risks created by other parties which could impact its performance.*

*(4) To give effect to 13(3), the Institution should:*

*a) Consider the entire value chain for producing and delivering services or goods, to understand and act on the threats and opportunities posed by the value chain participants on the Institution’s performance;*

*b) Communicate timeously with other organs of state and external parties in instances where the identification, evaluation and management of risk to the Institution require the participation of these organs; and*

*c) Identify and communicate to other organs of state and other parties risks posed to them by the Institution’s own actions or inaction.”*

Necessarily, there are risks that have to be managed to ensure that the municipality's objectives are realized and, further to that, failing to manage these risks would have untenable consequences for the municipality and the public. Through its risk management systems, the municipality has developed a strategic and operational risk registers, the operational risk registers have been used and incorporated to the 2023/24 SDBIP scorecard to highlight the identified risks that may hinder the achievement on set indicators as well as potential consequences should these risks materialize. It is important for all departments and officials responsible for the achievement of different indicators to keep in mind applicable risks and understand and realize to impact it may have and/or the potential threat it possess on performance, and continuously manage them accordingly. Therefore, risk management must be an everyday function that is integrated and entrenched in the operations of the municipality. It has also been observed that real or actual root causes for underperformance in certain areas are contained in the municipality's existing risk registers, especially the strategic and operational risk registers.

The following strategic and operational risks have been identified through an annual risk assessment and are managed and reported on a quarterly basis to risk management committee, audit committee and council for intervention where necessary:

### ***Strategic risks***

- 1) Inability to meet service delivery needs and requirements: Housing development, Roads Infrastructure, Electricity Provision, Waste collection services; and Infrastructure.
- 2) Ineffective culture of accountability and consequence management.
- 3) Failure to manage and sustain municipal finances.
- 4) Inadequate oversight over the Municipal processes.
- 5) Inadequate record keeping.
- 6) Vulnerability to Fraud and Corruption.
- 7) Inability to timeously recover normal business operations in the event of a disaster/disruptions.
- 8) Negative Audit outcomes due to poor quality of submitted information.
- 9) Violent public protests.
- 10) Failure to provide direction on information technology governance processes.

### ***Operational risks***

- 1) Inability to maintain municipal community facilities.
- 2) Failure to maintain sound financial management by incurring UIFW expenditure.
- 3) Awarding of tenders/contracts to incompetent service providers.
- 4) Inability to pay creditors within 30 days.
- 5) Inadequate reconciliation of data in the financial system.

## **3. LEGISLATIVE FRAMEWORK AND POLICIES**

The Nquthu Local Municipality's Annual Performance Report for the 2023/24 financial year has been prepared in compliance with the statutory requirements outlined in Chapter 6 of the Municipal Systems Act (No. 32 of 2000) and Chapter 12 of the Municipal Finance Management Act (No. 56 of 2003). These acts govern the municipal performance reporting process and specify the roles of each level of government involved. As per Section 40 of the Municipal Systems Act, municipalities are required to establish mechanisms to monitor and review their Performance Management System (PMS). This includes measuring, monitoring, reviewing, evaluating, and

enhancing performance at various levels, such as organizational, departmental, and employee levels. Additionally, Section 34 of the MSA mandates an annual review of the Integrated Development Plan (IDP). During this review, Key Performance Areas, Key Performance Indicators, and Performance Targets are also reassessed, forming the basis for evaluating the Organizational Performance Management and Performance Contracts of Senior Managers. Senior managers are appointed based on the 2014 Regulations on the Appointment of Municipal Managers and Managers Directly Reporting to the Municipal Manager. These regulations define competency standards for senior managers, and their performance evaluations must ensure compliance with these standards.

According to the Municipal Planning and Performance Management Regulations (2001), a municipality's performance management system should encompass a comprehensive framework that outlines the cycle and processes of performance planning, monitoring, measurement, review, reporting, and improvement. This framework also assigns specific roles to different stakeholders involved in the process (Chapter 3, Section 7, Municipal Planning and Performance Management Regulations, 2001).

Furthermore, Section 46 of the Municipal Systems Act (Act 32 of 2000) establishes certain provisions which need to be followed,

***“Annual performance reports***

*46. (1) A municipality must prepare for each financial year a performance report reflecting–*

- (a) the performance of the municipality and of each external service provider during that financial year;*
- (b) a comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year; and*
- (c) measures taken to improve performance.*

*(2) An annual performance report must form part of the municipality's annual report in terms of Chapter 12 of the Municipal Finance Management Act.”*

In terms of the applicable legislation as discussed above, the municipality's compliance can be summarized as follows:

- The IDP was reviewed, and the public was consulted for inputs which had to be considered when the final draft was approved. The 2023/24 Draft IDP was approved on 30 March 2023 and the Final 2023/24 IDP was approved on 30 May 2023, together with the 2023/24 Annual Budget and Performance Management Policy Framework.
- After the approval of the IDP and Budget, the SDBIP was prepared and approved by the Mayor within 28 days and published as required by law. The SDBIP was also reviewed after the adjustment budget and was signed by the Mayor on 11 March 2024 for submission to Council on 26 March 2024 for approval.
- Performance reports are prepared on a quarterly basis to monitor performance and make necessary interventions where necessary. Performance reports are submitted to internal auditors for auditing and also tabled to Council. Internal auditors issue audit reports on a quarterly basis and raise a number of findings which management respond to. In the main, the issues that are raised relate to nonalignment between the IDP and performance scorecard, non-adherence to SMART principle, inadequate supporting evidence, non-

provision of reasons for variance and inadequate corrective measures. The findings raised are attended to and those that are not resolved taken into account in the following financial year to prevent their recurrence.

#### 4. PURPOSE OF THE REPORT

The main purpose of this report is to give effect to the legislative provisions discussed above and also to account to the citizens of Nquthu Local Municipality on progress made by the municipality in improving the lives of the community through service delivery. Furthermore, the report is a key performance report to the communities and other stakeholders in keeping with the principles of transparency and accountability of government to the citizens. It subscribes to the South African developmental nature of participatory democracy and co-operative governance and responds to the principles of the Constitution, Batho Pele, White Paper on Local Government, Municipal Systems Act and Municipal Finance Management Act.

Further to the what is discussed above, the annual performance report is the main carrier of performance information that the Auditor-General relies on to conduct an audit to test the credibility of the reported achievements and compliance to ensure that the performance information contained in the municipality's Annual Report has been duly audited.

#### 5. PERFORMANCE MANAGEMENT PROCESS

The municipality has a Performance Management Policy Framework in place which sets out the process that must be followed by the organization in the formulation systems that designed to enable effective monitoring, management and evaluation of performance. To date the performance framework has been reviewed internally by the IDP/PMS Unit. The framework has been adopted by the Council with the final IDP review for 2023/24 financial year. The standard COGTA guidelines in conjunction with the framework have been used to execute all performance related matters within the municipality.

The performance management processes and other processes related to performance management are summarized below as follows:

- **IDP formulation:** when the IDP is being formulated, the public is consulted in order to determine the needs of the people. These needs become municipal development priorities and translate and they are translated into IDP objectives. When IDP objectives have been determined, the municipality devise strategies that shall be employed to ensure the realization of those objectives.
- **Organizational performance scorecard:** National key performance areas and IDP objectives and strategies form the basis of the municipality's organizational scorecard. Key performance indicators for each objective are developed and target(s) are set for each indicator.
- **Municipal budget:** the budget is allocated and prioritized with the sole purpose of ensuring that the IDP objectives are realized. Therefore, the budget is aligned to the IDP. After the IDP and budget have been approved, the Mayor approves the SDBIP which becomes an instrument to accurately link the IDP and the budget and form the basis upon which municipal performance shall be measured and also form the basis for performance agreements of senior managers.
- **Performance reporting:** in addition to operational or verbal report in different departments and units, MSA, the Regulations as well as municipal performance management policies prescribe a formal performance reporting processes and procedures. These processes and procedures are briefly outlined below-

- When the OPMS reports are submitted to the Municipal Manager they are then submitted to Internal Audit for review as a requirement;
- Internal Audited Report goes to the Audit Committee as Nquthu Municipality has a fully functional Audit Committee which oversees all the municipal performance;
- The municipality then compiles the Annual Performance Report based on the quarterly reports that were submitted throughout the financial year. The Annual Performance Report is then submitted to the Internal Audit and Audit Committee before it is submitted to the relevant stakeholders, especially to AG for auditing, and
- After AG completes the audit and has issued the report, the annual performance report is incorporated into the annual report which is made public to account to the public about the governance, financial management and performance of the municipality.

## 6. AUDITING OF PERFORMANCE INFORMATION

### (a) Internal auditors and audit committee

The MFMA and the Municipal Planning and Performance Management Regulations prescribe that the Municipal Council must form an audit committee with at least three members, the majority of whom must not be municipal employees. The municipality has a functional audit committee with the following composition of members:

- 1) Ms. GS Majola – Chairperson (Finance expert)
- 2) Ms. N Mchunu – Member (Finance expert)
- 3) Mr. Z Zulu – Member (Performance expert)
- 4) Mr. D Ngwenya – Member (ITGC expert)
- 5) Adv. SB Xaba – Member (Legal expert)
- 6) Ms. CN Mhlongo - Ex-officio Member (Risk Management)

The municipality has an internal audit unit coordinated by the Senior Auditor, but most of its work is outsourced to the external service provider due to capacity constraints. All performance reports are audited by Internal Auditors to help management improve performance information reporting. Internal auditors report to the Audit Committee which in turn provides necessary inputs and guidance. The findings of internal auditors are summarized in the table below:

FINDINGS & DEPARTMENTS	QUARTER			
	Q1	Q2	Q3	APR
	NUMBER	NUMBER	NUMBER	NUMBER
<b><i>Supporting evidence not provided</i></b>				
<i>Corporate and Community</i>	2	3	7	-
<i>Technical</i>	2	1	-	-
<i>Planning</i>	4	1	1	3
<i>MM</i>	-	-	1	-
<b><i>Unachieved targets with inadequate management's intervention</i></b>				
<i>Corporate and Community</i>	2	2	2	-
<i>Technical</i>	1	11	4	-
<i>Planning</i>	-	1	2	2
<i>Budget and Treasury office</i>	-	1	-	-
<b><i>Inadequate or inappropriate supporting evidence provided</i></b>				

FINDINGS & DEPARTMENTS	QUARTER			
	Q1	Q2	Q3	APR
	NUMBER	NUMBER	NUMBER	NUMBER
<i>Corporate and Community</i>	5	11	2	-
<i>MM</i>	1	3	2	-
<i>Budget and Treasury office</i>	8	9	8	-
<i>Planning</i>	2	3	-	-
<i>Technical</i>	1	3	3	-
<b>Unachieved targets – no reasons for variance or remedial actions reported</b>				
<i>Corporate and Community</i>	2	2	2	-
<i>MM</i>	1	2	-	-
<i>Technical</i>	2	3	-	-
<i>Planning</i>	1	1	-	-
<i>Budget and Treasury office</i>	8	7	7	1
<b>Performance target reported as achieved when not achieved</b>				
<i>MM</i>	-	1	-	-
<i>Planning</i>	1	1	-	-
<i>Budget and Treasury office</i>	1	-	-	-
<b>Inconsistencies noted on the performance information</b>				
<i>Corporate and Community</i>	-	1	-	-
<i>Planning</i>	-	1	-	-
<b>Un-reported actual performance targets</b>				
<i>MM</i>	-	1	-	-
<i>Technical</i>	-	1	-	-
<i>Planning</i>	-	-	1	-
<b>Set key performance indicators are not in line with the SMART principle</b>				
<i>MM</i>	1	1	-	-
<i>Finance</i>	1	1	1	1
<i>Corporate and Community</i>	6	6	4	-
<i>Planning</i>	-	-	1	-
<i>Technical</i>	3	3	8	-

All findings raised were responded to and necessary corrective measures and adjustments were made where necessary. Management interventions to findings raised are summarized below:

- Supporting evidence not provided:** Each HOD reviewed supporting documentation of his/her department, and all supporting documentation has been made available for the Annual Performance Report.
- Unachieved targets with inadequate management intervention:** For each target that is not achieved, supplementary evidence to support reason for variance and, where applicable, the corrective measure is included as part of the portfolio of evidence.

- ❑ **Inadequate or inappropriate supporting evidence provided:** In cases where explanations provided are not sufficient, supporting evidence for affected indicators was reviewed to ensure that reported performance is adequately supported.
- ❑ **Unachieved targets – no reasons for variance or remedial actions reported:** Reason for variance and corrective action have been incorporated and, where applicable, supported to ensure that underachievement of targets is addressed.
- ❑ **Performance target reported as achieved when not achieved:** There were few cases where some targets were reported as achieved where not achieved and necessary corrections were made and these findings fully resolved.
- ❑ **Inconsistencies noted on the performance information:** Inconsistencies were identified in one instance and those were fully resolved.
- ❑ **Un-reported actual performance targets:** All performance targets that were not reported on were eventually corrected as part of management responses.
- ❑ **Set key performance indicators are not in line with the SMART principle:** In almost all cases, this finding related to the unavailability or non-submission of supporting information creating an impression that the target is not realistic. These were addressed by ensuring that responsible officials ensure proper record keeping and submission of that information for auditing purposes.

**(b) Auditor-General findings**

During the auditing of the performance information for 2022/23 financial year, the municipality received a qualified audit opinion on the annual performance report due to the findings that the municipality successfully resolved as shown in the table below.

<b>NATURE OF AUDIT QUERY</b>	<b>AUDIT QUERY</b>	<b>HOW WAS THE FINDING ADDRESSED?</b>
<b>PERCENTAGE OF POTHOLES FIXED AS PER MAINTENANCE PLAN</b>	<i>The planned indicator and target were to fix potholes per the maintenance plan, but the reported achievements were the potholes fixed from the inspection reports.</i>	<i>The finding was already addressed in the 2023/24 SDBIP during the audit because the new indicator is “Percentage of potholes fixed as per Inspection Register”</i>
<b>VARIOUS INDICATORS LACK ADEQUATE SYSTEMS AND PROCESSES TO MEASURE AND SUPPORT PERFORMANCE OF PREDETERMINED INDICATORS</b>	<i>Adequate systems and processes were not established to enable consistent measurement and reliable reporting of performance against the predetermined indicator definitions. As a result, I was unable to obtain sufficient appropriate audit evidence for the achievements reported in the annual performance report for the listed indicators. I was unable to confirm the verifiability of the indicator and the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements.</i>	<ol style="list-style-type: none"> <li>1. <i>The municipality developed Technical Indicator Descriptions (TIDs).</i></li> <li>2. <i>The unit of measure for electricity was changed from kw/h to kwh.</i></li> </ol>

NATURE OF AUDIT QUERY	AUDIT QUERY	HOW WAS THE FINDING ADDRESSED?
	<i>Indicator description, planned target, Reported achievement            Number of free basic electricity (FBE) units given to consumers, 48 000 kW/h, 47 219 kW/h            Number of new households connected to the grid (accumulative), 250, 475</i>	
<b>ACHIEVEMENT OF PLANNED TARGETS</b>	<i>The annual performance report includes information on reported achievements against planned targets and provides explanations for over- and underachievement. This information should be considered in the context of the material findings on the reported performance information.</i>	<i>All reasons for variance and corrective measures are supported.</i>

## 7. EVIDENCE TO SUPPORT REPORTED PERFORMANCE

The municipal scorecard approach unpacks the six (6) Key Performance Areas, municipal objectives and the municipal targets set to achieve those objectives linked to key performance indicators. For the municipality to ascertain whether set targets have been achieved, adequate and credible evidence must be produced and be subjected to auditing processes, both internally and externally. The portfolio of evidence has been continuously produced for internal auditing throughout the year and this will also be subjected to auditing by the Auditor-General. Although the kind of evidence that is required is outlined in the performance scorecard, a number of weaknesses are identified in the reporting and auditing processes that are conducted by internal auditors during quarterly performance reviews and the Annual Performance Report must address those weaknesses by identifying adequate evidence to enable the Auditor-General to ascertain reported performance. The municipality would also benefit from the findings of external auditors during the audit to identify relevant and adequate evidence to support reported performance and also improve the credibility of the report.

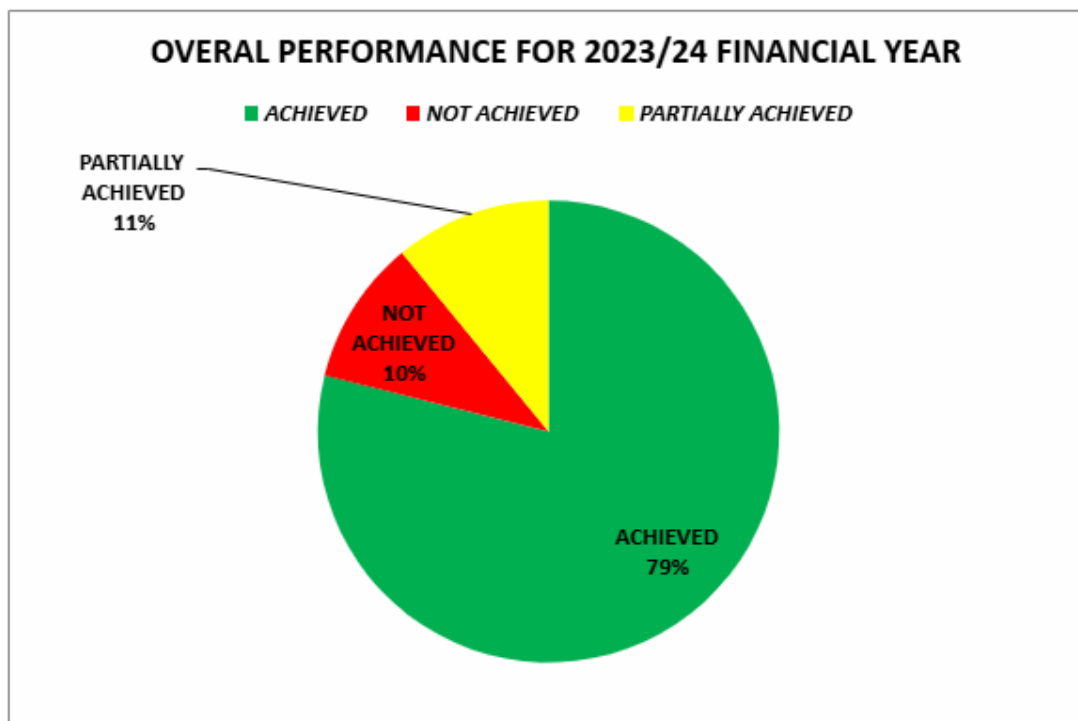
## 8. ANNUAL PERFORMANCE REPORT SUMMARY

### 8.1. Overall performance

The pie chart (**Figure 1** in the following page) illustrates the overall performance of Nquthu Local Municipality for the 2023/24 financial year, categorized into three different outcomes:

- ◇ **Achieved (79%):** The majority of the municipality's objectives were successfully met, indicating a strong overall performance. This suggests that most of the projects or goals set for the financial year were completed as planned.
- ◇ **Partially Achieved (11%):** A smaller portion of the objectives were partially met. This implies that while some progress was made on these goals, they were not fully realized by the end of the financial year.
- ◇ **Not Achieved (10%):** A minority of the objectives were not met at all. This indicates that certain targets or projects were entirely unsuccessful or were not addressed during the financial year.

In summary, the chart shows a predominantly positive outcome, with 79% of the objectives achieved, but also highlights areas where improvement is needed, particularly in the goals that were only partially met or not achieved at all.



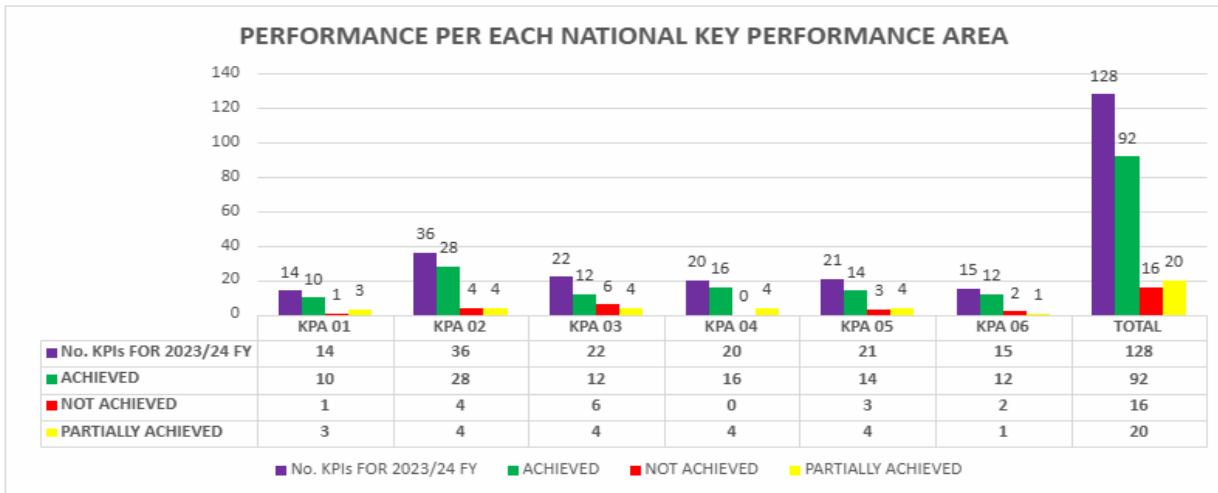
*Figure 1: Overall performance*

## 8.2. Performance comparison

### 8.2.1. Performance comparison per KPA

NATIONAL KEY PERFORMANCE AREAS	KPIs FOR 2023/24	ACHIEVED	NOT ACHIEVED	PARTIALLY ACHIEVED
KPA 01: MUNICIPAL INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION	14	12	1	1
KPA 02: SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT	36	28	4	4
KPA 03: LOCAL ECONOMIC AND SOCIAL DEVELOPMENT	22	19	3	0
KPA 04: GOOD GOVERNANCE AND PUBLIC PARTICIPATION	20	16	0	4
KPA 05: FINANCIAL MANAGEMENT AND VIABILITY	21	14	3	4
KPA 06: CROSS CUTTING	15	12	2	1
<b>TOTAL</b>	<b>128</b>	<b>101</b>	<b>13</b>	<b>14</b>

*Table 1: Overall performance per KPA*



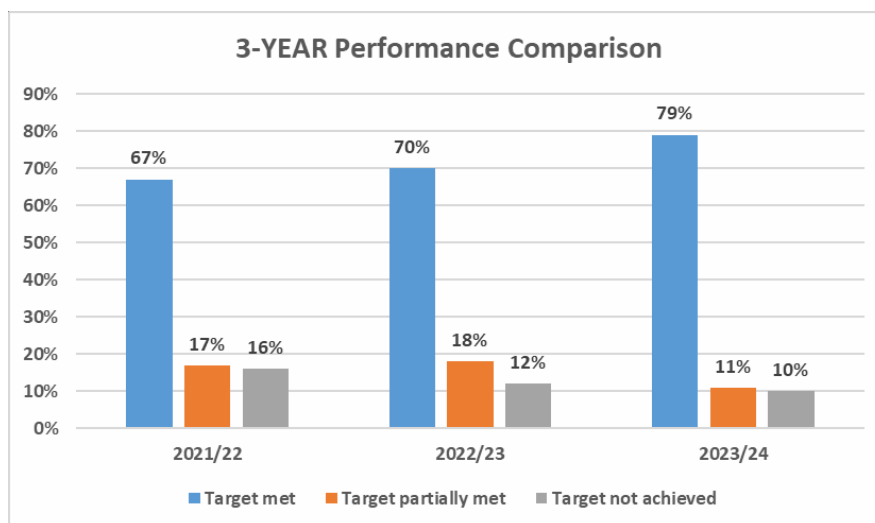
**Figure 2: Overall performance per KPA**

Performance per KPA in terms of achieving set targets are as shown below:

- KPA 01: Municipal Institutional Development and Transformation (85.71%)
- KPA 02: Service Delivery and Infrastructure Development (77.7%)
- KPA 03: Local Economic and Social Development (86.36%)
- KPA 04: Good Governance and Public Participation (80%)
- KPA 05: Financial Management and Viability (66.6%)
- KPA 06: Cross Cutting (80%)

The figures above indicate that the Cross Cutting/ Spatial Planning KPA has the highest performance rate at 86.6% and followed by Local Economic and Social Development KPA at 86.36%. The Service Delivery and Infrastructure Development KPA is among the KPAs that have performed well due to a number of projects that were completed during the financial year. Financial Management and Viability KPA has not performed well due to financial ratios prescribed by MFMA Circular 71 that are not within prescribed norms.

### 8.2.2. Comparison with previous financial years



**Figure 3: Comparison with previous financial years**

Performance trends over three financial years can be summarized as follows:

- ◆ The percentage of achieved targets has shown a consistent improvement over the three years, with a notable increase in 2023/24. This suggests that the municipality has become more effective in meeting its goals.
- ◆ The percentage of partially achieved targets increased slightly in 2022/23 but saw a significant decrease in 2023/24. This indicates that more targets are being fully achieved rather than partially met.
- ◆ The percentage of targets not achieved has been steadily decreasing, showing an improvement in the municipality's ability to meet its objectives.

These improvements suggest that the municipality has implemented effective strategies and processes to enhance its performance and achieve its goals more consistently.

### **8.3. Performance highlights per key performance area**

#### **8.3.1. Municipal Transformation and Institutional Development**

##### **(a) Performance highlights**

- **Institutional Development:** The municipality has Workplace Skills Plan in place. There is 52 total number of staff members that received training during the financial year and 10 councillors were trained. Different trainings were offered to councillors and officials during the strategic planning session that took place in February 2024.
- **Top Management Sustainability:** All senior managers were post filled and maintained to ensure good administration in the municipality.
- **Employee Wellness:** Employee Assistance Programmes plan implemented accordingly. Local Labour Forum is functional and sits on a monthly basis to discuss labour related issues.
- **Information Technology:** ICT Policies are in place and its functionality and implementation are dealt with on IT Steering Committee which sits on a quarterly basis.
- **Monitoring of Performance Information:** The municipality ensures the tabling of performance report to council for monitoring of service delivery in accordance with the approved Integrated Development Plan.

##### **(b) Challenges**

Challenges in relation to this KPA can be summarized as follows:

- **Deviation from existing plans:** despite a high number of workers and councillors trained, there was a deviation from WSP which assesses the municipality's training needs and determines necessary interventions in the order of priority.
- **Employment Equity Plan implementation:** there has been a major improvement in trying to meet employment equity targets, but the set target remains elusive.
- **Failure to regulate fuel usage:** despite the fact that fuel prices are ever increasing, the fuel bill in the municipality has simply got out of hand. Different measures have been put in place but have not yet produced the intended results.

##### **(c) Measures to improve performance.**

The following measure will be implemented to improve performance:

- **Improving WSP implementation reporting:** a template for WSP implementation will be developed to accurately align spending and WSP targets. Reports would then be tabled to the Local Labor Forum, MANCO and Corporate Services Portfolio Committee to ensure effective monitoring.
- **Onsite fuel supply:** A dedicated official will be assigned to regulating fuel usage with the intention to prevent suspected abuse. The municipality will also try to avoid unnecessary vehicle trips and promote joint or sharing for official travelling to the same destination.

### 8.3.2. Service Delivery and Infrastructure Development

#### (a) Performance highlights

This KPA deals with what can be defined as the core business of the municipality or the most important reason for the existence of the municipality. Performance highlights for this KPA in terms of infrastructure development and delivery of basic services can be summarized as follows:

- **Access roads:** the construction of four (4) access roads was completed and these roads have been handed over to the community, and one (01) access roads was still under construction as at 30 June 2024 with a total construction percentage of 89% and will be completed in the new 2024/25 financial year. Access and movement have been greatly improved for communities that are serviced by or use these roads.
  - Gubazi Road in Ward 09 was at 100% construction progress as at 30 June 2024.
  - Malanga Road in Ward 2 was at 89% complete as at 30 June 2024 .
  - Philani Road in Ward 14 was complete and in use at the end of the financial year.
  - Nomkhosi Road in Ward 19 was complete and in use by the community at the end of the financial year.
  - Nkalankala Road in Ward 10 was also complete and in use by the community at the end of the financial year.
- **Road maintenance:** the municipality planned to meet the set turnaround time to fix potholes in Nquthu Town. Unsurfaced roads amounting to 74.9km, in all wards were maintained by, mostly, blading. The **256** number of potholes identified with **1111.1** square meters for patching but, regrettably, could not be fixed due to SCM challenges in procuring the pedestrian roller.
- **Community halls:** a total of five (05) community halls were completed and are now available for booking and use by the public. Seven(07) community hall was still under construction and will be completed in the 2024/25 financial year.
  - Klwana Community Hall in ward 3 is 100% complete.
  - Nhlopheni Community Hall in Ward 5 is 88% complete.
  - Magongoloza Community Hall in Ward 8 is 100% complete.
  - Nkosi Elfasi Community Hall in Ward 16 is 90% complete.
  - Ncome Community Hall in Ward 15 is 60% complete.
  - Nhlabamkhosi Community Hall in Wards 04 is 66% complete.
  - Ndatshana Community Hall in Ward 18 is 100% complete.

- Nyakaza Community Hall in Ward 05 is 40% complete.
  - Mbewunye Community Hall in Ward 11 is 65% complete.
  - Mphondi Community Hall in Ward 07 is 65% complete.
  - Ntanyandlovu Community Hall in Ward 10 is 100% complete.
  - Ezinkondlwaneni Community Hall in Ward 09 is 100% complete.
- **Fire Station** in Ward 09 is 100% complete as at 30 June 2024.
  - Waste Management Facility expansion (**Buy Back Center**) in Ward 09 is 77% complete.
  - Renovation of **Sheep and Wool projects** in is 95% complete.
  - Construction of **Incubator Phase 3** in Ward 09 is 99% complete.
- **Creches (early childhood development centers):** Four (4) creche was under construction and will be completed in the 2023/24 financial year.
    - Bhelukhunya Creche in Ward 06 is 65% complete.
    - Ntanyandlovu Creche in Ward 13 is 89% complete.
    - Zwelisha Creche in Ward 06 is 76% complete.
    - Elihlekaya Creche in Ward 01 is 99% complete.
- **Electricity services:** A total of 438 new households were connected to the electricity grid and over 45 357 FBE 50kwh free electricity units were provided to households in Nquthu. The municipality could not process applications for new electricity connections within an of 14 days. The Nquthu Substation will also be progressively upgraded to meet future demand. 203 Solar Street light installed and 2 High Mast in Ward 09. Currently, the municipality does not measure the percentage of households with access to electricity as this indicator falls within the Tier 3 category in terms of MFMA Circular 88 and data is not readily available to incorporate this indicator.
  - **Expansion of Nquthu Town (Residential and commercial site development):** the municipality demarcated land to establish new residential and commercial amount to an estimated 250. Roads, and bulk infrastructure like electricity, water reticulation, sewerage and roads are being developed to support new sites that will be sold to the public.

## (b) Challenges

Despite big progress that has been made, there are still a lot of challenges that hampers service delivery and infrastructure development, these include:

- **Slow construction progress:** most projects are not finalized in time due to poor planning, underperformance by service providers.
- **Poor waste management:** waste management function is not as effective and there is a serious challenge of illegal dumping in various areas in Nquthu, especially in and around Nquthu Town.
- **Electricity losses:** the municipality continues to incur electricity losses of **17,81%** which result in serious financial losses. This may be due to the tariff structure, aging infrastructure, illegal connections and inaccurate billing.

- **Free Basic Electricity** : municipal Indigent register not updated and the municipality utilize blanket approach in provision of FBE Ward 09
- **Potholes Patching**: The municipality was unable to carry out potholes patching due to the SCM delays in purchasing of pedestrian roller.

**(c) Measures to improve performance.**

The municipality has already implemented different measures and will also introduce new measures to improve performance in this area, these include:

- **Improved fundraising efforts**: the Municipal Manager has instructed all HODs and himself embarked on an intensive fundraising campaign and has already secured approvals for over R100 million from different sector departments. The fundraising campaign will be intensified going forward.
- **Improved infrastructure planning, project monitoring and contract management**: the municipality will establish the Infrastructure Project Planning and Monitoring Committee to ensure proper prioritization and planning of all infrastructure projects as well as ensuring project monitoring.
- **Improved contract management**: a position of contract manager has been created to adequately capacitate the contract management unit. All contracted services will be strictly regulated to adhere to the conditions of the contract and necessary steps will be taken if such conditions are violated.
- **Free Basic Electricity** : The municipality to finalized indigent registration and update indigent register in order to allow all indigents to benefit from FBE provided by the municipality and Eskom.

### **8.3.3. Local Economic Development and Social Development**

**(a) Performance highlights**

- **Formalizing small businesses**: the municipality is committed to improving economic development of the community, as a result the support is provided SMMEs in regard to business registration with CIPC. The registration process is usually finalized within 90 days from the date of application.
- **Swift processing of business license applications**: business Licenses are issued within 30 days for the valid applications received by the municipality.
- **Developing local contractors**: the municipality has a launched Sub-Contracting Programme which is aiming to transfer skills to local emerging contractors. Seven (2) subcontractors benefitted from the programme during 2023/24 financial year.
- **Capacity building of small businesses**: 15 trainings were conducted to capacitate SMMEs. Youth in Business Informal Traders Training conducted on the 26 October 2023. Business Compliance Education and Awareness Programme conducted by EDTEA on the 11 January 2023. Woman in Business conducted on the 29<sup>th</sup> August 2023. Business Skill Training conducted on the 10 June 2024. Clothing and Textile Workshop conducted on the 10-22 September 2023 and 06 July 2023. Agricultural Cooperatives Workshop conducted on the 19-22 October 2023. Mahlungulu Cooperative Workshop conducted on the 27 September 2023. SMMEs (Salon) Workshop conducted on the 08 August 2023. Carpentry Workshop conducted on the 08 august 2023.
- **Annual events**: annual events were successfully conducted on the 24-26 December 2023 in order to promote social cohesion and talent through artistic genres. Local Economic Development

- **Promoting rural horse racing:** Nquthu municipality hosted a Nquthu June horse race on the 17th of June 2023 at uMkhonjane area, the propose was to sustain and encourage appropriate growth in Nquthu horse racing and to formalize rural horse racing so that it could contribute to the social and economic development of the area.
- **Equipping local youth with driver’s licenses:** forty-five (45) beneficiaries benefitted from Drivers License Programme.
- **Agricultural development:** all wards also benefitted from fencing material support to enable the fencing of grazing fields and crop fields to protect both their livestock and plantations. Twenty-Two (22) beneficiaries benefitted from Fencing Project and twenty-seven beneficiaries from poverty alleviation programme
- **Job creation:** Two Hundred and Thirty-One (231) jobs created through EPWP, CDW, Solid Waste Pickers, and MIG Project.
- **Sports development:** the municipality is one of the best performers in sports and it did participate in all district and provincial competitions and made serious achievements in most codes.

#### **(b) Challenges**

- **Financial constraints:** financial resources do not allow the municipality to implement all its plans, and this hinders its ability to make maximum impact.
- **Lack of economic indicator data:** economic indicator figures are not readily available, and this makes it difficult for the municipality to develop economic development programmes that are informed by credible economic indicator figures.
- **High unemployment rate and low economic growth:** high unemployment rate and dependency rate remains too high, and this put much pressure on the already scarce municipality resources which have to be diverted to make interventions instead of investing more on economic growth and economic infrastructure.
- **Low investment levels:** the municipality is not attracting investment at an optimal rate which can assist to reduce the high levels of unemployment and poverty.

#### **(c) Measures to improve performance**

- **Infrastructure investment:** investing more in economic infrastructure will produce more employment opportunities and increase the buying power of Nquthu.
- **Improved, integrated and well-coordinated:** Improve infrastructure planning to respond correctly to the spatial, economic and social needs of Nquthu.

### **8.3.4. Good Governance and Public Participation**

#### **(a) Performance highlights**

- The municipality have Service Delivery Improvement Plan in place
- The municipality receive unqualified audit opinion in the previous financial year
- The municipality has a stable Council that has functioning structures and is devoid of any Council meeting disruptions.

- The municipality is doing very well in terms of public participation especially with regard to the functioning of its ward committees.
- The municipality's IDP continues to be credible and receiving positive assessment outcomes from KZN COGTA.
- Risk Register and Action Plan implemented accordingly to reduce audit findings and improve municipal good governance performance
- The municipality has Batho Pele and related policies in place and implement them to improve its responsiveness and customer service.
- The municipality is doing well in respect of the functioning of the audit committee, internal audit unit and risk management.

**(b) Challenges**

- None implementation of Service Delivery Improvement Plan and Ward Based Plans

**(c) Measures to improve performance**

- Implement the AG Action Plan and properly attend to internal audit reports in time and implement its recommendations as much as possible.
- Effectively mitigate risk identified on the risk register
- Continuously monitor the compliance register and make swift necessary interventions whenever necessary.
- Implementation of Ward Based Plans that are aligned with community priorities

**8.3.5. Financial management and Viability**

**(a) Performance highlights**

- The municipality is in the position to meet at least its monthly fixed operating commitments
- Funded budget and continued investment in infrastructure development from internal sources.
- The municipality's IDP and Budget Steering Committee is fully functional.
- The majority of vacant section head positions are filled, and vacancy rate is being addressed in the finance department.
- Bid committees are fully functional and trained accordingly.
- The municipality has a good liquidity ratio.

**(b) Challenges**

- Collection rate is below the norm and affects revenue enhancement
- Incurring of irregular expenditure
- Rapidly depleting financial reserves and investments, resulting in a decline in investment revenue.
- Continued and persistent incurrence of irregular expenditure.
- Ineffective debt management resulting in high debtor aging.
- Poor procurement plan implementation resulting in poor budget implementation.
- Poor investment in repairs and maintenance.

**(c) Measures to improve performance.**

- Improving and monitoring procurement plan implementation.
- Rebuilding financial reserves and improving investment practices.
- Implementing measures to prevent and strict treatment of irregular expenditure, including consequence management.
- Capacitate BID committees through regular trainings.

**8.3.6. Cross Cutting**

**(a) Performance highlights**

- Spatial Development Framework in place and approved by council
- GIS Data requests are responded to within 30 days from the date of request submitted.
- Awareness's are conducted to the community on Building Regulations Act and building standards.
- Fire incidents are responded to within a set turn-around time.
- Building inspections conducted timeously
- Municipal roadblocks are held to enforce traffic management laws and to identify drivers with unpaid traffic fines.
- The Buy Back Centre diverts huge amount s of waste from the landfill site and also held to expand collection of recyclable waste to other areas outside Nquthu Town and Nondweni.
- The municipality has planning documents in place and conduct annual reviews where necessary.

**(b) Challenges**

- Insufficient funding for land administration, especially the enforcement of by laws.
- Land invasion and land disputes with some traditional authorities which negatively affects, or compromise planned development.
- Insufficient implementation of spatial provisions of the municipality's own development plans.

**(c) Measures to improve performance**

- To improve the working relationship with Traditional Council in relation to land use management.
- To establish an internal municipal planning committee to ensure that all the development (especially infrastructure projects) planned by the municipality responds to the spatial, economic and social requirements of Nquthu as outlined in the municipality's planning documents.

**9. PERFORMANCE SCORECARD**

The performance scorecard is the product of the SDBIP that was approved by the Mayor and also tabled to Council. During the financial year under review, the SDBIP was reviewed in response to the IDP amendment and adjustment budget. The SDBIP scorecard is used as the main instrument to (1) align the budget and the IDP (2) set IDP and budget implementation targets and (3) become a primary performance management tool. The SDBIP is structured as follows:

<b>CONTENTS</b>	<b>DESCRIPTION</b>
<b><i>National Key performance area (KPA)</i></b>	National key performance areas provide a framework for evaluating the performance of local governments, enabling comparison, benchmarking, and identification of areas that require improvement or adjustment. They play a vital role in guiding local government planning, decision-making, resource allocation, and reporting to national authorities and the public on their progress towards achieving national development objectives.
<b><i>IDP reference</i></b>	IDP reference in the SDBIP seeks to indicate what IDP priority and/or service delivery area or areas do the goals, objectives, strategies and KPIs relate to. For purposes of referencing, item A.7 was used in the IDP.
<b><i>Goals</i></b>	Municipal goals in the context of an IDP provide a roadmap for local government to work towards a desired future, effectively addressing the needs and aspirations of the community while contributing to broader national and regional development objectives.
<b><i>Objectives</i></b>	Municipal objectives provide the actionable steps to turn the municipality's strategic aspirations into reality. They guide resource allocation, project prioritization, and the monitoring and evaluation of progress. When effectively designed and implemented, municipal objectives contribute to the overall development, growth, and improved quality of life within the municipality.
<b><i>Strategy</i></b>	A municipal strategy refers to a well-defined and concise plan of action that outlines the specific approaches, activities, and initiatives that a municipality intends to undertake in order to achieve a particular objective within the IDP. Municipal strategies are developed as a means to operationalize the objectives set forth in the IDP, providing a detailed roadmap for implementation and inform the kind of KPIs that are required.
<b><i>Key performance indicator (KPI)</i></b>	A municipal Key Performance Indicator (KPI) refers to a quantifiable measure that is linked to a specific objective and strategy. KPIs are used to assess the progress, success, and effectiveness of a municipality's efforts in achieving its goals and implementing its strategies outlined in the IDP and SDBIP.
<b><i>KPI reference number</i></b>	KPI reference number is developed to establish a short name for the indicator on the SDBIP for ease of use by users.
<b><i>Formula used to measure performance (unit of measure)</i></b>	Formula used to measure performance (on which the unit of measure is based) is a criterion used to measure if the target set has been achieved or not. This formula or criteria also determine whether the targets shall be calculated or measured cumulatively or per each performance cycle.
<b><i>Baseline</i></b>	The baseline indicates the performance level per each KPI that was achieved in the previous year so that the municipality moves forward and not stagnate or move backwards in terms of performance.
<b><i>Budget</i></b>	Budget refers to the amount allocated to fund the operations or procure goods and services for the attainment of each KPI.

<b>CONTENTS</b>	<b>DESCRIPTION</b>
<b><i>Targets (annual and quarterly)</i></b>	A target is specific deliverable that is set to be attained at a specific time in the implementation of the KPI. The target must meet the standard set by the SMART, i.e., specific, measurable, accurate, realistic and time bound. In cases where the target was reviewed a secondary column is created on the SDBIP.
<b><i>Ward</i></b>	Ward indicates the location (in terms of ward boundary) of the projects or where the KPI is implemented.
<b><i>Portfolio of evidence</i></b>	Portfolio of evidence refers to the documentation that proves that the claimed achievement has been attained.
<b><i>Responsible department</i></b>	This indicates the internal municipal responsible department that must report and provide the relevant portfolio of evidence.

For purposes of performance reporting, three additional columns are added to the scorecard, and these are described below:

- **Comparison with previous financial years:** two columns are added the APR containing the target and actual for the previous year for purposes of assessing the extent of performance improvement or decline.
- **Comments:** comments provide additional information to contextualize the actual achieved.
- **Reason for variance:** to clearly explain the reasons for underperformance in cases where the target is not met or the reasons that caused overperformance.
- **Corrective measure:** to explain interventions that will be made to address underperformance to ensure that underperformance is addressed going forward.

ANNUAL PERFORMANCE REPORT 2023/2024																					
BACK TO BASIC PILLAR	GOAL (IDP Ref.)	OBJECTIVE (IDP Ref.)	STRATEGY (IDP Ref.)	KPI Ref No.	KEY PERFORMANCE INDICATOR	MEASUREMENT CRITERIA / FORMULA	BASELINE 2022/23	COMPARISON WITH PREVIOUS FINANCIAL YEAR		CURRENT FINANCIAL YEAR			ANNUAL ACTUAL ACHIEVEMENTS	COMMENTS	REASON FOR VARIANCE	CORRECTIVE MEASURE	FUNDING SOURCE	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT	
								TARGET	ACTUAL	DEMAND	BACKLOG	ANNUAL TARGET									Revised target
								2022/2023		2023/24											
<b>2023/2024 FINANCIAL YEAR</b>																					
<b>OUTCOME 09 : DIFFERENTIATED APPROACH TO MUNICIPAL FINANCING, PLANNING AND SUPPORT</b>																					
<b>NATIONAL DEVELOPMENT PLAN: GOAL 7- BUILDING A CAPABLE STATE</b>																					
<b>PROVINCIAL GROWTH &amp; DEVELOPMENT STRATEGY (PGDS): Priority 1: A capable, ethical and developmental state.</b>																					
<b>UMZINYATHI DISTRICT ONE PLAN: PRIORITY - GOVERNANCE AND MANAGEMENT</b>																					
<b>NATIONAL KEY PERFORMANCE AREA 01: MUNICIPAL INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION</b>																					
Building capable local government institutions	Ensure human capital development and improve institutional Capacity (1.1)	To improve municipal capability (1.1)	Implementation of WSP by ensuring the training of staff and councillors as per the WSP (1.1.1)	Corp-01	Number of staff members trained as per WSP	Number of staff trained	27		89	102	291	20	50	Target not revised	52	52 trainings were conducted for employees. The municipality has a strategy of using any available platform to train its employees.	N/A	Internal	N/A	Expenditure Report and Trainings Report	Corporate
				Corp-02	No. of councillors trained as per WSP [accumulative]	Number Cllrs Trained	11		8	84	37	0	8	Target not revised	37	Two days were set aside for training at the municipality's strategic planning session to train councillors and officials.	N/A	Internal	N/A	Expenditure Report and Trainings Report	Corporate
				Corp-04	Percentage of vacant posts filled within 3 months	((1) Number of vacant posts filled within 3 months since the date (dd/mm/yyyy) of authority to proceed with filling the vacancy / (2) Number of vacant posts that have been filled)	100%	N/A	100%	100%	N/A	N/A	100%	Target not revised	100%	The municipality took 3 months to fill the advertised posts	NA	N/A	Internal	N/A	Advert, Appointment letters

ANNUAL PERFORMANCE REPORT 2023/2024																						
BACK TO BASIC PILLAR	GOAL (IDP Ref.)	OBJECTIVE (IDP Ref.)	STRATEGY (IDP Ref.)	KPI Ref No.	KEY PERFORMANCE INDICATOR	MEASUREMENT CRITERIA / FORMULA	BASELINE 2022/23	BUDGET	COMPARISON WITH PREVIOUS FINANCIAL YEAR		CURRENT FINANCIAL YEAR				ANNUAL ACTUAL ACHIEVEMENTS	COMMENTS	REASON FOR VARIANCE	CORRECTIVE MEASURE	FUNDING SOURCE	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
									TARGET	ACTUAL	DEMAND	BACKLOG	ANNUAL TARGET	Revised target								
									2022/2023		2023/24											
2023/2024 FINANCIAL YEAR																						
		Ensuring that critical posts and all budgeted for vacant and filled. (1.1.3)	Corp-05	Number of Section 54 & 56 managers filled and maintained.	((1)The number of employees on the approved organisational structure)-((2) The number of permanent employees in the municipality)/((1)The number of employees on the approved organisational structure)*100	5	0	5	5	5	0	5	Target not revised	5	All senior managers posts are filled	NA	N/A	Internal	N/A	Organogram and List of Vacancies	Corporate	
		Implement EAP Policy and plans (1.1.4)	Corp-06	Percentage of EAP Plan implemented	Actual achieved/ planned target X100	N/A	R 123 596	N/A	N/A	100%	0%	100%	Target not revised	100%	EAP Plan implemented accordingly	NA	N/A	Internal	N/A	EAP Report	Corporate	
		Create and maintain sound labour relations between employer and employees (1.1.5)	Corp-07	Number of Local Labour Forum Meetings conducted	Number of meetings	N/A	N/A	N/A	N/A	12	2	12	Target not revised	12	12 LLF meetings were conducted	N/A	N/A	N/A	N/A	Minutes and attendance Register	Corporate	
		Strive to attain demographic equity in municipal workforce. (1.1.6)	Corp-08	Percentage of Employment Equity Plan achieved	Actual achieved/ planned target X100	89%	N/A	100%	89%	100%	0%	95%	Target not revised	95%	Employment Equity is 95% implemented	N/A	N/A	N/A	N/A	Employment Equity Plan/ Report and Organigram	Corporate	
		To ensure an effective municipal ICT system (1.2)	Corp-09	Number of IT Steering Committee meetings conducted	Number of meetings	4	0	4	4	4	0	4	Target not revised	4	IT Steering Committee conducted on the 28 September, 21 December 2023, 27 March 2024 and 28 June 2024	N/A	N/A	Internal	N/A	Attendance Register and Minutes	Corporate	

ANNUAL PERFORMANCE REPORT 2023/2024																						
BACK TO BASIC PILLAR	GOAL (IDP Ref.)	OBJECTIVE (IDP Ref.)	STRATEGY (IDP Ref.)	KPI Ref No.	KEY PERFORMANCE INDICATOR	MEASUREMENT CRITERIA / FORMULA	BASELINE 2022/23	BUDGET	COMPARISON WITH PREVIOUS FINANCIAL YEAR		CURRENT FINANCIAL YEAR				ANNUAL ACTUAL ACHIEVEMENTS	COMMENTS	REASON FOR VARIANCE	CORRECTIVE MEASURE	FUNDING SOURCE	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
									TARGET	ACTUAL	DEMAND	BACKLOG	ANNUAL TARGET	Revised target								
									2022/2023		2023/24											
2023/2024 FINANCIAL YEAR																						
				Corp-10	Annual review of ICT policies and approval by council	Date	31-May-23	N/A	31-May-23	28-Jun-23	N/A	N/A	31-May-24	Target not revised	17-May-24	IT Policies adopted by council on the 17 May 2024	N/A	N/A	Internal	N/A	Council Resolution and Policies	Corporate
	To ensure effective management of municipal performance (1.3)	Implementation of Municipal PMS Policy and Framework (1.3.1)	MM-01	Number of Performance reports tabled to Council	Number of report to council	4	N/A	4	4	0	4	4	4	Target not revised	4	PMS Report tabled to council on the 30 August, 27 October 2023, 23 February 2024 and 27 June 2024	N/A	N/A	Internal	N/A	Council Resolution	Municipal manager
			MM-02	Date of PMS policy Reviewed and adopted by council	Date of approval by Council	31-May-23	N/A	N/A	N/A	N/A	N/A	31-May-24	Target not revised	26-Mar-24	PMS Policy adopted by council on the 26 March 2024	N/A	N/A	N/A	N/A	Council Resolution	Municipal manager	
	To ensure effective fleet management system (1.4)	Review and Implement Fleet Management Plan (1.4.1)	Corp-11	To table monthly fleet management reconciliation report to MANCO.	Number of reports to MANCO	12	N/A	12	12	0	12	12	12	Target not revised	12	Fleet Management Reports were tabled to MANCO on a monthly basis	N/A	N/A	Internal	All	Signed Report	Corporate
			Corp-12	Percentage of implementation of Fleet Management Plan	Actual achieved/ planned target X100	New indicator	N/A	N/A	100%	0%	100%	Target not revised	93%	Not all targets were implemented on the fleet management plan	During the year, some fleet management functions were transferred to user departments and departments could not immediately implement set fleet management procedures.	A training workshop is conducted on an annual basis to assist all departments.	N/A	N/A	N/A	Fleet Management Report -Signed	Corporate	

ANNUAL PERFORMANCE REPORT 2023/2024																						
BACK TO BASIC PILLAR	GOAL (IDP Ref.)	OBJECTIVE (IDP Ref.)	STRATEGY (IDP Ref.)	KPI Ref No.	KEY PERFORMANCE INDICATOR	MEASUREMENT CRITERIA / FORMULA	BASELINE 2022/23	BUDGET	COMPARISON WITH PREVIOUS FINANCIAL YEAR		CURRENT FINANCIAL YEAR			ANNUAL ACTUAL ACHIEVEMENTS	COMMENTS	REASON FOR VARIANCE	CORRECTIVE MEASURE	FUNDING SOURCE	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT	
									TARGET	ACTUAL	DEMAND	BACKLOG	ANNUAL TARGET									Revised target
									2022/2023		2023/24											
2023/2024 FINANCIAL YEAR																						
				Comp-13	Keep the fuel bill within the budgeted amount.	Actual budget spent on fuel/ Total budget per quarter	3,006,886.89	N/A	R3,371,555.00	R3,999,418.00			SR 420000	Target not revised	R4,718,074.43	The fuel bill exceed budgeted amount	1. Diesel theft 2. Undertaking avoidable trips	1. Undertaking consequence management 2. Directing all departments to use one vehicle to attend same events.	Internal - Fuel & Oil	N/A	Fleet Management reconciliation reports	Corporate
OUTCOME 09 : IMPROVED ACCESS TO BASIC SERVICES NATIONAL DEVELOPMENT PLAN: GOAL 2 - EXPAND INFRASTRUCTURE PROVINCIAL GROWTH & DEVELOPMENT STRATEGY: Priority 4: Consolidating social wage through reliable and quality basic services. UMNINYATHI DISTRICT ONE PLAN: PRIORITY - INFRASTRUCTURE PROVISION NATIONAL KEY PERFORMANCE AREA 02: SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT																						
Service delivery	Improved access to basic services (Z)	Ensure quality of municipal road network and expansion of access road network (2.1)	To ensure improved quality of municipal road network (2.1.1)	Tech-01	Kilometres of unsurfaced road graded by year end	Number of kilometres	59,448km	R-11657778	48km	59km	Dependent on the Roads Maintenance Plan	Dependent on Roads Maintenance Plan	55km	Target not revised	74,9 km	74,9 km of unsurfaced graded/bladed exceeding the set target by 19.9 km.	More kilometres were bladed than planned due to emergencies that had to be attended during the year. And, as a general principle, the municipality always seeks to maintain as many kilometres as practically possible.	N/A	Internal - Plant Hire	All	Unsurfaced Road Maintenance Plan, Report and Job Cards	Technical
				Tech-02	Percentage of potholes fixed as per Inspection Register	((1) Number of potholes fixed / (2) Number of planned to be fixed potholes ) (PERCENTAGE OF POTHOLES FIXED)	100%		100%	100%	100%	100%	100%	100%	Target not revised	0%	No identified potholes were fixed in the financial year	There was a delay with purchase of pedestrian roller. Purchased double pedestrian roller was delivered on the 27 June 2024	Pothole patching to be done from July 2024 and extra hours will be put to address the long standing backlog.	Internal-3515	Ward 9	List of reported fixed potholes , Road Maintenance Report and Job Card

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								CURRENT FINANCIAL YEAR														
								TARGET	ACTUAL	DEMAND	BACKLOG	ANNUAL TARGET	Revised target									
2022/2023		2023/24																				
2023/2024 FINANCIAL YEAR																						
			To ensure the expansion of access road network (2.1.2)	Tech-03	Percentage of construction of Gubazi Road	(1)Overall construction progress made (PERCENTAGE)	79%	Total project cost- R 12 745 722	100%	79%	N/A	N/A	100%	Target not revised	100%	Gubazi road is 100% complete.	N/A	N/A	MIG	13	Progress Report and Completion Certificate	Technical
				Tech-04	Percentage of Construction of Malanga Road in Ward 02	(1)Overall construction progress made (PERCENTAGE)	N/A	Total project cost- R 10 582 424 Current financial year expenditure - R 3 152 130	N/A	N/A	N/A	N/A	100%	80%	89%	Malanga Road is 89% complete	Construction progressing well on site.	N/A	MIG -15727	2	Progress Report and Completion Certificate	Technical

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								TARGET	ACTUAL	DEMAND	BACKLOG	ANNUAL TARGET	Revised target									
								2022/2023		2023/24												
2023/2024 FINANCIAL YEAR																						
				Tech-05	Percentage of Construction of Philani Road in Ward 14	(1)Overall construction progress made (PERCENTAGE)	56%	Total project cost- R 4 175 708	50%	59%	N/A	N/A	100%	Target not revised	100%	Philani Road is 100% complete	N/A	N/A	MIG- 12826	14	Progress Report and Completion Certificate	Technical
				Tech-06	Percentage of Construction of Nomkhosi Road in Ward 19	(1)Overall construction progress made (PERCENTAGE)	85%	Total project cost- R. 1 881 371	100%	85%	N/A	N/A	100%	Target not revised	100%	Nomkhosi Road is 100% complete	N/A	N/A		19	Progress Report and Completion Certificate	Technical
				Tech-08	Percentage of Construction of Nkalankala Gravel Road in Ward 10	(1)Overall construction progress made (PERCENTAGE)	48%	Total project cost- R. 3 479 314	60%	48%	N/A	N/A	100%	Target not revised	100%	Nkalankala Gravel Road is 100% complete	N/A	N/A	MIG	10	Progress Report and Completion Certificate	Technical
	Improvement of electricity services, affordability, access, connection, and energy sustainability (2.2)	Improved affordability of electricity (2.2.1)		BTO-01	Number of FBE units (50kwh) given to consumers	Number of 50 kwh units	47 219	Total project cost- R 4 201 443	48000	47 219 (50kw/h) FBE units	Dependent on the Indigent Register.	Qualifying households that have not applied for indigent status.	48000	Target not revised	45 357 FBE 50kwh units	The municipality provided 45 357 FBE 50kwh units to households in Eskom areas (23 516 FBE 50kwh units) as well as households in the municipal licenced area (21 841 FBE 50kwh units).	The compilation of the indigent register that projected to greatly increase the number of households receiving FBE took longer than anticipated, requiring an extension.	An extension was granted for applications and the compilation of the indigent register will be finalized by the end of August 2024.	Internal	All	Ontec Report and Eskom Schedule	Budget & Treasury

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									TARGET	ACTUAL	DEMAND	BACKLOG	ANNUAL TARGET									Revised target
									2022/2023		2023/24											
2023/2024 FINANCIAL YEAR																						
				BTO-24	Review of credible Indigent Register by 31 May 2024	Date of review	New indicator	No budget required	N/A	N/A	N/A	N/A	31-May-24	Indicator introduced at mid-year.	Indigent Register not approved	Indigent Register was not finalized as at 30 June 2024. However, the process was at an advanced stage and projected to be finalized by the end of August 2024.	Indigent Register verification process was lengthy than anticipated. The process started in March 2024 and was planned to end in May 2024. However, due to capacity constraints, Field Workers were hired and an extension for application was extended to 25 August 2024.	N/A	All	Indigent Register and Council Resolution	Budget & Treasury	
		To ensure improved access to electricity (2.2.2)		Tech-10	Percentage of valid customer applications for new electricity connections processed within 14 days	((1) Number of valid customer applications for a new electricity connection processed within municipal standard timeframes/ (2) Total number of valid customer applications for a new electricity connection	100% (i.e. 6 day average)	Electricity inventory used	14 Days	N/A	N/A	100%	Target not revised	28.57%	Only 4 out of 14 new electricity connections were completed within the set turnaround time of 14 days due to reasons outlined in the reason for variance column.	Lot 1401 connection was delayed by the late submission of the Occupational Certificate and all 9 shops in Lot 37 were delayed by the late submission of the Certificate of Compliance.	The new connection register will be reviewed to include the dates of submission for all compliance documents required to authorise the connection.	Internal	9	List of applications received. Job Cards and Memo of connection approval	Technical	

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								TARGET	ACTUAL	DEMAND	BACKLOG	ANNUAL TARGET	Revised target									
								2022/2023		2023/24												
2023/2024 FINANCIAL YEAR																						
				Tech-11	Number of new households connected to the grid ( Malanga- 50 , Madwaleni/Vumankala- 199 , Qhudeni -278.	(1) Number of residential supply points commissioned and energized by the municipality	475	Total project cost- R 9 500 000	250	475	2 175 (estimate s)	1 726 (estimate s)	840	527	438	QHUDENI ELECTRIFICATION - 212 households were completed to the grid. EMADWALENI ELECTRIFICATION - 111 households were connected to the grid. VUMANKALA ELECTRIFICATION - 115 households were connected to the grid.	Some wards earmarked for electricity grid connections could not be connected due to network constraints in those areas.	The municipality has started processing plans for the construction of Makhosini sub-station to address network constraints in affected areas.	Internal	1, 2, 6 & 8	PCS Files and COCs	Technical
		Improved energy sustainability (2.2.3)		Tech-12	Number of Solar Street Light and 2 High Mast installed in Nquthu Town.	Number of street/mast lights installed	New indicator	Total project cost- R 10 000 000	N/A	N/A	N/A	N/A	203	Indicator introduced at mid-year.	203	203 Solar Street light installed and 2 High Mast in Ward 09	N/A	N/A	All	Progress Report and Completion Certificate	Technical	

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BACK TO BASIC PILLAR	GOAL (IDP Ref.)	OBJECTIVE (IDP Ref.)	STRATEGY (IDP Ref.)	KPI Ref No.	KEY PERFORMANCE INDICATOR	MEASUREMENT CRITERIA / FORMULA	BASELINE 2022/23	COMPARISON WITH PREVIOUS FINANCIAL YEAR				CURRENT FINANCIAL YEAR		ANNUAL ACTUAL ACHIEVEMENTS	COMMENTS	REASON FOR VARIANCE	CORRECTIVE MEASURE	FUNDING SOURCE	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
								TARGET	ACTUAL	DEMAND	BACKLOG	ANNUAL TARGET	Revised target								
								2022/2023		2023/24											
2023/2024 FINANCIAL YEAR																					
				BTO-02	Percentage total electricity losses	$\frac{((1) \text{ Electricity Purchases in kWh} - (2) \text{ Electricity sales in kWh})}{(1) \text{ Electricity Purchases in kWh}}$	26%	10%	33%			10%	17.81%	Electricity distribution losses have decreased from 33% in the 2022/23 financial year to 17.81% in 2023/24. However, losses remain above the set norm of 7-10% and the municipality is doing everything in its power to reverse these losses.	Meter tempering/by pass and illegal connections. Tariffs that are not cost reflective. Errors in bulk electricity Eskom bulk electricity invoices.	Conducting meter audit and electricity disconnections. Appointing an expert to assist the municipality with cost reflective tariff setting and training municipal officials on using Eskom Tariff Calculation Tool.	N/A	9	Circular 71 Template & Calculation Evidence	Budget & Treasury	
	Improve access to public facilities including community halls, Sport fields, residential developments and ECDs and Taxi Rank (2.3)	Ensuring access to public facilities by construction of community halls (2.3.1)		Tech-13	Percentage of Construction of KLWANA HALL in Ward 03	(1) Overall construction progress made (PERCENTAGE)	N/A	10%	33%	N/A	N/A	100%	60%	100%	Klwana Hall is 100% complete	A portion of MIG funding was withheld resulting in cashflow challenges which forced the municipality to revised down its targets. However, due to the financial muscle of the contractor, work continued on site and the project met the original target.	N/A	MIG	3	Progress Report and Completion Certificate	Technical

ANNUAL PERFORMANCE REPORT 2023/2024																						
BACK TO BASIC PILLAR	GOAL (IDP Ref.)	OBJECTIVE (IDP Ref.)	STRATEGY (IDP Ref.)	KPI Ref No.	KEY PERFORMANCE INDICATOR	MEASUREMENT CRITERIA / FORMULA	BASELINE 2022/23	COMPARISON WITH PREVIOUS FINANCIAL YEAR				CURRENT FINANCIAL YEAR			ANNUAL ACTUAL ACHIEVEMENTS	COMMENTS	REASON FOR VARIANCE	CORRECTIVE MEASURE	FUNDING SOURCE	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
								TARGET	ACTUAL	DEMAND	BACKLOG	ANNUAL TARGET	Revised target									
								2022/2023		2023/24												
2023/2024 FINANCIAL YEAR																						
				Tech-14	Percentage of Construction of NHLOPHENI HALL in Ward 5	(1)Overall construction progress made (PERCENTAGE)	N/A	Total project cost- R 5 609 414	N/A	N/A	N/A	N/A	100%	60%	88%	Nhlopheni Hall is 88% complete	A portion of MIG funding was withheld resulting in cashflow challenges which forced the municipality to revised down its targets. However, due to the financial muscle of the contractor, work progressed well onsite.	N/A	MIG	5	Progress Report and Completion Certificate	Technical
				Tech-15	Percentage of Construction of MAGONGOLOZA HALL in Ward 08	(1)Overall construction progress made (PERCENTAGE)	New project	Total project cost- R 4 951 020	N/A	N/A	N/A	N/A	100%	Target not revised	100%	Magongoloza Hall is 100% complete	N/A	N/A	MIG	8	Progress Report and Completion Certificate	Technical
				Tech-17	Percentage of Construction of NKOSI ELFAS MOLEFE HALL in Ward 16	(1)Overall construction progress made (PERCENTAGE)	New project	Total project cost- R 5 534 345	N/A	N/A	N/A	N/A	100%	70%	90%	Nkosi Elfass hall is 90% complete	A portion of MIG funding was withheld resulting in cashflow challenges which forced the municipality to revised down its targets. However, due to the financial muscle of the contractor, work progressed well onsite.	N/A	MIG	16	Progress Report and Completion Certificate	Technical

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								TARGET	ACTUAL	DEMAND	BACKLOG	ANNUAL TARGET	Revised target									
								2022/2023		2023/24												
2023/2024 FINANCIAL YEAR																						
				Tech-18	Percentage of Construction of NCOME HALL in Ward 15	(1)Overall construction progress made (PERCENTAGE)	New project	Total project cost- R 4 352 924	N/A	N/A	N/A	N/A	100%	50%	60%	Ncome Hall is 60% complete	Construction progressing well on site.	N/A	MIG	15	Progress Report and Completion Certificate	Technical
				Tech-19	Percentage of Construction of NHLABAMKHOSI HALL in Ward 04	(1)Overall construction progress made (PERCENTAGE)	New project	Total project cost- R 5 600 014	N/A	N/A	N/A	N/A	100%	61%	66%	Nhlabamkhosi hall is 66% complete	Construction progressing well on site.	N/A	MIG	4	Progress Report and Completion Certificate	Technical
				Tech-20	Percentage of Construction of Ndatshana Community Hall Ward 18	(1)Overall construction progress made (PERCENTAGE)	New project	Total project cost- R 4 670 227	N/A	N/A	N/A	N/A	100%	40%	100%	Ndatshana Community Hall is 100% complete	The contractor was appointed in February 2024 and the target was accordingly revised down. However, the projects completed ahead of schedule due to the capacity and efficiency of the contractor.	N/A	MIG	18	Progress Report and Completion Certificate	Technical

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								TARGET	ACTUAL	DEMAND	BACKLOG	ANNUAL TARGET	Revised target									
								2022/2023		2023/24												
2023/2024 FINANCIAL YEAR																						
				Tech-21	Percentage of Construction of Nyakaza Hall Ward 05	(1)Overall construction progress made (PERCENTAGE)	New project	Total project cost- R 5 179 359	N/A	N/A	N/A	N/A	100%	40%	40%	Nyakaza Hall is 40% complete	N/A	N/A	MIG		Progress Report and Completion Certificate	Technical
				Tech-22	Percentage of Construction of MBEWUNYE HALL in Ward 11	(1)Overall construction progress made (PERCENTAGE)	New project	Total project cost- R 5 478 788	N/A	N/A	N/A	N/A	100%	60%	65%	Mbewunye Hall is 65% complete	Construction progressing well on site.	N/A	MIG	11	Progress Report and Completion Certificate	Technical
				Tech-23	Percentage of Construction of Mphondi Hall in Ward 07	(1)Overall construction progress made (PERCENTAGE)	New project	Total project cost- R 6 456 756	N/A	N/A	N/A	N/A	100%	60%	65%	Mphondi Hall is 65% complete	Construction progressing well on site.	N/A	MIG	7	Progress Report and Completion Certificate	Technical
				Tech-24	Percentage of Construction of Ntanyandlovu Hall in Ward 10	(1)Overall construction progress made (PERCENTAGE)	New project	Total project cost- R 4 998 935	N/A	N/A	N/A	N/A	100%	Target not revised	100%	Ntanyandlovu Hall is 100% complete	N/A	N/A	MIG	10	Progress Report and Completion Certificate	Technical

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								TARGET	ACTUAL	DEMAND	BACKLOG	ANNUAL TARGET	Revised target	2022/2023										2023/24	
2023/2024 FINANCIAL YEAR																									
				Tech-25	Percentage of completion of Ezinkondwani community hall in Ward 09	(1)Overall construction progress made (PERCENTAGE)	60%	Total project cost- R 5 507 892	100%	60%	N/A	N/A	100%	Target not revised	100%	Ezinkondwani Hall is 100% complete	N/A	N/A	Internal	9	Progress Report and Completion Certificate	Technical			
				Tech-28	Percentage of completion of Fire Station in Ward 09	(1)Overall construction progress made (PERCENTAGE)	62%	Total project cost- R 14 668 226	70%	62%	N/A	N/A	100%	Target not revised	100%	Fire Station is 100% complete	N/A	N/A	Internal	9	Progress Report and Completion Certificate	Technical			
				Tech-41	Percentage of completion of Waste Management Facility (Buy Back Centre) in Ward 09	(1)Overall construction progress made (PERCENTAGE)	New indicator	Total project cost- R 16 486 169	N/A	N/A	N/A	N/A	70%	New project	77%	Buy Back Centre is 77% complete	Construction progressing well on site.	N/A	Inhouse	9	Progress Report and Completion Certificate	Technical			
				Tech-42	Percentage of completion of Sheep and Wool renovation	(1)Overall construction progress made (PERCENTAGE)	New indicator	Total project cost- R 4 130 502	N/A	N/A	N/A	N/A	100%	New project	95%	Sheep and Wool Project is 95% complete	Pending snag-list completion.	To be finalized once snag-list items are completed.	Inhouse	17	Progress Report and Completion Certificate	Technical			

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BACK TO BASIC PILLAR	GOAL (IDP Ref.)	OBJECTIVE (IDP Ref.)	STRATEGY (IDP Ref.)	KPI Ref No.	KEY PERFORMANCE INDICATOR	MEASUREMENT CRITERIA / FORMULA	BASELINE 2022/23	COMPARISON WITH PREVIOUS FINANCIAL YEAR						ANNUAL ACTUAL ACHIEVEMENTS	COMMENTS	REASON FOR VARIANCE	CORRECTIVE MEASURE	FUNDING SOURCE	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT		
								2022/2023		CURRENT FINANCIAL YEAR												2023/24	
								TARGET	ACTUAL	DEMAND	BACKLOG	ANNUAL TARGET	Revised target										
2023/2024 FINANCIAL YEAR																							
				Tech33	Percentage of completion of Incubator Phase 3 in Ward 09	(1)Overall construction progress made (PERCENTAGE)	New indicator	Total project cost- R 11 898 545	N/A	N/A	N/A	N/A	100%	New project	99%	The project was nearly complete (99% construction progress) as at 28 June 2024.	Scope was increased to add pavement for workshop 1 and 2.	Additional scope was approved and work is underway.	Inhouse	9	Progress Report and Completion Certificate	Technical	
				Tech-29	Construction of Bhekukhanya Creche in Ward 06	(1)Overall construction progress made (PERCENTAGE)	New project	Total project cost- R 2 308 306	N/A	N/A	N/A	N/A	100%	60%	65%	Bhekukhanya Creche is 65% complete	Construction progressing well on site.	N/A	Inhouse	6	Progress Report and Completion Certificate	Technical	
			Expanding access to Early Childhood Development facilities (2.3.2)	Tech-30	Construction of Mntanyandlovu Creche in Ward 13	(1)Overall construction progress made (PERCENTAGE)	New project	Total project cost- R 3 613 123	N/A	N/A	N/A	N/A	100%	85%	89%	Ntanyandlovu crech is 89% complete	Construction progressing well on site.	N/A	MIG	13	Progress Report and Completion Certificate	Technical	
				Tech-31	Construction of Zwelisha Creche Ward 06	(1)Overall construction progress made (PERCENTAGE)	New project	Total project cost- R 3 410 016	N/A	N/A	N/A	N/A	100%	75%	76%	Zwelisha Creche is 76% complete	Construction progressing well on site.	N/A	MIG	6	Progress Report and Completion Certificate	Technical	

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								TARGET	ACTUAL	DEMAND	BACKLOG	ANNUAL TARGET	Revised target	2022/2023										2023/24	
2023/2024 FINANCIAL YEAR																									
				Tech-32	Construction of Elihlekhaya Creche in Ward 01	(1)Overall construction progress made (PERCENTAGE)	New project	Total project cost- R 3 174 334	N/A	N/A	N/A	N/A	100%	95%	99%	Eihlekhaya Creche is 99% complete	Construction progressing well on site.	N/A	MIG	1	Progress Report and Completion Certificate	Technical			
		Expanding access to Sportfield facilities (2.3.3)		Tech-33	Application for funding approval from KZN COGTA MBPAC for Nondweni Sportfield.	Date of application/submission to KZN COGTA	New KPI	No budget required	N/A	N/A	N/A	N/A	100%	30-Jun-24	13-Feb-24	Funding for Nondweni Sportfield approved by Cogta on the 13 February 2024	N/A	N/A	N/A	All	MBPAC attendance register and minutes.	Technical			
		Improvement of residential development (2.3.4)		Tech-34	Construction of Nquthu Residential Development phase II (Preparation of land set aside for residential and commercial purposes)	(1)Overall construction progress made (PERCENTAGE)	74%	Funded by Department of Human Settlement	100%	74%	N/A	N/A	100%	Target not revised	100%	The projects was completed in 23 August 2023.	N/A	N/A	Dept. of Human Settlement.	9	Progress Report and Completion Certificate	Progress Report and Completion Certificate			
		Improvement of Nquthu Taxi Rank (2.3.5)		Tech-35	Renovation of Old Nquthu Taxi Rank in Ward 09	(1)Overall construction progress made (PERCENTAGE)	New project	Total project cost- R 20 675 817	N/A	N/A	N/A	N/A	30%	Target not revised	40%	Renovation of Nquthu Taxi Rank is 40% complete	Construction progressing well on site.	N/A	MIG	9	Progress Report and Completion Certificate	Technical			

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								TARGET	ACTUAL	DEMAND	BACKLOG	ANNUAL TARGET	Revised target										
								2022/2023		2023/24													
<b>2023/2024 FINANCIAL YEAR</b>																							
<b>OUTCOME 09: COMMUNITY WORK PROGRAMME IMPLEMENTED AND COOPERATIVES SUPPORTED</b>																							
<b>NATIONAL DEVELOPMENT PLAN: GOAL 1- CREATING JOBS AND LIVELYHOOD, GOAL 5 - IMPROVING EDUCATION AND TRAINING &amp; GOAL 9 - TRANSFORMING SOCIETY AND UNITING THE NATION</b>																							
<b>PROVINCIAL GROWTH &amp; DEVELOPMENT STRATEGY: Priority 2: Economic transformation and job creation and Priority 6: Social cohesion and safe communities.</b>																							
<b>UMZINYATHI DISTRICT ONE PLAN: PRIORITY - ECONOMIC POSITIONING AND PEOPLE DEVELOPMENT</b>																							
<b>NATIONAL KEY PERFORMANCE AREA 3: LOCAL ECONOMIC DEVELOPMENT AND SOCIAL DEVELOPMENT</b>																							
Delivering basic services	Achieve inclusive Economic growth and development to alleviate poverty (3.1)	Ensure growing the local economy (3.1)	Development and Implementation of Local Economic Development Agricultural Strategy (3.1.1)	Plan-01	Percentage of implementation of LED Strategy	Actual number achieved targets/ Total number of planned targets X100	N/A	N/A	N/A	N/A	N/A	100%	Target not revised	100%	All deliverables of the Implementation Plan were achieved.	N/A	N/A	Internal	All	Pictures and Signed Report	Planning		
				Plan-02	Percentage of implementation of Agricultural plan	Actual number achieved targets/ Total number of planned targets X100	N/A	R634,346.00	N/A	N/A				100%	Target not revised	100%	All deliverables of the Implementation Plan were achieved.	N/A	N/A	Internal	All		Planning
			Promote the formalization of SMMEs (3.1.2)	Plan-03	Average time taken to process business registrations	(1) Sum of the total working days per business registration finalised/ (2) Number of business registration finalised	90 Days	90 Days	90 Days					90 Days	Target not revised	90 Days	The municipality took the average of 90 days to process business registration	N/A	N/A	Internal	All	Cooperative Certificate and Register of processed applications	Planning
				Plan-22	Number of Informal Trading Shelters constructed	Number	N/A	R434,783.00	N/A	N/A				15	Target not revised	0	No informal trading shelters constructed	Budget constraint. The target should have been reviewed at mid-year but was omitted due to an oversight error.	Informal Trading Shelter will be constructed next financial year.	Internal	9	Progress Report , Completion Certificate and Invoice	Planning
			Plan-04	Average time taken to process business license applications	(1) Sum of the total working days per business application finalised/ (2) Number of business applications finalised	30 Days	30 days	16 days						30 Days	Target not revised	30 Days	The municipality took the average of 30 days to process business licence application	N/A	N/A	Internal	All	Business licences applied for, Business licence issued, register	Planning

ANNUAL PERFORMANCE REPORT 2023/2024																						
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								CURRENT FINANCIAL YEAR														
								TARGET	ACTUAL	DEMAND	BACKLOG	ANNUAL TARGET	Revised target									2022/2023
2023/2024 FINANCIAL YEAR																						
			Build the capacity of local SMMEs to make them competitive and sustainable (3.1.4)	Plan-05	Number of capacity building seminars for SMMEs (Women in Business, Business Fair, SMMEs Trainings and youth in Business, Carpentry)	Count number of trainings and seminars	1	R1,043,911.00	20	6			12	Target not revised	15	15 capacity buildings for SMMEs conducted	N/A	N/A		All	Training records/Attendance registers	Planning
			Implementation of the emerging contractor development programme (3.1.5)	Plan-06	Percentage of capital projects (exceeding R1 million) utilising sub-contractors.	Appointed subcontractors/Total number of capital projects exceeding R1m	100%		15	12			100%	Target not revised	6%	Only two projects had subcontractors.	The project was disturbed by dissatisfied subcontractor association.	All disputes have been resolved with subcontractor associations.	Internal	All	Subcontractors beneficiary list and Reports and Pictures and Contracts	Planning
			Support local youth enterprises to unleash their potential and innovation (3.1.6)	Plan-07	Number of youth SMMEs supported	Number	2	R0.00	19	0			19	Target not revised	19	All ward benefitted on SMMEs support	N/A	N/A	Internal	All	Signed Report and Beneficiary list	Planning
				Plan-08	Report to council on skills/support gaps for youth SMMEs	Date	N/A	R0.00	N/A	N/A				30-Dec-23	Target not revised	Report issued on 29 November 2023.	The Skills/support gap was issued on 29 November 2023.	N/A	N/A	N/A	All	SMMEs database
		To ensure growing the tourism sector in the municipality (3.2)	Development and implementation of Tourism Strategy (3.2.1)	Plan-09	Number of tourism programmes implemented (Educational Excursion, Tourism Promotion Brochure, Africa Indaba, Tourism promotion affiliation, Ongoing NCTO Support)	Number	1	R1,042,852.00	3	3			4	Target not revised	4	Tourism Stakeholder Induction Workshop- 3-4 April 2024, NCTO Support, Tourism Promotion during Isandwana commemoration - 27 Jan 2024. Tourism Excursion - 13-17 November 2023	N/A	N/A	Internal	All	Signed Reports and Pictures	Planning

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								TARGET	ACTUAL	DEMAND	BACKLOG	ANNUAL TARGET	Revised target	2022/2023										2023/24	
2023/2024 FINANCIAL YEAR																									
				Plan-10	Date of Approval of Tourism Strategy/ Trade and Investment Strategy by Council	Date		R418,434.00	N/A	N/A					30-Jun-24	Target not revised		The document was not tabled to Council for approval.	Appointment of the service provider was delayed in order to alter the terms of reference to include other documents that need require.	Due to cost containment measures the municipality decided to combine of Agricultural, Tourism and LED Strategy to save cost, and the appointment of service provider was delayed .	Tourism, Agriculture and LED strategy to be approved by council next financial year	N/A	All	Council Resolution	Planning
		Promotion of Social cohesion through Arts and Culture development programmes (3.3)	Implementation of Arts, Cultural Affairs and Heritage Programmes (3.3.1)	Plan-11	Number of Art, Culture and Heritage programmes implemented	Number	7	R2,043,157.00	7	7					7	Target not revised	8	8 Art, Culture and Heritage programme	N/A	N/A	Internal	All	Signed Reports and Pictures	Planning	
		To ensure more effective poverty alleviation (3.4)	Creation of jobs to alleviate poverty by implementing local, economic development initiatives including capital projects (3.4.1)	Tech-39	Number of work opportunities created through Public Employment Programmes (incl. EPWP, CWP and other related employment programmes)	(1) Number of work opportunities provided by the municipality through the Expanded Public Works Programme + (2) the Number of work opportunities provided through the Community Works Programme and other related infrastructure initiatives.	221		250	252					221	Target not revised	231	231 jobs created through EPWP	N/A	N/A	Internal	All	EPWP reports, CPW reports & municipal employment creation reports	Technical	
			Implementation of LED Mayoral Project Policy (3.4.2)	Plan-13	Number of beneficiaries benefitted from LED Mayoral Project/ Poverty Alleviation Programme implemented	Number of projects implemented		R1,304,347.00	24	27					25	Target not revised	25	The number of identified beneficiaries was reached.	N/A	N/A	Internal	All	Signed List of Beneficiaries	Planning	

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									TARGET	ACTUAL	DEMAND	BACKLOG	ANNUAL TARGET									Revised target
									2022/2023		2023/24											
2023/2024 FINANCIAL YEAR																						
Ensure accelerated social development of the people of Nquthu (4.) [M/B: KPA3]				Plan-21	Number of beneficiaries benefiting from Fencing Project		R2,000,000.00	22	22			25	Target not revised	25	The number of targeted beneficiaries was achieved.	N/A	N/A			Report and beneficiary list	Planning	
				Plan-14	Number of beneficiaries benefiting from Drivers Licence Assistance Projects	Number of project beneficiaries	46	R608,696.00	46	46			45	Target not revised	45	A total of 45 youths benefited from the programme and 23 of them have already got their driver's licenced.	N/A	N/A	Internal	All	List of beneficiaries, Report from Driving School	Planning
		Promotion of all sports codes in the municipality (11.1)	Ensure the implementation of all sports development plans (11.1.1)	Cop-14	Percentage Implementation of the municipality's sports annual plan	Actual achieved targets on sport annual plan / Total number of planned targets X100	100%	R1,495,858.00	100%	100%			100%	Target not revised	100%	All the municipality's planned sports activities are implemented.	N/A	N/A	Internal	All	List of participants per sport code	Corporate
		To ensure the welfare of vulnerable groups within the municipality (11.2)	Establish and ensure the functionality of representative forums for the targeted social groups (11.2.1)	Cop-15	Number of Functional representative forums for social sectors Meetings conducted	Number	20		20	29			28	Target not revised	44	The set target was exceeded.	Special meetings.	N/A	Internal	All	Attendance Registers	Corporate
		Ensuring Early Childhood Development in Nquthu (11.3)	Providing support to ECD centres (11.3.1)	MM-03	Number of early childhood development activities conducted	Number	4		4	6			4	Target not revised	4	All planned early childhood development programmes were implemented.	N/A	N/A	Internal	All		Municipal manager
		Ensuring youth development in Nquthu (11.4)	Initiating and implementing youth development initiatives (11.4.1)	MM-04	Percentage of youth development programmes implemented	Actual achieved targets on Youth Plan / Total number of planned targets X100			6	14			100%	Target not revised	100%	All planned youth development programmes were implemented.	N/A	N/A	Internal	All	Signed Report	Municipal manager

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									TARGET	ACTUAL	DEMAND	BACKLOG	ANNUAL TARGET									Revised target
									2022/2023		2023/24											
<b>2023/2024 FINANCIAL YEAR</b>																						
		To render library services to communities. (N/A)	Improve library services accessibility through different programmes (N/A)	Corp-16	Number of library outreach activities conducted	Number			18	22			36	Target not revised	51	51 outreach activities were conducted.	Demand for library visits in schools has increased.	N/A	N/A	All	Corporate	
				Corp-17	Average number of library visits per library	(1) Total number of library visits / (2) Count of municipal libraries	3877		4666	15223.6			3877	Target not revised	18686			N/A	All	Corporate		
<b>OUTCOME 09 : DEEPEN DEMOCRACY THROUGH A REFINED WARD COMMITTEE SYSTEM</b> <b>KPA 04: GOOD GOVERNANCE AND PUBLIC PARTICIPATION</b> <b>PROVINCIAL GROWTH &amp; DEVELOPMENT STRATEGY: Priority 1: A capable, ethical and developmental state</b> <b>UMZINYATHI DISTRICT ONE PLAN: PRIORITY - GOVERNANCE AND MANAGEMENT</b> <b>KEY PERFORMANCE AREA 4: GOOD GOVERNANCE AND PUBLIC PARTICIPATION</b>																						
N	To attain a well governed and accessible municipality that is rooted in the will of the people.(4.1)	Ensure effective strategic planning by developing a credible IDP (4.1)	Ensure that the IDP is compliant and meet all prescribed timelines (4.1.1)	MM-05	Number of IDP Steering Committee conducted	Number of meetings	4	No budget required	N/A	N/A	N/A	N/A	4	Target not revised	6		N/A	N/A	Internal	All	Attendance Registers	Municipal manager
				MM-06	Date of approval of Draft IDP 2024/25	Date of approval	30-Mar-23		N/A	N/A	N/A	N/A	30 March 2024	Target not revised	26-Mar-24	Draft IDP approved by Council on the 26 March 2026	N/A	N/A	Internal	All	Council Resolution	Municipal manager
				MM-07	Date of approval of Final IDP 2024/25	Date of approval	31-May-23		N/A	N/A	N/A	N/A	31 May 2024	Target not revised	17-May-24	Final IDP approved by council on the 17 May 2024	N/A	N/A	Internal	All	Council Resolution	Municipal manager

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									TARGET	ACTUAL	DEMAND	BACKLOG	ANNUAL TARGET									Revised target
									2022/2023		2023/24											
2023/2024 FINANCIAL YEAR																						
				MM-08	Date of Strategic Planning conducted	Date	21-24 Feb 2023		28-Feb-23	15-Mar-24	N/A	N/A	28 February 2024	Target not revised	19-23 February 2024	Strategic Planning conducted on the 19-23 February 2024	N/A	N/A	Internal	All	Attendance Registers	Municipal manager
				MM-09	Number of IDP presentations to OSS Stakeholders	Number of presentation to OSS	4		4	4	N/A	N/A	4	Target not revised	4	IDP information presented on OSS Stakeholders on a quarterly basis	N/A	N/A	Internal	All	Attendance Registers	Municipal manager
				MM-10	Date of IDP/Budget Consultation	Date of consultation	21-Apr-23		30-Apr-23	21-Apr-23	N/A	N/A	30 April 2024	Target not revised	02 April, 25 April and 26 April 2024	IDP Consultation conducted on the 02 April, 25 April, and 26 April 2024	N/A	N/A	Internal	All	Attendance Registers	Municipal manager
		Improved municipal responsiveness (4.2)	Ensure that all complaints received are attended to on time (4.2.1)	MM-11	Percentage of received complaints responded to within 14 day	(1) Percentage of complaints responded to within 14 days / (2) Total number of complaints received x 100	100%		100%	100%	N/A	N/A	100%	Target not revised	100%	All complaints were responded to within 14 days	N/A	N/A	Internal	All	Updated Complaints Register	Municipal Manager
		Ensure that all ward committees are functional (4.2.2)	Ensure that all ward committees are functional (4.2.2)	Corp-18	Percentage of Ward Committee Functionality	((1)The number of ward committees with 6 or more members)/((2)Total number of wards)*100	100%		100%	100%	N/A	N/A	100%	Target not revised	89%	Ward Committees are 89% functional	KZN COGTA Ward Committee assessment outcomes declared two wards as dysfunctional.	The matters was tabled in the Speaker's Forum for resolution.	Internal	All	Assessment Report from Cogta	Corporate
		Improved council functionality (4.3)	Prevent disruption of council meetings to ensure smooth functioning of council (4.3.1)	Corp-19	Number of agenda items deferred to the next council meeting	(1) Sum total number of all council agenda items deferred to the next meeting	0		0	0	N/A	N/A	0	Target not revised	0	No council items deferred.	N/A	N/A	Internal	All	Attendance Register	Corporate

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									TARGET	ACTUAL	DEMAND	BACKLOG	ANNUAL TARGET	Revised target								
									2022/2023		2023/24											
2023/2024 FINANCIAL YEAR																						
				Corpr-20	Percentage of councillors attending council meetings	Number of councillors present in the meeting / Total number of councillors X100. Quarterly average			N/A	N/A	N/A	N/A	100%	Target not revised	87%	Not all council meetings have full councillor attendance.	Councillors cannot always attend due to other commitments	Application for leave of absence are submitted and duly approved by Council.	Internal	All	Attendance Register and consolidated report of attendance	Corporate
		To ensure the municipality abide with Circular No. 88 of the MFMA (4.4)	Reporting to Provincial Cogta on Indicators prescribed in Circular No.88 (4.4.1)	MM-12	Number of Circular No.88 Reports submitted to Provincial Cogta	Number of report submitted	4		4	4	N/A	N/A	4	Target not revised	4	Circular 88 Report submitted to Cogta on a quarterly basis	N/A	N/A	Internal	N/A	Proof of submission Cogta [Email and Report ]	Municipal manager
		To ensure improved communication with communities (4.5)	Engaging communities about all development or infrastructure projects (4.5.1)	MM-13	Number of SOD/ turnings for infrastructure projects	Number of SOD turnings for new projects	18		12	26	N/A	N/A	18	Target not revised	31	13 SOD Turning conducted- Tlokoeni Creche, Nondweni Sportfiel, Vukefile Road,	N/A	N/A		All	Attendance Register and Pictures	Municipal manager
				MM-14	Number of handovers for infrastructure projects	Number of handovers for completed projects				N/A	N/A	N/A	N/A	17	Target not revised	15	Handover- Ezinkondlwani Hall, Klwana Hall, Mangongolozahall, Ntantshana Hall, Ntanyandlovu Hall, Siyazama Creche, Nkanyisweni Creche, Sunrise Creche, Sinenhlanhla Creche, Gubazi Road, Nkalankala Road, Nomkhosi Road, Philani Road, Fire Station, Nquthu Location Roads,	The completion of some projects were delayed and could not be handed over before completion.	Delayed projects will be completed in the 2024/25 financial year.		All	Attendance Register and Pictures

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									TARGET	ACTUAL	DEMAND	BACKLOG	ANNUAL TARGET	Revised target								
									2022/2023		2023/24											
2023/2024 FINANCIAL YEAR																						
		To ensure effective risk management (4.6)	Implement the municipality's risk management policy and strategy (4.6.1)	MM-15	Percentage of risk action plan implemented	Actual risk targets mitigated / Total planned risk identified X100	85%		100%	85%	N/A	N/A	100%	Target not revised	100%	All strategic risks were resolved	N/A	N/A	Internal	N/A	Updated Risk Action Plan	Municipal manager
				MM-16	Number of Risk Management Committee Meeting Conducted	Number of Meetings	4		4	4	N/A	N/A	4	Target not revised	4	Risk Management Committees - 3 August 2023, 10 November 2024, 15 March 2024 and 16 July 2024	N/A	N/A	Internal	N/A	Attendance Register	Municipal manager
		Strive to attain a clean audit (4.7)	Ensure that the AG Action Plan is implemented and that Audit Committee sits and reports to Council (4.7.1)	MM-17	Number of Audit Committee reports to Council	Number of report submitted to council by AC Chairperson	2		2	2	N/A	N/A	2	Target not revised	2	AC Report to Council on the 10 November 2023 and 24 January 2024	N/A	N/A	Internal	N/A	AC Reports	Municipal manager
				MM-18	Percentage of AG Action Plan implemented	Actual AG Findings resolved / Total number of findings x100	20%		100%	69%	N/A	N/A	100%	Target not revised	58%	58% of findings resolved	Some action plans are still outstanding and the actual will be revised before submission to AG and, in this regard, reasons for outstanding action plans will be provided.	To be provided before submission when unimplemented action plans have been clearly identified.	Internal	N/A	Updated Action Plan	Municipal manager
				MM-19	Number of audit committee meetings	Number	5		4	5	N/A	N/A	4	Target not revised	7	7 Audit Committee meetings held on the 05 July 2023, 15 August 2023, 22 August 2023, 29 August 2023, 22 November 2023, 23 January 2024, 13 May 2024	N/A	N/A	Internal	N/A	Attendance Register	Municipal manager

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								TARGET	ACTUAL	DEMAND	BACKLOG	ANNUAL TARGET	Revised target								
								2022/2023		2023/24											
2023/2024 FINANCIAL YEAR																					
		To ensure effective records management system (4.8)	Implementation of Records Procedure Manual (4.8.1)	Corp-21	Number of Records Management Awarenesses conducted	Number	1	1	1	N/A	N/A	1	Target not revised	1	Records Awareness campaign held on the 20 March 2024			Internal	N/A	Attendance Register	Corporate
				Corp-22	Percentage of implementation of Approved File Plan		N/A	N/A	N/A	N/A	N/A	100%	Target not revised	100%	File Plan in implemented accordingly	N/A	N/A	Internal	N/A	Records Procedure Manual Action plan	Corporate
<p>OUTCOME 09 : IMPROVED MUNICIPAL FINANCIAL AND ADMINISTRATIVE CAPABILITY  National Development Plan: Goal 8 - Fighting corruption and enhancing accountability. Goal 7 - Building a capable state.  PROVINCIAL GROWTH &amp; DEVELOPMENT STRATEGY (PGDS): Priority 1: A capable, ethical and developmental state.  UMZINYATHI DISTRICT ONE PLAN: PRIORITY- GOVERNANCE AND MANAGEMENT  KPA 05: FINANCIAL MANAGEMENT AND VIABILITY</p>																					
Sound financial management	Improved and sound Financial management and viability (5.)	To ensure effective expenditure management (5.1)	Ensuring that the municipality execute its procurement plan	BTO-03	Percentage of Procurement Plan implemented	Number of items procured/ Total number of planned items to be procured		100%	90%			100%	Target not revised	96%	96% of Procurement have been implemented	The municipality implemented cost containment regulations and some procurement items had to be cancelled.	The budget approved will be reviewed to only exclude expenditure items that are prohibited in terms of cost containment regulations	Equitable Shares, Property rates, service charges and other miscellaneous revenue sources	N/A	Procurement Plan Status and Invoices	Budget & Treasury

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									TARGET	ACTUAL	DEMAND	BACKLOG	ANNUAL TARGET									Revised target
									2022/2023		2023/24											
2023/2024 FINANCIAL YEAR																						
		Ensure municipal financial sustainability (5.2)	Maintain proper municipal financial sustainability	BTO-04	Percentage of Level of Cash Backed Reserves	(Cash and Cash Equivalents - Bank Overdraft + Short Term Investment + Long Term Investment - Unspent Conditional Grants) / (Net Assets - Accumulated Surplus - Non Controlling Interest - Share Premium - Share Capital - Fair Value Adjustment - Revaluation Reserve)			100%	100%			100%	Target not revised	121%	Levels pf municipal reserves exceed prescribed norm.	N/A	N/A		N/A	Circular 71 Template & Calculation Evidence	Budget & Treasury
		To ensure improved municipal liquidity position (5.3)	Ensure that the municipality is in a good position to meet its short-term liabilities by maintaining a set current ratio	BTO-05	Current Ratio	Current Assets / Current Liabilities			2:01	2:49	N/A	N/A	2:01	Target not revised	2:01	Set target met.	N/A	N/A	N/A	N/A	Circular 71 Template & Calculation Evidence	Budget & Treasury
		Prudent management of municipal finances to ensure sustainability	Prudent management of municipal finances to ensure sustainability	BTO-06	Liquidity Ratio	(1) Cash and cash equivalents / (2) Current liabilities			2:01	2:49			1.5-2:1	Target not revised	14%	Target met.	N/A	N/A		N/A	Circular 71 Template & Calculation Evidence	Budget & Treasury

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									TARGET	ACTUAL	DEMAND	BACKLOG	ANNUAL TARGET	Revised target								
									2022/2023		2023/24											
2023/2024 FINANCIAL YEAR																						
			Ensure municipality's ability to meet at least its monthly fixed operating commitments from cash and short-term investment without collecting any additional revenue, during that month.	BTO-07	Number of months for municipality's ability to meet at least its monthly fixed operating commitments	((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, and Provision for Bad Debts, Impairment and Loss on Disposal of Assets)).			3 months	5 months			3 months	Target not revised	3 Months	Financially stable for next 3 months	N/A	N/A	N/A		Circular 71 Template & Calculation Evidence	Budget & Treasury
		To ensure improved debt management (5.4)	Improve debt collection by billing of all municipal debtors (5.4.1)	BTO-08	Net Debtors Days	((Gross Debtors - Bad Debt Provision) / Billed Revenue) x 365			30 Days	246 Days			30 Days	Target not revised	3717 days	It takes more than 3712 days to collect debt	Municipality is struggling with debt collection	The municipality implements disconnections, enter into arrangements with customers to settle their debt.	N/A		Circular 71 Template & Calculation Evidence	Budget & Treasury
			Collection Rate	BTO-09	Collection Rate	Gross Debtors Opening Balance + Billed Revenue - Gross Debtors Closing Balance - Bad Debts Written Off) / Billed Revenue x 100			95%	89%			95%	Target not revised	68%	Collection rate is below the norm	some customers billed for rates are indigent	Indigent debtors are written off, implements disconnection to customers failing to honor their debt.	N/A		Circular 71 Template & Calculation Evidence	Budget & Treasury
			Keep municipal assets in good state by efficient spending of maintenance budget (5.4.2)	BTO-10	Repairs and Maintenance as a % of Property, Plants and Equipment and Investment Property (Carrying Value)	Total Repairs and Maintenance Expenditure / Property, Plant and Equipment and Investment Property (Carrying Value) x 100			8%	3%			8%	Target not revised	5%	Repairs and Maintenance is 5%	Large portion of our PPE is land which is not repaired and other assets are adequately budgeted for repairs.	Allocate sufficient budget to all existing PPE and other assets requiring maintenance	N/A		Circular 71 Template & Calculation Evidence	All

ANNUAL PERFORMANCE REPORT 2023/2024																						
BACK TO BASIC PILLAR	GOAL (IDP Ref.)	OBJECTIVE (IDP Ref.)	STRATEGY (IDP Ref.)	KPI Ref No.	KEY PERFORMANCE INDICATOR	MEASUREMENT CRITERIA / FORMULA	BASELINE 2022/23	BUDGET	COMPARISON WITH PREVIOUS FINANCIAL YEAR		CURRENT FINANCIAL YEAR			ANNUAL ACTUAL ACHIEVEMENTS	COMMENTS	REASON FOR VARIANCE	CORRECTIVE MEASURE	FUNDING SOURCE	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT	
									TARGET	ACTUAL	DEMAND	BACKLOG	ANNUAL TARGET									Revised target
									2022/2023		2023/24											
2023/2024 FINANCIAL YEAR																						
			Invest optimally in infrastructure by spending budgeted capital expenditure (5.4.3)	BTO-11	Capital Expenditure to Total Expenditure	Total Capital Expenditure / Total Expenditure (Total Operating Expenditure + Capital Expenditure) x 100			10%	18%			30%	Target not revised	23%	Budget allocation capital spending is limited	Projects funded internally were finalized towards year end and could not spend the whole budget	Proper planning to ensure that capital projects starts in time to avoid underspending in capital projects.	N/A	Circular 71 Template & Calculation Evidence	Budget & Treasury	
		To ensure improved financial management (5.5)	Ensure proper budget implementation and that expenditure is incurred in acceptable standards (5.5.1)	BTO-12	Percentage of a municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan	((1) Actual Capital Expenditure / (2) Budgeted Capital Expenditure			100%	84%			100%	Target not revised	92%	Exceed Target by 9%	N/A	N/A	N/A	Expenditure Report	Budget & Treasury and Technical	
				BTO-13	Percentage of operating budget spend	Actual Operating Expenditure / Budgeted Operating Expenditure x 100			100%	100%				100%	Target not revised	110%	110% of operating budget spent	N/A	N/A	N/A	Expenditure Report	Budget & Treasury
				BTO-14	Percentage of irregular expenditure incurred	((Irregular, Fruitless and Wasteful and Unauthorised Expenditure) / Total Operating Expenditure x 100			0%	24%				0%	Target not revised	52%	52% of irregular expenditure	There were changes in SCM regulations which resulted in error during evaluation and adjudication causing irregular expenditure.	Trainings are being held regularly with SCM unit and bid committees to avoid future irregular expenditure	N/A	Expenditure Report	All
				BTO-15	Number of days taken to pay trade creditors	((1) Trade Creditors Outstanding / (2) Credit purchases (operating and capital) X 365			30 Days	176 Days				30 days	Target not revised	30 Days	The municipality took 30 days to pay creditors	N/A	N/A	N/A	Circular 71 Template & Calculation Evidence	Budget & Treasury

ANNUAL PERFORMANCE REPORT 2023/2024																						
BACK TO BASIC PILLAR	GOAL (IDP Ref.)	OBJECTIVE (IDP Ref.)	STRATEGY (IDP Ref.)	KPI Ref No.	KEY PERFORMANCE INDICATOR	MEASUREMENT CRITERIA / FORMULA	BASELINE 2022/23	BUDGET	COMPARISON WITH PREVIOUS FINANCIAL YEAR		CURRENT FINANCIAL YEAR			ANNUAL ACTUAL ACHIEVEMENTS	COMMENTS	REASON FOR VARIANCE	CORRECTIVE MEASURE	FUNDING SOURCE	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT	
									TARGET	ACTUAL	DEMAND	BACKLOG	ANNUAL TARGET									Revised target
									2022/2023		2023/24											
2023/2024 FINANCIAL YEAR																						
				BTO-16	Number of Budget Steering Committee meetings convened	Number of meetings	4		4	4			4	Target not revised	4	4 Budget Steering committees conducted	N/A	N/A	N/A	Attendance Register and Minutes	Budget & Treasury	
				BTO-17	Submit 2024/25 Draft Annual Budget to the Council	Date	30-Mar-23		30-Mar-23	30-Mar-23			30-Mar-24	Target not revised	26-Mar-24	Draft Budget approved by council on the 26 March 2024	N/A	N/A	N/A	Council Resolution Budget document	Budget & Treasury	
				BTO-18	Submit 2024/25 Annual Budget to the Council	Date	31-May-23		31-May-23	31-May-23			31-May-24	Target not revised	17-May-24	Final Budget approved by council on the 17 May 2024	N/A	N/A	N/A	Council Resolution Budget document	Budget & Treasury	
				BTO-19	Ensure effective procurement management by adhering a set average turn-around time for awarding of bids (5.5.2)	Average length of time from advertisement of a tender to the letter of award	(1) Sum of the number of days from the point of advertising a tender in terms of the 80/20 procurement process to the issuing of the letter of award/ (2) Total number of 80/20 tenders awarded as per the procurement process		3 months	3 months			3 months	Target not revised	3 months	Average length of time from advertisement to the letter of award	N/A	N/A	N/A	Tender Register	Budget & Treasury	

ANNUAL PERFORMANCE REPORT 2023/2024																					
BACK TO BASIC PILLAR	GOAL (IDP Ref.)	OBJECTIVE (IDP Ref.)	STRATEGY (IDP Ref.)	KPI Ref No.	KEY PERFORMANCE INDICATOR	MEASUREMENT CRITERIA / FORMULA	BASELINE 2022/23	COMPARISON WITH PREVIOUS FINANCIAL YEAR				CURRENT FINANCIAL YEAR		ANNUAL ACTUAL ACHIEVEMENTS	COMMENTS	REASON FOR VARIANCE	CORRECTIVE MEASURE	FUNDING SOURCE	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT
								TARGET	ACTUAL	DEMAND	BACKLOG	ANNUAL TARGET	Revised target								
								2022/2023		2023/24											
2023/2024 FINANCIAL YEAR																					
				BTO-20	Percentage of electricity Distribution Losses	(Number of Electricity Units Purchased and / or Generated - Number of Electricity Units Sold) / Number of Electricity Units Purchased and / or Generated) × 100			10%	33%			10%		17.81%	The Budget and Treasury Department focuses more on the financial implications of electricity distribution losses. While the municipality generated an amount of R 2 074 612 from electricity sales, this amount does not translate to profit considering cost of supply costs like repair and maintenance, billing expenses and salaries.	Meter tempering/by pass and illegal connections. Tariffs that are not cost reflective. Errors in bulk electricity Eskom bulk electricity invoices.		N/A	Circular 71 Template & Calculation Evidence	Technical
			Ensure effective and consistent reporting (5.5.4)	BTO-21	Submission of 2022/23 AFS to AG by 31 August 2023	Date	30-Aug-22	R1,304,348.00	30-Aug-22	30-Aug-22			31-Aug-23	Target not revised	31-Aug-23	AFS submitted to AG on the 31 August 2023	N/A	N/A	N/A	Acknowledgement letter	Budget & Treasury
				BTO-22	Number of S72 reports tabled to Council	Number		R0.00	1	1			1	Target not revised	1	S72 Report submitted to council on 24 January 2024	N/A	N/A	N/A	Council Resolution & S72 Report	Budget & Treasury
				BTO-23	Number of S52 reports tabled to Council	Number		R0.00	4	4			4	Target not revised	4	S52 Report tabled to Council	N/A	N/A	N/A	Council Resolution & S52 Report	Budget & Treasury
<p>OUTCOME 09 : IMPROVED MUNICIPAL FINANCIAL AND ADMINISTRATIVE CAPABILITY</p> <p>National Development Plan: Goal 4 - Transforming urban and rural spaces.</p> <p>PROVINCIAL GROWTH &amp; DEVELOPMENT STRATEGY: Priority 5: Spatial integration, human settlements and local government.</p>																					

ANNUAL PERFORMANCE REPORT 2023/2024																							
BACK TO BASIC PILLAR	GOAL (IDP Ref.)	OBJECTIVE (IDP Ref.)	STRATEGY (IDP Ref.)	KPI Ref No.	KEY PERFORMANCE INDICATOR	MEASUREMENT CRITERIA / FORMULA	BASELINE 2022/23	BUDGET	COMPARISON WITH PREVIOUS FINANCIAL YEAR		CURRENT FINANCIAL YEAR			ANNUAL ACTUAL ACHIEVEMENTS	COMMENTS	REASON FOR VARIANCE	CORRECTIVE MEASURE	FUNDING SOURCE	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT		
									TARGET	ACTUAL	DEMAND	BACKLOG	ANNUAL TARGET									Revised target	
									2022/2023		2023/24												
<b>2023/2024 FINANCIAL YEAR</b>																							
<b>UMZINYATHI DISTRICT ONE PLAN: PRIORITY - SPATIAL RESTRUCTURING AND ENVIRONMENTAL SUSTAINABILITY</b>																							
<b>NATIONAL KEY PERFORMANCE AREA 6: CROSS CUTTING</b>																							
Service delivery	Improve strategic planning and municipal spatial planning (6)	To ensure effective land use management and development planning (6.1)	Reviewing of SDF to address spatial challenges in Nquthu Town (6.1.1)	Plan-15	Date of submission of reviewed SDF to council for approval	Date of approval		R0,00	30-Jun-23		SDF was not adopted			30-Jun-24	Target not revised	17-May-24	SDF adopted by Council on the 17 May 2024	N/A	N/A	All	Council Resolution	Planning	
		To ensure provision of gathering, managing, and analysing spatially related data through GIS (6.2)	Implementation of GIS Strategy (6.2.1)	Percentage of GIS services requests responded to within 30 days	Plan-16	Percentage of GIS services requests responded to within 30 days	Number of achieved GIS target/Total No. of GIS Requests sets X100	100%	R0,00	100%	100%				100%	Target not revised	100%	All GIS requests responded to within 30 days	N/A	N/A	All	Signed Register of GIS Request	Planning
				Percentage of implementation of GIS Action Plan	Plan-17	Percentage of implementation of GIS Action Plan	Number of achieved GIS target/Total No. of Targets sets X100	N/A	R316,304,00	100%	30%					100%	Target not revised	100%	GIS Plan implemented accordingly	N/A	N/A	All	GIS Action Plan and POE
		Ensure compliance with National Building Regulations Act and Building Standards and Bylaws (6.3)	Creating awareness to local community National Building Regulations Act and building standards (6.3.1)	Number of Building Inspections conducted	Plan-18	Number of Building Inspections conducted	Number	80	R0,00	N/A	N/A				80	Target not revised	109	109 building inspections conducted	N/A	N/A	All	Signed Inspection Register	Planning
				Number of Building Regulations Act and building standards awarenesses conducted	Plan-19	Number of Building Regulations Act and building standards awarenesses conducted	Number		R0,00	4	14					4	Target not revised	4		N/A	N/A	All	Register

ANNUAL PERFORMANCE REPORT 2023/2024																						
BACK TO BASIC PILLAR	GOAL (IDP Ref.)	OBJECTIVE (IDP Ref.)	STRATEGY (IDP Ref.)	KPI Ref No.	KEY PERFORMANCE INDICATOR	MEASUREMENT CRITERIA / FORMULA	BASELINE 2022/23	BUDGET	COMPARISON WITH PREVIOUS FINANCIAL YEAR		CURRENT FINANCIAL YEAR			ANNUAL ACTUAL ACHIEVEMENTS	COMMENTS	REASON FOR VARIANCE	CORRECTIVE MEASURE	FUNDING SOURCE	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT	
									TARGET	ACTUAL	DEMAND	BACKLOG	ANNUAL TARGET									Revised target
									2022/2023		2023/24											
2023/2024 FINANCIAL YEAR																						
Achieve improved responses to disasters and crime management (7.)	Improve mitigation effects of emergencies and disasters (7.1)	Improve disaster response time and Alertness to the community (7.1.1)	Corp-23	Percentage (%) of callouts responded to within 1 hours for structural fire incidents	(1) Number of structural fire incidents where the attendance time was less than 3 hours / (2) Total number of calls for structural fire incidents received *100	100%	R0.00	100%	100%			100%	Target not revised	100%	Incidents responded to immediately	N/A	V/N	All	Incident Report	Corporate		
		Implementation disaster risk reduction (Prevention) (.7.1.2)	Corp-24	Number of Lightning conductors installed	Number			R2,550,000.00	N/A	N/A			326	Target not revised	344	344 lightning conductors installed	N/A	V/N	All	List of Beneficiaries	Corporate	
			Corp-25	Number of Disaster Management Awareness Campaign	Number			R0.00	N/A	N/A			60	Target not revised	61	61 Disaster management campaigns conducted	N/A	V/N	All	Attendance Register	Corporate	
Safe municipal environment (8.)	Ensure a secure and safe municipal environment (8.1)	Implementation of municipal safety plan (8.1.1)	Corp-26	Percentage of implementation of Safety Plan	Number of achieved safety target/Total No. of Targets sets X100	N/A	R0.00	N/A	N/A			100%	Target not revised	100%	Fire safety drills	N/A	V/N	All	Updated Safety Plan and Evidence	Corporate		
	To ensure safer local roads (8.2)	Maximum enforcement of road traffic laws and municipal bylaws (.8.2.1)	Corp-27	Number of road blocks conducted	Number	40	R0.00	45	57			45	Target not revised	75	75 Road Blocks conducted	N/A	V/N	All	Attendance Register	Corporate		
Sustainable development and environmental	To ensure effective environmental protection (9.1)	Review and Implementation of Integrated Waste Management Plan (9.1.1)	Tech-36	Frequency of waste collection for households in Ward 9 and 6	Frequency		R0.00	N/A	N/A			Weekly	Target not revised	weekly	Waste collection is done on a weekly basis	N/A	V/N	All	Vehicle Tracker, Weekly Schedule	Technical		

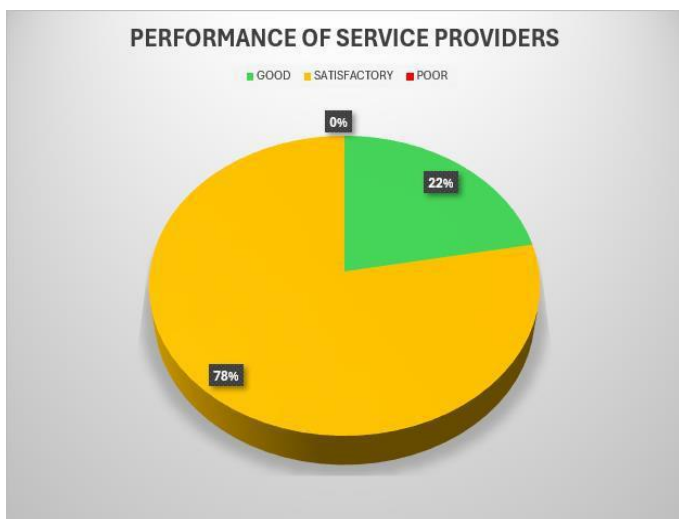
ANNUAL PERFORMANCE REPORT 2023/2024																							
BACK TO BASIC PILLAR	GOAL (IDP Ref.)	OBJECTIVE (IDP Ref.)	STRATEGY (IDP Ref.)	KPI Ref No.	KEY PERFORMANCE INDICATOR	MEASUREMENT CRITERIA / FORMULA	BASELINE 2022/23	BUDGET	COMPARISON WITH PREVIOUS FINANCIAL YEAR		CURRENT FINANCIAL YEAR				ANNUAL ACTUAL ACHIEVEMENTS	COMMENTS	REASON FOR VARIANCE	CORRECTIVE MEASURE	FUNDING SOURCE	WARD	PORTFOLIO OF EVIDENCE	RESPONSIBLE DEPARTMENT	
									TARGET	ACTUAL	DEMAND	BACKLOG	ANNUAL TARGET	Revised target									
									2022/2023		2023/24												
2023/2024 FINANCIAL YEAR																							
				Tech-37	Review of Integrated Waste Management Plan	Date		R0.00	N/A	N/A				30-Jun-24	Target not revised	The reviewed document was sent to KZN COGTA for assessment.	The review was conducted internally and the document was sent to KZN COGTA for approval.	KZN COGTA comments had to be incorporated before the document is tabled to Council for approval.	IWMP will be finalized next financial year		All	Reviewed IWMP and Council Resolution	Technical
				Tech-38	Number of Waste management Campaigns conducted	Number		R0.00	4	2				4	Target not revised	6	Waste management campaign on the 17 August 2023, 27 September 2023, 13 November 2023, 27 November, 08 April 2024 and 12 June 2024.	N/A	V/N		All	Attendance Register and signed report and Pictures	Technical
				Tech-40	No of customer billed/ with access to waste management collection.	Number	2 774	R 23 266 896	Not measured in the previous year	Not measured in the previous year	33 617	26 119	2 774	New indicator	1 358	A total of 1 358 consumers received refuse collection from the municipality.	There was an overstatement of billed consumers due the fact that some consumers.	The overstatement was corrected, and the number of billed consumers were reduced. Furthermore, Revenue Management and Waste Management sections will work closely to ensure accuracy of reported information.			Billing report and refuse collection schedule	Technical	
	Effective environmental management. (9.2)	Partner with relevant government departments and NGOs to implement environmental management programmes or projects. (9.2.1)		Plan-20	Number of reports to Council on the implementation of the Cleaning and Greening (Community-based) project.	Number	N/A	R0.0	N/A	N/A				4	Target not revised	0	No report to council tabled in regards Greening and Cleaning Programme with the view of consolidating all environmentally related matters to the process of SDF review.	All environmentally related reporting has been consolidated into SDF review reporting.	Reported as part of the SDF Inception Report.		N/A	Council Resolutions	Planning

## 10. ASSESSMENT OF SERVICE PROVIDERS

The municipality does not have the capacity to perform all the function using available internal workforce and/or skills, therefore; service providers are appointed from time to undertake work for the municipality which include, but not limited to, construction projects designs and project management (engineering services), and construction of all projects, supply of goods and services, consulting services, etc. When appointed to undertake any work, service providers must be monitored to ensure that they correctly undertake the work they have appointed to do.

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

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



ASSESSMENT KEY	Assessment outcomes	
	Number	Percentage
<b>Good (G)</b>	15	23%
<b>Satisfactory (S)</b>	53	78%
<b>Poor (P)</b>	0	0%

Majority (over 50%) of service providers were rated satisfactory, 24 % rated good, and 20% rated bad in the previous financial year. These is an improvement in service provider performance this year as no serviceprovider was rated bad and 78% of service provider performance was satisfactory while 22 % was rated as good, as shown above.

To find the service provider performance average based on the given table, we can assign a numerical value to each performance category:

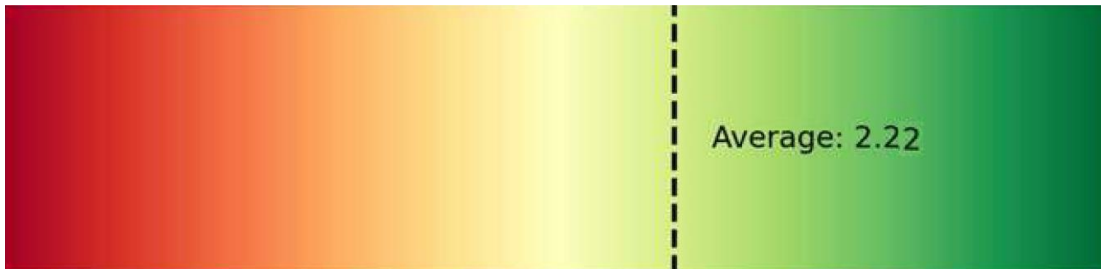
- GOOD: 3 points
- SATISFACTORY: 2 points
- POOR: 1 point

Given the table:

- GOOD: 15 occurrences
- SATISFACTORY: 53 occurrences

□ POOR: 0 occurrences

The service provider performance average is approximately **2.22**, which falls between "SATISFACTORY" and "GOOD."



visual representation of the performance average on a colour gradient from **red (POOR)** to **green (GOOD)**. The dashed black line marks the average score of **2.22**, which falls closer to the "GOOD" side but still near "SATISFACTORY."

Bid Number	Name of external Service Provider	Date Contract Awarded	Service provided in terms of the SLA	Value of project	Comparison with previous year		Current Financial Year		Assessment of Service Providers Performance		
					Target	Actual	Target	Actual	G	S	P
NQU0063/042/2020-2021	NEO SOLUTIONS (PTY) LTD	16/11/2020	PROVIDE SERVICES ON LICENSE SUPPORT AND MAINTENANCE FOR 36 MONTHS	R 877 050,00	N/A	N/A	N/A	N/A	X		
NQU0030/352/2018	LONDOLOZA SOLUTIONS	31/10/2023	OPERATION OF A BUY BACK CENTRE	R13 166 741,63	N/A	N/A	70%	77%		X	
NQU11622/2020-2021	SIYEJABULA SECURITY SOLUTIONS	30/03/2021	PANEL FOR PROVISION OF SECURITY FOR THE PERIOD OF 36 MONTHS	R 27 934 530,12	N/A	N/A	N/A	N/A		X	
NQU11622/2020-2021	FEZILE SECURITY SERVICES	30/03/2021	PANEL FOR PROVISION OF SECURITY FOR THE PERIOD OF 36 MONTHS	R 27 120 500,00	N/A	N/A	N/A	N/A		X	
NQU11622/2020-2021	SIZOWAKHA SECURITY & CLEANING SERVICES	30/03/2021	PANEL FOR PROVISION OF SECURITY FOR THE PERIOD OF 36 MONTHS	R 26 392 500,00	N/A	N/A	N/A	N/A		X	
NQU6046/2020-2021	SIYEJABULA SECURITY SOLUTIONS	30/03/2021	PANEL FOR VIP PROTECTION FOR A PERIOD OF 36 MONTHS	R 11 340,66	N/A	N/A	N/A	N/A		X	
NQU6046/2020-2021	SIZOWAKHA SECURITY & CLEANING SERVICES	30/03/2021	PANEL FOR VIP PROTECTION FOR A PERIOD OF 36 MONTHS	R 5 629,00	N/A	N/A	N/A	N/A		X	
NQULM/2/20-21	LONDOLOZA SOLUTIONS	30/04/2021	PANEL OF SERVICE PROVIDERS TO HIRE PLANT FOR A PERIOD OF 36 MONTHS	R 3 887 310,50	N/A	N/A	N/A	N/A		X	
	MULTI-SOLUTIONS			R 12 628 253,50	N/A	N/A	N/A	N/A		X	
	ASIZIQALELE CONTRACTORS			R 13 099 920,29	N/A	N/A	N/A	N/A	X		

Bid Number	Name of external Service Provider	Date Contract Awarded	Service provided in terms of the SLA	Value of project	Comparison with previous year		Current Financial Year		Assessment of Service Providers Performance		
					Target	Actual	Target	Actual	G	S	P
NQULM14 /2020-2021	SDM ASSET MANAGEMENT AND CONSULTING	03/06/2021	PROVISION OF ASSET MANAGEMENT SYSTEM AND SUPPORT FOR THE PERIOD OF 36 MONTHS	R 2 999 416,12	N/A	N/A	N/A	N/A	X		
NQULM15 /2020-2021	NKOSINGIPHE INKAZIMULO TRADING AND PROJECTS	29/06/2021	PROVISION OF PANEL OF SERVICE PROVIDERS TO DO AFS FOR THE PERIOD OF 36 MONTHS	R 1 252 523,75	N/A	N/A	N/A	N/A	X		
NQULM15 /2020-2021	CCG SYSTEMS (PTY) LTD	29/06/2021	PROVISION OF PANEL OF SERVICE PROVIDERS TO DO AFS FOR THE PERIOD OF 36 MONTHS	R 4 457 004,37	N/A	N/A	N/A	N/A		X	
NQULM17 /2020-2021	CCG SYSTEMS (PTY) LTD	29/06/2021	PROVISION OF HR AND PAYROLL SYSTEM FOR A PERIOD OF 36 MONTHS	R 3 639 190,92	N/A	N/A	N/A	N/A		X	
NQULM27 /2021-2022	BPG MASS IMPRAISALS	20/06/2022	PROVISION OF GENERAL VALUATION ROLL	R1 582 022	N/A	N/A	N/A	N/A	X		
NQU17054 /2020-2021	EMALANGENI TECHNOLOGIES (PTY) LTD	29/06/2021	RE-ADVERT PROVISION OF UNCAPPED INTERNET SERVICES FOR A PERIOD OF 36 MONTHS	R 2 079 462,03	N/A	N/A	N/A	N/A		X	
NQULM07 /2020-2021	IDWALADWALA TRADING	19/07/2021	SUPPLY AND DELIVERY OF UNIFORM FOR MUNICIPAL STAFF FOR 36 MONTHS	R 1 721 200,00	N/A	N/A	N/A	N/A		X	
NQULM17 /2020-2021	THE DOCUMENT WAREHOUSE PTY LTD	19/07/2021	PROVISION OF EXTERNAL DOCUMENTS FOR A PERIOD OF 36 MONTHS	R114 959,24	N/A	N/A	N/A	N/A		X	
NQU550/3 68/2018	VANGISA PROJECTS ISIKHONYANE CIVILS	21/05/2018	CONSTRUCTION OF NQUTHU TRAFFIC OFFICES	R 5 932 519,93 R3 997 267.18						X	
NQU500/0 20/2019-2020	VANGISA PROJECTS	21/05/2018	CONSTRUCTION OF FIRE STATION OFFICES	R 15 025 390,44	70%	62%	100%	100%		X	
NQU0030/56/2011	RIVER QUEEN TRADING	31/10/2023	INCUBATOR BUILDING – PHASE 3		N/A	N/A	100%	99%	X		
				R336 450							
				R1 092 493.53							

Bid Number	Name of external Service Provider	Date Contract Awarded	Service provided in terms of the SLA	Value of project	Comparison with previous year		Current Financial Year		Assessment of Service Providers Performance		
					Target	Actual	Target	Actual	G	S	P
NQULM06 /2021-2022	MAGOLWANE & ZIPHOZONKE JV	22/09/2021	CONSTRUCTION OF NSUBENI ROAD	R6 009 715,73						X	
NQULM12 /2021-2022	TAP TAP TRADING & PROJECTS	22/09/2021	CONSTRUCTION OF EZIKONDLWANENI HALL	R5 507 892,23	100%	60%	100%	100%		X	
NQULM02 /2021-2022	KING MAX PTY LTD	22/09/2021	CONSTRUCTION OF OPHINDO GRAVEL ROAD	R6 826 332,14						X	
NQULM13 /2021-2022	SELE AND MUSA TRADING AND TOURS	22/09/2021	CONSTRUCTION OF GUBAZI HALL	R12 745 722,55	100%	79%	100%	100%		X	
NQULM02 /2022/2023	KUNENE MAKOPO RISK SOLUTIONS	07/12/2022	PROVISION OF SHORT-TERM INSURANCE FOR THE PERIOD OF 36 MONTHS	R1 521 138,72	N/A	N/A	N/A	N/A		X	
NQULM05 /2022/2023	NTSHIDI AND ASSOCIATES	07/12/2022	PROVISION OF INTERNAL AUDIT SERVICES FOR THE PERIOD OF 36 MONTHS	R 3 411 919,60	N/A	N/A	N/A	N/A		X	
NQULM07 /2022-2023	SURE BOSS TRADING (PTY) LTD	19/01/2022	CONSTRUCTION OF NKALANKALA ACCESS GRAVEL ROAD IN WARD 10	R3 479 314,19	60%	48%	100%	100%		X	
NQULM06 /2023/2023	NEBO SOLUTION (PTY) LTD	28/01/2023	CONSTRUCTION OF NOMKHOSI ACCESS GRAVEL ROAD	R1 811 371,21	100%	85%	100%	100%		X	
NQULM01 /2022-2023	BIDVEST STEINER	28/01/2023	PROVISION OF SANITARY BINS FOR THE PERIOD OF 36 MONTHS	R1 088 751,98	N/A	N/A	N/A	N/A		X	
NQULM28 /2021-2022	ONTEC SYSTEMS (PTY) LTD	14/09/2022	SUPPLY, INSTALLATION AND MANAGEMENT OF A STANDARD TRANSFER SPECIFICATIONS (STS) COMPLIANT PRE-PAYMENT VENDING SYSTEM, 3RD PARTY VENDING SERVICES AND TID ROLLOVER IMPLEMENTATION	R 469 797,03	N/A	N/A	N/A	N/A		X	
NQULM09 /2022-2023	AMAHLE TECHNOLOGIES	14/04/2023	PROVISION OF WEBSITE HOSTING FOR THE PERIOD OF 36 MONTHS	R430 300,00	N/A	N/A	N/A	N/A		X	
NQULM09 /2022-2023	KWAMVELUHLA JV ISIKHONYANE	09/05/2023	CONSTRUCTION OF PHILANI ROAD	R4 175 708,08	50%	59%	100%	100%		X	
NQULM13 /2022-2023	CTRACK MZANSI	29/06/2023	PROVISION OF TRACKING DEVICES FOR THE	R295 201,87	N/A	N/A	N/A	N/A	X		

Bid Number	Name of external Service Provider	Date Contract Awarded	Service provided in terms of the SLA	Value of project	Comparison with previous year		Current Financial Year		Assessment of Service Providers Performance			
					Target	Actual	Target	Actual	G	S	P	
			PERIOD OF 36 MONTHS									
NQULM11/2022-2023	AYANDA MBANGA COMMUNICATION (PTY) LTD	29/06/2023A	APPOINTMENT FOR A PANEL OF ADVERTISING AGENCIES FOR THE PERIOD OF 36 MONTHS	R 261 758,83	N/A	N/A	N/A	N/A	X			
NQU5050/017/2019-2020	MELAOKUHLE TRADING	23/04/2020	CONSTRUCTION OF NQUTHU RESIDENTIAL DEVELOPMENT PHASE 2 – ROADS AND STORMWATER	R 7 819 106,03	100%	74%	100%	100%				
NQULM11/2022-2023	THOKOMELA TRADING (PTY) LTD	29/04/2023	VUMANKALA / EMADWALENI ELECTRIFICATION	R9 500 000.00					X			
NQULM11/2022-2023	IZINGODLA ENGINEERING	30/04/2023	NQUTHU ELECTRIFICATION	R21 000 000.00						X		
	ACTOM - CESSION											
15/8/1/1/2	GASELA PLANT HIRE	31/08/2023	NTANYANDLOVU CRECHE	R 3 169 406,90	N/A	N/A	85%	89%		X		
	KHUSI PROJECTS											
15/8/1/1/2	AMATAWUTAWU GENERAL TRADING	31/08/2023	ELIHLIKHAYA CRECHE	R3 174 334,08	N/A	N/A	95%	99%		X		
	DLAMINDLOVU TRADING											
15/8/1/1/2	SIMPHULWAZI ENGINEERS	31/08/2023	ZWELISHA CRECHE	R2 900 452,72	N/A	N/A	75%	76%		X		
	BAPHI INVESTMENTS											
15/8/1/1/2	OURKINGDOM ENGINEERING	31/08/2023	NQUTHU TAXI RANK	19 006 606,66	N/A	N/A	30%	40%		X		
	KAMAWEWE DEVELOPMENT CONSULTANTS											
15/8/1/1/2	MKF TRADING	31/08/2023	CONSTRUCTION OF MBEWUNYE COMMUNITY HALL	R5 478 788.00	N/A	N/A	60%	65%		X		
	BM PROJECTS											
	SIMAKADE HOLDINGS											
15/8/1/1/2	KWAMVELIHLE TRADING	31/08/2023	CONSTRUCTION OF NTANYANDLOVU	R4 998 935.29	N/A	N/A	100%	100%	X			

Bid Number	Name of external Service Provider	Date Contract Awarded	Service provided in terms of the SLA	Value of project	Comparison with previous year		Current Financial Year		Assessment of Service Providers Performance			
					Target	Actual	Target	Actual	G	S	P	
	BM PROJECTS		COMMUNITY HALL									
15/8/1/1/2	SIMPULWAZI ENGINEERS	31/08/2023	CONSTRUCTION OF NHLOPHENI HALL	R5 609 414.80	N/A	N/A	60%	88%		X		
	SIYAKHONA HOLDINGS											
15/8/1/1/2	QUANTUM LEAP INVESTMENTS	31/08/2023	CONSTRUCTION OF KLWANA COMMUNITY HALL	R5705 414.50	10%	33%	60%	100%	X			
	DLAMINDLOVU TRADING											
15/8/1/1/2	MAJIKI CONSTRUCTION AND PLANT HIRE	31/08/2023	CONSTRUCTION OF MAGONGOLOZA COMMUNITY HALL	R4 951 020.25	N/A	N/A	100%	100%	X			
	IGATSHA CONSULTING											
15/8/1/1/2	SILULEME TRADING	31/08/2023	CONSTRUCTION OF INKOSI ELPHIAS MOLEFE COMMUNITY HALL	R5 534 345.90	N/A	N/A	70%	90%		X		
	MINATHI CONSULTING											
	EYAMALINDA											
15/8/1/1/2	NEAK (PTY) LTD	31/08/2023	CONSTRUCTION OF MPHONDI COMMUNITY HALL	R5 663 821 .82	N/A	N/A	60%	65%		X		
	KHUSI PROJECTS											
NQQLM17 /2023-2024	VUKAYIBAMBE DEVELOPMENT	18/12/2023	CONSTRUCTION OF NYAKAZA COMMUNITY HALL	R4 666.089.88	N/A	N/A	40%	40%		X		
	MVULO CONSULTING											
NQQLM18 /2023-2024	ISKHONYANE CIVILS MZOLO CONSULTING	18/12/2023	CONSTRUCTION OF NDATSHANA COMMUNITY HALL	R4 670 227.87	N/A	N/A	40%	100%	X			
NQQLM20 /2023-2024	MATHAWULA TRADING GREFS HOLDINGS	18/12/2023	CONSTRUCTION OF BHEKUKHANYA CRECHE	R2 308 306.00	N/A	N/A	60%	65%		X		
NQQLM19 /2023-2024	MAGEBA PROJECTS JV PR VHUTALI MZ ANSI AFRICA CIVILS	17/01/2024	CONSTRUCTION OF NCOME COMMUNITY HALL	R4 352 924.46	N/A	N/A	50%	60%		X		
NQQLM16 /2023-2024	MSUSANDABA TRADING ENTERPRISE REFLECTIVE THINKINGS TRADING	18/12/2023	CONSTRUCTION OF NHLABAMKHOSI COMMUNITY HALL	R4 912 293.54	N/A	N/A	61%	66%		X		
15/8/1/1/2	THOKOMELA TRADING (PTY) LTD	22/11/2023	TURNKEY PROJECT – SMALL TOWN REHABILITATION PROGRAM PROJECT: INSTALLATION OF NQUTHU SOLAR STREET LIGHTS AND HIGH MASTS	R10 000 000.00	N/A	N/A	203	203	X			
15/8/1/1/3	AFRILECTRICAL CONSULTING ENGINEERS	19/06/2023	MALANGA INFILLS	R8 550 000.00					X			

Bid Number	Name of external Service Provider	Date Contract Awarded	Service provided in terms of the SLA	Value of project	Comparison with previous year		Current Financial Year		Assessment of Service Providers Performance		
					Target	Actual	Target	Actual	G	S	P
NQULM20 /2023-2024	ABAZINGELI CIVILS ASIZIQALE LE CONTRACTORS	18/12/2023	CONSTRUCTION OF MALANGA ROAD	R10 582 424,29	N/A	N/A	80%	89%	X		
NQU64/2009	SEBATA MUNICIPAL SOLUTIONS / INZALO	30/07/2020	EMS HOSTED/ EMS SUPPORT/SEBTA CONNECT	R 2 709 076,55						X	
NQULM14 /2023-2024	ISIBANI SETHU ENTERPRISE		PANEL OF SERVICE PROVIDERS FOR PLANNING AND ECONOMIC DEVELOPMENT	R 779 770,73						X	
NQULM14 /2023-2024	BLACK CUBANS CONSULTING (PTY)LTD		PANEL OF SERVICE PROVIDERS FOR PLANNING AND ECONOMIC DEVELOPMENT	R 575 575,00						X	
NQULM13 /2023-2024	XTEC KZN (PTY) LTD	18/12/2023	LEASE OF MULTI - FUNCTIONAL PRINTING SERVICES FOR PERIOD OF 36 MONTHS	R 2 402 153,20						X	
NQULM22 /2021-2022	BM THUSINI INC.	8/1/2024	RE-ADVERT PANEL OF ATTORNEYS FOR THE PERIOD OF 36 MONTHS	R 75 542, 35						X	
NQULM16 /2022-2023	SUPPLY AND INSTALLATION OF LIGHTNING CONDUCTORS FOR A PERIOD OF 36 MONTHS	11/08/2023	TRADEWIND MAINTENANCE AND SUPPLY CC	R 2 857 874,33						X	
NQULM43 /2023-2024	MAINTENANCE OF ANIMAL POUND FOR THE PERIOD OF 36 MONTHS	14/05/2024	COW CATCHERS CC	R 112 125,00						X	
TOR	APPOINTMENT OF SERVICE PROVIDER FOR TRAVEL AGENT SERVICES FOR THE PERIOD OF 36 MONTHS	14/05/2024	ADVENTURE TRAVEL	R 90 574,55						X	
	PROVISION OF PAUPER BURIAL	25/03/2024		R 174 500,00						X	

Bid Number	Name of external Service Provider	Date Contract Awarded	Service provided in terms of the SLA	Value of project	Comparison with previous year		Current Financial Year		Assessment of Service Providers Performance		
					Target	Actual	Target	Actual	G	S	P
NQULM28 /2023-2024	COFFINS FOR A PERIOD OF 36 MONTHS		SASALETHU FUNERAL SERVICES								
NQULM31 /2023-2024	APPOINTMENT OF SERVICE PROVIDER FOR CLINICAL PSYCHOLOGY FOR A PERIOD OF 12 MONTHS	25/03/2024	OPULENCE GROUP (PTY) LTD	R 35 017,50						X	
NQULM32 /2023-2024	APPOINTMENT OF SERVICE PROVIDER TO CONDUCT QUALIFICATION VERIFICATION FOR A PERIOD OF 12 MONTHS	25/03/2024	KTO DIGITAL (PTY) LTD	R 10 424,75						X	
NQULM22 /2023-2024	MEDICAL CONSULTATION AND TESTING ON MUNICIPAL OFFICIALS FOR A PERIOD OF 36 MONTHS	25/03/2024	UNJANI CLINIC NQUTHU	R 148 120,00						X	

## 11. KEY AREAS TO NOTE

### 11.1. Addressing 2022/23 audit findings

As outlined in paragraph 5(b) of this report, all AG findings raised in the 2022/23 financial year has been resolved and the municipality is does not anticipate similar findings to arise for 2023/24 financial year.

### 11.2. Improving performance

The municipality has improved notably in the following areas:

- Connecting unconnected households to the electricity grid is continuing and Nquthu will reach the status of universal connection in the near future if the current momentum is maintained.
- There are no community unrest relating to municipal service delivery issues since service delivery protest relate mainly to water issues which is not the function of the municipality.
- Fundraising efforts of the municipality have resulted in more infrastructure projects were implemented which would have been achieved without external funding from different sector departments.
- The municipality reduced electricity distribution losses by 15% from 33% in the 2022/23 financial year to 17.81% in 2023/24, which shows that efforts and measures put to reduce electricity distribution losses are bearing fruit.

### 11.3. Deteriorating performance.

The municipality has not done well in the following areas:

- Persistent nonalignment of the municipality's spatial vision and plans with the actual infrastructure development projects on the ground.

- Increased incurrence of irregular expenditure which points non-compliance with applicable laws and regulations and may hinder the municipality in dealing with poor audit opinion.
- Failing to complete certain projects in time due to poor monitoring and/or contract management.

## **12. LESSONS LEARNT GOING FORWARD.**

The municipality realizes the areas that it has to improve performance is committed to focus on those areas for purposes of improving performance. In this regard, in order to address underperformance and unfavorable audit outcomes, the municipality will strictly implement the following measures:

- Stringent monitoring of compliance with applicable legislation, laws and internal standard operating procedures and controls.
- Improving contract management and project management to prevent project implementation delays caused by incompetent or poor performing service providers.
- Ensuring full implementation of the municipalities sector plans to ensure that the IDP vision and development goals are realized.
- Taking full advantage of the data and information generated by risk management registers, audit reports, AG audit reports and, Audit Committee guidance to identify gaps and weaknesses that have to be addressed to ensure effective and efficient municipal processes in order to improve performance.
- Enforce discipline and implement consequence management to ensure adherence to set policies and procedures and also improve performance.

## **13. CONCLUSION**

The municipality will build on the gains that it has achieved in the 2023/24 financial year and also invest more effort in ensuring compliance and improving performance and accelerating service delivery and infrastructure development. There is a lot of potential that still needs to be unleashed and the municipality is committed to realizing this potential by constantly engaging on a self-introspection exercise to identify and address areas of weaknesses

# **AUDITED 2023/24 ANNUAL FINANCIAL STATEMENTS**

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024



Nquthu Local Municipality  
Annual Financial Statements  
for the year ended 30 June 2024

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## General Information

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<b>Legal form of entity</b>	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act 108 of 1996)
<b>Nature of business and principal activities</b>	The provision of infrastructure and services to communities in a sustainable manner in order to promote social and economic development, and to promote a safe and healthy environment.
<b>Mayor</b>	Cllr I.L Shabalala
Deputy Mayor	Cllr M.R Ngobese
Speaker	Cllr N.M Buthelezi
<b>Members of Executive Committee</b>	Cllr Z Sithole - Exco Member Cllr B.S Chambule - Exco Member Cllr N.S Mkhize - Exco Member (until 23 November 2023) Cllr RA Ndlovu Exco Member (23 November 2023) Cllr T.J Motloung - Exco Member Cllr S.D Masimula - Exco Member Cllr M.E Mnguni- Chief Wip Cllr N.M Zungu - MPAC Chairperson
<b>Ordinary Councillors</b>	Cllr S.M Buthelezi Cllr J.N Khoza Cllr T.A Dlamini Cllr S.M.C Zikode Cllr S.M Kunene Cllr L.S Hoffman Cllr N.M Khanya Cllr C.S Thusini Cllr L Mkhwanazi Cllr S.S Langa Cllr S.B Simelane Cllr M.I Khoza Cllr S. Radebe Cllr Z Ndlovu Cllr P.W.J Buthelezi Cllr M.C Mnguni Cllr T.M Hadebe Cllr S. Ngcobo (Until 24 July 2023) Cllr R.A Ndlovu Cllr S.Y Nyoka (Until 02 June 2024) Cllr F.P Hlatshwayo Cllr G.A.N Buthelezi Cllr S.G Hlatshwayo Cllr Q.M Ngobese Cllr C.N Sikona Cllr M.M Sibiyi Cllr S.P Mazibuko ( From 1 October 2023)
<b>Traditional Authorities</b>	Mangwebuthanani T/A Zondi T/A Molefe T/A Khiphinkunzi T/A Vulindlela T/A Emandleni T/A Jama T/A Mbokodwebomvu T/A Sizamile T/A
<b>Grading of local authority</b>	3

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## General Information

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<b>Accounting Officer</b>	MR M.B Jiyane
<b>Chief Finance Officer (CFO)</b>	MR B.H Bhengu
<b>Registered office</b>	Municipal Building 83/11 Mdlalose Nquthu 3135
<b>Business address</b>	Municipal Building 83/11 Mdlalose Street Nquthu 3135
<b>Postal address</b>	Private Bag X5521 Nquthu 3135
<b>Auditors</b>	Auditor General of South Africa
<b>Attorneys</b>	BM Thusini Inc

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Index

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

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
VAT	Value Added Tax
GRAP	Generally Recognised Accounting Practice
PAYE	Pay as you earn
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
SDL	Skills Development Levy
SALGA	South African Local Government Authority
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSCOA	Municipal standard Chart of Accounts
SCMR	Supply Chain Management Regulation
PPPFA	Preferential Procurement Policy Framework Act

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2025 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the grant allocation through Division of Revenue Act (DORA) for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

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

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

The annual financial statements set out on page 6, which have been prepared on the going concern basis, were approved by the audit committee on 30 August 2024 and were signed on its behalf by:



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**Accounting Officer**  
**MR M.B Jiyane**

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Officer's Report

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The accounting officer submits his report for the year ended 30 June 2024.

### 1. Review of activities

#### Main business and operations

The municipality is engaged in the provision of infrastructure and services to communities in a sustainable manner in order to promote social and economic development, and to promote a safe and healthy environment. and operates principally in South Africa.

### 2. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus of R 761 971 263 and that the municipality's total assets exceed its liabilities by R 762 122 926.

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 being collection of revenue billed from services rendered.

### 3. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Mr MB Jiyane	South African

### 4. Auditors

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

The annual financial statements set out on page 6, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2024 and were signed on its behalf by:



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Accounting Officer  
MR M.B Jiyane

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	3	1 278 888	1 528 203
Operating lease asset	4	65 555	115 302
Receivables from non-exchange transactions	5	34 044 800	29 188 389
Other receivables from exchange transactions	6	1 395 830	3 071 100
VAT receivable	7	1 945 222	3 155 244
Receivables from exchange transactions	8	5 746 017	4 919 660
Cash and cash equivalents	9	93 658 676	108 853 798
		<b>138 134 988</b>	<b>150 831 696</b>
<b>Non-Current Assets</b>			
Investment property	10	41 338 546	41 405 390
Property, plant and equipment	11	692 867 911	621 822 739
Intangible assets	12	10 842	16 285
Heritage assets	13	78 888	78 888
		<b>734 296 187</b>	<b>663 323 302</b>
<b>Total Assets</b>		<b>872 431 175</b>	<b>814 154 998</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	14	84 933 697	76 091 391
Consumer deposits	15	569 030	545 036
Long service award	16	862 000	483 000
Unspent conditional grants and receipts	17	7 841 646	388 834
Provisions	18	9 380 199	8 444 305
		<b>103 586 572</b>	<b>85 952 566</b>
<b>Non-Current Liabilities</b>			
Long service award	16	4 664 000	4 058 000
Provisions	18	2 057 677	1 629 959
		<b>6 721 677</b>	<b>5 687 959</b>
<b>Total Liabilities</b>		<b>110 308 249</b>	<b>91 640 525</b>
<b>Net Assets</b>		<b>762 122 926</b>	<b>722 514 473</b>
Reserves			
Housing Development fund	19	151 663	141 342
Accumulated surplus		761 971 263	722 373 131
<b>Total Net Assets</b>		<b>762 122 926</b>	<b>722 514 473</b>

\* See Note 51

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	20	28 965 051	23 571 545
Construction contract revenue	21	15 470 427	5 795 021
Rental of facilities and equipment	22	972 385	792 131
Other income	23	574 571	572 943
Interest revenue	24	10 240 211	10 948 772
<b>Total revenue from exchange transactions</b>		<b>56 222 645</b>	<b>41 680 412</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	25	51 452 186	36 644 800
Property rates - penalties imposed	25	2 656 575	1 885 688
Licences and Permits	26	1 009 692	956 938
<b>Transfer revenue</b>			
Government grants & subsidies	27	251 834 163	212 625 046
Fines, Penalties and Forfeits	28	1 546 777	827 540
Donation Income		-	2 005 220
<b>Total revenue from non-exchange transactions</b>		<b>308 499 393</b>	<b>254 945 232</b>
<b>Total revenue</b>		<b>364 722 038</b>	<b>296 625 644</b>
<b>Expenditure</b>			
Employee related costs	29	(101 351 274)	(88 415 715)
Remuneration of councillors	30	(14 046 463)	(13 461 732)
Depreciation and amortisation	31	(31 133 276)	(26 865 757)
Finance costs	32	(235 410)	(277 379)
Lease rentals on operating lease	33	(484 162)	(399 305)
Bad debts written off	49	(3 162 770)	(151 440)
Inventory Consumed	3	(2 315 184)	(1 496 343)
Bulk purchases	34	(31 026 209)	(31 383 891)
Contracted services	35	(57 496 604)	(49 389 256)
Construction contract expenditure	21	(15 470 427)	(5 795 021)
General Expenses	36	(48 692 348)	(58 793 119)
<b>Total expenditure</b>		<b>(305 414 127)</b>	<b>(276 428 958)</b>
<b>Operating surplus</b>		<b>59 307 911</b>	<b>20 196 686</b>
Profit/(Loss) on disposal of assets	11	-	(39 912)
Actuarial gain/( losses)	16	(346 018)	499 456
Impairment of Assets	37	(4 569 141)	(3 831 678)
Debt impairment (loss)/Reversal	38	(12 287 695)	(3 563 140)
Assets written off	11	(2 506 925)	-
		<b>(19 709 779)</b>	<b>(6 935 274)</b>
<b>Surplus for the year</b>		<b>39 598 132</b>	<b>13 261 412</b>

\* See Note 51

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Changes in Net Assets

Figures in Rand	Other Non-distributable reserves	Accumulated surplus	Total net assets
Opening balance as previously reported	133 710	712 140 466	712 274 176
Adjustments			
Correction of errors           51	-	(3 028 729)	(3 028 729)
<b>Balance at 01 July 2022 as restated*</b>	<b>133 710</b>	<b>709 111 737</b>	<b>709 245 447</b>
Changes in net assets			
Interest received	7 632	-	7 632
Surplus for the year as previously reported	-	22 639 786	22 639 786
Correction of errors   51	-	(9 378 392)	(9 378 392)
Net income (losses) recognised directly in net assets	7 632	13 261 394	13 269 026
Total recognised income and expenses for the year	7 632	13 261 394	13 269 026
Total changes	7 632	13 261 394	13 269 026
<b>Restated* Balance at 01 July 2023</b>	<b>141 342</b>	<b>722 373 131</b>	<b>722 514 473</b>
Changes in net assets			
Interest received	10 321	-	10 321
Net income (losses) recognised directly in net assets	10 321	-	10 321
Surplus for the year	-	39 598 132	39 598 132
Total recognised income and expenses for the year	10 321	39 598 132	39 608 453
Total changes	10 321	39 598 132	39 608 453
<b>Balance at 30 June 2024</b>	<b>151 663</b>	<b>761 971 263</b>	<b>762 122 926</b>
Note(s)	19		

\* See Note 51

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Property rates		37 398 110	32 029 419
Sale of goods and services		28 669 888	24 169 936
Grants		257 373 500	212 637 046
Interest income		12 153 687	10 948 772
INEP Receipts		14 000 000	9 549 000
		349 595 185	289 334 173
<b>Payments</b>			
Employee costs		(113 266 435)	(96 731 358)
Suppliers		(127 417 059)	(129 880 816)
Finance cost		-	-
INEP payments		(15 083 798)	(5 795 021)
		(255 767 292)	(232 407 195)
<b>Net cash flows from operating activities</b>	40	<b>93 827 893</b>	<b>56 926 978</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	11	(109 033 336)	(78 576 263)
<b>Cash flows from financing activities</b>			
Interest income		10 321	7 632
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(15 195 122)</b>	<b>(21 641 653)</b>
Cash and cash equivalents at the beginning of the year		108 853 798	130 495 451
<b>Cash and cash equivalents at the end of the year</b>	9	<b>93 658 676</b>	<b>108 853 798</b>

The accounting policies on pages 15 to 45 and the notes on pages 46 to 98 form an integral part of the annual financial statements.

\* See Note 51

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	36 142 000	1 070 000	<b>37 212 000</b>	28 965 051	<b>(8 246 949)</b>	47 (1)
Construction contracts	-	-	-	15 470 427	<b>15 470 427</b>	47 (2)
Rental of facilities and equipment	885 000	123 000	<b>1 008 000</b>	972 385	<b>(35 615)</b>	47
Other income	436 000	38 000	<b>474 000</b>	574 571	<b>100 571</b>	47 (3)
Interest revenue	2 756 000	5 453 000	<b>8 209 000</b>	10 240 211	<b>2 031 211</b>	47 (4)
<b>Total revenue from exchange transactions</b>	<b>40 219 000</b>	<b>6 684 000</b>	<b>46 903 000</b>	<b>56 222 645</b>	<b>9 319 645</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	52 033 000	(1 024 000)	<b>51 009 000</b>	51 452 186	<b>443 186</b>	47
Property rates - penalties imposed	1 341 360	345 000	<b>1 686 360</b>	2 656 575	<b>970 215</b>	47 (5)
Licences and Permits	931 000	8 000	<b>939 000</b>	1 009 692	<b>70 692</b>	47
<b>Transfer revenue</b>						
Government grants & subsidies	186 543 000	260 000	<b>186 803 000</b>	251 834 163	<b>65 031 163</b>	47 (6)
Fines, Penalties and Forfeits	935 640	1 520 000	<b>2 455 640</b>	1 546 777	<b>(908 863)</b>	47 (7)
<b>Total revenue from non-exchange transactions</b>	<b>241 784 000</b>	<b>1 109 000</b>	<b>242 893 000</b>	<b>308 499 393</b>	<b>65 606 393</b>	
<b>Total revenue</b>	<b>282 003 000</b>	<b>7 793 000</b>	<b>289 796 000</b>	<b>364 722 038</b>	<b>74 926 038</b>	
<b>Expenditure</b>						
Personnel	(114 457 000)	8 072 000	<b>(106 385 000)</b>	(101 351 274)	<b>5 033 726</b>	47
Remuneration of councillors	(16 899 000)	-	<b>(16 899 000)</b>	(14 046 463)	<b>2 852 537</b>	47 (8)
Depreciation and amortisation	(23 890 000)	(8 885 000)	<b>(32 775 000)</b>	(31 133 276)	<b>1 641 724</b>	47
Finance costs	-	-	-	(235 410)	<b>(235 410)</b>	47 (9)
Lease rentals on operating lease	(434 783)	(50 376)	<b>(485 159)</b>	(484 162)	<b>997</b>	47
Bad debts written off	(6 900 000)	-	<b>(6 900 000)</b>	(3 162 770)	<b>3 737 230</b>	47 (10)
Inventory consumed	(13 072 000)	(2 737 000)	<b>(15 809 000)</b>	(2 315 184)	<b>13 493 816</b>	47 (11)
Bulk purchases	(34 783 000)	-	<b>(34 783 000)</b>	(31 026 209)	<b>3 756 791</b>	47 (12)
Contracted Services	(47 037 016)	(3 147 000)	<b>(50 184 016)</b>	(57 496 604)	<b>(7 312 588)</b>	47 (13)
Construction contract expenditure	-	-	-	(15 470 427)	<b>(15 470 427)</b>	47 (14)
General Expenses	(26 638 201)	(21 861 624)	<b>(48 499 825)</b>	(48 692 348)	<b>(192 523)</b>	47 (15)
<b>Total expenditure</b>	<b>(284 111 000)</b>	<b>(28 609 000)</b>	<b>(312 720 000)</b>	<b>(305 414 127)</b>	<b>7 305 873</b>	
<b>Operating surplus</b>	<b>(2 108 000)</b>	<b>(20 816 000)</b>	<b>(22 924 000)</b>	<b>59 307 911</b>	<b>82 231 911</b>	
Actuarial gains/losses	-	-	-	(346 018)	<b>(346 018)</b>	47 (16)
Impairment of Assets	-	-	-	(4 569 141)	<b>(4 569 141)</b>	47 (16)
Debt impairment	-	-	-	(12 287 695)	<b>(12 287 695)</b>	47 (16)
Assets written off	-	-	-	(2 506 925)	<b>(2 506 925)</b>	47 (16)
	-	-	-	<b>(19 709 779)</b>	<b>(19 709 779)</b>	
<b>Surplus before taxation</b>	<b>(2 108 000)</b>	<b>(20 816 000)</b>	<b>(22 924 000)</b>	<b>39 598 132</b>	<b>62 522 132</b>	

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>(2 108 000)</b>	<b>(20 816 000)</b>	<b>(22 924 000)</b>	<b>39 598 132</b>	<b>62 522 132</b>	

Reconciliation

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	2 028 226	(558 395)	<b>1 469 831</b>	1 278 888	<b>(190 943)</b>	47 (17)
Operating lease asset	-	-	-	65 555	<b>65 555</b>	47 (18)
Receivables from non-exchange transactions	78 103 300	(5 581 823)	<b>72 521 477</b>	34 044 800	<b>(38 476 677)</b>	47 (19)
Other receivables from exchange transactions	-	-	-	1 395 830	<b>1 395 830</b>	47 (20)
VAT receivable	213 698 698	(151 065 682)	<b>62 633 016</b>	1 945 222	<b>(60 687 794)</b>	47 (21)
Receivable from Exchange Transactions	14 518 641	(823 065)	<b>13 695 576</b>	5 746 017	<b>(7 949 559)</b>	47 (22)
Other assets	133 012	(25 497)	<b>107 515</b>	-	<b>(107 515)</b>	47 (23)
Cash and cash equivalents	170 089 368	(61 439 892)	<b>108 649 476</b>	93 658 676	<b>(14 990 800)</b>	47 (24)
	<b>478 571 245</b>	<b>(219 494 354)</b>	<b>259 076 891</b>	<b>138 134 988</b>	<b>(120 941 903)</b>	
<b>Non-Current Assets</b>						
Investment property	19 371 051	22 034 000	<b>41 405 051</b>	41 338 546	<b>(66 505)</b>	47
Property, plant and equipment	661 291 503	53 408 000	<b>714 699 503</b>	692 867 911	<b>(21 831 592)</b>	47
Intangible assets	24 437	(8 000)	<b>16 437</b>	10 842	<b>(5 595)</b>	47 (25)
Heritage assets	78 888	-	<b>78 888</b>	78 888	-	47 (26)
Other non-current asset	145 891	(145 891)	-	-	-	47 (27)
	<b>680 911 770</b>	<b>75 288 109</b>	<b>756 199 879</b>	<b>734 296 187</b>	<b>(21 903 692)</b>	
<b>Total Assets</b>	<b>1 159 483 015</b>	<b>(144 206 245)</b>	<b>1 015 276 770</b>	<b>872 431 175</b>	<b>(142 845 595)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Finance lease obligation	(20 000)	-	<b>(20 000)</b>	-	<b>20 000</b>	47 (28)
Payables from exchange transactions	(42 974 000)	(15 357 000)	<b>(58 331 000)</b>	(84 933 696)	<b>(26 602 696)</b>	47 (29)
Taxes and transfers payable (non-exchange)	(1 427 986)	(2 586 000)	<b>(4 013 986)</b>	-	<b>4 013 986</b>	47 (30)
VAT payable	(179 898 543)	147 726 125	<b>(32 172 418)</b>	-	<b>32 172 418</b>	47 (31)
Consumer deposits	(3 639 259)	1 470 000	<b>(2 169 259)</b>	(569 030)	<b>1 600 229</b>	47 (32)
Long service award	-	-	-	(862 000)	<b>(862 000)</b>	47 (33)
Unspent conditional grants and receipts	-	-	-	(7 841 646)	<b>(7 841 646)</b>	47 (34)
Provisions	(10 898 823)	824 559	<b>(10 074 264)</b>	(9 380 199)	<b>694 065</b>	47 (35)
Other liability	(4 079 615)	4 079 615	-	-	-	
	<b>(242 938 226)</b>	<b>136 157 299</b>	<b>(106 780 927)</b>	<b>(103 586 571)</b>	<b>3 194 356</b>	
<b>Non-Current Liabilities</b>						
Long service award	-	-	-	(4 664 000)	<b>(4 664 000)</b>	47 (33)
Provisions	(2 799 738)	(584 000)	<b>(3 383 738)</b>	(2 057 677)	<b>1 326 061</b>	47 (35)
Other liability 1	(20 305)	-	<b>(20 305)</b>	-	<b>20 305</b>	47 (36)
	<b>(2 820 043)</b>	<b>(584 000)</b>	<b>(3 404 043)</b>	<b>(6 721 677)</b>	<b>(3 317 634)</b>	
<b>Total Liabilities</b>	<b>(245 758 269)</b>	<b>135 573 299</b>	<b>(110 184 970)</b>	<b>(110 308 248)</b>	<b>(123 278)</b>	
<b>Net Assets</b>	<b>1 405 241 284</b>	<b>(279 779 544)</b>	<b>1 125 461 740</b>	<b>982 739 423</b>	<b>(142 722 317)</b>	

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Housing Development fund	(133 710)	(7 632)	<b>(141 342)</b>	(151 663)	<b>(10 321)</b>	47
Accumulated surplus	(944 060 575)	97 427 000	<b>(846 633 575)</b>	(765 905 794)	<b>80 727 781</b>	47
<b>Total Net Assets</b>	<b>(944 194 285)</b>	<b>97 419 368</b>	<b>(846 774 917)</b>	<b>(766 057 457)</b>	<b>80 717 460</b>	

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Property rates	39 838 925	-	<b>39 838 925</b>	37 398 110	<b>(2 440 815)</b>	47
Sale of goods and services	36 690 502	-	<b>36 690 502</b>	28 669 888	<b>(8 020 614)</b>	47
Grants	286 264 896	(2 154 000)	<b>284 110 896</b>	257 373 500	<b>(26 737 396)</b>	47 (38)
Interest income	4 279 574	2 251 000	<b>6 530 574</b>	12 153 687	<b>5 623 113</b>	47 (39)
INEP grant receipt	-	-	-	14 000 000	<b>14 000 000</b>	47 (43)
Other Revenue	2 648 428	85 317	<b>2 733 745</b>	-	<b>(2 733 745)</b>	47 (40)
	<b>369 722 325</b>	<b>182 317</b>	<b>369 904 642</b>	<b>349 595 185</b>	<b>(20 309 457)</b>	
<b>Payments</b>						
Employee costs and suppliers	(306 011 520)	(3 976 887)	<b>(309 988 407)</b>	(240 683 494)	<b>69 304 913</b>	47 (42)
INEP Projects paid	-	-	-	(15 083 798)	<b>(15 083 798)</b>	
	<b>(306 011 520)</b>	<b>(3 976 887)</b>	<b>(309 988 407)</b>	<b>(255 767 292)</b>	<b>54 221 115</b>	
<b>Net cash flows from operating activities</b>	<b>63 710 805</b>	<b>(3 794 570)</b>	<b>59 916 235</b>	<b>93 827 893</b>	<b>33 911 658</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(79 447 782)	(16 838 000)	<b>(96 285 782)</b>	(109 033 336)	<b>(12 747 554)</b>	47 (44)
<b>Cash flows from financing activities</b>						
Interest income	-	-	-	10 321	<b>10 321</b>	47 (45)
Net increase/(decrease) in cash and cash equivalents	(15 736 977)	(20 632 570)	<b>(36 369 547)</b>	(15 195 122)	<b>21 174 425</b>	
Cash and cash equivalents at the beginning of the year	108 853 798	-	<b>108 853 798</b>	108 853 798	-	
<b>Cash and cash equivalents at the end of the year</b>	<b>93 116 821</b>	<b>(20 632 570)</b>	<b>72 484 251</b>	<b>93 658 676</b>	<b>21 174 425</b>	

### Reconciliation

The accounting policies on pages 15 to 45 and the notes on pages 46 to 98 form an integral part of the annual financial statements.

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

Figures in Rand	Note(s)	2024	2023
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### 1. Presentation of Annual Financial Statements

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

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

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

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

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

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

#### 1.2 Going concern assumption

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

#### 1.3 Materiality

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

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

#### 1.4 Significant judgements and sources of estimation uncertainty

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

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

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

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

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

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.4 Significant judgements and sources of estimation uncertainty (continued)

#### 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 [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

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

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - 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 16.

#### 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.

#### 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 48.

### 1.5 Investment property

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

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

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

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.5 Investment property (continued)

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.

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

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

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 10).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 10).

### 1.6 Property, plant and equipment

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

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.

# Nquthu Local Municipality

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### 1.6 Property, plant and equipment (continued)

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

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

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

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

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.

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

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Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight-line	30 years
Plant and machinery	Straight-line	3-10 years
Furniture and fixtures	Straight-line	3-10 years
Motor vehicles	Straight-line	5-12years
IT equipment	Straight-line	5 Years
Infrastructure Roads & Stormwater	Straight-line	5-80 years
Community	Straight-line	30 years
Infrastructure electricity	Straight-line	30 years
Investment property	Straight-line	30 years

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

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

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

# Nquthu Local Municipality

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### 1.6 Property, plant and equipment (continued)

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 11).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

### 1.7 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability (subject to (b)) is credited 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
  - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) 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; and
- (c) 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 end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

# Nquthu Local Municipality

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## Accounting Policies

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### 1.8 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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Item	Depreciation method	Average useful life
Computer software	Straight-line	5
Intangible assets under development	Straight-line	5

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

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.8 Intangible assets (continued)

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

### 1.9 Heritage assets

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

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

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

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

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

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

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 35).

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

### Recognition

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

### Initial measurement

Heritage assets are measured at cost.

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

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Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.9 Heritage assets (continued)

#### Subsequent measurement

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

#### Impairment

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

#### Transfers

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

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

#### Derecognition

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

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

### 1.10 Financial instruments

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

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

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

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

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

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

A derivative is a financial instrument or other contract with all three of the following characteristics:

Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying'). It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors. It is settled at a future date.

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.10 Financial instruments (continued)

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.10 Financial instruments (continued)

#### Classification

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of fair value through surplus or deficit category.

The municipality derecognises a financial asset when and only when; the rights to the cash flows from the financial asset expire; or it transfers the financial asset and the transfer qualifies for derecognition. The municipality first needs to evaluate the extent to which it retains the risks and rewards of ownership of the financial asset.

The municipality transfers a financial asset if and only if: the rights to receive cashflows from the asset have expired, or if the municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cashflows in full without material delay to a third party under a "pass through" arrangement; and either the municipality has transferred substantially all the risks and rewards of the asset.

The municipality removes a financial liability (or part of financial liability) from its statement of position when and only when it is extinguished i.e. when the obligation specified in the contract is discharged or called or expires. An exchange between the existing borrower and lender of debt instruments with suitability different terms is accounted for as an extinguishing of the original financial liability and the recognition of a new financial liability.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed in the Statement of Financial Performance

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:

<b>Class</b>	<b>Category</b>
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and Cash Equivalent	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:

<b>Class</b>	<b>Category</b>
Trade and other payable from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.10 Financial instruments (continued)

#### Initial recognition

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

Initial measurement of financial assets and financial liabilities.

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

Subsequent measurement of financial assets and financial liabilities.

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

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

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

#### Fair value measurement considerations

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

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

#### Gains and losses

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

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

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

#### Financial assets measured at amortised cost

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

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

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.10 Financial instruments (continued)

#### Financial assets measured at cost

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

#### Derecognition

##### Financial assets

The municipality derecognises a financial asset only when:

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

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

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

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

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

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

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

#### Financial liabilities

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

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

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.10 Financial instruments (continued)

surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

#### Presentation

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

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

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

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

### 1.11 Statutory receivables

#### Identification

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

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

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

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

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

#### Recognition

The municipality recognises statutory receivables as follows:

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

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

#### Accrued interest

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### 1.11 Statutory receivables (continued)

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.

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.

# Nquthu Local Municipality

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### 1.11 Statutory receivables (continued)

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 Tax

#### exemption

The Nquthu Local Municipality is exempted from tax in terms of section 10(1)(a) of the income tax act.

### 1.13 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.

#### Finance leases - lessor

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

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

#### Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the .

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

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

#### Operating leases - lessor

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

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.

#### Operating leases - lessee

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

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### 1.14 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.

### 1.15 Construction contracts

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

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

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

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

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

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

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by .

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.

# Nquthu Local Municipality

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## Accounting Policies

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### 1.15 Construction contracts (continued)

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

### 1.16 Cash and cash equivalents

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

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

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

### 1.17 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.

### 1.18 Employee benefits

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

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

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

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

# Nquthu Local Municipality

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### 1.18 Employee benefits (continued)

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

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

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

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

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

### Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

### Post-employment benefits

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

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

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

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### 1.18 Employee benefits (continued)

#### Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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### 1.18 Employee benefits (continued)

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

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

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

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

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### 1.18 Employee benefits (continued)

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

#### Other post retirement obligations

The municipality does not provide any post-retirement health care benefits, housing subsidies and gratuities upon retirement to retirees.

#### Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

### 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.

# Nquthu Local Municipality

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### 1.19 Provisions and contingencies (continued)

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

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

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

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

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

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

Provisions are not recognised for future operating surplus .

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

A constructive obligation to restructure arises only when an entity:

has a detailed formal plan for the restructuring, identifying at least:

- the activity/operating unit or part of an activity/operating unit concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for services being terminated;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

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

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

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

# Nquthu Local Municipality

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### 1.19 Provisions and contingencies (continued)

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, a municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

### 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).

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.21 Revenue from exchange transactions (continued)

#### Sale of goods

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

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

#### Rendering of services

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

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

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

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

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

#### Interest, royalties and dividends

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

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

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

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

### 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.

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.22 Revenue from non-exchange transactions (continued)

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

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.

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.22 Revenue from non-exchange transactions (continued)

#### Measurement

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

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

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

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

#### 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.

### 1.23 Accounting by principals and agents

#### Identification

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

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

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

#### Identifying whether an entity is a principal or an agent

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

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

#### Binding arrangement

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

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

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.23 Accounting by principals and agents (continued)

#### Assessing which entity benefits from the transactions with third parties

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

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

It does not have the power to determine the significant terms and conditions of the transaction.

It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.

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

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

#### Recognition

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

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

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

### 1.24 Comparative figures

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

### 1.25 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).

### 1.26 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).

### 1.27 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).

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.28 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.

### 1.29 Segment information

A segment is an activity of an entity:

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

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

#### Measurement

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

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

### 1.30 Budget information

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

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

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

The approved budget covers the fiscal period from 2023/07/01 to 2024/06/30.

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

### 1.31 Related parties

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

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

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.31 Related parties (continued)

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

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

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

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

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

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

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

### 1.32 Events after reporting date

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

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

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.

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.33 Correction of Prior Period Errors

#### Prior Period Errors

In accordance with GRAP 3: Accounting Policies, Changes in Accounting Estimates and Errors, a prior period error is defined as an omission or misstatement in the municipality's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that was available and could reasonably have been expected to be obtained and taken into account in the preparation and presentation of those financial statements at the time they were authorized for issue.

#### Identification of Errors

Errors are identified through regular reviews, reconciliations, and audits of the municipality's financial records. An error may include mathematical mistakes, mistakes in applying accounting policies, or the oversight or misinterpretation of facts that existed at the time the financial statements for the prior period(s) were approved.

#### Correction of Errors

Once identified, prior period errors are corrected retrospectively by restating the affected line items in the financial statements. The following principles are applied:

- i) The error is corrected in the period in which it is discovered.
- ii) The financial statements for prior periods are restated to reflect the correction, including adjustments to the opening balances of the affected accounts.
- iii) The nature of the error and the impact on the financial statements, including any adjustments to prior periods, are disclosed in the notes to the financial statements.

#### Disclosure Requirements

The municipality discloses the nature of the error, the amount of the correction, and the line items impacted in the prior period(s)

#### Impact on Comparative Figures

Prior period errors are corrected by restating comparative figures, ensuring that the financial statements provide reliable and relevant information to users. The effects of the error corrections on the prior period's income statement and balance sheet are disclosed in detail.

### 1.34 Change in accounting estimates

Changes in accounting estimates occur when there is a reassessment of the expected future benefits and obligations associated with assets and liabilities due to new information, developments, or changes in circumstances. These changes are recognized when identified and applied prospectively to ensure accurate representation of financial performance and position.

#### Identification of Changes in Accounting Estimates

The municipality identifies changes in accounting estimates through:

- (i) Regular review of assumptions, methodologies, and data used in estimates.
- (ii) Variances between actual results and previous estimates that indicate a need for reassessment.
- (iii) Changes in external factors, such as economic conditions, legal regulations, or industry practices, which impact assumptions.
- (iv) Internal developments, such as revisions in operational plans or strategies.

#### Recognition and Correction

When a change in an estimate is identified:

- (i) The impact is recognized in surplus or deficit in the period of the change, if it affects only that period.
- (ii) If the change affects future periods as well, it is applied prospectively in the current and future periods.
- (iii) No adjustments are made retrospectively to prior-period financial statements.

#### Disclosure

The nature and effect of significant changes in estimates are disclosed in the notes to the financial statements, including the financial statement line items affected

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand 2024 2023

### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
Grap 1 (amended): Presentation of financial Statement	01 April 2023	The impact of the is not material.
IGRAP 21: The effect of Past Decisions on Materiality	01 April 2023	The impact of the is not material.
GRAP 25: Employee Banefit	01 April 2023	The impact of the is not material.
iGRAP : The effect of post Decisions on Materiality	01 April 2023	The impact of the is not material.

### 3. Inventories

Consumable stores	1 278 888	1 528 203
	<b>1 278 888</b>	<b>1 528 203</b>
Carrying value of inventories at the begining of the year	1 528 203	2 028 225
Inventories purchased during the year	1 239 900	1 001 062
Inventory recognised as an expense during the year	(1 489 215)	(1 501 084)
	<b>1 278 888</b>	<b>1 528 203</b>

Inventory has been recorded using the weighted average cost method. Inventory is carried as a lower of cost or current replacement value. Stock take was conducted on 28 June 2024 to determine the quantity and value of inventory at hand

#### Inventory pledged as security

There are no items of inventory pledged as security.

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand 2024 2023

### 4. Operating lease asset

Current assets 65 555 115 302

#### The Municipality as Lessor:

Operating Leases relate to the following:

Lease of premises owned by the municipality to Vodacom (PTY) Ltd with lease terms of 9 years and 11 months, with no option to extend. The lessee does not have an option to purchase the property at the expiry of the lease period

Lease of premises owned by the municipality to Electoral Commission with lease terms of 60 months, with no option to extend. The lessee does not have an option to purchase the property at the expiry of the lease period

Lease of premises owned by the municipality to ATC South Africa with lease terms of 9 years and 11 months, with no option to extend. The lessee does not have an option to purchase the property at the expiry of the lease period

Lease of premises owned by the municipality to Unjani Clinic with lease terms of 60 months, with no option to extend. The lessee does not have an option to purchase the property at the expiry of the lease period

Operating leases have been straightlined in accordance with GRAP 13 requirements

<b>Operating Lease receivable</b>	<b>2024</b>	<b>2023</b>
Within one year	168 097	223 798
In Second to Fifth year	522 401	365 432
Later than 5 years	124 921	282 716
	<b>815 419</b>	<b>871 946</b>

### 5. Receivable from non-exchange

#### Gross balances

Consumer debtors - Rates	77 788 435	59 737 428
Consumer debtors - Fines and penalties	2 568 393	4 515 050
	<b>80 356 828</b>	<b>64 252 478</b>

#### Less: Allowance for impairment

Consumer debtors - Rates	(45 452 099)	(32 733 856)
Other debtors - Fines	(859 929)	(2 330 233)
	<b>(46 312 028)</b>	<b>(35 064 089)</b>

#### Net balance

Consumer debtors - Rates	32 336 336	27 003 572
Consumer debtors - Fines	1 708 464	2 184 817
	<b>34 044 800</b>	<b>29 188 389</b>

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>5. Receivable from non-exchange (continued)</b>		
<b>Summary of debtors by customer category</b>		
<b>Property rates</b>		
Current (0 -30 days)	284 505	360 908
31 - 60 days	278 088	2 226 914
61 - 90 days	2 851 483	2 050 330
91 - 120 days	2 707 463	2 004 157
121 - 180 days	5 306 688	3 936 155
> 180 days	66 360 208	49 158 964
	<b>77 788 435</b>	<b>59 737 428</b>
Less: Allowance for impairment	(45 452 099)	(32 733 856)
	<b>32 336 336</b>	<b>27 003 572</b>
<b>Fines</b>		
Current (0 -30 days)	89 067	76 000
31 - 60 days	193 000	48 100
61 - 90 days	68 950	63 700
91 - 120 days	67 000	74 420
121 - 180 days	258 635	141 400
> 180 days	1 891 741	4 111 430
	<b>2 568 393</b>	<b>4 515 050</b>
Less: Allowance for impairment	(859 929)	(2 330 233)
	<b>1 708 464</b>	<b>2 184 817</b>
<b>Summary of debtors by classification</b>		
Government	35 258 601	24 118 058
Commercial	2 043 497	1 888 333
Households	33 134 823	25 827 868
Other	7 351 514	7 903 169
	<b>77 788 435</b>	<b>59 737 428</b>
Less: Allowance for impairment	(45 452 099)	(32 733 855)
	<b>32 336 336</b>	<b>27 003 573</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	35 064 089	31 112 298
Contributions to allowance	12 779 274	3 951 791
Reversal of allowance	(1 531 335)	-
	<b>46 312 028</b>	<b>35 064 089</b>

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

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2023

### 5. Receivable from non-exchange (continued)

#### Statutory receivables general information

##### Determination of transaction amount

Property rates are governed by The Local Government: Municipal Property Rates Act 6 of 2004. Property rates values are calculated based on market value of properties as per applicable valuation roll. Provision for bad debts on statutory debtors is determined risk profile of each customer and default rate per risk profile as determined by the municipality.

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. Traffic fines charged are determined by The National Road Traffic Offence Charge Book.

The transaction amount for property rates and traffic fines is determined in accordance with GRAP 23 on Revenue from non exchange transactiont

##### Interest or other charges levied/charged

Interest on property rate has been charged as 8% in accordance with debt policy of the municipality.

There is no interest charged on Traffic fines debtor.

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

Statutory receivables are assessed for impairment in accordance with GRAP 108. Refe to the impairment methodology document.

##### Discount rate applied to the estimated future cash flows

A discount rate of 8% was used against the municipality's future cash flow to be derived from gross receivable

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand 2024 2023

### 5. Receivable from non-exchange (continued)

#### Statutory receivables past due but not impaired

At 30 June 2024, 25 372 423 (2023: 21 914 521) were past due but not impaired. Receivable accounts that have no balance outstanding longer than 30 days at reporting date are not subject to impairment

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

	2024	2023
1 month past due	57 999	1 117 119
2 months past due	1 129 557	1 037 340
3 months past due	1 026 742	1 034 239
4-5 months past due	2 029 039	2 036 248
6 months past due and above	21 129 086	16 689 575
	<b>25 372 423</b>	<b>21 914 521</b>

#### Statutory receivables impaired

As of 30 June 2024, Statutory receivables of 68 626 324 (2023: 37 461 560) were impaired and provided for.

The amount of the provision was 45 452 099 as of 30 June 2024 (2023: 32 733 856).

The ageing of these receivables is as follows:

	2024	2023
1 Month past due	1 068 977	1 109 795
2 Months past due	2 304 197	1 012 991
3 Months past due	2 064 970	969 919
4-5 Months past due	4 127 377	1 899 907
Over 6 months past due	59 060 803	32 468 948
	<b>68 626 324</b>	<b>37 461 560</b>

#### Factors the entity considered in assessing statutory receivables impaired

The municipality took into account past trends in terms of collections  
Financial difficulties faced by ratepayers due to the current economic climate.  
Probability of recovery considering processes available to the municipality.

#### Reconciliation of provision for impairment for statutory receivables

Opening balance	32 733 856	29 002 061
Provision for impairment	12 718 243	3 731 795
	<b>45 452 099</b>	<b>32 733 856</b>

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>6. Other receivables from exchange transactions</b>		
Overpayment to Councillors The councillors benefited from the payment of upper limits which was later endorsed by the MEC to be unduly. The municipality and councillors agreed that the amount would be deducted monthly until the amount is covered.	-	37 005
Prepayments Prepayments relate to the acquisition of firearm and SALGA Membership fee for 2025 financial year	1 360 498	1 639 210
Creditors with Debit balances	-	60 085
Employee Debtor The employee debtor relates to an overpayment of employees	35 332	-
Sale of Property, plant and equipment	-	1 334 800
	<b>1 395 830</b>	<b>3 071 100</b>
Current assets	1 395 830	3 071 100
<b>7. VAT receivable</b>		
VAT	1 945 222	3 155 244
<b>8. Consumer debtors</b>		
<b>Gross balances</b>		
Electricity	4 801 394	3 576 793
Rentals	2 197 705	1 646 568
Refuse	6 830 836	6 740 461
	<b>13 829 935</b>	<b>11 963 822</b>
<b>Less: Allowance for impairment</b>		
Electricity	(1 057 644)	(614 505)
Rental	(1 374 751)	(1 042 119)
Refuse	(5 651 523)	(5 387 538)
	<b>(8 083 918)</b>	<b>(7 044 162)</b>
<b>Net balance</b>		
Electricity	3 743 750	2 962 288
Water	822 954	604 449
Refuse	1 179 313	1 352 923
	<b>5 746 017</b>	<b>4 919 660</b>
<b>Electricity</b>		
Current (0 -30 days)	2 568 614	2 135 730
31 - 60 days	299 450	74 430
61 - 90 days	157 100	76 972
91 - 120 days	112 562	62 760
121 - 365 days	245 050	104 373
> 180 days	1 418 618	1 122 528
	<b>4 801 394</b>	<b>3 576 793</b>

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>8. Consumer debtors (continued)</b>		
<b>Refuse</b>		
Current (0 -30 days)	296 372	295 955
31 - 60 days	100 327	111 202
61 - 90 days	93 167	110 183
91 - 120 days	91 961	100 705
121 - 365 days	165 635	184 529
> 180 days	6 083 374	5 937 887
	<b>6 830 836</b>	<b>6 740 461</b>
<b>Rental</b>		
Current (0 -30 days)	149 732	102 160
31 - 60 days	61 693	36 323
61 - 90 days	55 411	39 539
91 - 120 days	68 819	38 444
121 - 365 days	110 484	74 335
> 180 days	1 751 566	1 355 767
	<b>2 197 705</b>	<b>1 646 568</b>

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>8. Consumer debtors (continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Electricity</b>		
Government	449 536	594 951
Commercial	2 178 633	2 688 726
Household	150 703	222 545
Other	2 022 522	70 571
	<b>4 801 394</b>	<b>3 576 793</b>
Less: Allowance for impairment	(1 057 644)	(614 505)
	<b>3 743 750</b>	<b>2 962 288</b>
<b>Refuse</b>		
Government	76 789	449 976
Commercial	317 214	343 626
Household	5 020 147	5 907 638
Other	1 416 686	39 221
	<b>6 830 836</b>	<b>6 740 461</b>
Less: Allowance for impairment	(5 651 523)	(5 387 538)
	<b>1 179 313</b>	<b>1 352 923</b>
<b>Rental</b>		
Government	168 749	5 887
Commercial	1 967 541	1 640 550
Other	61 415	131
	<b>2 197 705</b>	<b>1 646 568</b>
Less: Allowance for impairment	(1 374 751)	(1 042 119)
	<b>822 954</b>	<b>604 449</b>
<b>Total</b>		
Government	695 074	1 050 814
Commercial	4 463 388	4 672 902
Household	5 170 850	6 130 183
Other	3 500 623	109 923
	<b>13 829 935</b>	<b>11 963 822</b>
Less: Allowance for impairment	(8 083 917)	(7 044 162)
	<b>5 746 018</b>	<b>4 919 660</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(7 044 162)	(7 432 816)
Contributions to allowance	(1 040 849)	(138 730)
Reversal of allowance	-	527 384
	<b>(8 085 011)</b>	<b>(7 044 162)</b>

### Consumer debtors pledged as security

There were no consumer debtors pledged as security

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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Figures in Rand	2024	2023
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### 8. Consumer debtors (continued)

#### Consumer debtors past due but not impaired

At 30 June 2024, 1 432 110 (2023: 135 227 711) were past due but not impaired.

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

	<b>2024</b>	<b>2023</b>
1 month past due	367 112	19 309
2 months past due	67 065	21 861
3 months past due	77 400	19 996
4-5 months past due	70 108	36 613
Over 6 months	850 425	580 090
	<b>1 432 110</b>	<b>677 869</b>

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#### Consumer debtors impaired

As of 30 June 2024, consumer debtors of 16 211 278 (2023: 13 522 771) were impaired and provided for.

The amount of the provision was 8 083 917 as of 30 June 2024 (2023: 7 043 069).

The ageing of amounts past due and impaired is as follows:

	<b>2024</b>	<b>2023</b>
1 month past due	845 844	274 947
2 months past due	537 920	295 553
3 months past due	340 082	295 935
4-5 months past due	762 303	434 424
Over 6 months	13 725 129	12 221 912
	<b>16 211 278</b>	<b>13 522 771</b>

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# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>9. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Bank balances	8 350 897	428 106
Short-term deposits	85 307 779	108 425 692
	<b>93 658 676</b>	<b>108 853 798</b>

### Cash and cash equivalents pledged as collateral

There was no cash and cash equivalents pledged as collateral

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand 2024 2023

### 9. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
Absa Bank - Call Account - 92 7785 1394	1 894 541	1 765 601	1 670 268	1 894 541	1 765 601	1 670 268
Absa Bank- Call Account 93 0769 5892	1 727 503	59 116	55 980	1 727 503	59 116	55 980
Absa Bank - Investment Account - 93 3821 7106	-	34 490	32 353	-	34 490	32 353
Absa Bank - Primary Account - 40 5356 2762	7 292 454	428 107	471 034	7 292 454	428 107	471 034
FNB Bank- Investment Account - 718 4846 2554	10 241 567	9 377 603	8 726 874	10 241 567	9 377 603	8 726 874
FNB Bank- Investment Account- 623 8231 1408	10 086 341	9 334 533	8 769 124	10 086 341	9 334 533	8 769 124
FNB Bank- Investment Account- 718 4846 0889	8 660 463	7 929 879	7 379 610	8 660 463	7 929 879	7 379 610
FNB Bank- Investment Account- 744 2905 2166	5 970 710	15 199 556	14 160 519	5 970 710	15 199 556	14 160 519
Standard Bank - Investment - 308 5855 69014	7 303	6 856	6 522	7 303	6 856	6 522
Standard Bank - Investment - 308 5855 69063	25 438 674	23 438 340	21 875 345	25 438 674	23 438 340	21 875 345
Nedbank-investment Account - 03 7165 014 039(5)	1 233	1 161	1 067	1 233	1 161	1 067
Absa Bank - Investment Account - 91 4284 5014	535 914	281 893	266 646	535 914	281 893	266 646
Absa Bank - Investment Account - 20 8087 5617	-	15 521 247	-	-	15 521 247	-
Absa Bank - Notice select Account - 93 6596 4328	23 663	22 376	21 596	23 663	22 376	21 596
Absa Bank - Call Account - 93 705 0646	-	18 381 816	17 200 025	-	18 381 816	17 200 025
Absa Bank - Notice select - 93 7076 2765	-	1 424 715	44 618 252	-	1 424 715	44 618 252
Absa Bank - Call Account - 93 706 52142	-	5 646 509	5 240 217	-	5 646 509	5 240 217
Absa Bank - Call Account - 208 117 9642	21 778 310	-	-	21 778 310	-	-
<b>Total</b>	<b>93 658 676</b>	<b>108 853 798</b>	<b>130 495 432</b>	<b>93 658 676</b>	<b>108 853 798</b>	<b>130 495 432</b>

#### Other Account(s) held by the Municipality during 2024 financial year

1. Absa call account - 933 821 7106
2. Absa call account - 937 065 2142
3. Absa call account - 937 076 2765
4. Absa call account - 208 087 5617
5. Absa call account - 208 121 1868
6. Absa call account - 937 056 0646

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 10. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	42 922 786	(1 584 240)	41 338 546	42 922 786	(1 517 396)	41 405 390

#### Reconciliation of investment property - 2024

Investment property	Opening balance 41 405 390	Depreciation (66 844)	closing balance 41 338 546
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#### Reconciliation of investment property - 2023

Investment property	Opening balance 41 472 051	Depreciation (66 661)	Closing balance 41 405 390
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#### Pledged as security

There is no investment property pledged as security:

#### Amounts recognised in surplus or deficit

Rental revenue from Investment property	211 258	201 926
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There were no direct operating expenses incurred from renting the property.

There were no contractual obligation to purchase, construct or develop the investment property. There were also no contractual obligation for repairs and maintenance

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 11. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	5 891 616	-	5 891 616	5 891 616	-	5 891 616
Buildings	42 816 474	(13 593 782)	29 222 692	42 816 474	(11 930 443)	30 886 031
Plant and machinery	17 194 465	(9 374 997)	7 819 468	14 606 913	(8 410 331)	6 196 582
Furniture and fixtures	4 922 948	(3 045 726)	1 877 222	4 392 173	(2 784 458)	1 607 715
Transport assets	38 795 846	(22 460 028)	16 335 818	38 450 557	(20 273 722)	18 176 835
IT equipment	4 486 942	(2 899 734)	1 587 208	4 400 770	(2 595 241)	1 805 529
Infrastructure - Roads and Stormwater Community	403 002 278	(113 385 797)	289 616 481	358 029 200	(93 945 455)	264 083 745
Electricity Infrastructure	338 909 706	(50 110 894)	288 798 812	269 061 147	(41 349 135)	227 712 012
Leased assets - Computer equipment	62 180 494	(11 968 888)	50 211 606	74 954 623	(10 893 646)	64 060 977
Refuse	-	-	-	-	-	-
	4 240 981	(2 733 993)	1 506 988	4 005 085	(2 603 388)	1 401 697
<b>Total</b>	<b>922 441 750</b>	<b>(229 573 839)</b>	<b>692 867 911</b>	<b>816 608 558</b>	<b>(194 785 819)</b>	<b>621 822 739</b>

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 11. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Write-offs	Adjustment of Landfill site provision	Work in progress	Depreciation	Impairment loss	Closing balance
Land	5 891 616	-	-	-	-	-	-	5 891 616
Buildings	30 886 031	-	-	-	-	(1 651 745)	(11 594)	29 222 692
Plant and machinery	6 196 582	2 594 815	(299)	-	-	(971 630)	-	7 819 468
Furniture and fixtures	1 607 715	591 988	(1 115)	-	-	(321 366)	-	1 877 222
Motor vehicles	18 176 835	607 870	(60 087)	-	-	(2 388 800)	-	16 335 818
IT equipment	1 805 529	287 358	(16 316)	-	-	(489 363)	-	1 587 208
Infrastructure - Roads and Stormwater	264 083 745	65 976 810	(38 330)	-	(20 728 872)	(15 691 613)	(3 985 259)	289 616 481
Community	227 712 012	67 652 730	(2 388 942)	-	4 584 694	(8 189 394)	(572 288)	288 798 812
Electricity Infrastructure	64 060 977	1 903 269	(1 837)	-	(14 524 330)	(1 226 473)	-	50 211 606
Leased Assets	-	-	-	-	-	-	-	-
Refuse	1 401 697	-	-	235 896	-	(130 605)	-	1 506 988
	<b>621 822 739</b>	<b>139 614 840</b>	<b>(2 506 926)</b>	<b>235 896</b>	<b>(30 668 508)</b>	<b>(31 060 989)</b>	<b>(4 569 141)</b>	<b>692 867 911</b>

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 11. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Write-offs	Adjustment of Landfill site provision	Work in Progress	Depreciation	Impairment loss	Closing balance
Land	5 891 616	-	-	-	-	-	-	5 891 616
Buildings	19 875 350	12 652 045	(27 132)	-	-	(1 614 232)	-	30 886 031
Machinery and equipment	6 455 035	914 598	(323 610)	-	-	(849 441)	-	6 196 582
Furniture and office equipment	727 383	1 141 023	(1 541)	-	-	(259 150)	-	1 607 715
Transport assets	20 963 154	977 414	(925 933)	-	-	(2 837 800)	-	18 176 835
Computer equipment	1 328 507	979 728	(24 345)	-	-	(478 361)	-	1 805 529
Roads and stormwater infrastructure	240 088 455	77 970 294	(823)	-	(41 012 447)	(12 417 759)	(543 975)	264 083 745
Community	224 921 962	31 499 343	(67 433)	-	(19 520 373)	(6 924 274)	(2 197 213)	227 712 012
Electricity infrastructure	54 697 850	-	(3 905)	-	11 007 791	(1 253 412)	(387 347)	64 060 977
Leased assets - Computer equipment	-	-	-	-	-	-	-	-
Landfill site	3 183 590	-	-	(922 227)	-	(156 524)	(703 142)	1 401 697
	<b>578 132 902</b>	<b>126 134 445</b>	<b>(1 374 722)</b>	<b>(922 227)</b>	<b>(49 525 029)</b>	<b>(26 790 953)</b>	<b>(3 831 677)</b>	<b>621 822 739</b>

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand 2024 2023

### 11. Property, plant and equipment (continued)

#### Pledged as security

No property, plant and equipment has been pledged as security for any liabilities of the municipality

#### Assets taking longer to complete

There are assets under construction that are taking significantly longer to complete

**Carrying value of property, plant and equipment that is taking significantly longer period of time to complete than expected:**

<b>Mafihleng Sportfield</b>	-	2 388 942
Reason : Budget constraints		
<b>Sheep and Wool</b>	8 651 861	5 832 079
Reason: Budget Constraints		
<b>Nquthu Stormwater and southern canal</b>	-	4 008 735
Reason: Budget Constraints		
<b>Ngonini Sportfield</b>	508 899	-
Reason: Delayed SCM process		
<b>Borehole and Water Pump</b>	137 400	-
Reason: Budget Constraints		
<b>Sidanyana Road</b>	1 065 303	-
Reason: Budget Constraints		
	<b>10 363 463</b>	<b>12 229 756</b>

#### Halted Projects

as at 30 June 2024, the municipality halted the construction of the following projects due to the reason specified below

Project Name	Reason	2024	2023
Nquthu Bulk Stormwater	Reassessment of priorities	15 559 477	15 559 477
Tlokweni	Budget Constraints	173 713	173 713
Mthushana Creche	Budget Constraints	119 669	119 669
Incubator Unit 5&6	Reassessment of priorities	238 331	238 331
Nquthu Infills	Reassessment of priorities	7 377 385	7 377 385
Bucoshi Gravel Road	Budget Constraints	-	137 400
		<b>23 230 244</b>	<b>23 367 914</b>

Management has assessed these halted projects for impairment. Based on this assessment no impairment has been recognized as of the reporting date.

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand 2024 2023

### 11. Property, plant and equipment (continued)

#### Reconciliation of Work-in-Progress 2024

	Included within Infrastructure- electricity	Included within Community - roads and storm water	Included within Community assets	Total
Opening balance	39 818 133	41 487 654	63 533 644	144 839 431
Additions/capital expenditure	18 182 601	13 845 469	72 923 235	104 951 305
Reclassification	-	103 353	(103 353)	-
Transferred to completed assets	(32 706 931)	(34 574 341)	(68 338 541)	(135 619 813)
WIP written off	-	(33 800)	(2 388 942)	(2 422 742)
	<b>25 293 803</b>	<b>20 828 335</b>	<b>65 626 043</b>	<b>111 748 181</b>

#### Reconciliation of Work-in-Progress 2023

	Included within Infrastructure- electricity	Included within Community - roads and storm water	Included within Community assets	Total
Opening balance	28 810 340	82 500 101	84 071 408	195 381 849
Additions/capital expenditure	11 007 793	34 127 629	28 404 245	73 539 667
Other movements	-	-	(24 460)	(24 460)
Impairment losses	-	-	(1 023 832)	(1 023 832)
Transferred to completed items	-	(75 140 076)	(47 893 716)	(123 033 792)
	<b>39 818 133</b>	<b>41 487 654</b>	<b>63 533 645</b>	<b>144 839 432</b>

#### 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

Employee related costs	1 733 980	1 803 608
Contracted services	29 133 926	9 530 619
Depreciation - R&M Maintenance assets	229 711	247 876
	<b>31 097 617</b>	<b>11 582 103</b>

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 12. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, internally generated	611 664	(600 822)	10 842	623 878	(607 593)	16 285

#### Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Closing balance
Computer software, internally generated	16 285	(5 443)	10 842

#### Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Closing balance
Computer software, internally generated	24 428	(8 143)	16 285

#### Pledged as security

No intangible assets has be pledged as security

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 13. Heritage assets

	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	78 888	-	78 888	78 888	-	78 888

#### Reconciliation of heritage assets 2024

Art Collections, antiquities and exhibits				Opening balance 78 888	Closing balance 78 888
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#### Reconciliation of heritage assets 2023

Art Collections, antiquities and exhibits				Opening balance 78 888	Closing Balance 78 888
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#### Pledged as security

No heritage assets has been pledged as security

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>14. Payables from exchange transactions</b>		
Trade payables	31 288 933	27 234 780
Payments received in advanced	9 783 501	9 540 759
Payroll Creditors	7 385 023	7 570 410
Retention	28 495 947	23 431 814
Human Settlement - Housing funds	1 743 030	1 624 411
Unallocated deposit	1 018 427	739 966
Integrated National Electrification Programme Grant	2 670 001	3 753 799
Bonus Accrual	2 548 835	2 195 452
	<b>84 933 697</b>	<b>76 091 391</b>
<b>15. Consumer deposits</b>		
Electricity	434 853	434 553
Property rentals	65 134	41 440
Refuse	69 043	69 043
	<b>569 030</b>	<b>545 036</b>

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand 2024 2023

### 16. Employee benefit obligations

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

Carrying value	2024	2023
Present value of the defined benefit obligation-wholly unfunded	(5 526 000)	(4 541 000)
Non-current liabilities	(4 664 000)	(4 058 000)
Current liabilities	(862 000)	(483 000)
	<b>(5 526 000)</b>	<b>(4 541 000)</b>

As at 30 June 2024, the number of number of members entitled to receive long service leave awards from the Municipality were	Number of eligible employees	Weighted Average earnings	Salary weighted average age	Weighted past service
Female	118	250 699	41	9
Male	137	248 339	42	9
	<b>255</b>	<b>499 038</b>	<b>83</b>	<b>18</b>

The Municipality offers employees LSA for every five years of service completed, from five years of service to 45 years of service, inclusive.

In the month that each "Completed Service" milestone is reached, the employee is granted an LSA. Working days awarded are valued at 1/249th of annual earnings per day.

An employee with five or more years' service with the Municipality, who leaves the service of the Municipality for any reason whatsoever, excluding reasons relating to misconduct, shall receive a pro-rata LSA for any uncompleted (five-year) period of service. The pro-rata factor applicable is the number of years of service since an employee's most recent service milestone, divided by five.

The encashment or taking of LSA leave days must occur in the same year that the employee qualifies for the award.

The fair value of plan assets includes:

#### Assumption

Average retirement age	-	61		
Mortality during employment		85 to 90		
Withdrawal from Service	1	Age	Female	Male
			20 9%	9%
			30 6%	6%
			40 5%	5%
			50 3%	3%
			55 0%	0%

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

Opening balance	(4 541 000)	(4 422 000)
Benefits paid	432 018	448 544
Net expense recognised in the statement of financial performance	(1 417 018)	(567 544)
	<b>(5 526 000)</b>	<b>(4 541 000)</b>

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>16. Employee benefit obligations (continued)</b>		
<b>Net expense recognised in the statement of financial performance</b>		
Current service cost	(568 000)	(618 000)
Interest cost	(503 000)	(449 000)
Actuarial (gains) losses	(346 018)	499 456
	<b>(1 417 018)</b>	<b>(567 544)</b>

### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11.48 %	11.68 %
CPI inflation rate	5.58%	5.88%
General earnings inflation rate (long-term)	6.88 %	5.88 %
Net discount rate	4.49 %	6.88%

### Demographic Assumptions

Demographic assumptions are required about the future characteristics of current employees who are eligible for LSA.

### Promotional Earnings Scale.

The annual inflation rates below are in addition to the General Earnings Inflation assumption of 6.88% per annum for all employees.

### Average Retirement Age

The normal retirement age of employees is 63. It has been assumed that employees will retire at age 61 on average, which then implicitly allows for expected rates of ill-health and early retirement. Employees who have passed the assumed average retirement age, have been assumed to retire at their next birthday.

### Pre-Retirement Mortality

SA85-90 ultimate table, adjusted for female lives.

### Withdrawal from Service

If an employee leaves, the employer's liability in respect of that employee ceases. It is therefore important not to overstate withdrawal rates.

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand 2024 2023

### 16. Employee benefit obligations (continued)

The basis on which the discount rate has been determined is as follows:

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the employee benefit liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 11.68% per annum has been used. This yield was obtained by calculating the duration of the liability and then taking the yield from the yield curve at that duration using an iterative process (because the yield depends on the duration, which in turn depends on the liability). The corresponding liability-weighted index-linked yield is 4.49%. These rates do not reflect any adjustment for taxation, and were deduced from the interest rate data obtained from the JSE after the market close on 30 June 2024.

The basis used to determine the General Earnings Inflation Rate, is as follows:

This assumption is more stable relative to the growth in Consumer Price Index (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, earnings inflation is between 1.0% and 1.5% above CPI inflation.

The expected CPI inflation assumption of 5.58% was obtained from the differential between market yields on index-linked bonds (5.01%) consistent with the estimated terms of the liabilities and those of nominal bonds (11.48%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as  $(1+11.48\%-0.50\%)/(1+5.01\%)-1$ .

Thus, a general earnings inflation rate of 6.88% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 4.49%.

It has been assumed that the next general earnings increase will take place on 1 July 2024.

### Other assumptions

The results of the valuation are based on a number of assumptions. The extent to which the actual liability faced in the future by the Municipality differs from these results will depend on the extent to which actual experience differs from the assumptions made. The assumptions which tend to have the greatest impact on the results are:

- (i) the general earnings inflation rate assumption;
- (ii) the discount rate assumption;
- (iii) the average retirement age of employees; and
- (iv) assumed rates of withdrawal of employees from service.

Below is how the liability would change with a 1% increase or decrease in the discount rate used.

	One percentage point increase	One percentage point increase
Effect on the aggregate of the service cost and interest cost	1 071 000	871 000

### 17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Library Volunteer	-	259 941
Sportsfield maintenance grant	27 118	128 893
Massification Electrification	6 087 447	-
Small Town Rehabilitation	1 727 081	-
	<b>7 841 646</b>	<b>388 834</b>

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>17. Bad Debt Written-Off (continued)</b>		
<b>Movement during the year</b>		
Balance at the beginning of the year	388 834	376 384
Additions during the year	77 852 500	43 001 046
Income recognition during the year	(74 417 174)	(42 988 596)
	<b>3 824 160</b>	<b>388 834</b>

See note 17 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

## 18. Provisions

### Reconciliation of provisions - 2024

	Opening Balance	Additions	Total
Landfill site	1 865 370	471 306	2 336 676
Leave Pay	8 208 894	892 306	9 101 200
	<b>10 074 264</b>	<b>1 363 612</b>	<b>11 437 876</b>

### Reconciliation of provisions - 2023

	Opening Balance	Reversed during the year	Total
Landfill site	2 510 218	(644 848)	1 865 370
Leave	8 388 605	(179 711)	8 208 894
	<b>10 898 823</b>	<b>(824 559)</b>	<b>10 074 264</b>

Non-current liabilities	2 057 677	1 629 959
Current liabilities	9 380 199	8 444 305
	<b>11 437 876</b>	<b>10 074 264</b>

### Environmental rehabilitation provision

The municipality is required to provide for the rehabilitation of the Nondweni landfill site after the end of its useful life. The cost to rehabilitate the landfill site has been estimated by the engineers to be R2 336 676 and the remaining life is 30 years. Due to the uncertainty in timing and actual amount of the rehabilitation cost, management have made the best estimate to raise a provision based on the report. The detailed report is available for inspection at the registered office of the Municipality.

There are various limitations and assumptions that have a direct bearing on the cost estimates provided as indicated below:

- Costs are based on previous tender prices and generic costs and may vary depending on material availability, fuel price etc.;
- The previous year's cost was escalated since no changes were reported;
- Evaluation is based on approximate landfill size or the fenced area since the co-ordinates in the licence document does not correlate with the aerial view of the site (Google Earth used for evaluation);
- The design is based on the requirements of the licence issued;
- No site visit was conducted, cost estimate is therefor based on the information supplied by the Municipality as well as licence conditions;
- The estimated closure cost is based on a generic closure design not taking site specific condition into consideration and may vary significantly once the site has been upgraded.

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand 2024 2023

### 19. Housing Development fund

This fund is regulated by the agreements and directives that are issued by the Human Settlements department and has a dedicated bank account.

Opening Balance	141 342	133 710
Interest	10 321	7 632
	<b>151 663</b>	<b>141 342</b>

### 20. Service charges

Sale of electricity	27 498 535	22 456 358
Solid waste	1 466 516	1 115 187
	<b>28 965 051</b>	<b>23 571 545</b>

### 21. Construction contracts

#### Contracts in progress at statement of financial position date

Revenue	15 083 798	5 795 021
Expenditure	(15 083 798)	(5 795 021)
	-	-

Construction contracts relate to agreements entered between the Municipality and the Department of Mineral and Energy in respect of housing projects and electrification project respectively. The Municipality is a project developer in these arrangements. These arrangements are accounted for in line with GRAP 11 - Construction contracts

Construction contract expenses consists mainly of contracted services wherein the Municipality procures the services of building contractors and other consultants.

Construction contract revenue is recognised on a stage of completion based on the costs incurred. There are no contracts accounted for as work in progress given that costs are expensed when incurred.

The amount due for contract work done is recognised as a debtor and disclosed on the note for Receivables from exchange transactions.

The amounts received in advance for work to be done is recognised as a liability and disclosed in Note 14: Payables from exchange transactions.

### 22. Rental of facilities and equipment

#### Premises

Rental income Type	761 127	662 033
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#### Facilities and equipment

Rental of facilities	211 258	130 098
	<b>972 385</b>	<b>792 131</b>

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>23. Other income</b>		
Commission	207 848	194 479
Insurance proceeds	-	26 730
Skills Development Levy refund	170 851	166 429
Sale of Tender documents advertisement	85 892	66 249
Cemetery and burial	700	700
Photocopies	33 452	49 491
Building Plan	38 787	16 369
Clearance certificate	10 559	46 681
Town planning and servitudes	4 869	3 339
Buyers Card	1 941	998
Discount received	1 972	1 478
	17 700	-
	<b>574 571</b>	<b>572 943</b>
<b>24. Investment revenue</b>		
<b>Interest revenue</b>		
Short-term Investment	9 506 137	10 348 555
Interest charged on trade and other receivables	734 074	600 217
	<b>10 240 211</b>	<b>10 948 772</b>

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

	2024	2023
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### 25. Property rates

#### Rates received

Residential	1 855 946	1 719 333
State	38 500 438	27 336 925
Commercial	11 095 802	7 588 542
	51 452 186	36 644 800
Property rates - penalties imposed	2 656 575	1 885 688
	<b>54 108 761</b>	<b>38 530 488</b>

#### Valuations

Residential	749 683 500	576 112 000
Commercial	437 372 000	224 308 000
Municipal	152 112 000	106 267 000
Agriculture Properties	940 387 000	965 857 000
Industrial properties	945 000	5 753 000
Mining Properties	1 035 000	1 040 000
Public Service Purposes	944 581 000	846 947 000
Vacant Properties	111 581 000	104 061 000
Worship properties	14 933 000	13 473 000
	<b>3 352 629 500</b>	<b>2 843 818 000</b>

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2023. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of 0.014 2 024 (2023:R0.014 -) is applied to property valuations to determine assessment rates. Rebates of R205 000 in addition to the statutory rebate of R15 000 (2023:R220 000) are granted to residential and state property owners.

Rates are levied on an annual basis with the final date for payment being Sunday, 30 June 2024 (Friday, 30 June 2023). Interest is levied at fixed rate at 8% per annum (2023: 8%) is levied on rates outstanding after due date..

The general valuation roll for the year under review was implemented on 1 July 2023

### 26. Licences and permits (non-exchange)

Filming Fees	2 407	1 054
Hoarding (Collecting/Storing)	5 136	2 030
Trading	14 044	22 707
Road and Transport	988 105	931 147
	<b>1 009 692</b>	<b>956 938</b>

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>27. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	179 521 000	169 636 000
Cybercadet Grant	508 000	508 000
EPWP Grant	1 162 000	1 546 000
Library Support	1 964 000	1 964 000
Library Modular	1 430 000	715 000
Bornem	-	1 079 046
Library Volunteer	367 941	96 000
Finance Management Grant	1 850 000	1 850 000
	<b>186 802 941</b>	<b>177 394 046</b>
<b>Capital grants</b>		
Sportfield Maintenance	101 775	-
Municipal Infrastructure Grant	39 222 000	35 231 000
Massification electrification	17 011 795	-
Small Town rehabilitation	8 695 652	-
	<b>65 031 222</b>	<b>35 231 000</b>
	<b>251 834 163</b>	<b>212 625 046</b>
<b>Conditional and Unconditional</b>		
Included in above are the following grants and subsidies received:		
Conditional grants received	74 417 174	42 989 046
Unconditional grants received	179 521 000	169 636 000
	<b>253 938 174</b>	<b>212 625 046</b>
<b>Massification Electrification Grant</b>		
Current-year receipts	21 608 500	-
Conditions met - transferred to revenue	(17 011 794)	-
	<b>4 596 706</b>	-
Conditions still to be met - remains in liabilities (see note 17).		
The municipality has made an application for roll-over for unspent amount at year end		
<b>Extended Public works Program</b>		
Current-year receipts	1 162 000	1 546 000
Conditions met - transferred to revenue	(1 162 000)	(1 546 000)
	-	-
Conditions still to be met - remains in liabilities (see note 17).		
<b>Library Modular</b>		
Current-year receipts	1 430 000	715 000
Conditions met - transferred to revenue	(1 430 000)	(715 000)
	-	-

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>27. Government grants and subsidies (continued)</b>		
Conditions still to be met - remains in liabilities (see note 17).		
<b>Bornem Grant</b>		
Current-year receipts	-	1 079 046
Conditions met - transferred to revenue	-	(1 079 046)
	-	-
Conditions still to be met - remains in liabilities (see note 17).		
<b>Sportfield maintenance</b>		
Balance unspent at beginning of year	128 893	128 893
Conditions met - transferred to revenue	(101 775)	-
	<b>27 118</b>	<b>128 893</b>
Conditions still to be met - remains in liabilities (see note 17).		
The municipality has made an application for roll-over for unspent amount at year end		
<b>Financial Management Grant</b>		
Current-year receipts	1 850 000	1 850 000
Conditions met - transferred to revenue	(1 850 000)	(1 850 000)
	-	-
Conditions still to be met - remains in liabilities (see note 17).		
<b>Cybercadet</b>		
Current-year receipts	508 000	508 000
Conditions met - transferred to revenue	(508 000)	(508 000)
	-	-
Conditions still to be met - remains in liabilities (see note 17).		
<b>Small Town Rehabilitation</b>		
Current-year receipts	10 000 000	-
Conditions met - transferred to revenue	(8 695 652)	-
	<b>1 304 348</b>	-
Conditions still to be met - remains in liabilities (see note 17).		
<b>Library Volunteer</b>		
Balance unspent at beginning of year	259 941	247 941
Current-year receipts	108 000	108 000
Conditions met - transferred to revenue	(367 941)	(96 000)
	-	<b>259 941</b>
Conditions still to be met - remains in liabilities (see note 17).		
<b>Library Support</b>		

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>27. Government grants and subsidies (continued)</b>		
Current-year receipts	1 964 000	1 964 000
Conditions met - transferred to revenue	(1 964 000)	(1 964 000)
	-	-
Conditions still to be met - remains in liabilities (see note 17).		
<b>Municipal Infrastructure Grant</b>		
Current-year receipts	39 222 000	35 231 000
Conditions met - transferred to revenue	(39 222 000)	(35 231 000)
	-	-
Conditions still to be met - remains in liabilities (see note 17).		
<b>28. Fines, Penalties and Forfeits</b>		
Illegal Connections Fines	398 937	6 350
Municipal Traffic Fines	1 147 840	821 190
	<b>1 546 777</b>	<b>827 540</b>

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>29. Employee related costs</b>		
Basic	72 748 119	63 032 156
Bonus	5 274 284	4 518 388
Medical aid - company contributions	3 158 109	2 935 114
Unemployment Insurance Fund	550 077	509 215
Workmen's Compensation Fund	781 166	620 032
Overtime payments	1 493 662	1 587 615
Long-service awards	1 071 000	1 067 000
Car allowance	3 341 485	2 964 176
Housing benefits and allowances	104 508	79 930
Leave pay	1 154 600	1 019 171
Standby Allowance	2 946 596	2 121 446
Pension	8 690 150	7 927 798
Bargaining council	37 518	33 674
	<b>101 351 274</b>	<b>88 415 715</b>
<b>Remuneration of municipal manager</b>		
Annual Remuneration	1 124 091	1 215 436
Performance Bonuses	53 880	-
Contributions to UIF, Medical and Pension Funds	14 041	16 408
	<b>1 192 012</b>	<b>1 231 844</b>
<b>Remuneration of chief finance officer</b>		
Annual Remuneration	930 882	888 491
Performance Bonuses	44 239	-
Contributions to UIF, Medical and Pension Funds	11 004	11 140
	<b>986 125</b>	<b>899 631</b>
<b>Remuneration of director Corporate and Community Services</b>		
Annual Remuneration	855 205	654 300
Car Allowance	180 000	171 704
Performance Bonuses	49 706	-
Contributions to UIF, Medical and Pension Funds	11 614	10 608
Acting Allowance	-	15 536
	<b>1 096 525</b>	<b>852 148</b>
<b>Remuneration of director Planning and Economic development</b>		
Annual Remuneration	768 615	343 686
Car Allowance	72 000	6 000
Contributions to UIF, Medical and Pension Funds	11 004	4 475
Housing Allowance	18 000	1 500
Pension Allowance	30 000	2 500
	<b>899 619</b>	<b>358 161</b>
<b>Remuneration of director Technical Services</b>		
Annual Remuneration	585 701	751 814
Car Allowance	120 000	125 000
Performance Bonuses	44 239	-
Contributions to UIF, Medical and Pension Funds	11 542	11 926
Housing Allowance	202 126	84 219

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>29. Employee related costs (continued)</b>		
	<b>963 608</b>	<b>972 959</b>
<b>30. Remuneration of councillors</b>		
Mayor	936 139	993 124
Deputy Mayor	751 989	971 567
Executive Committee Members	2 004 467	1 891 385
Speaker	751 989	701 144
Councillors	9 190 771	8 601 835
Section 79 MPAC	411 108	302 677
	<b>14 046 463</b>	<b>13 461 732</b>
<b>In-kind benefits</b>		
<p>The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.</p>		
<p>The Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Mayor has use of a council owned vehicle for official duties.</p>		
<p>The Mayor and the Deputy Mayor each have the use of separate council owned vehicles for official duties.</p>		
<p>The Mayor has three full-time bodyguards. The Deputy Mayor and speaker have two full-time bodyguards.</p>		
<b>31. Depreciation and amortisation</b>		
Property, plant and equipment	31 060 989	26 790 953
Investment property	66 844	66 661
Intangible assets	5 443	8 143
	<b>31 133 276</b>	<b>26 865 757</b>
<b>32. Finance cost</b>		
Provision for landfill site	235 410	277 379
<b>33. Lease rentals on operating lease</b>		
<b>Equipment</b>		
Contractual amounts	484 162	399 305

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024		2023	
<b>34. Bulk purchases</b>				
Electricity - Eskom		31 026 209		31 383 891
<b>Electricity Losses</b>	<b>2024 Units</b>	<b>2023 Units</b>	<b>2024 Monetary Value</b>	<b>2023 Monetary Value</b>
Total Purchased	20 215 829	18 753 008	35 411 214	28 237 209
Total Sold	(14 454 784)	(13 208 885)	(30 880 878)	(26 160 128)
Own Consumptions	(110 095)	(75 223)	(516 892)	(260 022)
Free basic electricity	(1 092 050)	(1 090 500)	(1 703 052)	(1 477 451)
	<b>4 558 900</b>	<b>4 378 400</b>	<b>2 310 392</b>	<b>339 608</b>

Percentage of electricity losses 23% ( 2023: 23%)

The bulk electricity purchases reflected in the note for electricity losses differ from the the total bulk purchases reported in the income statement. The variance arises from adjustments and corrections made by ESKOM to account for prior period estimate and rebilled amounts due to a meter malfunction. These adjustments were necessary to accurately calculate electricity losses

Additionally, the electricity losses reported for the prior year were based on estimated consumption, as the Eskom meter was malfunctioning and unable to provide accurate readings at the time. In the current year, the meter was repaired, and actual readings for the 2023 financial year were made available. These readings have been used to recalculate and restate the prior year's electricity losses to ensure accuracy

### 35. Contracted services

#### Outsourced Services

Administrative and Support Staff	1 480 260	6 571 123
Animal Pounding	97 500	75 000
Burial Services	562 550	806 202
Business and Advisory	376 271	294 502
Cleaning Services	-	3 210 820
Fire Services	2 312 508	2 415 700
Internal Auditors	2 966 884	2 587 446
Security Services	13 897 255	14 706 797

#### Consultants and Professional Services

Business and Advisory	3 760 247	4 461 781
Infrastructure and Planning	1 489 341	2 208 071
Laboratory Services	128 800	-
Legal Cost	166 775	589 615

#### Contractors

Building	377 930	236 927
Electrical	183 545	1 232 230
Maintenance of Unspecified Assets	29 133 926	9 530 619
Pest Control and Fumigation	562 812	462 423
	<b>57 496 604</b>	<b>49 389 256</b>

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>36. General expenses</b>		
Advertising	1 548 389	3 751 882
External Audit Fees	3 641 429	3 407 858
Bank charges	282 493	272 288
Ward Committees	2 677 800	2 725 200
Commission paid	408 519	418 170
Motor Vehicle Licence and Registration	582 782	510 798
Entertainment	51 125	96 952
Youth support programs	2 929 437	7 631 650
Events	7 237 345	8 543 074
Insurance Brokers Fees	2 105 768	2 043 098
Vehicle Tracking	87 712	161 671
IT expenses	611 841	535 582
Free Basic Electricity	2 022 787	1 832 138
Skills Development Fund levies	927 659	830 177
Fuel and oil	4 679 334	4 815 373
Printing and stationery	276 243	91 269
Protective clothing	549 974	1 356 423
Software expenses	2 878 182	3 518 106
Subscriptions and membership fees	1 409 558	1 267 835
Telephone and fax	706 894	710 632
Transport and freight	1 226 400	899 300
Accommodation	3 628 283	5 319 684
Travel - overseas	68 843	234 680
Travel and Subsistence	1 369 574	1 324 760
Electricity and water	1 453 779	1 074 524
Poverty relief	4 996 097	5 117 513
Forex Loss	-	85 374
Training	19 957	96 678
Fines and Penalties	248 421	56 474
Seating Allowance for Traditional Leaders	2 635	4 134
Storage of Files (Archiving)	38 088	34 822
Brokers Fees	25 000	25 000
	<b>48 692 348</b>	<b>58 793 119</b>
<b>37. Impairment of assets</b>		
<b>Impairments</b>		
Property, plant and equipment	4 569 141	3 831 678
<b>38. Debt impairment</b>		
Contributions to debt impairment provision	12 287 695	3 563 140
<b>39. Auditors' remuneration</b>		
Fees	3 641 429	3 407 858

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>40. Cash generated from operations</b>		
Surplus	39 598 132	13 261 412
<b>Adjustments for:</b>		
Depreciation and amortisation	31 133 276	26 865 757
Loss on sale of assets	-	39 912
Assets written off	2 506 925	-
Finance costs	235 410	277 379
Donations received	-	(2 005 220)
Other Non-cash items	(148 400)	(14 579)
Impairment Assets	4 569 141	3 831 678
Debt impairment	12 287 695	3 563 140
Bad debts written off	3 162 770	151 440
Movements in operating lease assets and accruals	49 747	30 588
Movements in Long service award policy changes	985 000	(316 583)
Movements in leave provision	1 127 716	179 711
<b>Changes in working capital:</b>		
Inventories	249 315	500 022
Receivable from exchange transactions	(1 866 113)	(785 310)
Receivables from non-exchange transactions	(19 267 120)	(8 285 048)
Other Receivables from exchange transactions	1 675 270	(2 744 623)
Payables from exchange transactions	8 842 300	22 240 950
VAT	1 210 022	106 224
Unspent conditional grants and receipts	7 452 813	12 000
Consumer deposits	23 994	18 128
	<b>93 827 893</b>	<b>56 926 978</b>
<b>41. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
Property, plant and equipment	34 092 676	65 823 107
<b>Total capital commitments</b>		
Already contracted for but not provided for	34 092 676	65 823 107
<b>Commitments per class of PPE</b>		
<b>Class of Property, plant and equipment</b>		
Infrastructure - Roads and storm water	6 851 545	30 378 293
Community Assets	27 241 131	21 424 371
Buildings	-	14 020 443
	<b>34 092 676</b>	<b>65 823 107</b>

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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Figures in Rand	2024	2023
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### 42. Contingencies

Litigation in is progress regarding the following matters to which the municipality is a party. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely. As at the reporting date, the outcome of the cases is uncertain. The best estimate of the financial exposure by the municipality determined in concurrence with the municipality's legal representatives is as follows:

#### **Nquthu vs IMATU obo S Kunene**

The municipality appeals the arbitration award that was awarded to S Kunene. The matter is waiting for set down date from the registrar. Legal costs are estimated to be R450 000

#### **Nokuphiwa Mbatha vs Nquthu Municipality**

Miss. N Mbatha injured from uncompleted work she believed was caused by the municipality. Legal costs are estimated to be R2 500 000

#### **Nquthu Municipality vs Inkosi TJ Ngobese**

The iNkosi instructed citizens to illegally occupy the municipal land without consent of the municipality. Legal costs are estimated to be R250 000

#### **Temba N Buthelezi and another vs Nquthu Municipality**

Matter between Themba Naphtali Buthelezi and Thulani Ronald Buthelezi (Langa) – the applicant was first respondent evicted from his home. The municipality is required to response where there is available suitable alternative accommodation to be occupied by first respondent. Legal costs are estimated to be R 50 000

#### **Nonhlanhla Philile Hlatshwayo vs Nquthu Municipality**

This is a damage claim arising out of motor vehicle accident. A motor vehicle of Nonhlanhla Hlatshwayo was damaged by a pothole on P54. Demages and legal costs are estimated to be R300 000

### 43. Related parties

Relationships

Members of Key Management

Councillors

Refer to note 29

Refer to note 30

Councillors exercise a significant influence over the municipality's financial and administrative capacity by being the municipality's executive and legislative authority.

### Related party balances

#### **Overpayment to councillors - Owing by related parties**

Upper limits debts	-	37 009
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An amount was paid to councillors following a council decision. Following further clarification from COGTA, the municipality was required to recover the paid amounts. The councillors then signed an acknowledgement of debt for these amounts to be deducted from their remuneration on a monthly basis. The above is the amount outstanding at year end. The balance of Upper limits debts is disclosed on note 6.

### 44. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus of 767 636 278 and that the municipality's total assets exceed its liabilities by 772 257 037. Therefore, the municipality is technically solvent as its total assets exceed its total liabilities, liquidity is not a challenge as it has enough investments and cash to repay it short term obligations

Further, the municipality's management and the leadership remains committed to good budgeting and financial management, and for this purpose will continue to monitor the implementation of budget, including expenditure, revenue collection and borrowings. The effective functioning of the budget will contribute significantly to development and sustaining financial health in the municipality

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>44. Going concern (continued)</b>		
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.		
<b>45. Unauthorised expenditure</b>		
Opening balance as previously reported	10 588 682	69 894 324
<b>Opening balance as restated</b>	<b>10 588 682</b>	<b>69 894 324</b>
Add: Expenditure identified - current	7 409 187	10 588 682
Less: Approved/condoned/authorised by council	(10 588 682)	(69 894 324)
<b>Closing balance</b>	<b>7 409 187</b>	<b>10 588 682</b>

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R10 588 682 from the total unauthorised expenditure amount as it was proven without reasonable doubt that the amount was not recoverable

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

Non-cash	235 410	-
Cash	7 173 777	10 588 682
	<b>7 409 187</b>	<b>10 588 682</b>

### Analysed as follows: non-cash

Finance charges	235 410	-
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### Analysed as follows: cash

Contracted services	6 986 254	8 242 074
General expenditure	193 523	970 355
Employee related costs	-	599 422
Inventory consumed	-	776 908
	<b>7 179 777</b>	<b>10 588 759</b>

### 46. Irregular expenditure

Opening balance as previously reported	142 890 856	153 999 870
<b>Opening balance as restated</b>	<b>142 890 856</b>	<b>153 999 870</b>
Add: Irregular Expenditure - current	154 224 619	96 626 791
Less: Amount written off - current	(119 499 947)	-
Less: Amount written off - prior period	(133 379 348)	(107 735 805)
<b>Closing balance</b>	<b>44 236 180</b>	<b>142 890 856</b>

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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### 46. Irregular expenditure (continued)

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

Non-compliance with SCMR- various: This expenditure is deemed to be irregular due to tender process / competitive bid not being adhered to,	71 197 365	39 012 617
Contravention of paragraph 52 of SCM Policy: Preferential point system not applied	13 603 564	15 245 854
Contravention of regulation 8(2) of PPR 2017	2 384 716	-
Contravention of regulation of SCMR 29	26 156 282	26 728 694
Non-compliance with SCM- Procurement deviations	558 853	1 808 526
Tax Matters	457 874	-
Contravention of regulation 18(a) of SCM	2 007 231	1 265 235
Non- compliance with MFMA - Section 116	15 156 535	12 565 865
Other	22 702 200	-
	<b>154 224 620</b>	<b>96 626 791</b>

### Amounts written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R 252 879 295 from the total irregular expenditure amount as it was proven without reasonable doubt that value for money was obtained by the municipality.

### 47. Budget differences

Material differences between budget and actual amounts

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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### 47. Budget differences (continued)

Items with excess of actual expenditure and revenue over the final budget of 10% . There were no other material differences between the final budget and the actual amounts.

#### Statement of Financial Performance

1. There is a variance of 22% between budget and actual amount. This is because the municipality implemented measures to improve collections and one of the measures was to cut electricity for long outstanding debtors, as a result, less electricity was sold than anticipated.
2. Grap 11 compliance disclosure, budgeted for under capital expenditure.
3. The favourable variance of 21% on other income was higher than budget due to discounts received and more sale of tender documents than anticipated.
4. The favourable variance of 25% on interest revenues was due to the lesser withdrawals than anticipated.
5. Increase in our debtors (property rates) has yielded more penalties imposed on property rates than anticipated. This shows that most of our debtors are failing to pay their debt on time. Debts collection measures are implemented to improve the collection rate.
6. Grant and subsidies are reflecting a favourable variance due to an improved spending on conditional grants which resulted in more funds being allocated to the municipality.
7. Fines, penalties and forfeits show an unfavourable variance, less fines were received than anticipated.
8. Councillors remuneration is reflecting a favourable variance of 17% because certain councillors passed on and were not timeously replaced
9. Finance cost this is a non-cash item and the municipality did not budget for this line item
10. Bad debts written off is reflecting a favourable variance of 54% because less debtors were written off than anticipated.
11. The favourable variance of 89% on inventory consumed is due to budget misallocation, budget for general expenses such as event and youth support programmes was budget for on this line item.
12. The favourable variance of 10.8% on bulk purchases is due to the fact that less electricity was purchased than anticipated. This is because of collection measures that were implemented such as cutting electricity supply for long outstanding debtors.
13. The unfavourable variance of 14% on contracted services is due to budget misallocation. Budget for repairs and maintenance (plant hire) was allocated to General expenses.
14. Construction contract - Grap 11 compliance disclosure, budgeted for under capital expenditure
15. The favourable balance of 17.5% on general expenses is due to budget misallocation for plant hire.
16. Debt Impairment loss was higher than expected to due low collections from consumers than anticipated and increased balance of outstanding debtors. Additionally, actuarial gains or losses, impairment of assets and assets written off were not budgeted for.

#### Statement of Financial Position

- 17 Favourable variance of 13% on inventory is because less inventory was consumed than anticipated.
- 18 Operating lease asset is a non-cash item that was not budgeted.
- 19 Unfavourable variance of 53% in receivable from non-exchange is due to an increase in debt impairment.
- 20 Other receivables from exchange transactions- prepayments are budget for under relevant expenditure line items
- 21 Unfavourable variance of 58% in receivable from exchange is due to an increase in debt impairment
- 22 VAT receivables - The 97% variance is due to the actual VAT figure being disclosed net of VAT payable and receivable, while the budget was split.
- 23 Other Assets- The 100% variance in other asset is due to a reassessment of needs
- 24 Cash and Cash Equivalent - Unfavourable variance of 14% because more cash was utilized than anticipated due to capital project
- 25 Intangible Assets - The 34% variance in intangible assets is due to fewer acquisition than anticipated.
- 26 Heritage assets - The variance is less than 10%
- 27 Other Non-current assets - The 100% variance in other non-current asset is due to a reassessment of needs
28. The variance in finance lease obligation is due to incorrect budgeting
- 29 Payables from Exchange transactions - Unfavourable variance of 40% because the municipality did not budget for workmen's compensation funds.
- 30 Taxes and Transfers payables - The variance of 100% is due to incorrect budget classification, this line item was intended for unspent conditional grants
- 31 The variance in Vat payable is because this line item is disclosed as a net amount in vat receivable line item.
- 32 Consumer Deposits- The 74 % variance is due to fewer deposits received from consumers then anticipated
- 33 The municipality budgets for movement in long service award under employee related cost
- 34 Unspent conditional grants - The variance of 100% is due to incorrect budget classification
- 35 Provision - favourable variance of 14% because more employees took leave than anticipated
- 36 Other liabilities - The variance of 100% is due to incorrect budget classification, this line item was intended for the long service award

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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### 47. Budget differences (continued)

#### Cash flow Statement

37 Sale of Goods and services - Unfavourable variance of 22% , reduced service revenue collection due to lower electricity consumption.

38 Interest income - The 86% variance in interest income due to higher-than-anticipated investments made during the year

39 INEP grant receipt - GRAP 11 disclosure compliance, this was budgeted for under grant

41 Other Revenue - The 100% variance is due to incorrect budgeting.

42 Employee related Cost - The 22% variance in employee rated cost is due to fewer positions being filled during the year

43 INEP Projects Paid - GRAP 11 disclosure compliance, this was budgeted for under grants

44 Purchase of Property plant and equipment - Unfavourable variance of 13% due to more spending on infrastructure projects than anticipated

45 Interest Income - The variance of 100% on housing development funds is due to incorrect budget classification, it was budgeted under interest income.

46 Cash and Cash Equivalent at the end of the year- The variance of 29% is due to higher cash collection than anticipated.

#### Changes from the approved budget to the final budget

The were no changes between the approved and final budget.

### 48. Accounting by principals and agents

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

#### Details of the arrangment(s) is|are as follows:

Principal-agent arrangements relate to binding arrangements in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal). The following arrangement meets the criterion for such arrangements:

#### KwaZulu Natal Department of Transport

The agreement requires the municipality to perform all the testing functions on behalf of the department which consist of Driving licence test centre functions. The municipality is an Agent to the agreement as they are responsible for performing testing functions on behalf of the Department. Thus a principal agent arrangement exist. The municipality is the agent in terms of GRAP 109.

#### Financial implication

There are no funds receivable or payable to the department as at the end of the year. However the municipality pay out an amount of R79 to the department for the production of drivers licence card

#### Entity as agent

#### Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R988 105 (2023: R931 147).

#### Entity as principal

#### Resources (including assets and liabilities) of the entity under the custodianship of the agent

#### Ontec System

The agreement requires ONTEC System to manage the sale of prepaid electricity on behalf of the of the municipality. The municipality is Principal to the agreement as ONTEC System is responsible for manage the sale of prepaid electricity on behalf of the municipality. Thus a principal agent arrangement exist. The municipality is the principal in terms of GRAP 109

#### Fee paid

Fee paid as compensation to the agent	408 519	418 170
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# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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### 49. Bad Debt Written-Off

During the 2024 financial year, the municipality resolved to write off irrecoverable debt related to traffic fines older than two years. This decision was made in line with the municipality's debt impairment policy, as these debts were deemed unenforceable and irrecoverable.

An amount of R3 162 770 was written off. The debts were written off due to legal constraints in enforcing the collection of fines older than two years and to ensure the financial statements reflect a realistic assessment of the municipality's receivable.

The impact of the write-off for the current financial year is as follows:

- a) Increase in expenditure: R3 162 770
- b) Decrease in receivables: R3 162 770

### 50. Change in estimate

#### Property, plant and equipment

GRAP 17: Property, Plant and Equipment requires that the Nquthu Local Municipality shall at each reporting date assess whether there has been an indication that the Municipality's expectation about the remaining useful lives of assets have changed. Such review has been completed and the following results were achieved.

The indicator, "The asset is approaching the end of its previously expected useful life", was identified in respect of 3728 assets. Management determined that these assets will still be in use for at least the next two financial periods and the remaining useful lives of these assets were extended accordingly.

The impact of the adjustment is that depreciation charges on Property, Plant and Equipment has decreased by R1,011,938.45 for the 2024, as well as the 2025, and 2026 financial periods.

#### Traffic fines Receivable

During the 2024 Financial year, the municipality revised its estimate for the impairment of receivables related to traffic fines. The change was made to align with updated expectations regarding the recoverability of these receivables

Previously, the municipality applied a 5- year threshold for the impairment of traffic fines. Based on a reassessment of collection trends and legal enforceability, this threshold was revised to 2 years

The impact of the change in estimate in the current year's financial statement is as follows;

- a) Increase in expenses: R3 162 770
- b) Decrease in receivables: R3 162 770

#### Impact on Future Financial Years

It is impractical to estimate the potential impact of this change in accounting estimate on future financial years, as the effect will depend on various factors, including the future enforceability of traffic fines and the municipality's debt collection efforts

### 51. 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

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand		2024	2023	
<b>51. Prior-year adjustments (continued)</b>				
<b>2023</b>				
	Note	As previously reported	Correction of error	Restated
Operating lease assets	4	107 597	7 705	115 302
Receivable from non-exchange	5	24 625 032	4 563 357	29 188 389
Other receivable from non exchange	6	3 139 095	(67 995)	3 071 100
Receivable from exchange transaction	8	4 830 215	89 445	4 919 660
Payables from exchange transaction	14	(69 817 087)	(6 274 304)	(76 091 391)
Property, plant and equipment	11	632 548 035	(10 725 297)	621 822 738
Accumulated Surplus		(734 780 232)	12 407 089	(722 373 143)
		<b>(139 347 345)</b>	<b>-</b>	<b>(139 347 345)</b>

### Statement of financial performance

#### 2023

	Note	As previously reported	Correction of error	Restated
Employee related Cost	29	(87 795 683)	(620 032)	(88 415 715)
Inventory consumed	3	(1 501 084)	4 741	(1 496 343)
Profit or (loss) on disposal of assets	11	28 083	(67 995)	(39 912)
Debt impairment (loss) /reversal	38	4 870 693	(8 433 833)	(3 563 140)
General expenses	36	58 531 867	261 252	58 793 119
<b>Surplus for the year</b>		<b>(25 866 124)</b>	<b>(8 855 867)</b>	<b>(34 721 991)</b>

### Errors

The following prior period errors adjustments occurred:

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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### 51. Prior-year adjustments (continued)

#### Statement of financial position

##### Operating lease assets

In the 2023 financial year, the operating lease asset for Unjani Clinic was overstated by R56 474.81, while the operating lease asset for Vodacom was understated by R64 179.59. The error has now been corrected, and the combined net effect of these adjustments resulted in an increase of R7 705 in the operating lease asset.

##### Receivables from Non-exchange transactions

In the prior year, certain accounts were incorrectly classified as government, leading to their exclusion from the debt impairment calculation. The correction resulted in an increase in debt impairment by R4 563 357

##### Other receivables

In the prior year, processed from sale of assets were incorrectly recorded inclusive of VAT. The correction has resulted in a decrease in the profit on disposal of assets by R67 995

##### Receivables from exchange transactions

In the 2023 financial year, certain government accounts were incorrectly classified, leading to their inclusion in the calculation of debt impairment. The correction has now been made, resulting in a decrease in impairment and an increase in receivables from exchange transactions by R89,445

##### Payables from exchange transactions

###### COIDA Returns and Department of Labour Payables

In the prior year, the municipality failed to submit the COIDA returns, which resulted in the non-recognition of payables to the Department of Labour. The correction has now been made, resulting in an increase in payables by R6 185 943.20.

###### Income Received in Advance

In the prior year, income received in advance amounting to R111 642 was raised, but the corresponding income was not recognized when earned in subsequent years. The correction has now been made, resulting in a decrease in income received in advance by R111 642.14.

###### Ward Committees Expenditure

In the 2023 financial year, payments for ward committees related to June 2023 were made in July 2023, but the expenditure was incorrectly recorded in the 2024 financial year. The correction has now been made, resulting in an increase in payables by R235,200.

###### Creditors Misstatements

In prior years, invalid creditors were erroneously recorded. The correction has now been made, resulting in a decrease in trade payables by R35 159.

###### Net Effect of Corrections

The combined net effect of the above corrections resulted in an increase in payables from exchange transactions by R6,274,304

##### Property, plant and equipment

In the prior year an amount of R10 725 297 for an electrification project funded by INEP grant was incorrectly included in work in progress. The correction has now been made, resulting in a decrease in work-in-progress

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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### 51. Prior-year adjustments (continued)

#### Statement of Financial Performance

##### Employee related cost

In the prior year, the municipality failed to submit the COIDA returns, which resulted in the non-recognition of 2023 expenditure. The correction has now been made, resulting in an increase in employee related cost by 620 032

##### Profit on disposal of Assets

In the prior year, processed from sale of assets were incorrectly recorded inclusive of VAT. The correction has resulted in a decrease in the profit on disposal of assets by R67 995

##### Debt Impairment

In the prior year, certain accounts were incorrectly classified as government, leading to their exclusion from the debt impairment calculation. The correction resulted in an increase in debt impairment by R8 433 833

##### Inventory Consumed

In the 2023 financial year, expenditure was incorrectly classified as inventory consumed. The correction has now been made, resulting in a decrease in inventory consumed by R4 741

##### General Expenses

During the 2023 financial year, payment for ward committees related to June 2023 were made in July 2023 and the expenditure was incorrectly recorded in the 2024 financial year. This correction has been made to accurately reflect the expense in the appropriate period, resulting in an increase in General Expenses by R235 200 for the 2023 financial year.

The municipality did not submit the COIDA (Compensation for Occupational Injuries and Diseases Act) returns on time, resulting in delayed payments. Consequently, the Department of Labour imposed penalties on the outstanding amounts. These penalties were not recognized in the 2023 financial year. The correction has now been made to reflect the penalties accurately in the appropriate period, resulting in an increase in General Expenses by R56 474 for the 2023 financial year.

Invalid creditors were erroneously recorded in the 2023 financial year. This error has now been corrected, resulting in a decrease in General Expenses by R30 422 for the 2023 financial year.

The combined effect of the above three adjustments resulted in a net increase in General Expenses by R261,252 for the 2023 financial year.

### 52. Risk management

#### Financial risk management

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

The global economic crises and the adverse impacts of the Covid 19 pandemic has had and will continue to have negative financial impacts on the municipality as well as the community. This will result in businesses closing down and individuals unable to settle their obligations with the municipality. A reduction in public spending will also impact on municipal spending on key focus areas. The uncertainties presented by the Covid 19 pandemic puts a strain on the finances of the municipality as well as spending within allocated budgets. The municipality continues to monitor and manage business risks (strategic and operational) and also assesses the impact of emerging risks on a continuous basis

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand 2024 2023

### 52. 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.

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

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

	<b>2024</b>	<b>2023</b>
Payables from exchange transaction	84 940 866	76 091 491
Consumer deposit	549 398	545 036
Unspent conditional grants	3 824 160	388 834
	<b>89 314 424</b>	<b>77 025 361</b>

#### Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

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

	<b>2024</b>	<b>2023</b>
Cash and Cash Equivalent	93 658 676	108 853 798
Receivable from exchange Transaction	5 764 017	4 919 660
Receivable from Non-exchange transactions	34 044 800	29 188 389
	<b>133 467 493</b>	<b>142 961 847</b>

#### 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.

	<b>2024</b>	<b>2023</b>
Cash and cash Equivalent	93 658 676	108 853 798

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand 2024 2023

### 53. Events after the reporting date

Subsequent to the reporting date of 30 June 2024 and the authorisation date of these financial statement for issue on 31 August 2024, the municipal council adopted resolutions to write off the following amounts;

#	Description	Resolution Ref	Resolution Date	Amount	Type of Event
1.	Fruitless and wasteful expenditure	SC/03/08/11	22 August 2024	539 523	Adjusting
2.	Irregular Expenditure	SC/03/08/11	22 August 2024	86 625 523	Adjusting
3.	Irregular Expenditure	SC/01/07/01	11 July 2024	63 137 513	Adjusting
4.	Fruitless and wasteful expenditure	SC/01/07/01	11 July 2024	162 607	Adjusting
5.	Outstanding interest	SC/03/08/06	29 August 2024	1 230 709	Adjusting
6.	Property rates	SC/03/08/06	29 August 2024	51 596	Adjusting
7.	Traffic fines written off	SC/03/08/04	29 August 2024	3 162 770	adjusting

### 54. Fruitless and wasteful expenditure

Opening balance as previously reported	467 811	71 843
Correction of prior period error	56 474	466 833
<b>Opening balance as restated</b>	<b>524 285</b>	<b>538 676</b>
Add: Expenditure identified - current	178 779	19 614
Less: Amount written off - current	(703 064)	(18 636)
Less: Amount written off - prior period	-	(71 843)
<b>Closing balance</b>	<b>-</b>	<b>467 811</b>

Prior period error of 466 833 and 56 474 relates to interest on outstanding balance for workmen's compensation. Fruitless and wasteful expenditure of R178 779 relates to interest and penalties for late submission of information to SARS and interest on late payments

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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### 54. Fruitless and wasteful expenditure (continued)

#### Amounts written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R 703 064- from the total fruitless and wasteful expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

### 55. Additional disclosure in terms of Municipal Finance Management Act

#### Audit fees

Current year subscription / fee	3 650 208	3 919 036
Amount paid - current year	(3 650 208)	(3 919 036)
	-	-

#### PAYE and UIF

Opening balance	895 429	1 035 724
Current year subscription / fee	14 836 403	11 010 310
Amount paid - current year	(15 731 832)	(11 150 605)
	-	<b>895 429</b>

#### Pension and Medical Aid Deductions

Opening balance	-	1 344 025
Current year subscription / fee	18 508 370	16 811 835
Amount paid - current year	(18 508 370)	(18 155 860)
	-	-

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>55. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
<b>VAT</b>		
VAT receivable	2 868 130	4 109 316
VAT payable	(922 908)	(954 072)
	<b>1 945 222</b>	<b>3 155 244</b>

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

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

### Councillors' arrear consumer accounts

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr S.D Maimulo	1 280	-	1 280
Cllr S Hoffman	1 367	-	1 367
Cllr C.N Skhosana	2 402	-	2 402
	<b>5 049</b>	<b>-</b>	<b>5 049</b>
30 June 2023	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr S.D Maimulo	91	-	91
Cllr CN Skhosana	804	1 508	2 312
Cllr S Hoffman	758	-	758
	<b>1 653</b>	<b>1 508</b>	<b>3 161</b>

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

### 56. 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.

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

Reasons for deviation	2024	2023
Sole Service provider	2 334 375	4 961 926

### 57. Segment information

#### General information

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

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2023

### 57. Segment information (continued)

#### Identification of segments

The municipality is organised and reports to management and governance structures on the basis of two major functional areas: Community Services and Technical Services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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.

The Municipality has other departments namely Budget and Treasury, Corporate Services, Planning and Economic development and Council that it has considered as not meeting the definition and classification as a reportable segment as supported by paragraph 8 of Grap 18 as these departments do not undertake activities of the municipality that generates significant economic benefits or service potential.

#### Aggregated segments

There were no segments of the municipality that were aggregated for this disclosure

#### Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

#### Reportable segment

Technical Services  
Community services

#### Goods and/or services

Provision of Electricity and refuse removal  
Licence and Permits and traffic services

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 57. Segment information (continued)

#### Segment surplus or deficit, assets and liabilities

#### Segment surplus or deficit

2024

	Community Services	Technical Services	Total Segment revenue	Community Services	Technical Services	Total Segment expenditure	Total segment (deficit) surplus
<b>Revenue</b>							
Licence and Permits	992 321	-	992 321	-	-	-	992 321
Service Charges	-	28 965 050	28 965 050	-	-	-	28 965 050
Interest revenue	-	665 144	665 144	-	-	-	665 144
Rental of facilities and Equipment	972 385	-	972 385	-	-	-	972 385
Government grants and Subsidies	7 281 941	67 135 233	74 417 174	-	-	-	74 417 174
Fines, Penalties and forfeits	1 147 840	398 937	1 546 777	-	-	-	1 546 777
General Expenses	-	-	-	9 259 891	8 164 868	17 424 759	(17 424 759)
Contract servuces	-	-	-	3 783 923	29 758 401	33 542 324	(33 542 324)
Bulk Purchases	-	-	-	-	31 026 209	31 026 209	(31 026 209)
Lease rental	-	-	-	484 162	-	484 162	(484 162)
Employee related cost	-	-	-	36 161 466	30 283 490	66 444 956	(66 444 956)
<b>Total</b>	<b>10 394 487</b>	<b>97 164 364</b>	<b>107 558 851</b>	<b>49 689 442</b>	<b>99 232 968</b>	<b>148 922 410</b>	<b>(41 363 559)</b>
<b>Revenue related reconciling items</b>							
Unallocated revenue			257 163 187				257 163 187
<b>Entity's revenue</b>			<b>364 722 038</b>				
<b>Other reconciling items</b>							
Unallocated expenses							(176 201 460)
<b>Municipality's Surplus (deficit) for the period</b>							<b>39 598 168</b>

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 57. Segment information (continued)

2023

	Community Services	Technical Services	Total Segment revenue	Community Services	Technical Services	Total Segment expenditure	Total segment (deficit) surplus
<b>Revenue</b>							
Other Income	182 447	2 054 351	2 236 798	-	-	-	2 236 798
Interest revenue	32 744	501 167	533 911	-	-	-	533 911
Service Charges	-	23 571 545	23 571 545	-	-	-	23 571 545
Rental of facilities and equipment	24 892	-	24 892	-	-	-	24 892
Housing development revenue	932 201	-	932 201	-	-	-	932 201
Government Grant and subsidies	3 436 046	36 873 000	40 309 046	-	-	-	40 309 046
Fines, penalties and forfeits	888 040	6 350	894 390	-	-	-	894 390
General Expenses	-	-	-	28 239 950	7 639 410	35 879 360	(35 879 360)
Contracted Services	-	-	-	4 169 291	17 576 752	21 746 043	(21 746 043)
Depreciation and armotisation	-	-	-	2 286 607	10 006 683	12 293 290	(12 293 290)
Bulk Purchases	-	-	-	-	31 383 891	31 383 891	(31 383 891)
Inventory consumed	-	-	-	404 220	473 752	877 972	(877 972)
Lease rental on operating lease	-	-	-	399 305	-	399 305	(399 305)
Finance cost	-	-	-	-	277 379	277 379	(277 379)
Employee related cost	-	-	-	30 552 866	27 709 569	58 262 435	(58 262 435)
<b>Total</b>	<b>5 496 370</b>	<b>63 006 413</b>	<b>68 502 783</b>	<b>66 052 239</b>	<b>95 067 436</b>	<b>161 119 675</b>	<b>(92 616 892)</b>
<b>Revenue related reconciling items</b>							
Unallocated revenue			228 122 862				228 122 862
Profit on disposal of Assets			28 083				28 083
Actuarial gain			499 456				499 456
<b>Entity's revenue</b>			<b>297 153 184</b>				
<b>Other reconciling items</b>							
Unallocated expenses							(115 345 239)
Impairment of assets							(3 831 677)
Debt impairment							(3 595 181)
<b>Municipality's Surplus (deficit) for the period</b>							<b>13 261 412</b>

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 57. Segment information (continued)

#### Segment assets and liabilities

#### 2024

	Community Services	Technical Services	Total segment assets	Total segment liabilities
Receivable from exchange	822 954	4 835 474	5 658 428	-
Receivables from non exchange	2 568 393	-	2 568 393	-
Property plant and equipment	69 707 063	161 198 817	230 905 880	-
Payables from exchange	(9 735 621)	(19 552 485)	-	(29 288 106)
Landfill site	-	(2 336 676)	-	(2 336 676)
Consumer deposits	(39 694)	(503 896)	-	(503 896)
<b>Total segment assets</b>	<b>63 323 095</b>	<b>143 641 234</b>	<b>239 132 701</b>	<b>(32 128 678)</b>
<b>Reconciling items</b>				
Unallocated assets			633 298 474	-
Unallocated liabilities			-	(78 179 571)
<b>Total as per Statement of financial Position</b>			<b>872 431 175</b>	<b>(110 308 249)</b>

#### 2023

	Community Services	Technical Services	Total segment assets	Total segment liabilities
Receivables from non exchange transactions	4 515 050	-	4 515 050	-
Receivables from exchange transactions	1 646 568	4 627 081	6 273 649	-
Property plant and equipment	173 197 505	168 171 179	341 368 684	-
Trade and other payables	(2 371 806)	(27 822 433)	-	(30 194 239)
Consumer deposit	-	(434 553)	-	(434 553)
Landfill site provision	-	(1 865 370)	-	(1 865 370)
<b>Total segment assets</b>	<b>176 987 317</b>	<b>142 675 904</b>	<b>352 157 383</b>	<b>(32 494 162)</b>

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 57. Segment information (continued)

#### Reconciling items

Unallocated assets	461 997 614	-
Unallocated liabilities	-	(59 146 363)
<b>Total as per Statement of financial Position</b>	<b>814 154 997</b>	<b>(91 640 525)</b>

#### Other information

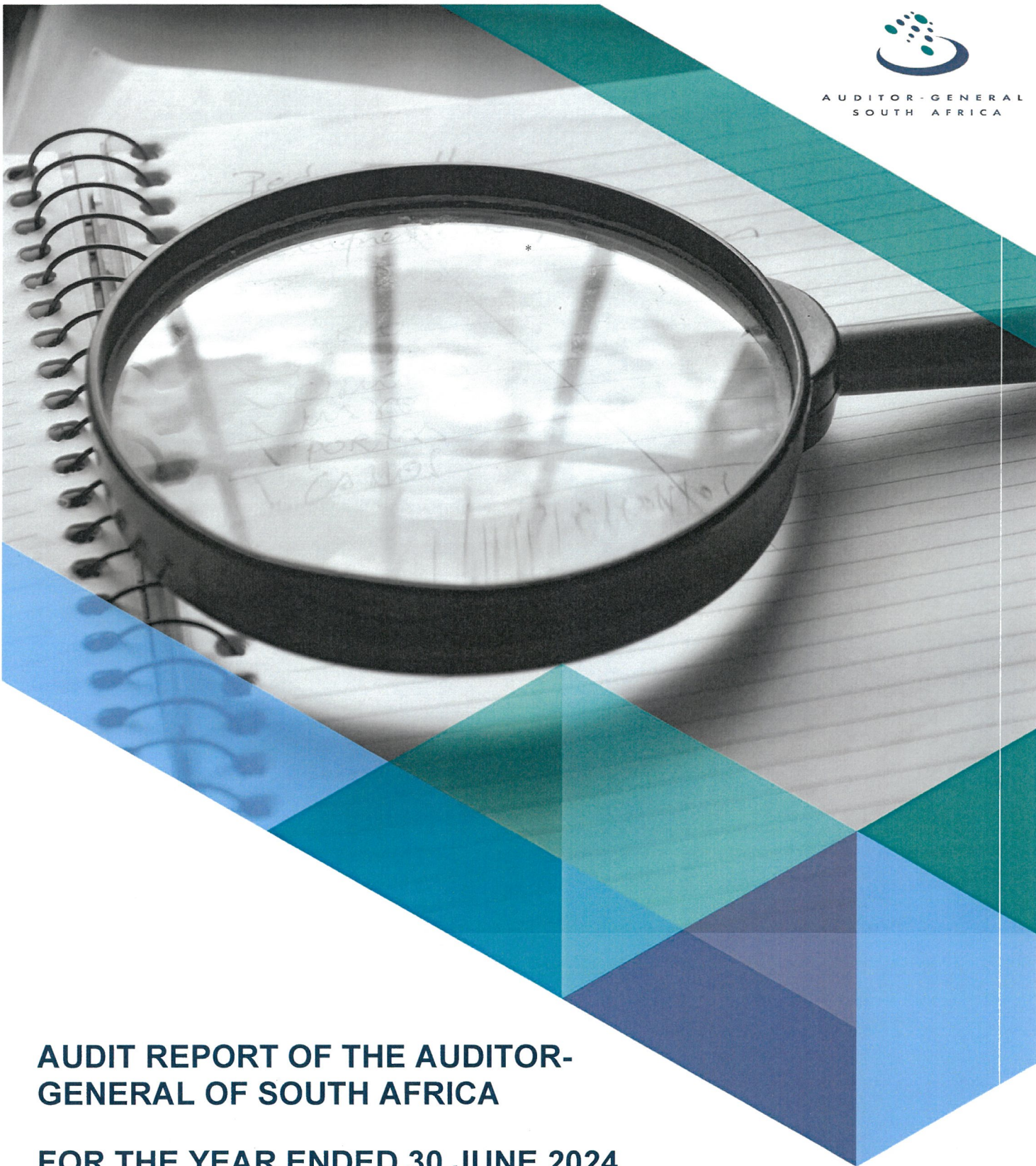
##### Information about geographical areas

The municipality's operations are in the KwaZulu-Natal Province.

# **2023/24 AUDIT REPORT (Auditor General)**



AUDITOR-GENERAL  
SOUTH AFRICA



# AUDIT REPORT OF THE AUDITOR- GENERAL OF SOUTH AFRICA

## FOR THE YEAR ENDED 30 JUNE 2024

### Nquthu Local Municipality

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

## Report on the audit of the financial statements

### Opinion

1. I have audited the financial statements of the Nquthu Local Municipality set out on pages 132 to 230, which comprise the statement of financial position as at 30 June 2024, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Nquthu local municipality as at 30 June 2024 and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 5 of 2023 (Dora).

### Basis for opinion

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

### Emphasis of matters

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

### Restatement of corresponding figures

7. As disclosed in note 51 to the financial statements, the corresponding figures for 30 June 2023 were restated as a result of an error in the financial statements of the municipality at, and for the year ended, 30 June 2024.

### Subsequent events

8. We draw attention to note 53 in the financial statements, which deals with subsequent events and specifically the possible effects of the council's write-off of the fruitless and wasteful expenditure, irregular expenditure, outstanding interest, traffic fines and property rates on the municipality. Our opinion is not modified in respect of this matter

### Material impairment allowance – receivables from non-exchange and exchange transactions

9. As disclosed in note 5 to the financial statements, an allowance for impairment of R46,31 million (2022-23: R35,06 million) on receivables from non-exchange transactions, as the recoverability of these amounts was doubtful.
10. As disclosed in note 8 to the financial statements, an allowance for impairment of R8, 08 million (2022-23: R7,04 million) on receivables from exchange transactions, as the recoverability of these amounts was doubtful.

### Material losses – electricity

11. As disclosed in note 34 to the financial statements, material electricity losses of R2.31 million (2022-23: R0.34 million) were incurred, which represents 23% (2022-23: 23%) of total electricity purchased.

### Other matter

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

### Unaudited disclosure notes 55

13. In terms of section 125(2)(e) of the MFMA, the particulars of non-compliance with the MFMA should be disclosed in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

### Responsibilities of the accounting officer for the financial statements

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

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

16. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
17. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located at page 10, forms part of our auditor's report.

### Report on the audit of the annual performance report

18. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected key performance areas presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.
19. I selected the following key performance areas presented in the annual performance report for the year ended 30 June 2024 for auditing. I selected the key performance areas that measure the municipality's performance on its primary mandated functions and that are of significant national, community or public interest.

Key performance area	Page numbers	Purpose
Key performance area 02: Service delivery and infrastructure development	92 – 103	Improved access to basic services
Key performance area 06: Cross Cutting	118 – 120	Improve strategic planning and municipal spatial planning

20. I evaluated the reported performance information for the selected key performance areas against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the municipality's planning and delivery on its mandate and objectives.
21. I performed procedures to test whether:
- the indicators used for planning and reporting on performance can be linked directly to the municipality's mandate and the achievement of its planned objectives

- all the indicators relevant for measuring the municipality's performance against its primary mandated and prioritised functions and planned objectives are included
  - the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
  - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
  - the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
  - the reported performance information is presented in the annual performance report in the prescribed manner and is comparable and understandable
  - there is adequate supporting evidence for the achievements reported and for the measures taken to improve performance
22. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.
23. The material findings on the reported performance information for the selected key performance area are as follows:

## **Key performance area 02: Service delivery and infrastructure development**

### **Missing indicator**

24. In terms of the MFMA, the municipality is responsible for the provision of electricity to households in Nquthu licenced areas. However, an indicator to measure performance on this responsibility was omitted from the approved planning documents. The Municipality indicated that the reason for the omission was that it could not obtain accurate data for both planning and reporting purposes, however, such is being collected by the billing service provider for reporting in the next financial year. Consequently, the achievement of this legislative mandate was not planned or accounted for, which is likely to result in households in the licenced areas remaining unconnected and experience delays in electrification and undermines transparency and accountability for delivery on mandate.

### **Number of FBE units (50kwh) given to consumers**

25. The approved planning documents included a commitment to a number of free basic electricity (FBE) given to indigent customers. However, all prepaid customers who received monthly FBE without indigent status was reported in the annual performance report. This discrepancy highlights misalignment between approved plans and operations, while the incorrect reporting undermines transparency and accountability.

## Other matters

26. I draw attention to the matters below.

### Achievement of planned targets

27. 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.

28. The tables that follow provide information on the achievement of planned targets and list the key service delivery indicators that were not achieved as reported in the annual performance report. The measures taken to improve performance are included in the annual performance report on pages 92 to 103 and 110 to 120.

### Key performance area 02: Service delivery and infrastructure development

Targets achieved: 80.56%		
Budget spent: 100%		
Key indicators not achieved	Planned target	Reported achievement
Percentage of potholes fixed as per Inspection R:92 to 103 and 110 to 120	100%	0%
Number of FBE units (50kwh) given to consumers	48 000 kWh	45 357 kWh
Review of credible Indigent Register by 31 May 2024	31-May-2024	Indigent Register not approved
Percentage of valid customer applications for new electricity connections processed within 14 days	100%	28.57%
Number of new households connected to the grid	527	438
Percentage of completion of Sheep and Wool renovation	100%	95%
Percentage of completion of Incubator Phase 3	100%	99%

## Key performance area 6: Cross Cutting

Targets achieved:80%		
<b>Budget spent: 100%</b>		
Key indicators not achieved	Planned target	Reported achievement
Review of Integrated Waste Management Plan	30 June 2024	The reviewed document was sent to KZN COGTA for assessment.
No of customers billed/ with access to waste management collection.	2774	1358
Number of reports to Council on the implementation of the Cleaning and Greening (Community- based) project.	4	0

## Material misstatements

29. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for Key performance area 02: Service delivery and infrastructure development. Management did not correct all of the misstatements, and I reported material findings in this regard.

## Report on compliance with legislation

30. 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.
31. 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.
32. 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.
33. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

## Annual financial statements

34. The financial statements submitted for auditing were not fully prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of current liabilities and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

## Expenditure management

35. Reasonable steps were not taken to prevent irregular expenditure amounting to R154 224 619 as disclosed in note 46 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by non-compliance with supply chain management regulations.
36. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R178 779, as disclosed in note 54 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest and penalties incurred on late payment of suppliers and SARS tax returns.
37. Reasonable steps were not taken to prevent unauthorised expenditure of R 7 409 187, as disclosed in note 45 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by overspending budget and treasury, community Services, technical services, and general expenditure votes.

## Procurement and contract management

38. Some of the quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM Regulation 13(c).
39. Some 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).
40. Some of the contracts were awarded to bidders based on points given for legislative requirement that differed from those stipulated in the original invitation for bidding, in contravention of SCM regulations 21(b) and 28(1)(a)(i) and the Preferential Procurement Regulations. Similar non-compliance was also reported in the prior year.
41. Some of the contracts were awarded to providers whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of SCM Regulation 43. Similar non-compliance was also reported in the prior year.
42. Some of the construction contracts were awarded to contractors that were not registered with the CIDB and in accordance with section 18(1) of the CIDB Act.

43. The contract performance and monitoring measures were not in place to ensure effective contract management, as required by section 116(2)(c)(ii) of the MFMA. Similar non-compliance was also reported in the prior year.

#### Other information in the annual report

44. The accounting officer is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and those selected key performance areas presented in the annual performance report that have been specifically reported on in this auditor's report.
45. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
46. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected key performance areas presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
47. 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

48. 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.
49. The matters reported below are limited to the significant internal control deficiencies that resulted in the material findings on the annual performance report and the material findings on compliance with legislation included in this report.
50. Management did not implement adequate controls over the preparation of financial statements that are free from material misstatements. Material omissions were identified from the submitted set of financial statements.
51. Slow response by management in addressing compliance and annual performance report findings from the prior year. Those findings included inadequate controls over budget monitoring, compliance with procurement laws and regulations.

52. Reported performance indicators were omitted due to lack of timely collection of credible information.

Auditor-General

Pietermaritzburg

30 November 2024



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## Annexure to the auditor's report

The annexure includes the following:

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

### Auditor-general's responsibility for the audit

#### Professional judgement and professional scepticism

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

#### Financial statements

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

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

Legislation	Sections or regulations
Municipal Systems Act 32 of 2000	Sections 25(1), 26(a), 26(c), 26(h), 26(i), 29(1)(b)(ii), 29(3)(b), 34(a), 34(b), Sections 38(a), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, 43(2), 56(a), 57(2)(a), Sections 57(4B), 57(6)(a), 66(1)(a), 66(1)(b), 67(1)(d), 74(1), 93J(1), 96(b)
MSA: Municipal Planning and performance Management Regulations, 2001	Regulations 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 3(6)(a), 7(1), 8, 9(1)(a), 10(a), Regulations 12(1), 15(1)(a)(i), 15(1)(a)(ii)
MSA: Municipal Performance Regulations for Municipal Managers and Managers directly Accountable to Municipal Managers, 2006	Regulations 2(3)(a), 4(4)(b), 8(1), 8(2), 8(3)
MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014	Regulations 17(2), 36(1)(a)
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations 5(2), 5(3), 5(6), 8(4)
Annual Division of Revenue Act	Section 11(6)(b), 12(5), 16(1); 16(3)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations	Regulations 17, 25(7A)
Municipal Property Rates Act 6 of 2004	Section 3(1)
Preferential Procurement Policy Framework Act 5 of 2000	Sections 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), 6(8), Regulations 7(1), 7(2), 7(3), 7(6), 7(8), 8(2), 8(5) 9(1), 10(1), 10(2), Regulations 11(1), 11(2)
Preferential Procurement Regulations, 2022	Regulations 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)

**AUDIT COMMITTEE CHAIRPERSON'S  
REPORT FOR THE 2023/24 FINANCIAL  
YEAR**

# ***Audit and Performance Committee Report for the financial year ended 30 June 2024***

## **1. Background**

Nquthu Local Municipality's Council in its meeting which was held on 21 January 2021 resolved to appoint the Audit and Performance Committee as prescribed by Section 166 of the Municipal Finance Management Act 56 of 2003. The Audit and Performance Committee serves the purpose of being an independent advisory body to Council, the Political Office Bearers and the Accounting Officer thereby assisting Council in its oversight role.

## **2. Membership of the Audit and Performance Committee**

The Audit and Performance Committee consists of independent members as required by section 166 of the Municipal Finance Management Act 56 of 2003(MFMA) and they are:

- Mr S Majola : Audit and Performance Committee Chairperson
- Ms N Thungo : Audit and Performance Committee Member
- Ms P Sihlongonyane : Audit and Performance Committee Member
- Mr Z Zulu : Audit and Performance Committee Member
- Adv. S Xaba : Audit and Performance Committee Member
- Ms S Mchunu : Audit and Performance Committee Member
- Mr D Ngwenya : Audit and Performance Committee Member

The contracts for the first three members listed above came to an end on 20 January 2024 and the Council renewed Mr S Majola's contract as the chairperson of the committee. Council further appointed Advocate S Xaba who is a legal expert, Ms N Mchunu who is a financial and internal controls specialist and Mr D Ngwenya who is an information systems expert. New members were adequately inducted in a meeting that was held in August 2024. The MFMA requires that the committee meet at least four times a year. The committee held seven virtual meetings for this year and they were attended as follows:

<b>MEMBER NAME</b>	<b>MEETINGS ATTENDED</b>
<b>Mr S Majola</b>	<b>7</b>
<b>Ms P Sihlongonyane</b>	<b>5</b>
<b>Ms N Thungo</b>	<b>4</b>
<b>Ms N Mchunu</b>	<b>2</b>
<b>Adv. S Xaba</b>	<b>2</b>
<b>Mr Z Zulu</b>	<b>7</b>
<b>Mr D Ngwenya</b>	<b>2</b>

Members attended all the meetings as per above.

### **3. Audit and Performance Committee Responsibility**

This report outlines how the committee performed its responsibilities for the year ended 30 June 2024 in terms of section 166 of the MFMA. The report will further outline how the committee conducted its affairs in compliance with the Audit and Performance Committee Terms of Reference.

### **4. The Effectiveness of Internal Control**

Section 62(1)c(i) of the MFMA states that the accounting officer must 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. In line with this act and King IV reports on Corporate Governance requirements, Internal Audit reports provide the Audit and Performance Committee and Management with assurance that the system of internal controls of the Municipality were effective or not.

The Committee monitored the implementation of both the internal auditor's and the Office of the Auditor-General's (OA-G)) recommendations by management. The committee satisfied itself that reasonable steps were taken by management to address internal control weaknesses identified by both internal and external assurance providers. *Management accepted the recommendations proposed, most of them have been implemented and the balance are in progress of implementation by management.*

### **5. Minimum qualifications for finance staff**

We received assistance from the municipality's human resources section to confirm that the qualifications and experience of the municipality's *Budget and Treasury department's staff, managers and the Chief Financial Officer meet the required minimum skills and qualifications.*

## 6. Internal Audit

The municipality has an external service provider who carries out the internal audit services for the municipality. Audit committee approved the internal auditor's Strategic and Operational plans for 2023/24 financial year. The Committee is satisfied that the Internal Audit Activity's output for the year was conducted in accordance with the approved Internal Audit Operational Plan and carried out all the reviews for the quarter as planned. Internal audit played a huge role in ensuring that the municipality obtain the audit report it obtained from OA-G and as the committee we applaud the internal audit for their commitment.

Management committed to continuously address the issues raised by the Internal Audit Activity in order for the Municipality to improve the effectiveness of internal controls. The accounting officer also committed to undertake follow-ups with management to ensure that all recommendations were fully implemented. *We applaud management's commitment in implementing the internal audit's recommendations and we recommend that these recommendations continue being a standing agenda item on the Management Committee's meetings.*

## 7. Financial reporting and financial management

### *Financial Reporting*

Interim financial statements for 2023/24 financial year were compiled by the Chief Financial Officer. These interim financial statements assisted the municipality to address misstatements that were highlighted by OA-G in the previous financial year. Interim financial statements were reviewed by both the internal auditors and the audit committee and recommendations were provided to management to amend update these statements.

Monthly section 71 financial reports were submitted to the committee for review and inputs to management were provided by the committee to improve the financial records of the municipality. Below are some of the issues that were raised by the committee:

- Improvement with regard to grants spending
- Concerns were raised with regards to the Employee costs which appeared to be inaccurate
- Concerns were raised with regards to the high debtor's book
- Management was advised to continue to investigate the Unauthorised, irregular, fruitless and wasteful expenditure (UIFW) balance
- The committee applauded the municipality for being up to date with the Eskom account

### *Financial management*

With regards to financial management the committee is pleased to report that the municipality does meet its financial obligations and it has adequate funds to settle outstanding debt and unspent grant funds are cashed backed.

*We recommend that the municipality implement controls to improve settling Creditors accounts within 30 days of receipt of invoices as required by section 65(2) e of the Finance Management Act.*

## **8. Performance Management System (PMS)**

We monitored the performance reporting of the municipality and raised inputs to improve controls in this section. Annual performance assessments for the 2023/24 financial year are yet to be conducted.

*The following recommendations were shared with management:*

- *Departments are encouraged to submit PMS reports timeously to the PMS office*
- *Supporting evidence for performance achieved must be filed*
- *Key legislated performance indicators must be included in the SDBIP*
- *Key performance indicators must meet the SMART principle*
- *Corrective measures (or catch up plans) for performance improvement should be devised where targets were not met*
- *Management should continually strive to ensure that targets are achieved*
- *Annual Performance assessments should be conducted*

These recommendations were discussed and accepted by management.

## **9. External Audit**

The implementation of the audit action plan which was drawn up by management to address the issues that were raised by the OA-G last year was monitored throughout the financial year. Progress was noted in addressing the matters that were raised in the 2022/23 audit report.

The committee applauds the accounting officer for his commitment which ensured that the municipality sustained the unqualified audit opinion.

*We recommend that internal audit reviews the audit action plan compiled by management to address the issues raised the OA-G to confirm that all the root*

*causes for matters of emphasis raised by OA-G are adequately addressed in this action plan.*

## **10. Risk Management and Compliance**

The municipality has a separate Risk Management Committee (RMC) that deals with matters of risk management. The Municipality's Internal Audit Unit plays an advisory role in Risk management and compliance. A risk identification process was conducted by the municipality and a risk register was developed. This risk register was used by internal auditors to formulate their audit plan for the 2023/34 financial year. The RMC sits at least on a quarterly basis to consider the plans to mitigate the impact of risks and also to identify, if any, new emerging risks. The performance and audit committee noted the report from the RMC committee which showed the improvement in risk management within the municipality.

*We recommend that the RMC should continue with its processes and management should play a leading role in risk management for their sections.*

## **11. Corporate governance**

We have noted efforts by Management to improve internal controls and municipality has put itself in a good position to obtain an improved audit opinion. Our committee will continue to support management and advise Council as required by section 166 of the MFMA. Management should continue working closely with internal audit and the external auditors to improve the quality of reports and internal controls.

*The Committee appreciates the oversight role played by Council as well as its commitment in the functioning of the committee and we believe that this will improve the internal controls of the municipality and in turn improve the audit opinion.*

*Audit steering committee must be convened*

## **12. Conclusion**

We appreciate the opportunity presented to us by Council to assist the municipality in achieving its objectives. We commit to support management and Council in their strides to fast track service delivery.



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**Mr S Majola - For the Audit and Performance Committee**

**ANNEXURE A: ASSESSMENT BY THE ACCOUNTING OFFICER OF (i) ANY AREAS ON MUNICIPAL TAXES AND SERVICE CHARGES AND (ii) MUNICIPALITY'S PERFORMANCE FOR REVENUE COLLECTION AGAINST MEASUREABLE PERFORMANCE OBJECTIVES.**

**ANNEXURE A (i): Assessment by the municipality's accounting officer of any arrears on municipal taxes and service charges.**

Outstanding gross consumer debtors as at 30 June 2024 were R 94,19 million. (2023: R 76,22 million).

The amounts included in the consumer debtor balances considered doubtful are covered by a provision for impairment of R54,4 million, which represents 58% of the total outstanding consumer debtors.

The debtor that has a significant overall impact on these arrears is Ingonyama Trust followed by Government on property rates.

Engagements has been held with these debtors and Ingonyama Trust is still busy with the verification of properties on the fixed asset register to confirm the amount they owe, the amount that they dispute will be referred to the Council to write off after investigation by management. Department of Cogta is assisting the municipality to recover outstanding amount from Government.

**Debtors Turnover Ratio**

The debtor's turnover ratio for consumer debtors at end June 2024 was at 70.22%.

The debtor's turnover rate represents the outstanding debtors' amount expressed as a percentage of the last 12 months billed revenue.

**Nett Debtors – in Days**

The nett debtor's ratio – in days as at the end of June 2024 was at 40.00 days.

This ratio reflects the collection period. Nett Debtor Days refers to the average number of days required for a Municipality to receive payment from its Consumers for bills / invoices issued to them for services.

**ANNEXURE A (ii): Assessment by the municipality’ s accounting officer of the municipality’ s performance for revenue collection against measurable performance objectives.**

The property rates income of the municipality has increased by R 15,58 million which is 40 percent from previous financial year billing. The large increase is due to the implementation of the new valuation roll and correction discovered on previous years billing. Property rates is the main contributor for own revenue generation of the municipality.

The municipality as a small rural municipality is still grant depend and more than 70% of our overall revenue is from government grants.

The total grants and public contributions revenue of R251, 834 million represents 70 percent of the Municipality’s total revenue.

**Revenue performance by source**

<b>REVENUE SOURCE</b>	<b>BUDGET</b>	<b>ACTUAL</b>	<b>%</b>
<i>Service Charges</i>	37 212 000	28 965 051	77.84
<i>Property rates</i>	51 009 000	51 452 186	100.87
<i>Interest on investment</i>	8 209 000	10 240 211	124.74
<i>Licences and permits</i>	939 000	1 009 692	107.53
<i>Rental of facilities</i>	1 008 000	972 385	96.47
<i>Other revenue</i>	474 000	574 571	121.22

**Performance analysis of main revenue sources**

- **Service charges** are inclusive of electricity revenue and waste management services. We have only achieved 77.84% of our budget. We have discovered that illegal connections are affecting our performance and have initiated process of disconnections.
- **Property rates** being the main own revenue source aligns perfectly with budget, however we are experiencing challenges on collection from property rates. Our challenges are mainly on Ingonyama Trust as well as government and there are initiatives being implemented to recover.
- **Interest on investment** is another important revenue source for the municipality, we periodically make cashflow projections for the months ahead and funds that are not going to be utilized are temporary invested to generate interest income. We have generated over R10,2 million interest income and this has assisted in expediting service delivery to the public.

## **ANNEXURE B: DEVELOPMENT AND SERVICE DELIVERY PRIORITIES AND THE PERFORMANCE TARGETS SET BY THE MUNICIPALITY FOR THE FOLLOWING YEAR**

### **Service Delivery and Infrastructure Development-**

#### **1. Improved Access to Basic Services**

- Municipal Road Network:
  - Quality Improvement: Grade 50 km of unsurfaced roads and fix 100% of potholes as per the Inspection Register.
  - Expansion: Construct 3 new roads within the approved construction progress projection.
- Electricity Services:
  - Affordability: Provide Free Basic Electricity to 4,500 households.
  - Access: Connect 626 new households to the grid.
  - Sustainability: Reduce total electricity losses to 10%.
- Waste Management:
  - Integrated Waste Management Plan: Approve the reviewed IWMP by 30 May 2025.
  - Access: Provide waste removal services to 2,774 households.
  - Infrastructure: Complete construction of a Buy Back Centre in Ward 09.

#### **2. Public Facilities**

- Community Halls: Construct 7 new community halls.
- Cemeteries: Complete construction of cemetery sites in Ward 09.
- Early Childhood Development (ECD): Construct 5 new crèches.
- Sport Fields: Complete construction of sport fields.

- Taxi Rank: Renovate the old Nquthu Taxi Rank in Ward 09.

#### **3. Capital Projects**

- Planning: Set capital project implementation targets in the 2025/26 SDBIP.

### **Local Economic Development and Social Development-**

#### **1. Economic Growth and Development**

- Local Economy:
  - LED Strategy: Approve the Local Economic Development Strategy by 30 May 2025.
  - Sheep & Wool Project: Implement the project plan.
  - SMMEs: Construct 10 informal trading shelters and complete the Container Park establishment.
  - Regulatory Red Tape: Process business license applications within 30 days.
  - Capacity Building: Conduct 12 capacity-building sessions for SMMEs.
  - Contractor Development: Ensure 100% of capital projects exceeding R1 million utilize sub-contractors.
  - Youth Enterprises: Support 19 SMMEs.
- Tourism:

- Tourism Strategy: Consult on the Nquthu Tourism Strategy proposals by 28 February 2025.

## **2. Social Cohesion**

- Arts and Culture: Implement 7 arts, culture, and heritage programs.
- Poverty Alleviation:
  - Job Creation: Create 225 jobs through local economic development initiatives.
  - Fencing Project: Benefit 19 beneficiaries.

## **3. Social Development**

- Early Childhood Development: Spend 100% of the budget on ECD programs.
- Youth Development: Implement youth development initiatives.
- Sports Development: Implement the municipality's annual sports plan.

- Vulnerable Groups: Conduct meetings for 28 functional representative forums for social sectors.
- Library Services: Increase library visits by 10%.

## **Cross-Cutting-**

### **1. Disaster Response**

- Response Time: Respond to 100% of callouts within 1 hour for structural fire incidents.

### **2. Law Enforcement**

- Road Blocks: Conduct 45 roadblocks to enforce traffic laws and municipal by-laws.

These priorities aim to enhance the quality of life for residents by improving infrastructure, expanding access to essential services, fostering economic growth, and promoting social development.

## ANNEXURE C: COUNCIL MEMBERS AND COUNCIL RESOLUTIONS

The Nquthu Council for the 2023/24 financial year is composed of a diverse group of elected officials dedicated to serving the community. At the helm is **Mayor Cllr I.L Shabalala**, supported by **Deputy Mayor Cllr M.R Ngobese** and **Speaker Cllr N.M Buthelezi**. The Executive Committee (Exco) includes several key members: **Cllr Z Sithole**, **Cllr B.S Chambule**, **Cllr N.S Mkhize** (until 23 November 2023), **Cllr R.A Ndlovu** (from 23 November 2023), **Cllr T.J Motlounge**, and **Cllr S.D Masimula**. The Chief Whip is **Cllr M.E Mnguni**.

The council also includes a number of ordinary councillors who play vital roles in various capacities. **Cllr N.M Zungu** serves as the MPAC Chairperson, while other councillors such as **Cllr S.M Buthelezi**, **Cllr J.N Khoza**, **Cllr T.A Dlamini**, **Cllr S.M.C Zikode**, **Cllr S.M Kunene**, **Cllr L.S Hoffman**, **Cllr N.M Khanya**, **Cllr C.S Thusini**, **Cllr L Mkhwanazi**, **Cllr S.S Langa**, **Cllr S.B Simelane**, **Cllr M.I Khoza**, **Cllr S. Radebe**, **Cllr Z Ndlovu**, **Cllr P.W.J Buthelezi**, **Cllr M.C Mnguni**, **Cllr T.M Hadebe**, **Cllr S. Ngcobo** (until 24 July 2023: passed away), **Cllr R.A Ndlovu**, **Cllr S.Y Nyoka** (until 02 June 2024: passed away), **Cllr F.P Hlatshwayo**, **Cllr G.A.N Buthelezi**, **Cllr S.G Hlatshwayo**, **Cllr Q.M Ngobese**, **Cllr C.N Sikona**, **Cllr M.M Sibiya**, and **Cllr S.P Mazibuko** (from 1 October 2023) contribute to the governance and development of the municipality.

This diverse and dynamic team is responsible for making decisions that impact the municipality's development, ensuring that the needs and priorities of the community are addressed effectively. Their collective efforts are aimed at improving service delivery, infrastructure, and overall quality of life for the residents of Nquthu.

The resolution register for the 2023/24 financial year provides a comprehensive overview of the resolutions passed by the Nquthu Municipality and their implementation status. Here is a detailed analysis of the levels to which the municipality took and implemented its resolutions:

### First Quarter (July - September 2023)

- 1. Motion of Condolence:** The municipality approved a contribution of R50,000 for condolences and appointed a funeral task team. This resolution was completed promptly on 26 July 2023.
- 2. Quarterly Reports:** The fourth quarterly report for the 2022/23 financial year and the June 2023 quarterly section 11 withdrawals report were noted and placed on the municipal website. These resolutions were completed on 27 July 2023.
- 3. Draft IDP and Budget Process Plan:** The draft 2024/25 IDP and Budget Process Plan were approved, submitted to KZN COGTA, and published for public comments. This resolution was completed on 27 July 2023.

4. **MPAC Report on Unauthorised Expenditure:** The municipality wrote off unauthorised and fruitless expenditure and implemented consequence measures. This resolution was completed on 27 July 2023.
5. **Cost Containment Policy:** The fourth quarterly report on the implementation of the Cost Containment Policy was approved and submitted to National and Provincial Treasury. This resolution was completed on 27 July 2023.
6. **Small-Town Rehabilitation Program:** The municipality accepted and approved grant funding for the installation of solar street lights and high mast lights. This resolution was completed on 27 July 2023.
7. **Indigent Debts Write-Off:** The list of households qualifying as indigent for the 2023/24 financial year was approved, and their outstanding debts were written off. This resolution was completed on 27 July 2023.

#### **Second Quarter (October - December 2023)**

1. **Annual Financial Statements:** The progress status in preparing annual financial statements was noted, and the final set was submitted to the Auditor General. This resolution was completed on 30 August 2023.
2. **Special Adjustment Budget:** The special adjustment budget for the 2023/24 financial year and two outer years was approved and submitted to National and Provincial Treasury. This resolution was completed on 30 August 2023.
3. **Appointment of New NCTO Board Committee:** The appointment of the new NCTO Board Committee was noted. This resolution was completed on 30 August 2023.
4. **Housing Projects:** Reports on Sizabantu and Jama housing projects were noted. This resolution was completed on 30 August 2023.
5. **Leasing and Swapping of Erfs:** The municipality undertook legal investigations and endorsed the leasing and swapping of erfs for commercial purposes. These resolutions were completed on 30 August 2023.
6. **Final IDP and Budget Process Plan:** The final 2024/25 IDP and Budget Process Plan were approved, submitted to KZN COGTA, and published for public notification. This resolution was completed on 30 August 2023.
7. **Organisational Performance Report:** The organisational performance management report for Quarter 2 of the 2022/23 financial year was noted and approved. This resolution was completed on 30 August 2023.

8. **Upper Limits of Salaries:** The determination of upper limits of salaries, allowances, and benefits for municipal council members was noted and approved. This resolution was completed on 30 August 2023.
9. **Annual Performance Report:** The final annual performance report for the 2022/23 financial year was approved. This resolution was completed on 30 August 2023.
10. **Irregular Expenditure:** The municipality wrote off irregular expenditure and implemented stringent controls and consequence management. This resolution was completed on 30 August 2023.

### **Third Quarter (January - March 2024)**

1. **Quarterly Reports:** The first quarterly report for the 2023/24 financial year and the September 2023 quarterly section 11 withdrawals report were noted and placed on the municipal website. These resolutions were completed on 27 October 2023.
2. **Cost Containment Policy:** The first quarterly report on the implementation of the Cost Containment Policy was approved and submitted to National and Provincial Treasury. This resolution was completed on 27 October 2023.
3. **Supply Chain Management Policy:** The amendments to the Supply Chain Management Policy were noted and implemented. This resolution was completed on 27 October 2023.
4. **Special Adjustment Budget:** The second special adjustment budget for the 2023/24 financial year and two outer years was approved and submitted to National and Provincial Treasury. This resolution was completed on 27 October 2023.
5. **Recruitment of Temporary Workers:** The municipality approved the recruitment of temporary workers with specified wages and contract periods. This resolution was completed on 27 October 2023.
6. **Electrification Projects:** The municipality reprioritized and approved the implementation of electrification projects. This resolution was completed on 27 October 2023.
7. **VIP Protection:** The municipality approved VIP protection for the Chief Whip. This resolution was completed on 27 October 2023.
8. **Municipal Demarcation Board:** The municipality rejected proposals that would financially adversely affect the municipality. This resolution was completed on 27 October 2023.

9. **Performance Report:** The 2023/24 Quarter One Performance Report was considered by Council. This resolution was completed on 27 October 2023.
10. **UIFW Report:** The municipality noted the UIFW report for 2022/23 and referred the matter to MPAC for further investigation. This resolution was completed on 27 October 2023.
11. **Upper Limits of Salaries:** The determination of upper limits of salaries, allowances, and benefits for municipal council members was noted and approved. This resolution was completed on 27 October 2023.

#### **Fourth Quarter (April - June 2024)**

1. **Acting Appointment:** The municipality appointed Mr. T.D.M Hadebe to act in the position of Director: Planning, LED, Housing, and Land Administration. This resolution was completed on 24 April 2024.
2. **Schedule of Meetings:** The schedule of proposed meeting dates for Council, Executive Committees, and other committees for the 2024/25 calendar year was approved. This resolution was completed on 17 May 2024.
3. **Fleet Management Policy:** The Fleet Management Policy and Procedure Manual for the 2024/25 financial year were submitted for adoption. This resolution was completed on 11 May 2024.
4. **Horse Riding Event:** The municipality supported the Nquthu June horse-riding local selections. This resolution was completed on 11 May 2024.
5. **Pauper Burial Policy:** The pauper burial policy was recommended for adoption. This resolution was completed on 11 May 2024.
6. **Out-of-Pocket Expense Policy:** The out-of-pocket expense policy for Ward Committees was adopted and implemented. This resolution was completed on 11 May 2024.
7. **Intergovernmental Relations Report:** The Freedom Month report was noted. This resolution was completed on 11 May 2024.
8. **Records Management Policy:** The reviewed Records Management Policy for the 2024/25 financial year was approved. This resolution was completed on 11 May 2024.
9. **Human Resources Policies:** The reviewed Human Resources Policies and Strategy for the 2024/25 financial year were noted and recommended for approval. This resolution was completed on 11 May 2024.
10. **IT Policies:** Various ICT policies were adopted. This resolution was completed on 11 May 2024.

11. **Status Quo of Projects:** The status quo of projects within Nquthu was noted. This resolution was completed on 11 May 2024.
12. **Maintenance Report:** The maintenance report for road and stormwater was noted. This resolution was completed on 11 May 2024.
13. **Monthly Budget Statement:** The monthly budget statement for April 2024 was noted. This resolution was completed on 11 May 2024.
14. **SCM Report:** The SCM report for April 2024 was noted. This resolution was completed on 11 May 2024.
15. **Draft Budget Feedback:** The draft budget assessment feedback from Provincial Treasury was noted. This resolution was completed on 11 May 2024.
16. **Draft Budget:** The annual draft budget for the 2024/25 - 2025/26 - 2026/27 financial years was considered for adoption. This resolution was completed on 11 May 2024.
17. **Asset Disposal:** The disposal list for the 2023/24 financial year was noted and written off. This resolution was completed on 11 May 2024.

### **Overall resolution implementation analysis**

The municipality demonstrated a high level of commitment to implementing its resolutions across various quarters. Most resolutions were marked as "Closed" and "Completed," indicating effective execution and follow-through. The resolutions covered a wide range of areas, including financial management, infrastructure development, social services, and governance. The municipality's proactive approach in addressing unauthorised and irregular expenditures, implementing cost containment measures, and supporting community projects reflects its dedication to improving service delivery and governance.

**ANNEXURE D: 2023/24 AUDIT ACTION PLAN**

Type of Opinion Current Year (2023/2024) : Unqualified with Findings  
 Type of Opinion Previous Year (2022/2023) : Unqualified with Findings

Nature of Audit Query	Audit Query	Remedial Actions	Audit Response (31 March 2024)	Audit Response (30 June 2025)	Audit Response Progress (31 July 2025)	Audit Response Progress (31 August 2025)
<p>1. Restatement of corresponding figures (Recurring Audit finding)</p>	<p>Note 51 of the Annual Financial Statements reflects that, the corresponding figures for 30 June 2023 were restated as a result of an error in the financial statements of the municipality at, and for the year ended 30 June 2024.</p>	<p>The municipality will enforce these controls to minimize errors resulting in restatement of corresponding figures:</p> <ul style="list-style-type: none"> <li>(a) Monthly reconciliations are performed for all significant line items and supported by evidence.</li> <li>(b) Finance officials undergo regular refresher trainings for GRAP Standards.</li> <li>(c) Checklists are updated with changes in risks and legislation and strictly monitored.</li> <li>(d) Reviews are thoroughly performed by section managers up to the level of CFO to minimize errors.</li> <li>(e) Utilization of GRAP compliance checklist to minimize errors and omissions.</li> </ul>	<p>Report Progress on ↩ action at the end of 31 March 2025</p> <p><u>Responsible Official</u> CHIEF FINANCIAL OFFICER</p> <p>Action owner:</p>	<p>Report Progress on ↩ action at the end of 31 June 2025</p> <p><u>Responsible Official</u> CHIEF FINANCIAL OFFICER</p> <p>Action owner:</p>	<p>Report Progress on ↩ action at the end of 31 July 2025</p> <p><u>Responsible Official</u> CHIEF FINANCIAL OFFICER</p> <p>Action owner:</p>	<p>Report Progress on ↩ action at the end of 31 August 2025</p> <p><u>Responsible Official</u> CHIEF FINANCIAL OFFICER</p> <p>Action owner:</p>

Nature of Audit Query	Audit Query	Remedial Actions	Audit Response (31 March 2024)	Audit Response (30 June 2025)	Audit Response Progress (31 July 2025)	Audit Response Progress (31 August 2025)
2. Subsequent events (New Audit Finding)	Note 53 of the Annual Financial Statements, which deals with subsequent events and specifically the possible effects of the council's write-off of the UIFW expenditure, outstanding interest, traffic fines and property rates on the municipality. Auditor's opinion was not modified in respect of this matter.	<p>The municipality will implement these controls to mitigate the risks:</p> <p>(a) Council meeting minutes subsequent to year end will be reviewed to identify instances of transactions that should be disclosed as subsequent events.</p> <p>(b) Annual Financial Statements will be completed end of July to allow thorough reviews by various stakeholders.</p> <p>(c) The note for subsequent event has been activated on our annual financial statement template and will remind us to complete it even during interim AFS.</p>	<p>Report Progress on ↩ action at the end of 31 March 2025</p> <p><u>Responsible Official</u> CHIEF FINANCIAL OFFICER</p> <p>Action owner:</p>	<p>Report Progress on ↩ action at the end of 31 June 2025</p> <p><u>Responsible Official</u> CHIEF FINANCIAL OFFICER</p> <p>Action owner:</p>	<p>Report Progress on ↩ action at the end of 31 July 2025</p> <p><u>Responsible Official</u> CHIEF FINANCIAL OFFICER</p> <p>Action owner:</p>	<p>Report Progress on ↩ action at the end of 31 August 2025</p> <p><u>Responsible Official</u> CHIEF FINANCIAL OFFICER</p> <p>Action owner:</p>
3. Material impairment allowance – receivables from non-exchange and exchange transactions. (Recurring Audit Finding)	Note 5 of the Annual Financial Statement reflects an allowance for impairment of R46.31 million(2022-23: R35.06 million) on receivables from non-exchange	<p>The municipality will be implementing these controls to improve collection:</p> <p>(a) Cutting of services to all customers that</p>	<p>Report Progress on ↩ action at the end of 31 March 2025</p> <p><u>Responsible Official</u> CHIEF FINANCIAL OFFICER</p>	<p>Report Progress on ↩ action at the end of 31 June 2025</p> <p><u>Responsible Official</u> CHIEF FINANCIAL OFFICER</p>	<p>Report Progress on ↩ action at the end of 31 July 2025</p> <p><u>Responsible Official</u> CHIEF FINANCIAL OFFICER</p>	<p>Report Progress on ↩ action at the end of 31 August 2025</p> <p><u>Responsible Official</u> CHIEF FINANCIAL OFFICER</p>

Nature of Audit Query	Audit Query	Remedial Actions	Audit Response (31 March 2024)	Audit Response (30 June 2025)	Audit Response Progress (31 July 2025)	Audit Response Progress (31 August 2025)
	<p>transactions, as the recoverability of these amounts was doubtful.</p> <p>Note 8 of the Annual Financial Statements reflects an allowance for impairment of R8.08 million (2023-24: R7.04 million) on receivables from exchange transactions, as the recoverability of these amounts was doubtful.</p>	<p>are beyond thirty days overdue.</p> <p>(b) Engage Cogta Department to assist with outstanding debt from Government.</p> <p>(c) Perform data cleansing on the system and update customers details to ensure all debtors receive statements in time.</p> <p>(d) Introduce incentives for long overdue debts to improve collection.</p> <p>(e) Handing to legal services customers that breach contractual arrangements to settle their outstanding debt.</p> <p>Write off as bad debt amount owing by Ingonyama Trust.</p>	<p>Action owner:</p>	<p>Action owner:</p>	<p>Action owner:</p>	<p>Action owner:</p>
<p>4. Material losses – electricity (Recurring Audit finding)</p>	<p>Note 34 of the Annual Financial Statement reflects material electricity losses of R2.31 million (2022-23:R0.34 million) were incurred, which represents 23% (2022-24:23%) of total electricity purchased.</p>	<p>The municipality will implement these controls to address electricity losses:</p> <p>1. The bulk metre will be read monthly and compared against eskom invoices and</p>	<p>Report Progress on ↩ action at the end of 31 March 2025</p> <p><u>Responsible Official</u> CHIEF FINANCIAL OFFICER</p>	<p>Report Progress on ↩ action at the end of 31 June 2025</p> <p><u>Responsible Official</u> CHIEF FINANCIAL OFFICER</p> <p>Action owner:</p>	<p>Report Progress on ↩ action at the end of 31 July 2025</p> <p><u>Responsible Official</u> CHIEF FINANCIAL OFFICER</p> <p>Action owner:</p>	<p>Report Progress on ↩ action at the end of 31 August 2025</p> <p><u>Responsible Official</u> CHIEF FINANCIAL OFFICER</p> <p>Action owner:</p>

Nature of Audit Query	Audit Query	Remedial Actions	Audit Response (31 March 2024)	Audit Response (30 June 2025)	Audit Response Progress (31 July 2025)	Audit Response Progress (31 August 2025)
		<p>follow up any discrepancies.</p> <p>2. Municipal hall electricity metres will be replaced with prepaid metres to limit consumption.</p> <p>3. Electricity infrastructure will be inspected to identify aged infrastructure and possible leakages.</p> <p>4. Municipality electricity billing tariffs will be reviewed and be cost reflective and also aligned with eskom invoices, e.g. peak and off peak hours.</p> <p>5. Disconnections being implemented for defaulting customers and customers that are not purchasing electricity are also disconnected to discourage theft of electricity.</p>	Action owner:			
5. Unaudited disclosure notes (Recurring Audit Finding)	Some particulars of non-compliance with the MFMA should be disclosed in the	The following controls will be implemented by the municipality:	Report Progress on ↩ action at the end of 31 March 2025	Report Progress on ↩ action at the end of 31 June 2025	Report Progress on ↩ action at the end of 31 July 2025	Report Progress on ↩ action at the end of 31 August 2025

Nature of Audit Query	Audit Query	Remedial Actions	Audit Response (31 March 2024)	Audit Response (30 June 2025)	Audit Response Progress (31 July 2025)	Audit Response Progress (31 August 2025)
	Annual Financial Statements, in terms of section 125(2)(e) of the MFMA. This disclosure requirement did not form part of the audit of the financial statements and accordingly, Auditors could not express an opinion on it.	<p>(a) GRAP compliance checklist will be utilized to ensure that all relevant disclosure notes are presented on the annual financial statements.</p> <p>Finilising of annual financial statements by end of July each year to allow thorough reviews to take place and minimize any errors or omissions.</p>	<p><u>Responsible Official</u> CHIEF FINANCIAL OFFICER</p> <p>Action owner:</p>	<p><u>Responsible Official</u> CHIEF FINANCIAL OFFICER</p> <p>Action owner:</p>	<p><u>Responsible Official</u> CHIEF FINANCIAL OFFICER</p> <p>Action owner:</p>	<p><u>Responsible Official</u> CHIEF FINANCIAL OFFICER</p> <p>Action owner:</p>
	KPA 2: Basic service delivery and infrastructure development					
6. Missing Indicator (New Audit finding)	An indicator to measure performance on provision of electricity in Nquthu licenced areas was omitted from the approved planning documents. The municipality indicated that the reason for the omission was that it could not obtain accurate data for both planning and reporting purposes, consequently the achievement of this legislative mandate was not planned or accounted for.	Incorporate the indicator on the 2024/25 SDBIP during mid-year review and submit the review to Internal Auditors before approval by Council.	<p>Report Progress on ↩ action at the end of 31 March 2025</p> <p><u>Responsible Official</u> SENIOR MANAGER: OMM</p> <p>Action owner: IDP/PMS MANAGER</p>	<p>Report Progress on ↩ action at the end of 31 June 2025</p> <p><u>Responsible Official</u> SENIOR MANAGER: OMM</p> <p>Action owner: IDP/PMS MANAGER</p>	<p>Report Progress on ↩ action at the end of 31 July 2025</p> <p><u>Responsible Official</u> SENIOR MANAGER: OMM</p> <p>Action owner: IDP/PMS MANAGER</p>	<p>Report Progress on ↩ action at the end of 31 August 2025</p> <p><u>Responsible Official</u> SENIOR MANAGER: OMM</p> <p>Action owner: IDP/PMS MANAGER</p>

Nature of Audit Query	Audit Query	Remedial Actions	Audit Response (31 March 2024)	Audit Response (30 June 2025)	Audit Response Progress (31 July 2025)	Audit Response Progress (31 August 2025)
7. Number of FBE units (50kwh) given to consumers (Recurring Audit Finding)	The municipal approved planning documents included a commitment to a number of free basic electricity (FBE) given to indigent customers. However all prepaid customers who received monthly FBE without indigent status was reported in the annual performance report. This discrepancy highlights misalignment between approved plans and operations, while the incorrect reporting undermines transparency and accountability.	The indicator will be reviewed to be "Number of indigent households receiving Free Basis Service (FBE)".	Report Progress on ⇐ action at the end of 31 March 2025  <u>Responsible Official</u> SENIOR MANAGER: OMM  Action owner: IDP/PMS MANAGER	Report Progress on ⇐ action at the end of 31 June 2025  <u>Responsible Official</u> SENIOR MANAGER: OMM  Action owner: IDP/PMS MANAGER	Report Progress on ⇐ action at the end of 31 July 2025  <u>Responsible Official</u> SENIOR MANAGER: OMM  Action owner: IDP/PMS MANAGER	Report Progress on ⇐ action at the end of 31 August 2025  <u>Responsible Official</u> SENIOR MANAGER: OMM  Action owner: IDP/PMS MANAGER
8. MATERIAL MISSTATEMENTS (Recurring Audit Finding)	Auditors identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for KPA 02: Service delivery and Infrastructure development. Management did not correct all of the misstatement, as a result material findings were reported.	Prepare 2024/25 Draft Annual Performance Report by 18 July 2025 and submit to management for review  1 <sup>st</sup> draft to be sent to Internal Auditors for review by 30 July 2025	Report Progress on ⇐ action at the end of 31 March 2025  <u>Responsible Official</u> SENIOR MANAGER: OMM  Action owner: IDP/PMS MANAGER	Report Progress on ⇐ action at the end of 31 June 2025  <u>Responsible Official</u> SENIOR MANAGER: OMM  Action owner: IDP/PMS MANAGER	Report Progress on ⇐ action at the end of 31 July 2025  <u>Responsible Official</u> SENIOR MANAGER: OMM  Action owner: IDP/PMS MANAGER	Report Progress on ⇐ action at the end of 31 August 2025  <u>Responsible Official</u> SENIOR MANAGER: OMM  Action owner: IDP/PMS MANAGER
<b>Report on the audit of compliance with legislation</b>						
9. Annual Financial Statements (Recurring Audit Finding)	Submitted Annual Financial Statements were not fully prepared in all material respects in accordance with requirement of section 122(1) of the MFMA. Material misstatements of current liabilities and	The municipality will implement these controls to minimize the errors of material misstatements on the financial statements  1. GRAP Compliant checklist from Treasury will be	Report Progress on ⇐ action at the end of 31 March 2025  <u>Responsible Official</u> CHIEF FINANCIAL OFFICER  Action owner:	Report Progress on ⇐ action at the end of 31 June 2025  <u>Responsible Official</u> CHIEF FINANCIAL OFFICER  Action owner: AFS CONSULTANT	Report Progress on ⇐ action at the end of 31 July 2025  <u>Responsible Official</u> CHIEF FINANCIAL OFFICER  Action owner: AFS CONSULTANT	Report Progress on ⇐ action at the end of 31 August 2025  <u>Responsible Official</u> CHIEF FINANCIAL OFFICER  Action owner: AFS CONSULTANT

Nature of Audit Query	Audit Query	Remedial Actions	Audit Response (31 March 2024)	Audit Response (30 June 2025)	Audit Response Progress (31 July 2025)	Audit Response Progress (31 August 2025)
	disclosure items identified by Auditors were subsequently corrected.	<p>utilized to minimize errors and omissions during AFS preparations.</p> <p>2. Trainings will be conducted on new changes on the legislation and GRAP standards to ensure compliance.</p> <p>3. Interim AFS will also be prepared for the first six months and nine months and for 12 months to identify issues in time and addressing them early and thereby avoiding overload of work and risk of errors and omissions at year end.</p> <p>4. Audit steering committee will sit on a weekly basis to monitor the implementation of audit action plan and audit committee chair and internal audit will be part of steering committee to provide more assurance on issues addressed.</p>	AFS CONSULTANT			

Nature of Audit Query	Audit Query	Remedial Actions	Audit Response (31 March 2024)	Audit Response (30 June 2025)	Audit Response Progress (31 July 2025)	Audit Response Progress (31 August 2025)
		<p>5. Treasury will be contacted to assist with the review of the final draft AFS at year before submission to Auditor General.</p> <p>6. Auditor General will be contacted to perform a status of records review during the year to minimize risk of errors at year end.</p>				
<p><b>10. Expenditure Management (Recurring Audit Finding)</b></p>	<p>Reasonable steps were not taken to prevent irregular expenditure amounting to R154 224 619, as required by section 62(1)(d) of the MFMA.</p> <p>Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R178 779, as required by section 62(1)(d) of the MFMA.</p> <p>Reasonable steps were not taken to prevent unauthorised expenditure amounting to R7 409 187, as required by section 62(1)(d) of the MFMA.</p>	<p>The municipality will implement the following controls</p> <p>1. A thorough analysis of actual expenditure in the previous financial years will be performed including plans for the current financial year and budgeting aligned with these to minimize risks for incorrect budgeting. Budget steering committee will sit regularly before final adjustment budget is approved.</p> <p>2. Orders are now issued on the system</p>	<p>Report Progress on ↩ action at the end of 31 March 2025</p> <p><b>Responsible Official</b> CHIEF FINANCIAL OFFICER</p> <p><b>Action owner:</b> SCM MANAGER/ EXPENDITURE MANAGER / BUDGET MANAGER</p>	<p>Report Progress on ↩ action at the end of 31 June 2025</p> <p><b>Responsible Official</b> CHIEF FINANCIAL OFFICER</p> <p><b>Action owner:</b> SCM MANAGER/ EXPENDITURE MANAGER / BUDGET MANAGER</p>	<p>Report Progress on ↩ action at the end of 31 July 2025</p> <p><b>Responsible Official</b> CHIEF FINANCIAL OFFICER</p> <p><b>Action owner:</b> SCM MANAGER/ EXPENDITURE MANAGER / BUDGET MANAGER</p>	<p>Report Progress on ↩ action at the end of 31 August 2025</p> <p><b>Responsible Official</b> CHIEF FINANCIAL OFFICER</p> <p><b>Action owner:</b> SCM MANAGER/ EXPENDITURE MANAGER / BUDGET MANAGER</p>

Nature of Audit Query	Audit Query	Remedial Actions	Audit Response (31 March 2024)	Audit Response (30 June 2025)	Audit Response Progress (31 July 2025)	Audit Response Progress (31 August 2025)
		<p>and the system does not allow the issuance of an order if the budget is insufficient, for contracted services where an order is not issued, the service providers will be engaged to limit their services on based on the available budget.</p> <p>3. Consequent management will be implemented to officials in breach of the supply chain management processes.</p> <p>4. For unforeseen and unavoidable expenditure, the over-expenditure will be reported to Council to comply with MFMA.</p> <p>5. For irregular expenditure regular training are being requested from Treasury where there has been changes in legislation and where the application of</p>				

Nature of Audit Query	Audit Query	Remedial Actions	Audit Response (31 March 2024)	Audit Response (30 June 2025)	Audit Response Progress (31 July 2025)	Audit Response Progress (31 August 2025)
		<p>certain sections in the acts are not clear.</p> <p>6. SCM checklist prepared with assistance from Treasury will be reviewed and updated with changes in scm regulations and updated with deficiencies in internal controls identified during audit.</p>				
<p>11. Procurement Management (Recurring Audit finding)</p>	<p>some of the quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c)</p> <p>Some of the goods and services within prescribed transaction value for competitive bids were procured without inviting competitive bids, as required by SCM regulation 19(a).</p>	<p>The following controls will be implemented by the municipality to address audit findings emanating from procurement processes:</p> <p>1. For irregular expenditure regular training are being requested from Treasury where there has been changes in legislation and where the application of certain sections in the acts are not clear.</p>	<p>Report Progress on ↩ action at the end of 31 March 2025</p> <p><u>Responsible Official</u> CHIEF FINANCIAL OFFICER</p> <p>Action owner: SCM MANAGER</p>	<p>Report Progress on ↩ action at the end of 31 June 2025</p> <p><u>Responsible Official</u> CHIEF FINANCIAL OFFICER</p> <p>Action owner: SCM MANAGER</p>	<p>Report Progress on ↩ action at the end of 31 July 2025</p> <p><u>Responsible Official</u> CHIEF FINANCIAL OFFICER</p> <p>Action owner: SCM MANAGER</p>	<p>Report Progress on ↩ action at the end of 31 August 2025</p> <p><u>Responsible Official</u> CHIEF FINANCIAL OFFICER</p> <p>Action owner: SCM MANAGER</p>

Nature of Audit Query	Audit Query	Remedial Actions	Audit Response (31 March 2024)	Audit Response (30 June 2025)	Audit Response Progress (31 July 2025)	Audit Response Progress (31 August 2025)
	<p>Some of the contracts were awarded to providers whose tax matters had not been declared by the South African Revenue Services to be in order, in contravention of SCM regulation 43.</p> <p>Some of the construction contracts were awarded to contractors that were not registered with CIDB contravening section 18 (1) of the CIDB Act.</p> <p>Contract Performance and Monitoring measures were not in place to ensure effective contract management, as required by section 116(2)(c)(i) of the MFMA.</p>	<p>2. <b>SCM checklist prepared with assistance from Treasury will be reviewed and updated with changes in SCM regulations and updated with deficiencies in internal controls identified during audit.</b></p>				

**1. Total Number of Audit Findings: 11**

**2. % of resolved findings: 0%**

**3. % of unresolved findings: 0%**

**4. Number of recurring Findings: 09**

**ANNEXURE E: 2023/24 OVERSIGHT REPORT**



**NQUTHU LOCAL MUNICIPALITY KZN 242  
OVERSIGHT REPORT 2023/2024**

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## 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 2023/2024 was tabled in the oversight committee on the 18<sup>th</sup> of March 2024 (Tuesday).
- 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 2023/2024 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 2023/2024 financial year was submitted to Council on the 27<sup>th</sup> of March 2025 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 the 25<sup>th</sup> of February 2025.
- 2.7 The Annual Report was placed at the municipal offices, and the municipal website [www.nquthu.gov.za](http://www.nquthu.gov.za).
- 2.8 **Comments** were received from Internal Auditors and Provincial Department of Corporative Governance and Traditional Affairs.
- 2.9 Internal Auditors had advise that final annual report should also include the following:
- a) **Mayor's foreword** – should consider municipal vision, key policy development, public participation, future actions including initiatives committed whereby service delivery will be improved over the next few years.
  - b) **Municipal Manager's Overview** – Management to consider amending the Accounting foreword as duplicate from the Mayor's foreword, provide brief comments on improvements made to service delivery and mechanisms or initiatives initiated during the year to improve overall efficiency and effectiveness of municipal activities.
  - c) Provide specific references regarding: the alignment of services to IDP indicators and Council priorities, service delivery performance, financial sustainability as represented by the financial health ratios, audit general outcome and provide details of administrative policies made during the year.
  - d) **Municipal Functions, Population and Environmental overview:** Management to consider a briefly to the contributions made by your municipality to satisfy the basic requirements for: water, sanitation, electricity, refuse, housing, local economic development, roads, storm water drainage and local planning approvals (as applicable)
  - e) Management considers to amend paragraph 1.5 of the report, as most refers to outdated census statistics information e.g. 2011, 2016 and no information for 2022 census report.

- f) **Service Delivery Overview:** Management consider to demonstrates relevant information by using graph, data and focus area should be on water, sanitation, electricity, waste management and road construction.
- g) **Financial Health Overview:** Management considers to demonstrate relevant information by using graph, data and consider a brief introduction on the financial sustainability of the municipality.
- h) Management to consider a brief introduction on the financial sustainability of the municipality, challenges requires rectification and state how such challenges are being addressed. Comment on capital expenditure not provided.
- i) **Organizational Development Overview:** Management to consider an overview of key organizational development issues based on information contained in Chapter 4.
- j) **Political Governance:** Management to consider a brief introduction to nature of governance and the leadership between the four components in the Chapter, Management to consider a brief introduction to political governance at your municipality, particularly the key committees, how the political system works at the top.
- k) State whether there is an Audit Committee attached to your municipality that provides opinions and recommendations on financial processes and performance and provides comments to the Oversight Committee (or some other stated committee) on the Annual Report.
- l) State whether your municipality has established an oversight committee, comprised of non-executive councilors with the specific purpose of providing your council with comments and recommendations on the Annual Report.
- m) Confirm that the oversight committee report will be published separately in accordance with MFMA guidance.

The Provincial Department of Corporative Governance had advised as follows:

- h) **Performance assessment:** The annual report did not contain an assessment of the performance against measurable performance objectives for revenue collection by the accounting officer,
- i) **Financial Viability:** There is no assessment by the accounting officer on any arrears on municipal taxes and services charges
- j) **Audit Response Plan:** The annual report does not contain a response to the audit report on the AFS.
- k) **Noncompliance with NT Circular 63:** The municipality did not comply with NT Circular 63 and attach appendices to the Annual Report

2.10 The MPAC meeting convened on the 18<sup>th</sup> of March 2025 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. NM Zungu (Chairperson),

Cllr. GAN Buthelezi, Cllr. TA Dlamini,

Cllr. NJ Khoza, Cllr. SB Simelane,

Cllr. SMC Zikode, Cllr. TM Hadebe

Cllr. MM Sibiyi, Cllr. K. Ngobese

Cllr. SS Langa

## 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 increase in number of findings on Auditor’s Report issued by Auditor General from Annual Performance Report.
- 5.5 There were three findings in 2023/2024, three findings in 2022/2023 and two findings in 2021/2022 financial year. Management need to take underperformance issue of meeting targets very serious g organizational scorecard.
- 5.6 Management needs to make use of online performance management system to efficiently manage performance information. Quarterly reviews and reporting on performance must be taken serious by management.
- 5.7 **Unauthorized, Irregular, Fruitless and Wasteful expenditure** – The Committee note with concerns the incurred unauthorized expenditure amounting R7 409 187, irregular expenditure of R154 224 619, fruitless and wasteful expenditure amounting to R178 779 financial year.
- 5.8 It is regrettable that Management failed to prevent UIFW expenditure. The Accounting Officer must ensure that UIFW is prevented as much as possible.

- 5.9 **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.
- 5.10 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. 2023/24 ANNUAL REPORT CHECKLIST FOR CONSIDERATION

INFORMATION REQUIRED IN THE ANNUAL REPORT	COUNCIL CONSIDERATIONS AND QUESTIONS	RESPONSES/COMMENTS
<b>1. Financial matters – Annual Financial Statements – Section 121(3) of MFMA</b>	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	<p>The conclusion of the annual audit is:</p> <ul style="list-style-type: none"> <li>• unqualified audit opinion</li> <li>• The objective of the municipality was to improve to unqualified audit opinion which was achieved.</li> <li>• Taking into account the audit opinion and the views of the audit committee, council considered the following: <ul style="list-style-type: none"> <li>- To what extent does the report indicate serious financial issues?</li> <li>- To what extent are same issues repeated from previous audits?</li> </ul> </li> </ul>	An Audit Action Plan was developed and submitted to Auditor General, KZN COGTA and KZN Treasury.

	<ul style="list-style-type: none"> <li>- Is the action proposed considered to be adequate to effectively address the issues raised in the audit report?</li> <li>- Has a schedule of action been taken and included in the annual report with appropriate due date?</li> </ul>	
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
<b>2. Disclosures – Allocation received and made- Section 123 – 125 of the MFM</b>	Considerations	Yes
Section 123 (1) (a) of the MFMA. Allocations received by and made to the Municipality	<p>The report needs to disclose:</p> <ul style="list-style-type: none"> <li>• Details of allocations received from another organ of state in the national or provincial sphere.</li> </ul>	Yes

	<ul style="list-style-type: none"> <li>• Details of allocations received from a municipal, entity or another municipality.</li> <li>• Details of allocations made to any other organ of state, another municipality or a municipal entity.</li> <li>• Any other allocation made to the municipality under Section 214 (1) (c) of the Constitution.</li> </ul> <p>Have these allocations been received and made? Does audit report confirm the correctness of the allocations received in terms of DORA and provincial budgets?</p> <p>Does the audit report or the audit committee recommend any action?</p>	
<p>Section 123 (1) (c) of the MFMA. Information in relation to the use of allocations received.</p>	<p>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.</p> <ul style="list-style-type: none"> <li>- 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.</li> <li>- Information stating whether the municipality has complied with the</li> </ul>	<p>Yes</p>

	<p>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.</p> <ul style="list-style-type: none"> <li>- 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-:</li> <li>- The information has been properly disclosed;</li> <li>- Conditions of allocations have been met; and</li> <li>- 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.</li> </ul>	
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Section 125 (1) of the MFMA. Information in relation to outstanding debtors and creditors of the municipality and entities	<p>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:-</p> <ul style="list-style-type: none"> <li>- The information has been properly disclosed;</li> <li>- Conditions of allocations have been met; and</li> <li>- That any explanations provided are acceptable.</li> </ul>	Yes
<b>3. Disclosures in notes to Annual Financial Statements (AFS)</b>	Considerations relating to section 124	Yes
Information relating to benefits paid by the municipality and entity to councilors, directors and officials.	<p>Information on the following items is to be included in the notes to the annual report and AFS;</p> <ul style="list-style-type: none"> <li>- Salaries, allowances and benefits of political office bearers, councilors and boards of directors, whether financial or in kind;</li> <li>- 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.</li> </ul>	Yes

	<ul style="list-style-type: none"> <li>- Salaries allowances and benefits of the municipal manager, CEO of municipal entity, CFO and every senior manager.</li> <li>- Contribution for pension and medical aid.</li> <li>- Travel, motor car, accommodation, subsistence and other allowances.</li> <li>- Housing benefits and allowances.</li> <li>- Overtime payments.</li> <li>- Loans and advances, and;</li> <li>- Any other type of benefit or allowance related to staff.</li> <li>- Council should be satisfied that information has been properly disclosed; conditions of allocations have been met; and that any explanations provided are acceptable.</li> </ul> <p>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.</p>	
<b>4. Municipal Performance</b>	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 2022/24 Annual Performance Report was submitted to the Auditor General with

	<p>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-:</p> <ul style="list-style-type: none"> <li>- Has the performance report been included in the annual report?</li> <li>- Have all the performance targets set in the budget, SDBIP, service agreements etc., been included in the report?</li> <li>- Does the performance evaluation in the annual report compare actual performance with targets expressed in the budgets and SDBIP approved for the financial year?</li> </ul> <p>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.?</p> <ul style="list-style-type: none"> <li>- To what extent has performance achieved targets set by council?</li> <li>- Is the council satisfied with the performance levels achieved?</li> <li>- Is the community satisfied with performance?</li> </ul>	<p>the Annual Financial Statements at the end of August 2024, for auditing purposes.</p> <p>The 2023/24 Annual Performance Report has also been consolidated as part of the 2023/24 draft Annual Report which was submitted to the Council for approval on the 30 January 2025.</p>
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	<ul style="list-style-type: none"> <li>- Has a customer satisfaction survey been undertaken and, if so, how do the results align with the annual report contents?</li> <li>- What were the outcomes of public consultation and public hearings?</li> <li>- What actions have been taken and planned to improve performance?</li> <li>- Is the council satisfied with actions to improve performance?</li> <li>- 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?</li> <li>- Does the report evaluate the efficiency of mechanisms applied to deliver the performance outcomes?</li> <li>- Taking into account the audit report and opinion and the views of the audit committee, is performance considered to be efficient and effective?</li> <li>- To what extent have actions planned for the previous year been carried over to the financial year reported upon?</li> <li>- 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</li> </ul>	
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	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 2023/24 Annual Performance Report and there were three queries raised by the Auditor General. Annual Financial Statements was also looked at and Auditor General expressed unqualified 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 2024/2025 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 2023/24 Annual Report.
<b>5. General Information</b>	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	<p>What donor funding has the municipality received?</p> <ul style="list-style-type: none"> <li>- Have the purposes and the management agreements for the funding been properly agreed upon. The funds been used in accordance with agreements?</li> <li>- Have the objectives been achieved? Has the use of funds been effective in improving services to the community?</li> <li>- What actions need to be taken to improve utilization of the funds?</li> </ul>	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 Nquthu community.
Agreements, contracts and projects under Private-Public-Partnerships.	Has the Council had a signed contract or agreement with and private-public partnership program	Assupol Community Trust
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 2023/24 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.	<ul style="list-style-type: none"> <li>- Ntshidi &amp; Associates – Provision of Internal</li> <li>- Adventure Travelling– Travel agents.</li> <li>- BPG Mass Appraisals – Provision for General valuation, Preparation and updating valuation roll.</li> <li>- Fezile Security – Provision of security services</li> <li>- Sizowakha Security – Provision of security services</li> <li>- Siyjabula Security – Provision of security services</li> <li>- Mobile Telephone networks – Provision, installation and configure PABX system</li> <li>- Kunene Makopo Risk Solutions – Provision of short term of insurance for 12 months</li> <li>- CCG- Provision of HR and payroll system.</li> <li>- The Document Warehouse – Off-site document storage</li> </ul>
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	Nquthu Municipality is using MSCOA compliant financial system as per treasury requirements. The system is reliable and it speeds up the functioning of internal departments however Nquthu municipality is running the system parallel with FMS which is an old system up until we are definitely sure that the users fully understands it.

	should be summarized. Council should comment and draw conclusion on the information provided.	Other projects that Nquthu municipality is undertaking include upgrading of PABX (Switchboard) to minimize telephone usage costs and also implementing of Disaster Recovery Solution and Cloud back-up which will assist us to recover data in case of disasters or data loss.
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
<b>6. Other considerations recommended</b>		
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.	Performance bonuses were paid to: Municipal Manager – 5% of Annual Salary

	<p>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 is evaluated for payment of bonuses should be reconciled with municipal performance reported in the annual report.</p> <p>Have bonuses been paid based on achievements of agreed outputs and after consideration of the annual report by council?</p> <ul style="list-style-type: none"> <li>- If so has a proper evaluation of performance been undertaken?</li> <li>- Was the evaluation approved by council?</li> <li>- Does the performance evaluation align and reconcile with the performance report in the annual report?</li> <li>- If not, what reasons have been advanced for non-reporting of the basis of evaluation in the annual report?</li> <li>- Are payment justified in terms of performance report in the annual report?</li> </ul>	<p>Chief Financial Officer – 5% of Annual Salary</p> <p>Director Corporate and Community Services - 5% of Annual Salary and</p> <p>Director Technical Services – 5% of Annual Salary</p> <p>Performance evaluation for 2023/24 financial has been done but Council has not yet decided on them.</p>
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## **7. CONCLUSION**

- 7.1 The oversight committee commended the Council and Management on the status 2023/24 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 pleasing that most of the issues raised in the previous audit opinion on annual financial statement and performance information were attended.
- 7.5 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.

- 7.6 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,
- 7.7 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.
- 7.8 The oversight committee strongly believes that Nquthu Local Municipality and its community will realize substantial and tangible benefits if a similar process is consistently followed in the years to come.
- 7.9 The oversight committee is grateful for the opportunity to be of service to Nquthu Local Municipality and its citizens.

## **8. RESOLUTION AND STATEMENT**

- a) That Oversight Report together with the Annual Report for 2023/24 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 2023/24, 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 2023/24, 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**

**Signature \_\_\_\_\_ MPAC Chairperson**

**Cllr. NM Zungu**

## **ANNEXURE F: STAFF COMPLEMENT, TURN-OVER AND VACANCY RATE**

The municipality filled all highly skilled positions, employees filled the positions were sourced internal (i.e. Deputy Director: Corporate Services, Manager: Town Planning and Building inspectorate, Manager: Expenditure, Manager: Assets, Accountants). The turnover rate emanates from employees leaving their positions into new positions (higher positions). The municipality has the Succession Planning Policy and in 2024/ 2025 the municipality will develop the Staff Retention Policy.

**Staff complement** – The municipality had 282 employees at the end of 2023/ 2024 financial year. The total positions on the staff establishment were 318, which makes the total number of 36 vacant positions.

**Budget allocated** – The total remuneration budget for 2023/ 2024 financial year was **R 106 385 000**, for 318 employees.

**Actual spent** – The remuneration spent for 2023/ 2024 was **R 101 351 274** for 282 employees.

**Vacancy rate** – The vacancy rate for 2023/ 2024 was 11% at the end of the year.