Umkhandlu wakwa
NONGOMA
Local Municipality

2020/2021 FY ANNUAL REPORT

Final Report

Office of the Municipal Manager
Nongoma Local Municipality
Lot 103 Main Street/P.O. Box 84,
Nongoma 3950

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THE MAYOR'S FOREWORD

Greetings,

Allow me to begin my remarks with a bible verse quoted from the book of Matthew 6:1 "*When you do good deeds, don't try to show off. If you do, you won't get a reward from your Father in heaven"*

Contrary to this biblical directive, accountability dictates that as a municipality we regularly report back and provide supporting evidence for our achievements while spending public funds entrusted to us for delivery of basic service delivery and community development.

That is the essence of developing Performance Management System, and quarterly reporting which culminates into an annual reporting. Reporting on how the municipality has utilised its allocated budget is a prerequisite for an accountable and transparent local government, for it restores and enhance public trust on the institution.

The 2020/21 Annual Report is a narrative interpretation of the municipality 2019/20 Annual Performance Report (APR); a detailed articulation of all service delivery and community development activities implemented by the municipality between 01 July 2020 and 30 June 2021.

Through its shoestring allocated MIG budget (R31 679 000) for the financial year under review; the municipality had 14 MIG-funded projects; Five of which were roll-over projects that could not be concluded in the 2019/2020 FY; and nine (9) were new projects.

The municipality prides itself for making an indelible mark to a family of 30 family members that was a recipient of municipality-built home. The home was built through contributions by employees and other good Samaritans. Such outreach programmes are aimed at changing the lives and restoring dignity of the impoverished will remain closer to my heart.

One remains grateful to Nongoma Municipal Council, the Deputy Mayor, the Speaker, the Executive Committee and the Municipal Manager, on their mutual effort to guide our resources and operations to make Nongoma municipality a better place.

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Cllr M.A Mncwango
His Worship, the Mayor

THE MUNICIPAL MANAGER'S REMARKS

Greetings;

2020/2021 Financial Year was challenging not only for Nongoma municipality, but for all other municipalities as well, in that the financial year was marred by covid-19 pandemic which compounded the ability and the rate to which municipalities provided basic service delivery as per their strategic plans. It took a lot of effort, commitment and attentiveness for us to remain focused on service delivery in the face of the covid-19 pandemic.

This report articulates, in more detail, the performance of the Municipality for the financial year under review. It is a narrative interpretation of the Annual Performance report tabled to council on its first sitting of the financial year. It covers the performance information from 01 July 2020 to 30 June 2021 and focuses on the implementation of the Service Delivery Budget and Implementation Plan (SDBIP), in relation to the objectives as encapsulated in the Municipality's Integrated Development and Plan (IDP) for 2020/21.

It should be noted that the financial year under review was an unusual financial year in that as a result of covid-19, it had more than just one normal review (Mid-term review). There was a covid-19 induced review in October.

It would be appropriate for me to express my gratitude to the Nongoma Municipal Council, in particular His Worship, the Mayor Cllr M.A Mncwango, Hon. Deputy Mayor, Hon. Speaker, the Executive Committee, and the Audit Committee members for their resolute support. Lastly, I am humbled to lead a team of Nongoma municipal employees, in particular the management, for ensuring that the institution became a well-oiled machine and instilling a military precision approach.

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Mr. MB Mnguni
Municipal Manager

1. MUNICIPAL POWERS AND FUNCTIONS

The Constitution of the Republic of South Africa Act 108 of 1996, precisely Schedule 4, Part B, read together with Section 152 thereof, and containing the objects of local government, vests the powers and functions of the Municipality. Meanwhile, municipal transformation and institutional development relates to a fundamental and significant change relating to the way the municipalities perform their functions, how resources are deployed and the institutional strategies which are implemented with a view to ensuring optimum results in service delivery to the community. It is envisaged that transformation and institutional development shall be seen to take place when the following is addressed as part of the Municipality's strategic planning and direction.

Municipal powers and functions are articulated in table 1 below. The highlighted functions are those that the Nongoma local municipality is currently performing.

Table 1: Municipal Powers and Functions

Zululand District Municipality and Local Municipalities		
DISTRICT MUNICIPAL FUNCTIONS	**SHARED FUNCTIONS DISTRICT AND LOCAL**	**LOCAL MUNICIPAL FUNCTIONS**
Portable Water Supply	Fire Fighting services	Air Pollution
Sanitation Services	Local Tourism	Building regulations (National Building Regulations)
Electricity Reticulation	Municipal Airports	Child Care Facilities
Municipal Health Services	Municipal Planning	Pontoons, Ferries, Jetties, Piers and Harbours
Regional Airport	Municipal Public Transport	Storm Water Management System In Built up areas
	Cemeteries, Funeral Parlours and Crematoria	Trading regulations
	Markets	Beaches and Amusement Facilities
	Municipal Abattoirs	Billboards and the Display of Advertisements in Public places
	Municipal Roads	Cleansing
	Refuse Removal, Refuse Dumps and Solid Waste	Control of Public Nuisances
		Facilities for the Accommodation, Care and Burial of Animals
		Fencing and Fences
		Licensing of Dogs
		Local amenities
		Local Sport Facilities
		Municipal Parks and Recreation

		Noise Pollution
		Pounds
		Public Places
		Street Trading
		Street Lighting
		Traffic and Parking

1.1. SUMMARY OF ANNUAL REPORT LEGISLATIVE FRAMEWORK

1.1.1. Background

In terms of section 121(1) of the MFMA, every municipality and every municipal entity must for each financial year prepare an annual report. In terms of section 127(2) of the MFMA, the Mayor of the Municipality must, within seven months after the end of a financial year, table in the municipal council the annual report of the municipality and of any municipal entity under the Municipality's sole or shared control.

The following legislative requirements have been complied with:

1.1.2. MFMA Requirements

- **The Annual Financial Statement of the Municipality {section 121(3)(a)}**
- **The Auditor-General's Report {section 121(3)(b)**
- **The Annual Performance Report {section 121(3)(c') and section 121(3) (d)}**
  (Chapter 4, page 88)

1.1.3. Disclosures:-

- **Section 123 (1) (a) (ii) Allocations received from a municipal entity or another municipality**

- **Section 123 (1) (b) (i) Allocations made to a municipal entity or another municipality**

- **Section 123 (1) (b) (ii) Allocations made to any other organ of state**

- **Section 123 (1) (d) (i) The municipality has complied with allocation made to it by National Government**
  (YES)
- **Section 123 (1) (e) Reasons for non-compliance with grant conditions referred to above**
  (N/A)
- **Section 123 (1) (f) Delays or withholding of funds ….. DoRA**
  (NONE)
- **Section 123 (1) (a) Reasons for delay or withholding of funds … DoRA**
  (NONE)

- **Section 124 (1) (a) Salaries, allowances and benefits of political office-bearers and councillors of the municipality (financial and in-kind)**
- **In-kind benefits**

  The Mayor, Deputy Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council. The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties. The Mayor has five full-time bodyguards. The Deputy Mayor has three full-time bodyguards. The Speaker has four full time bodyguards..
- **Section 124 (1) (c) Arrears owed by individual councillors to the municipality or its municipal entity for rates and services which were at any time during the year outstanding for more than 90 days.**

  (None)
- **Section 124 (1) (c) Salaries, allowances and benefits of the municipal manager, CFO and every senior manager**

  Articulated in the Annual Financial Statements (AFS)

1.1.4. Municipal Systems Act Requirements

- **MSA s46 (1) (a) - (i) the municipality's, and any service provider's, performance during that financial year, also in comparison with targets of and with performance in the previous financial year; MSA s46 (1) (a) – (ii) Current year's performance and targets as well as the prior year**

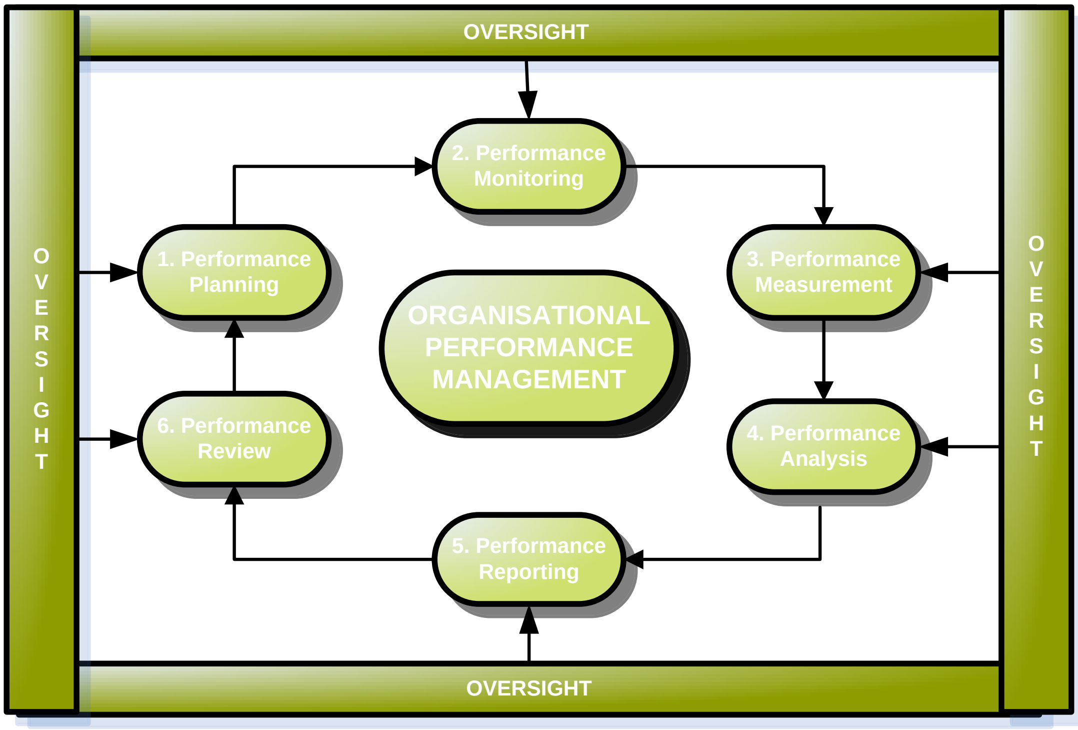
  (See page 94 - 99)
- **MSA s46 (1) (a) – (iii) Performance report measures that were taken or are to be taken to improve performance**

  (See page 100)
- **MSA s46 (1) (a) - Service delivery priorities and performance targets set for the next financial year**

  (See page 86)

1.2. PERFORMANCE MANAGEMENT PROCESS

The process of managing performance at organizational level in the Municipality involves the stages as set out in the diagram below:



The diagram provides for the cycle of performance management in the Nongoma Municipality to commence with performance planning followed by performance monitoring, performance measurement, performance analysis, performance reporting and lastly, performance review. The outcome of the performance review feeds back into the performance planning process. It is important to note that each of the stages in the cycle is underpinned by Council and community oversight over the performance of the Municipal Executive and Administration.

1.2.1. Performance Planning

The performance of the Municipality is to be managed in terms of its IDP and the process of compiling an IDP and the annual review thereof therefore, constitutes the process of planning for performance.

1.2.2. Performance monitoring

Performance monitoring is an ongoing process by which a manager accountable for a specific indicator as set out in the organizational scorecard (and a service delivery target contained in a SDBIP) continuously monitors current performance against targets set.

1.2.3. Performance measurement

Performance measurement refers to the formal process of collecting and capturing performance data to enable reporting to take place for each key performance indicator and against the target set for such indicator.

1.2.4. Performance analysis

Performance analysis involves the process of making sense of measurements. It requires interpretation of the measurements as conducted in terms of the previous step to determine whether targets have been met and exceeded and to project whether future targets will be met or not. Where targets have not been met performance analysis requires that the reasons thereof should be examined and corrective action taken.

1.2.5. Performance reporting and review

The next two steps in the process of performance management namely, that of performance reporting and performance review will be dealt with at the same time. This section is further divided into three sections dealing with the requirements for in-year versus annual reporting and reviews respectively and lastly a summary is provided of the various reporting requirements.

In the 2019/2020 FY PMS was cascaded to all line Managers below Section 57/54 Managers. As such, Managers signed their individual Performance Management Plans in line with their respective job descriptions and the OPMS, and also their respective departmental SDBIPs.

1.2.6. In-year performance reporting and review

The submission of the scorecard to the Executive Committee for consideration and review of the performance of the Municipality as a whole is the next step in the process. The first such report is a major milestone in the implementation of any OPMS and it marks the beginning of what should become a regular event, namely using the performance report as a tool to assess and review the Municipality's performance and to make important political and management decisions on how the municipality can improve its performance.

As indicated earlier it is recommended that the organizational scorecard be submitted to the Executive Committee for consideration and review on a quarterly basis. The reporting should therefore take place in October (for the period July to end of September) January (for the period October to the end of December), April (for the period January to end of March) and July (for the period April to the end of June).

The review in January will coincide with the mid-year performance assessment as per Section 72 of the MFMA. This Section determines that the Accounting Officer must, by 25 January of each year, assess the performance of the municipality and report to the Executive Committee via the Mayor on, inter alia, its service delivery performance during the first half of the financial year and the service delivery targets and performance indicators as set out in its SDBIP.

Performance review is the process whereby the leadership of an organization, after the performance of the organization has been measured and reported to it, reviews the results and decides on appropriate action to be taken. The Executive Committee, when reviewing the organisational scorecard submitted to it, will have to ensure that the targets committed to in the scorecard have been met, and where they have not, that satisfactory and sufficient reasons for this have been provided by senior management and that the sufficient and appropriate corrective action has been proposed to address the reasons for poor performance. If satisfied with the corrective action as proposed, these must be adopted as formal resolutions of Council and must be minuted and actioned accordingly.

Section 44(4) of the Municipal Structures Act, 1998 (Act 117 of 1998) as amended requires that the Executive Committee must report to Council on all its decisions taken. The outcome of the quarterly performance reviews by the Executive Committee must, in line with this requirement, be reported to the full Council for it to perform its oversight function over the performance of the Municipal Executive and Administration. In doing so Council must review the decisions taken and resolve whether it is satisfied with the corrective action adopted by the Executive Committee. If they are not, then the Executive Committee's recommendation must be amended accordingly and the amendments minuted and actioned.

1.2.7. Annual performance reporting and review

A comprehensive report on the performance of the Municipality also needs to be compiled on an annual basis. The requirements for the compilation, consideration and review of such an annual report are set out in chapter 12 of the MFMA. In summary the MFMA requires that:

- All municipalities for each financial year compile an annual report, which report must include the municipal performance report
- The annual report be tabled within seven months after the end of the financial year
- The annual report must be made public immediately after it has been tabled and the local community must be invited to submit representations thereon
- The Municipal Council considers the annual report within nine months of the end of the financial year and adopts an oversight report containing the Council's comments on the annual report
- The oversight report as adopted must be made public
- The annual report as tabled and the Council's oversight report must be forwarded to the Auditor-General, the Provincial Treasury and the Department responsible for local government in the Province
- The annual report as tabled and the Council's oversight report must be submitted to the Provincial legislature.

It is important to note that the municipal performance report of a municipality is only one element of the annual report. To ensure that the annual report compilation, tabling and review process is completed in time to inform the next cycle of performance planning in accordance with the IDP compilation/review process, it is recommended that the annual performance report be compiled and completed as soon after the end of each financial year as possible, but ideally not later than two months after financial-year end.

The oversight report to be adopted provides the opportunity for the full Council to review the performance of the Municipality in line with its oversight role. The requirement that the annual report, once tabled, and the oversight report, be made public also provides a mechanism for the general public to review the performance of the Municipality in line with the community's oversight role.

In order to facilitate the oversight process, it is recommended that a municipal oversight committee be established consisting of a selected number of Councillors not serving on the

Executive Committee. The Council should also consider, in line with oversight best practice, that the chairperson of the oversight committee be a member of an opposition party.

The Oversight Committee will be responsible for the detailed analysis and review of the annual report and the drafting of the oversight report. In doing so, the committee must establish mechanisms to receive and review representations made by the public on the annual report and also seek inputs from other Councillors and Council portfolio committees. Such mechanisms could involve all or any combination of the following:

- Producing a user-friendly citizens' report in addition to the annual report for public consumption. The citizens' report should be a simple, easily readable and attractive document that translates the annual report for public consumption.
- Using of various forms of media including radio, newspapers and billboards to convey the annual report.
- Inviting the public to submit comments on the annual report via telephone, fax and email.
- Holding public hearings in a variety of locations to obtain their input on the annual report.
- Making use of existing structures such as ward and/or development committees to disseminate the annual report and invite comments.
- Debating the annual report at a meeting of the IDP Representative Forum
- Hosting a number of public meetings or roadshows at which the annual report could be discussed and input invited.
- Producing a special issue of the municipal newsletter in which the annual report is highlighted and the public are invited to comment.
- Posting the annual report on the council website and inviting input.

It is further proposed that the oversight committee functions as a standing committee on municipal accounts (municipal scopa) or MPAC in the case of a municipality. As such the committee must examine:

- the financial statements of all executive organs of Council;
- any audit reports issued on those statements;
- any reports issued by the AG on the affairs of any municipal entity; and
- any other financial statements or reports referred to the committee by Council.
- any report on any of those financial statements or reports to Council;

– initiate any investigation in its area of competence; and
– perform any other oversight function assigned to it by resolution of Council.

As the oversight committee performs an oversight function on behalf of Council it is not a duplication of, and must not be confused with either the audit committee or the finance portfolio committee. The audit committee is an independent advisory body that advises Council and the Executive on financial and risk matters and can act as an advisory body to the oversight committee. The Finance Portfolio committee deals with financial management issues such as budgetary, revenue and expenditure management and supply chain management.

Nongoma Municipality uses the Key Performance model. In the said model, all indicators are grouped together under the national key performance areas as per the Systems Act and the local key performance areas as per the municipal IDP. The said Model therefore, enables the Municipality to assess its performance based on the national and its own local key performance areas. The following are the six Key Performance Areas (KPAs) that are being used in the preferred performance management model:

– Institutional Transformation and Development
– Service Delivery and Infrastructure Development;
– Local Economic Development;
– Municipal Viability and Management;
– Good Governance and Public Participation; and
– Cross Cutting Interventions

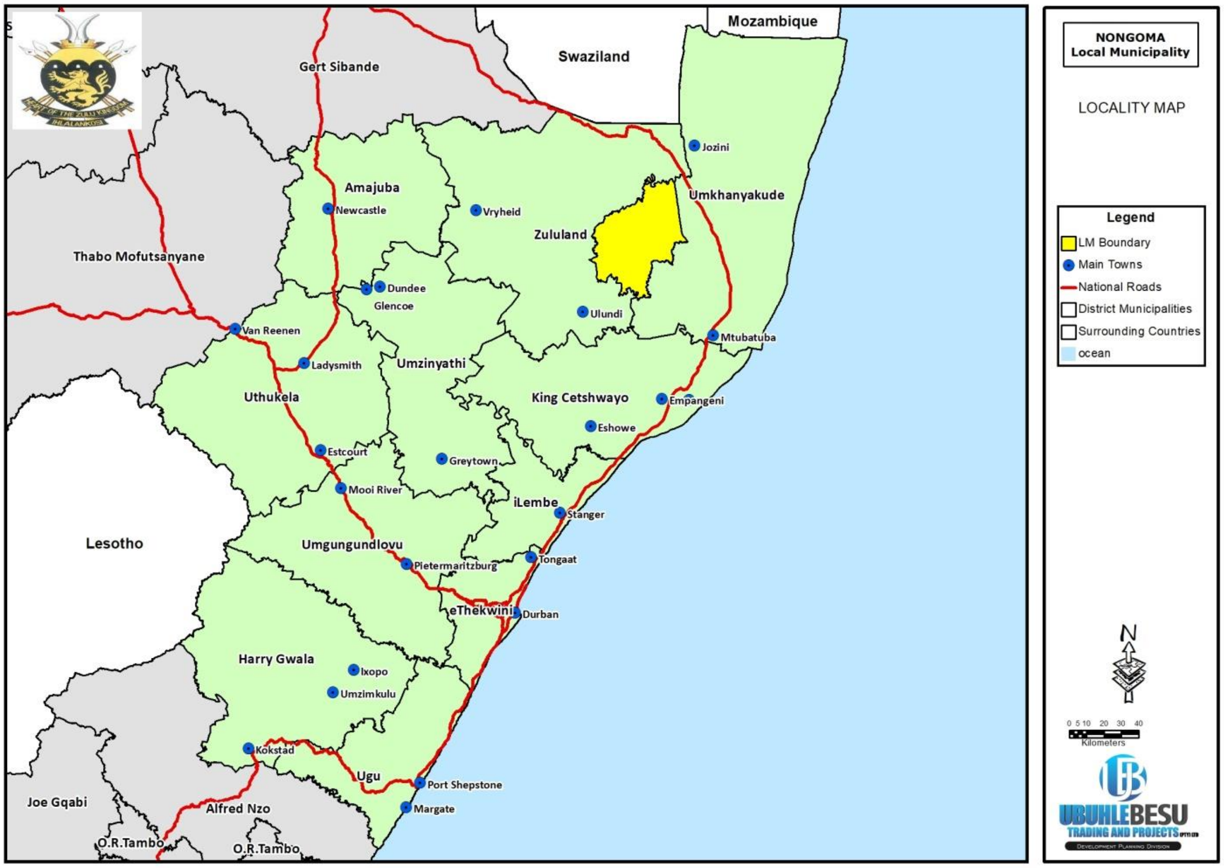
EXECUTIVE SUMMARY

CHAPTER 1: OVERVIEW OF THE MUNICIPALITY

Nongoma Local Municipality is one of the 5 local municipalities within Zululand District; and is located in the North-Eastern part of Zululand District in the KwaZulu-Natal province of South Africa **(**27°55′S 31°39′E**)**. It has two secondary corridors, which run from Ulundi to Pongola and from Hlabisa to Vryheid. At 2,185.5 km^2 and with a population totaling 211,893 (StatsSa, Community Survey 2016); the municipality is Zululand's second largest municipality in terms of population and the second largest in terms of area size.

Nongoma Municipality shares its name with the town of Nongoma, which serves as the seat of the municipality. It is the home of His Majesty, the King of the Zulu Nation, the hereditary traditional leader of the Zulu nation, hence it is popularly known as the seat of the Zulu monarch. The King's royal palaces (Kwa-Khangelamankengane, Linduzulu, Kwa-Dlamahlahla, Kwa-Khethomthandayo and Enyokeni) are among the main tourist attractions in the region. The municipality has three tribal authorities, namely Mandlakazi, Usuthu and Matheni. The Map below indicates the spatial location of Nongoma municipality. The municipality shares its boundaries with uMkhanyakude's Big 5 Hlabisa and Jozini Local municipalities on the South and the East respectively; and then within the Zululand District it shares its borders with Uphongolo in the North, Abaqulusi (West) and uLundi (South) municipalities.

Map 1: Nongoma Locality Map (Nongoma SDF Stratus Quo report, 2019)



1.1. Brief Demographic Profile for Nongoma Local Municipality

Population

According to 2011 Statistics, Nongoma has a total population of 194 908. If compared with the 2001 statistics (198,443), it translates into a growth rate of -0, 18%. If population growth rate would be same as in period 2001-2011 (-0.18%/year), Nongoma population in 2019 would be: *192 125**. However in terms of 2016 Community survey, the population of Nongoma had surpassed that mark, to 211 893, a growth rate of 1.90% per year.

In terms or racial characteristics, 99.5% of the people in the municipality are African Black, 0,10% are Coloured, with the other population groups making up the rest. Females make up 54.6% of the total population as compared to males (45.4%)

Figure 1: Population Groups in Nongoma LM (StatsSa, 2011)

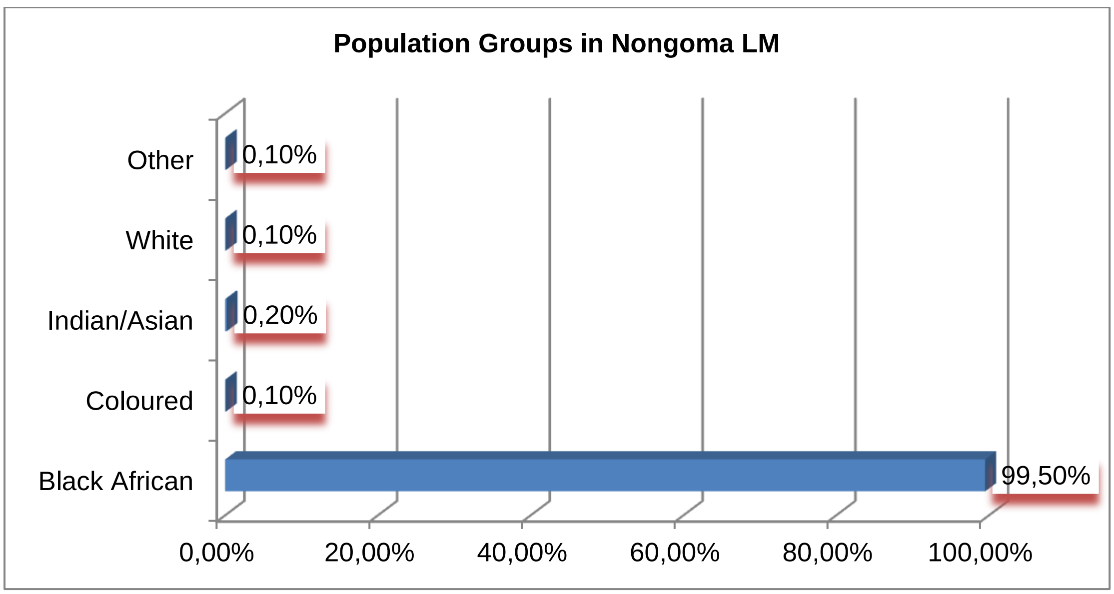
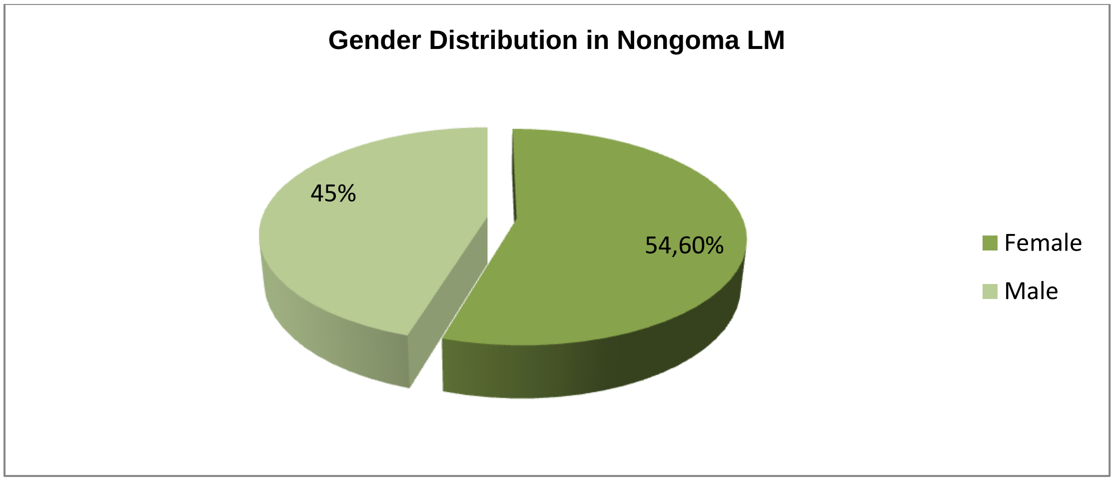


Figure 2: Gender Distribution in Nongoma LM (StatsSa, 2011)



CHAPTER 2: MUNICIPAL GOVERNANCE

Nongoma Municipality was established in terms of the Constitution Act, no 108 1996, the Demarcation act 27 of 1998 and Section 12 Notice issued in terms of the Local Government: Municipal Structures Act 117 of 1998. The municipality is organized into political and administrative structures.

2.1. POLITICAL STRUCTURE OF THE MUNICIPALITY

In compliance with Section 151(3) of the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996); Section 53 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000); and the Local Government: Municipal Structures Act, 1998 (Act 117 of 1998), Nongoma's Municipal Council governs the local government affairs of the local community on its own initiative. The roles and areas of responsibility of each political structure and each political office-bearer of the Municipality and of the Municipal Manager are defined and adhered to accordingly.

The Council comprises **42** seats allocated according to proportional representation as per Schedule 2 (7) of the Local Government Municipal Structures Act and Regulations 117 of 1998.

The Council is made up of the following political parties: Inkatha Freedom Party (22 Councillors); African National Congress (13 Councillors); Democratic Alliance (5 Concillors), and Economic Freedom Fighters (2 Councillors).

The principal structure of the municipality is Council which is chaired by the Speaker of Council, Cllr. B.W. Zulu. The Executive Committee (EXCO), which is chaired by the Mayor of Council, Cllr M.A Mncwango, is the delegated political structure that deals with the day to day running of the Municipality and further reports its affairs to Council for noting and consideration depending on the matter in question.

To ensure effectiveness of oversight; an additional 6 councillors form part of the municipal Executive Committee (EXCO). Some EXCO members are then tasked with a political oversight role upon which they chair various Portfolio Committees. These committees are established in terms of Sections 79 and 80 of the Local Government: Municipal Structures Act (Act no 117 of 1998). The portfolio committees for Nongoma municipality are arranged and chaired as follows:

- **Corporate Services Portfolio:** Cllr. SA Hlongwane
- **Finance Services Portfolio**: Cllr. MA Mncwango
- **Planning & Infrastructure Development Portfolio**: Cllr. AN Ndabandaba
- **Community & Social Services**: Cllr. AN Xulu

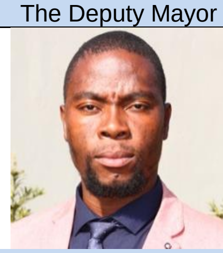
2.1.1. LIST OF COUNCILLORS

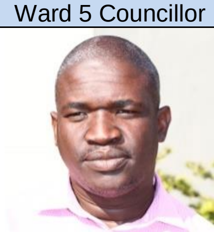
Council is headed by the following full-time councilors:

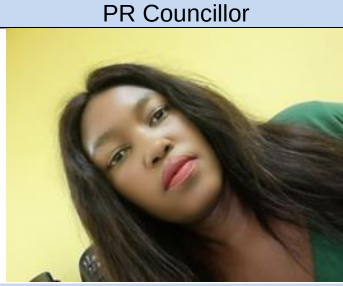
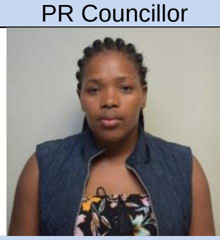
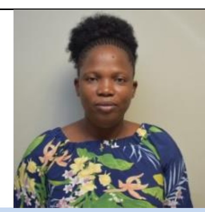
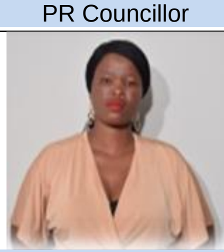
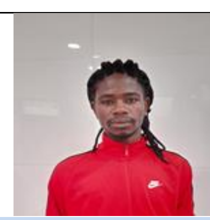
POLITICAL STRUCTURE		
No.	DESIGNATION	FUNCTIONS
	 His worship, The Mayor: Cllr M.A Mncwango	The functions of the Mayor are set out in the Municipal Structures Act. The mayor is elected by the Municipal Council to co-ordinate the work of the Municipality. Functions include the following: – Ceremonial: Must perform a ceremonial role as the council may determine. – EXCO: Heads the municipal EXCO - Determine the venue, time and date of meeting of the mayoral committee – Strategy: Recommends to the council strategies, programmes and services to address priority needs through the integrated development plan. – Performance Monitoring and Evaluation: Monitor the management of the municipality’s administration in accordance with the directions of the municipal council.
2.	 Hon. Deputy Mayor Cllr A.N Xulu	The Deputy Mayor is a member of the Executive Committee of the municipal council and is elected when the executive committee is elected. The Deputy Mayor exercises the powers and performs the duties of the Mayor if the Mayor is absent or not available or if the office of the Mayor is vacant. The Mayor may delegate duties to the deputy mayor.

3.	 Hon. Speaker: Cllr. B.W Zulu	The Speaker of a municipal council- ▪ presides at meetings of the council; ▪ performs the duties and exercises the powers delegated to the speaker in terms of section 59 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000): I.e. – must ensure that the council meets at least quarterly; – must maintain order during meetings; – must ensure compliance in the council and council committees with the Code of Conduct set out in Schedule 1 to the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000); and – must ensure that council meetings are conducted in accordance with the rules and orders of the council.

The municipal council is made up of the following councilors:

 1. Cllr M.A Mncwango The Mayor	 2. Cllr AN Xulu The Deputy Mayor	 3. Cllr. BW Zulu Speaker
 4. Cllr S.A Hlongwane EXCO Member	 5. Cllr A.N Ndabandaba EXCO Member	 6. Cllr B.J Ntshangase EXCO Member

 7. Cllr N.M Mthembu EXCO Member	 8. Cllr N.G Xaba EXCO Member	 9. Cllr N.P. Mbatha EXCO Member
 10. Cllr M.E Nkosi Ward 2 Councillor	 11. Cllr. E Shiba Ward 3 Councillor	 12. Cllr JT Dlamini Ward 4 Councillor
 13. Cllr A.M Mncwango Ward 5 Councillor	 14. Cllr. MS Hadebe Ward 6 Councillor	 15. Cllr. NB Nhleko Ward 8 Counicillor
 16. Cllr BG. Ntombela Ward 9 Councillor	 17. Cllr. TJ Nsele Ward 10 Councillor	 18. Cllr. SC Ngcobo Ward 11 Councillor
 19. Cllr T.M Ndwandwe Ward 17 Councillor	 20. Cllr. MA Mtshali Ward 13 Councillor	 21. Cllr. SM Mbatha Ward 14 Councillor
 22. Cllr TN Mthethwa	 23. Cllr. MD Ndwandwe	 24. Cllr. ZS Hlongwa

Ward 16 Councillor	Ward 12 Councillor	Ward 19 Councillor
 25. Cllr P. Nhleko Ward 20 Councillor	 26. Cllr. KM Mtshali Ward 21 Councillor	 27. Cllr. NM Mkhwanazi PR Councillor (MPAC Chair)
 28. Cllr J.Z. Zungu PR Councillor	 29. Cllr. RZ Buthelezi PR Councillor	 30. Cllr. VB Zulu PR Councillor
 31. Cllr B.H. Sithole PR Councillor	 32. Cllr. LN Buthelezi PR Councillor	 33. Cllr. LN Mdluli PR Councillor
 34. Cllr N.P Mlambo PR Councillor	 35. Cllr. PM Xhakaza PR Councillor	 36. Cllr. SC Ndwandwe PR Councillor
 37. Cllr S.K Hadebe PR Councillor	 38. Cllr ZN Sithole PR Councillor	 39. Cllr. NS Magwaza PR Councillor
 40. Cllr E.M Masango	 41. Cllr. S Nxumalo	 42. Cllr. D Nxumalo

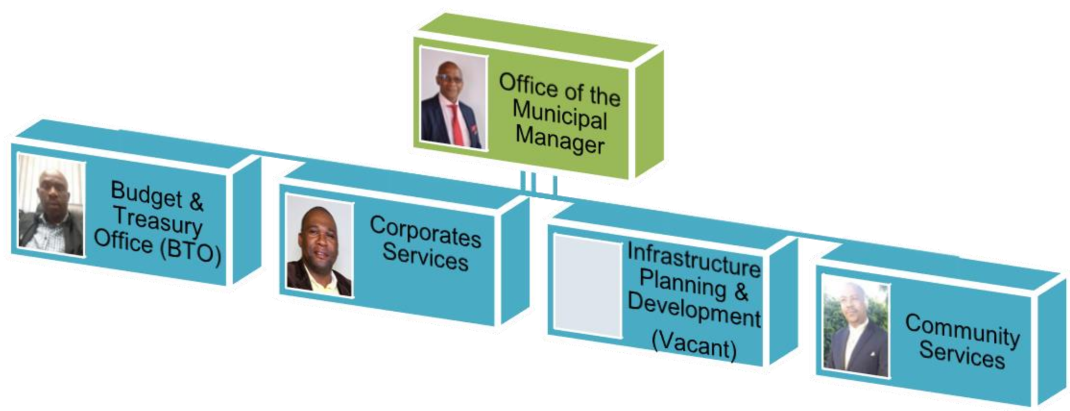
PR Councillor	PR Councillor	PR Councillor

2.2. ADMINISTRATIVE STRUCTURE OF THE MUNICIPALITY

The municipal organizational structure is headed by the municipal manager who is supported by directors. Subsequent to the recent organizational restructuring; the municipality reduced its number of departments from 5 to 4. Planning & Infrastructure Development emerged as a new department. This, after the merger between Technical and Planning & Economic Development Services. The administration structure consists of the following departments and Units: headed by Municipal Manager.

- Corporate Services
- Finance Department
- Community Services
- Planning and Infrastructure Development

Top Management Structure



OFFICE OF THE MUNICIPAL MANAGER

Municipal Manager: Mr. M.B. Mnguni

The Office of the Manager is headed by the Accounting Officer, i.e. the Municipal Manager. At the time of the adoption of the 2019/2020 IDP, the Municipal Manager had not commenced with his duties.

The Office has 5 Units:

- MM's Office
- Mayoral Support
- Public Participation & Communications
- IDP & PMS
- Internal Audit

CORPORATE SERVICES

Director: Corporate Services:
Mr ME Sithole

The Corporate Services Department is the portal of entry and exit in the municipality. It provides support to all the departments within the municipality in the sense that it drives the organogram development, creation of posts and review, champions the recruitment process, conducts induction to new recruits, advises on employee placement, drives skills development programmes so that an employee is able to perform to his/her level best, provides advice to management on disciplinary processes, administers employee benefits and when all is done, issues an instruction to Finance to terminate an employee from the system.

The functions under Corporate Services are as follows:

Human Resources Management:	− Recruitment, induction, placement; − Skills Development and capacity building both internal and external; − Cllrs and Employee benefits administration; − Leave administration; − Labour relations; − Employment Equity
Legal Services:	− Litigations

	− Labour issues − Contract Management (drafting)
Health and Wellness:	− Occupational Health and Safety − Employee Assistance Programme
Information Communication Technology:	− Electronic Records Management − Server Backup − IT Infrastructure Management − IT Support.
Administration and Auxiliary Services:	− Records Management − Switchboard
Policies and Procedures:	- Policy Administration - Policy Implementation - Legislative Compliance

FINANCIAL SERVICES	
 CFO: Budget & Treasury Office: Mr. M.M. Zungu	The BTO Department renders the following services through our Finance Department, to both our internal and external customers: Municipal expenditures Procurement of goods and services Revenue collection The department has the following units: Expenditure Management Revenue management Supply Chain Management Assets Management Budget and financial reporting
COMMUNITY SERVICES	

Director: Disaster, Protection & Social Services: Mr. I.R. Barnes

The DP&SS Department renders the following services:

- Traffic and Licensing
- By – law enforcement
- Library and Information
- Waste Management
- Disaster Management
- Public Safety
- Emergency Management

The department has the following units:

- Traffic & Protection
- Fire & Disaster Management
- Social Services

PLANNING & INFRASTRUCTURE DEVELOPMENT

Acting Director: Planning & Infrastructure Development: Mr. M. Khumalo

The department renders the following services:

- Spatial Planning
- Environmental planning a management
- Geographic Information System
- Business Licensing
- Project Management
- Roads and Storm Water Drainage Services
- Electricity Infrastructure development and maintenance

Based on the revised organogram, the department has 5 units as shown below:

- Spatial Planning
- LED & Tourism
- Project Management (PMU)
- Housing
- Operations & Maintenance

CHAPTER. 3: PERFORMANCE HIGHLIGHTS

3.1. CORPORATE SERVICES

Nongoma municipality's Corporate Services Department as a portal of entry and exit in the organization, serves as the support department to other departments in terms of ensuring that there is capacity both in terms of manpower and skills. In terms of its powers and functions, the municipality has the following departments:

- Office of the Municipal Manager
- Corporate Services
- Finance/Budget and Treasury Office
- Community Services
- Planning and Infrastructure Development Services

This department (Corporate Services) comprises the following Sections:-

- Human Resources Management Unit
- Human Resources Development Unit
- Administration, ICT & Auxiliary Services Unit
- Legal & Labour Relations Unit

The department had indicators that cut across all but one National Key Performance Indicators (KPIs). The department had as its main key performance areas; Municipal Transformation & Institutional development and Good Governance & Public Participation.

In terms of Municipal Transformation & Institutional Development KPA; there was a notable improvement from the previous financial year, wherein there was resuscitation and regular sitting of Human Resource committees. There was also an improvement in terms of coordination of ICT Steering committee meetings, whose poor functionality has been one of the findings raised by the AG in the 2019/2020 AG report.

The department achieved all its targets on Good Governance & Public Participation KPA. As been indicated above, this KPA is one of the two central KPAs the department was reporting on. All council committee meetings were coordinated and held accordingly.

3.1.1. ORGANISATIONAL DEVELOPMENT

Nongoma municipal council initially adopted its reviewed organogram in 28 May 2021. The main reason for the review was to give effect to the council resolution relating to the merger of Planning & Economic Services and Technical Service departments. The 2nd review of the organogram has been scheduled in line with the adoption of the reviewed IDP in 30 May 2021.

The review of the organogram was deemed necessary to ensure that it fully address the municipal response to the needs and challenges of the municipality.

Findings on the Organisational Analysis

In analysing the organisational structure it become evident that the structure was due for an overall review and that the organisation needs to be restructured to achieve its strategic and IDP objectives. The analysis highlighted the following differences.

- The current structure did not reflect the strategic and IDP priorities of the Municipality. The structure also did not support the implementation of the IDP and SDBIP and therefore made the implementation of this IDP and spending of the budget difficult.
- Because of the above the organisational structure was more geared towards the implementation of institutional and organisational needs than external services delivery.
- The current organisational structure does not reflect all the organisational changes and staff movements that took place over the past couple of years.
- The structure stifled cross-departmental communication and cooperation and as such
    - Auxiliary Services falls within Social Services Unit (Under Community Services Department), yet cleaning of municipal offices is supposed to be a Corporate Services function.
- Functions are wrongly placed within departments, not allowing optimum and effective organisational functioning. There is for an example an official responsible for office building maintenance, yet the official reports and is located to Records Management Unit.

The following changes and movements were effected as a result of the reviewed organisational structure.

1. List of New Units in the Proposed Organisational Structure

DEPARTMENT	UNIT
Corporate Services	– Human Resource Development & Individual Performance Management System (HRD & IPMS) Unit

Financial Services (BTO)	- Supply Chain Management & Expenditure Control Unit - Asset & Fleet Management Unit
Development Planning & Infrastructure Development Services	- Housing & Building Control Unit
Community Services	Pound Management Unit

2. List of movements in the Proposed Organisational Structure

INCUMBENT	MOVED FROM	MOVED TO
IDP/PMS Clerk	Office of the Municipal Manager	Social Services (Pound Ranger)
Yard Cleaner	Corporate Services	Social Services (Pound Ranger)
Fleet Management Officer	Corporate Services	Finance (BTO)
Fleet Management Clerk	Corporate Services	Finance (BTO)
Cyber Cadets	Social Services	Corporate Services
Handyman	Planning & Infrastructure Development	Planning & Infrastructure Development (as Plant Operator)

3. List of New Posts in the Organisational Structure

DEPARTMENT	POST
Office of the Municipal Manager (MM)	Executive Secretary Office of the Mayor (Vacant)
Corporate Services	– Registry Clerk (HR) – HR Clerk Benefit/EPWP – Legal/Labour Relations Practitioner – Manager: HRD – HRD Officer – IPMS Officer
Financial Services (BTO)	None
Planning & Economic Development Services	None
Community Services	– Pound Management Officer – Pound Rangers (X6) – Chief Licensing Services – Chief Fire Officer

4. List of abolished posts in the new organisational Structure

DEPARTMENT	POST
Office of the Municipal Manager (MM)	None
Corporate Services	None
Financial Services (BTO)	None
Planning & Infrastructure Development	Assistant Electrician (The incumbent retired)
Community Services	- Manager: Housing - Refuse Collectors X02 (The incumbents retired)

3.1.2. HUMAN RESOURCES MANAGEMENT & DEVELOPMENT

3.1.2.1. JOB EVALUATION

The improvement in communication between the municipality and the evaluation committee resulted in the resuscitation of the job evaluation process for Nongoma municipality during September 2021. This culminated into the finalisation of the Job Evaluation process for Nongoma municipality, nine months later (June 2021).

This was a remarkable milestone for Corporates Services to have received a final outcome of T.A.S.K Job Evaluation report after a period of more than five years; taking into consideration that the department has been for the better part of the financial year operating with acting officials on some key posts, namely, HOD and Manager: Human Resource Management.

The report compels municipality to implement T.A.S.K system as it comprises task grade for all posts submitted to JEU with organizational structure. So far the results are confidential until the Municipal Manager has agreed on the implementation plan.

Therefore, effective date of implementation would be determined by the Council after the adoption of the Final Report Outcome. Thereafter, employees should be furnished with audited outcome for the positions they occupied once the Accounting Officer has agreed on the implementation plan. If any employee is dissatisfied with outcome, may lodge appeal through the submission of Task Review Application on a prescribed form using a prescribed form with the period of 30 days from the date of notification of the results by the Municipal Manager.

The implementation process will proceed to those with no objection, provided that municipality has implementation plan considering financial implications.

Apparently, the outcome report displays that majority of positions in the municipality will remain as personal holder in terms of remuneration task grading. That means employees' salaries are more than what is expected to their task grades. Therefore, less than 20% of employees will have costs implications for task implementation.

3.1.2.2. EMPLOYEE EXPENDITURE & COMPENSATION

The municipality's intention is to meet or exceed labour market rates to attract required scarce skills and talent. It is for this reason the municipality has embarked on a Job Evaluation exercise for proper grading of posts.

On July 01, 2020, employees below senior managers received an annual increment of 6.5% as per SALGBC Wage and Salary Collective Agreement.

In terms of administration of employees and councillors' pension funds, the status is as follows:

- GEPF (01)
- NJMPF (213)
- SALA (32), and
- MCPF (40) for Councillors.

Employer Expenditure in the financial year under review is as follows:

Description	Employer Contributions	Salaries
Salaries for Officials	R17 987 873	R85 442 171
Salaries for Councillors	R927 173	R13 123 334

3.1.2.3. HUMAN RESOURCE STRATEGY

Human Resources Strategy forms an integral part of the municipal Integrated Development Plan (IDP) to proper assess HRM capacity, identifying gaps and forecasting future demand and supply of the workforce.HR Strategy enables municipality to strategically review and develop human capital management value chains that will appropriately fit into organisational culture in consideration of environmental changing forces.

The Nongoma municipality Human Resource Strategy was tabled and adopted by its Council in 30 June 2021. Nongoma municipality through its Human Resource Strategy is committed in ensuring that the municipality has the necessary human resource capacity that is aligned to the long-term development plans of the Nongoma Local Municipality.

The HR Strategy has detailed the roles and responsibilities of all key municipal departments on how they should perform their duties to achieve the desired goal and objectives of the municipality. It also provides direction on how staff should continuously be capacitated.

Based on the 2020/2021 SDBIP, Corporate Service ought to have tabled to council 2 bi-annual reports on the implementation of the municipal Human Resource Strategy, i.e. HR Functionality Assessment reporting. All reports were tabled.

3.1.2.4. HUMAN RESOURCE POLICIES

Corporate Service had as one of its Key Performance Indicators, development and review of HR-related policies. The following HR policies were reviewed, tabled and adopted by the council in 31 March 2021

- Recruitment and Selection
- Induction and Orientation
- Health and Safety
- Employment Equity
- Leave Policy
- Training and Development
- Employee Assistance Programme

The following HR policies were reviewed, tabled and adopted by the council in 31 March 2021

- EPWP Policy
- Workplace Plan Covid-19 Policy
- Acting Policy
- Remuneration
- Car Allowance
- Rental Housing
- Individual Performance Management Policy

3.1.3. COORDINATION OF HUMAN RESOURCE AND LABOUR RELATIONS MEETINGS

Corporate Services is responsible for coordination of the following HR and LR engagements:

- Human Resource Development Committee meetings
- Local Labour Forum (LLF) meetings
- Employment Equity Committee meetings, and
- Occupational Health & Safety Committee meetings

All these meetings are in terms of their respective Terms of References (ToRs) to be held once a quarter. As such the initial target around these meetings was to conduct them once per quarter.

Local Labour Forum Meetings: This is one of the HR Committees that have been resuscitated during the financial year under review. All quarterly meetings had been convened, and a number of ad hoc meetings were conducted which is an indication that the LLF was functional. New Terms of References were adopted and appointment of members was made in terms of the collective agreement, and in line with the number of employee the organization had, an 8-aside member was applied in the appointment of LLF members.

Human Resource Development Committee meetings: The municipality has a HRD Committee in place. Despite having met 3 out of four times in the financial year under review; the committee is functional. The purpose of the committee was to oversee all training and development issues, including:

- Workplace Skills Plan processes;
- Annual Training report rectification;
- Employment Equity issues;
- Bursary management;
- Learnership and Internship program management

Representation of the committee comprised of all line managers representing all departments.

3.1.4. ADMIN SERVICES & OCCUPATIONAL HEALTH AND SAFETY (OHS)

3.1.4.1. ADMIN SERVICES

1. Office Space

Office space remains a challenge in the municipality, considering that there are some officials that share offices; making it difficult for the municipality to comply in terms of covid-19 1.5 metre social distancing regulation.

In the financial under review, having completed the renovation of the newly acquired building, the municipality moved its community services department form the offices which have been for the past years, been rented at a cost of about R45 000.00 per month, to the municipal owned building; thus ensuring a savings of about half a million a year in rental.

The municipality also acquired and started renovating a building adjacent to the Nongoma LM main offices. The building was at the end of the financial year, being renovated and will house the Traffic Section of the Community Services department. Initially, the building had been earmarked for office space. However, upon realizing that it could be a suitable location for the DLTC; the building had to be reconfigured to meet the specification requirements for the DLTC. The building will provide a much needed office space especially in the main building, for the relocation of licensing from the main building would provide offices for other departments in the building.

3.1.4.2. OCCUPATIONAL HEALTH AND SAFETY (OHS)

The outbreak of the COVID-19 pandemic had a significant impact on the approaches to Occupational Health & Safety in every municipal workplace, in that it has elevated the importance of OHS in the municipalities.

The advent of COVID-19 coupled by the introduction of various Ministerial Directives imposes a paradigm shift and step change on the municipal OHS management approaches, system and attitude. The municipal sector is definitely on the cusp of the new normal when it comes to the OHS.

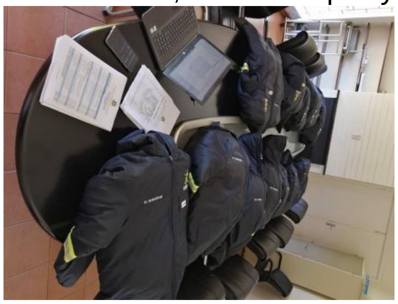
This unique challenge is over and above statutory obligations generally set for municipalities as employers in terms of the Occupational Health and Safety Act, No. 85 of 1993 (the OHSA). While acknowledging this as a daunting task, it offers opportunities for organizational renewal and transformational change in our municipal employee engagement and wellness value proposition.

It was indicated by Internal Audit that Nongoma municipality did not have and need to undertake a risk assessment to give effect to a COVID - ready workplace. A COVID - 19 ready workplace is characterized by a completed COVID - 19 Workplace Plan that is certified by the DEL (as per Annexure E, Regulation 16(6) (a - d) of the Disaster Management Act, 2002, Regulations issued under Government Notice No, 43258 on 29 April 2019. It should be noted that in the financial year under review, Nongoma municipality developed its Covid-19 Workplace Plan and Policy, which among others articulated the following:

- A formal assignment of the risk assessment and coordination responsibility by a Municipal Manager, to a risk manager or officer who must work together with the health and safety management team of the municipality.
- Submission of the risk assessment conducted together with a written policy to DEL and confirmation of the established Health and Safety Committee of the municipality.
- Notification of employees about the contents of the Ministerial Directives and how a municipality intends to implement such directives.
- Notification of employees that if they are sick or have COVID - 19 symptoms they must not come to work;
- Appointment of a manager in the workplace to address employee or workplace concerns.
- Creation of employee awareness in any form or manner, and
- A demonstrable undertaking by the employer that there will be strict compliance with the risk assessment plan through monitoring and supervision.

3.1.4.3. PROCUREMENT OF PERSONAL PROTECTIVE EQUIPMENT (PPE)

Procurement of PPE in the municipality rests with Corporate Services Department. Departments in need of PPE submit to Corporate Services their respective specifications. In the financial year under review, the municipality had set aside a budget amounting to R840 000.00 for protective clothing which was for the following:



- R250 000 for Waste Management & Technical;
- R250 000 for Traffic Section;
- R250 000 for Disaster personnel;
- R60 000 for Office Cleaners;
- R30 000 for OHS Reps

3.1.4.4. COVID-19 MASS-TESTING OF EMPLOYEES AND COUNCILLORS

In the period under review, Nongoma municipality conducted 3 Covid-19 mass-testing of its employees and councilors. It should be noted that both testing were somehow reactionary in that they were organized as a result of a couple of reported cases within the municipality. While unfortunately the municipality has lost some employees through the covid-19 pandemic, the recovery rate has been very high. While almost half of the staff compliments has tested positive in the financial year under review, four employees succumbed to the disease.

3.1.4.5. COORDINATION OF OCCUPATIONAL HEALTH & SAFETY COMMITTEE MEETINGS

Health and Safety committee in terms of Nongoma Local Municipality SDBIP meets once per quarter so in a year a minimum of four meetings should be held. Due to the Covid-19 Pandemic the committee had to meet on monthly basis. The committee successfully distributed PPE to employees as well as Councillors. Central to the OHS Committee are Health & Safety Reps that are representing all departments within the municipality. These Health & Safety Reps ensure compliance with OHS in their respective departments.

The most challenging issue before the committee is the non-contribution to the Compensation fund by Nongoma Local Municipality, and delayed reporting of injuries on duty.

3.1.5. EMPLOYMENT EQUITY PLAN

In accordance with the Employment Equity Act (55 of 1998) the municipality has an Employment Equity Plan (EEP). In line with the Employment Equity Plan, the municipality submitted its Employment Equity Report to the Department of Employment and Labour on the 15th of January 2021.

The main objective of the Employment Equity Plan is mainly on achieving transformation and equality in the workplace by promoting equal opportunity and fair treatment in the employment through the elimination of unfair discrimination.

While it is noted that the duties of the EE Senior Manager are normally delegated to HOD: Corporate Services, during the financial year under review, post for the HOD: Corporate Services Department was vacant and had been filled on an interim basis. As such, the municipality had since appointed the appointment of the Acting Head of Department: Corporate Services, Mr. G.A. Ndaba as the Employment Equity Manager for the duration of his tenure. The new HOD had been appointed by the end of the financial year under review, and as such, would be appointed as EE Senior Manager in the new financial year, i.e. upon resumption of his duties.

3.1.5.1. Employment Equity status and coordination

The municipal Employment Equity committee is functional. In the financial year under review, the committee held it quarterly meetings on 3 occasions. In terms of Section 19 of the Employment Equity Act, 55 of 1998 every employer conduct an analysis of the workforce profile to determine the degree of under- representation of the various groups in terms of race, gender and disability and per occupational level. The municipality indicated on SDBIP 20/21 that EE Committee will convene every quarter to provide the progress of the EEP and further report and provide the employer recommendations in terms of Section 20 of the indicated Act, i.e affirmative action measures to be implemented for the duration of the EEP (3- year)

It appears that there were no notable changes in terms of EE, since there was no new introduction of female representative in the top management. The position of the HOD Corporate which has been vacant for the better part of the financial year, could not attract female candidates, despite it being re-advertised with a clause that encourages female applicants to apply.

While every designed employer has an obligation to employ people with disability (PWD), i.e. at least 1 percent of staff compliments. Currently Nongoma Local Municipality still has two employees with EEA1 (PWD) out of 267, which make 0.7%. Therefore, this means that employer needs to pay attention to comply with legislation. In terms of statistical race, its 99% black, 1% colored, 0% white and 0% Indian.

The following table summarizes the demographic profile of employees.

Occupational Level	Male				Female				PWD		Foreign National		Total
	A	C	I	W	A	C	I	W	M	F	M	F	
Top Management	2	1											3
Middle Management	10				5								15
Professionals	22				29								51
Skilled Technical	47				15					1			63
Semi-Skilled	16	1			24	1							42
Unskilled	38				51								89
Grand Total	135	2			124	1				1			263

3.1.6. FILLING OF CRITICAL POSTS

As per its reviewed organogram, Nongoma municipality has 5 critical posts. While the post for the HOD: Corporate Services was filled right at the end of the 2020/2021 FY as it was approved by the council on its last sitting; a vacancy had been created following the resignation of the HODP: Planning & Infrastructure Development. By the end of the financial year under review, the post had been advertised and shortlisting conducted. It is envisaged that the post would be filled in the 1st quarter of the 2021/2022 FY. It should be noted that the municipality had once again failed to attract female candidates for the position. This implies that all critical posts in the municipality would be filled by male incumbents.

In line with its Employment Equity Policy, the gender representation in the management level is herein articulated:

Male	Female
Municipal Manager	Manager – Budget
Chief Financial Officer	Manager- Revenue
Community Services – HOD	Manager – Assets & Fleet
HOD – Corporates Services	Manager – Social Services

Manager: Risk & Compliance	Manager- Legal & Labour Relations
Manager- SCM & Expenditure control	Manager- Public Participation
Manager –IDP/PMS	Manager- Mayoral Support
Manager – HRM	Assistant Manager – HRD
Manager – LED/Tourism	
Manager – Disaster & Fire	
Manager – Community Safety and Security	
Manager – PMU	
Manager – Administration, ICT & Auxiliary	
Assistant Manager – ICT	
Assistant Manager – Environmental & GIS	

In the period under review, the municipality was involved in 8 engagements with new employees across 3 departments, i.e. Treasury (4), Community Services (3) and Corporate Services (1).

Employee	Department	Engagement Date	Occupation
Miss L Nene	Treasury	2020/08/01	Financial Management Intern
Mr NM Nzimakwe	Corporate Services	2020/11/01	ICT Helpdesk Clerk
Miss NC Nxumalo	Treasury	2020/11/01	Assistant Accountant
Mr VM Vilakazi	Community Services	2021/01/01	Body Guard
Miss S Mncwango	Treasury	2021/03/15	Financial Management Intern
Mr SM Ntanzi	Treasury	2021/03/15	Financial Management Intern
Miss SC Mthembu	Community Services	2021/05/01	Traffic Warden
Mr MV Mnisi	Community Services	2021/06/01	Driver-Speaker

There were also 21 terminations, which ranged from:

- Resignation: 05
- Dismissal: 01
- Pensioned: 05
- Retired: 02
- Deceased: 05
- Contract Expired: 02
- Permanent Employment: 01

The following are the list of terminations that occurred in the 2020/2021 FY:

Employee	Department	Engagement Date	Termination Date	Reason	Occupation
MRS JD Ndaba	Community Services	1990/04/01	2020/07/07	Deceased	Slasher
MRS NHM Dladla	Corporate Services	2018/05/01	2020/07/17	Deceased	H.O.D- Corporate Services
MISS MS Thabede	Treasury	2014/12/01	2020/08/31	Resigned	Payroll Administrator
MS NC Nxumalo	Treasury	2020/01/06	2020/10/31	Permanent Employment	Financial Management Intern
MR A Sangweni	Technical Services	2011/09/01	2020/10/31	Contract expired	Temporal Plant Operator
MR SEM Mataba	Community Services	2014/03/31	2020/12/01	Dismissal	Library attendant
MISS NL Dlamini	Treasury	2014/05/30	2020/12/26	Deceased	Accountant Expenditure
MR MA Qwabe	Community Services	2008/06/01	2020/12/31	Pensioned	Garden parks
MS ET Zulu	Community Services	1990/04/01	2020/12/31	Pensioned	Toilet cleaner
MISS NN Mthunzi	Community Services	1993/05/01	2020/12/31	Pensioned	Street cleaner
MR MR Qwabe	Community Services	2008/06/01	2020/12/31	Pensioned	Refuse removal
MS TV Mabanga	Community Services	2004/10/01	2020/12/31	Pensioned	Office cleaner
MISS TP Msimango	Community Services	2013/06/01	2021/01/06	Resigned	Traffic officer
MR BA Ndwande	Community Services	2012/05/01	2021/02/28	Retired	Peace officer
MISS NT Buthelezi	Community Services	2013/09/01	2021/03/01	Deceased	Refuse removal
MR ZG Gazu	Community Services	2015/11/01	2021/03/16	Resigned	Refuse removal
MR KS Ndwandwe	Community Services	2017/11/01	2021/04/02	Deceased	Peace officer
MR N Sawyerr	TECH SERV	2020/09/01	2021/04/30	Resigned	Director technical
MS SS Kweleta	Community Services	2006/07/17	2021/05/01	Contract expired	Temp traffic warden
MR BZ Cebekhulu	TECH SERV	1990/03/01	2021/05/31	Retired	Assistant electrician
MR MN Buthelezi	Community Services	2019/08/01	2021/06/04	Resigned	Body guard

3.1.7. SKILLS DEVELOPMENT

3.1.7.1. Workplace Skills Plan

A shoestring budget (R200 000) had been allocated for training and development of entire municipality staff and councillors. The allocated amount was extremely limited, such that it was exhausted by the end of the 1st quarter. It should be noted that the municipality is not in compliance with the Skills Development Levies Act, in that it does not provide at least 1% percent of the payroll for training purposes.

3.1.7.2. 2-Day Change Management Capacity Building workshop

Nongoma municipality through its Human Resource Management Unit secured the services of eThekwini municipality's Human Resource Development team to facilitate a Change Management Workshop for the Nongoma Extended MANCO.

The workshop was recommended through a Risk Management exercise that was conducted on human resources. Given a lot of changes over the years in the organisation, it was suggested Extended MANCO needed to undergo a Change Management Workshop for them to accept and adapt the changes the organisation was going through, be it political or and administrative. The delegates who participated in the workshop were all delighted and thankful to the facilitators who excellently presented and professionally engaged them on various aspects of Change Management. The workshop was an eye-opener for the delegate and there is now evidence of lessons learned, given the manner in which some officials are applying themselves at work.

Other skills development programme for the employed including councillors that were conducted in the 2020/2021 FY are indicated below:

LEARNING PROGRAMME	TARGET BENEFICIARY	DURATION	NO. OF BENEFICIARY	SERVICE PROVIDER	FUNDER
Essentials for business start-ups	Councillors	2-days course	23	UKZN Extended Learning	NONGOMA LM
Skills Audit	Municipal Officials	1 Day	01	COGTA	COGTA
WSP Support workshop	Municipal Officials	1 Day	01	Athena	LGSETA
PayDay	Municipal Officials	3 Days	10	PayDay	PayDay
Skill Audit data analysis	Municipal Officials	1 Day	01	COGTA	COGTA

Municipal Management Programme	Municipal Officials	4 Day	06	FASCH	FASCH
Disaster Management: Vehicle Extrication Training	Municipal Officials	5 Days	08	Rural Metro	Nongoma LM
Disaster Management: First Aid Level 3	Municipal Officials	3 Days	13	Rural Metro	Nongoma

3.1.7.3. Skills Development for the unemployed

True to its commitment of promoting women and youth emancipation; Nongoma municipality continued with its skills development programme targeted to women and youth in particular. Various skill development training programmes for the unemployed were secured by the municipality in the period under review. One programme was the Skills Training on Wholesale & Retail Operations for 2 unemployed youth. During the programme, the youth were placed at various retailers and wholesalers around Nongoma town for practical exposure and experience. Most youths have since been absorbed by local retailers such as Ingonyama Spar and Boxer supermarket.

Other skills development programmes for the unemployed that were conducted in the 2020/2021 FY are articulated herein under:

LEARNING PROGRAMME	TARGET BENEFICIARY	DURATION	NO. OF BENEFICIARY	SERVICE PROVIDER	FUNDER	STIPEND
Community Development-Internship	Unemployed	12 Months	10	LGSETA	LGSETA	R3500
ICT- Internship	Unemployed	12 Months	7	Mntambo Financial Consulting	MICTSeta	R3800
Business administration NQF Level 2	Disabled Unemployed	12 Months	25	Athena	SSETA	R2500
Wholesale and Retail Operations	Unemployed	12 Months	25	Pioneer Consulting	NSA	R2000

3.1.7.4. Implementation of Mayoral Bursary and Registration Scheme 2021

The issue of registration fees to universities is still challenge regardless of Free Education for all regulation, thus causes the increased number of protests in universities during registration season as the student representatives attempt to fight for student rights for education. It is therefore, municipality offers such scheme of registration fees to intervene in building capacity of career development in youth of Nongoma.

In responding to the National KPA which Institutional Development, Nongoma Municipality has committed yearly provision budget to fund first year students with universities registration fees. In the financial year under review, the municipality provided 60 beneficiaries with registration fees amounting to R5000.00 per student.

The municipality also processed payment of tertiary tuition fees for the 5 beneficiaries. The students are in their second year in terms of studies, and the municipality has committed itself to annually provide them with the tuition fees until the completion of their studies. The students are provided an annual tuition of R25 000.00 each.

3.1.8. EMPLOYEE ASSISTANCE PROGRAMME (EAP)

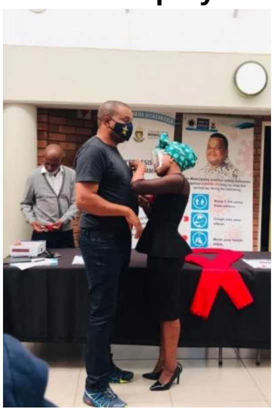
3.1.8.1. WELLNESS SUPPORT PROGRAMME

In the financial year under review, the municipality had planned 4 Wellness Support programmes, i.e:

- Employee Wellness Day
- Aerobics Day
- Employee HIV/AIDS Awareness Day, and as per the revised target,
- Covid-19 Screening and testing Drive,

All 4 Wellness Support programmes (Employee Wellness Day, Covid-19 Screening and testing Drive, Aerobics Day, and Employee HIV/AIDS Awareness Day) were conducted and achieved as planned by 30 June 2020.

3.1.8.2. Employee HIV/AIDS Awareness Day



In line with the commemoration of the World AIDS day (01 December); Nongoma municipality conducted its Employee HIV/AIDS Awareness Day on the 02 December 2020. This has become an annual phenomenon in the municipality, and it was aimed at encouraging responsible behavior among the employees, while at the same time destigmatizing the myths around people infected with HIV/AIDS. While the proceedings started with the singing of the national anthem and a prayer; the Acting HOD: Corporate Service provided a key note address. The proceedings culminated in the lighting of candles and making of a human AIDS ribbon as a symbol of remembrance of those that have perished through HIV/AIDS pandemic; and at a same time demonstrating support for those infected and affected by the pandemic.

3.1.8.3. Nongoma municipal staff FunWalk/Run Wellness Day

As part of its quarterly wellness programme, the municipality conducted a 10 KM FunWalk/Run on 23rd of April 2021. Almost half of the municipal staff and councillors participated in the event. The purpose of the Fun Run/Walk session was to promote healthy lifestyle to the municipal employees and councillors during critical times of Covid-19. It was sponsored by Local Ingonyama Spar supermarket, FNB.

The participants included officials and councillors from all age groups; these include officials in the ages between 50 and 60 years of age. Arrangement of Section 4 was made; as such an Ambulance, Traffic and Security cluster including SAPS were visibly present during the event.

The Hon. Mayor of Nongoma municipality delivered key notes and expressed his gratitude to the sponsors of the event, and also encouraged officials to continue organising wellness activities for they contribute towards positive working relations among employees and councillors. He highlighted the importance of such activities in ensuring active and healthy relations among not only the employees but also the councillors. All participants who finished the race were presented with medals and goodies from the sponsors.

3.1.8.4. COUNCIL SUPPORT, INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) & REGISTRY

The unit is responsible for coordination of council committee meetings, preparing of Council agendas Council Minutes and filling of all the Council committee records. It is also responsible for distribution of incoming & outgoing mails, manage telephone & printing services. The advent of COVID-19 coupled by the introduction of various Ministerial Directives imposes a paradigm shift on the sittings of council committee meetings.

This has seen a shift from traditional face-to-face sittings to online platforms such as Zoom, Microsoft Team, Skype etc. As such the ICT has been an important feature in the coordination of not just council committee meetings, but also MANCCO meetings and how the municipality communicated with its stakeholders.

1. Coordination of Council committee meetings

All Council committee in the financial year under review were functional. This is evident considering that all committee meetings were conducted accordingly, and no meeting had to be abandoned as a result of disagreement between the members. There were 45 portfolio committee meetings (15 per quarter) conducted in the 1st three quarters of the financial years. Due to the reduction of department as a result of a merger between Technical Services and Planning & Economic Development, meetings per quarter were reduced from 15 to 12, thus equalling 36 meetings in the last quarter of the financial year.

EXCO meetings were conducted monthly as per the council-approved schedule. As such, there were 12 EXCO meetings conducted in the financial year under review. According the council-approved schedule of meetings; council meetings would have been conducted 4 times in the period under review. Instead, seven council meetings were conducted by 30 June 202.

The municipality also conducted 5 MPAC meetings by 30 June 2021; an indication that the MPAC was indeed function in the financial year under review.

ICT Office has been central in virtually hosting and ensuring that all council committee meetings were conducted accordingly. Various activities had been put in place to ensure that the network could handle the volume of connectivity associated with conducting various council committee meetings. One such activity was the installation of a fibre that increased the connectivity power and ensuring uninterrupted connectivity during meetings.

2. Coordination of ICT Steering Committee

One of the findings by the Auditor General on the 2019/2020 AG report was the non-functionality of the ICT Steering Committee. The ICT Steering committee has been resuscitated and functional such that all quarterly meetings earmarked for the financial year under review were conducted. The steering committee ensure that the municipality addressed the following issues raised by AG and IA on ICT:

– **The municipality conducted an ICT Risk Management exercise**: Information Technology is pervasive and thus the most critical resource within Nongoma Local Municipality. Further, the Municipality is highly dependent on information technology and therefore information systems are a critical enabler of organizational strategy. The main goal of IT risk management is to enhance the confidentiality, integrity, and availability (CIA) of Nongoma Local Municipality information assets.

- **Filling of vacant posts within ICT**: The municipality has since filled the 2 posts, i.e. ICT Manager and One Helpdesk Technician. There has since been a vacancy in that the ICT Assistant Manager was one of the two ICT Officers. Therefore a vacancy has since been created as a result.
- **Having a back-up server outside the vicinity of Nongoma and Testing of Disaster Recovery Plan**: A finding was raised by the AG that Disaster Recovery Plan was not tested. As a result, a back-up server was procured and an agreement was reached with Jozini Municipality to house Nongoma back-up server, which would allow Nongoma municipality to access its system from Jozini LM offices in case of a disaster in the Nongoma municipal offices. Having successfully installed the back-up server; on the 30^{th} of June 2021, a test for recovery plan was conducted as the plan dictates.

3.2. OFFICE OF THE MUNICIPAL MANAGER

The Service Delivery Charter & Standards (SDC&S) and Service Delivery Improvement Plan (SDIP) for Nongoma municipality were first developed and adopted in 30 May 2019. Subsequent to developing and adoption of the Service Delivery Charter & Standards (SDC&S) and Service Delivery Improvement Plan (SDIP) in 30 May 2019 as part of ensuring the institutionalization of "Batho Pele" principles; the municipality ensured, through the SDIP and SDC&S), the implementation of Batho Pele in the institution. These 2 Batho-Pele related plans were reviewed in line with the 2020/2021 Reviewed IDP.

3.2.1. BATHO PELE POLICY AND PROCEDURE MANUAL

The Batho Pele Policy and Procedure Manual is based on the following Batho Pele principles:

In carrying out their duties, public servants are guided by the following Batho Pele principles:

1) **Consultation:** Citizens should be consulted about the level and quality of the public services they receive and, wherever possible, should be given a choice regarding the services offered;
2) **Service Standards:** Citizens should be told what level and quality of public service they will receive so that they are aware of what to expect;
3) **Access:** All citizens have equal access to the services to which they are entitled;
4) **Courtesy:** Citizens should be treated with courtesy and consideration;
5) **Information:** Citizens should be given full, accurate information about the public services to which they are entitled;
6) **Openness and transparency:** Citizens should be told how national and provincial departments are run, how much they cost, and who is in charge;
7) **Redress:** If the promised standard of service is not delivered, citizens should be offered an apology, a full explanation and a speedy and effective remedy; and when complaints are made, citizens should receive a sympathetic, positive response;
8) **Value for money:** Public services should be provided economically and efficiently in order to give citizens the best possible value for money;
9) **Encouraging Innovation and Rewarding Excellence:** Rewarding the staff who go an extra mile to make things happen and encourage partnership to with different sectors to improve service delivery. Embrace new innovative ways of doing things. ***This has seen the process of cascading Performance management to Managers below Section 54/56 Managers introduced as of the 1st of January 2019. While the municipality has set aside a budget portion for rewarding staff that performed exceptionally; rewarding of good and exceptional performance will only commence in the***

2021/2022 FY, when performance management system has been cascaded to all municipal employees FY.

10) **Service Delivery Impact:** the Municipality shall measure and report regularly, using the sum total of all Batho Pele initiatives, the impact of the Batho Pele service delivery on the lives of the inhabitants of Nongoma Municipality.
11) **Leadership and Strategic Direction:** It is envisaged that Municipal leaders shall create an atmosphere that conducive for creativity by staff within the Municipality.

3.2.2. SERVICE DELIVERY IMPROVEMENT PLAN (SDIP)

The Service Delivery Improvement Plan (SDIP) is a tool to enhance the Municipality's daily operations to achieve better service delivery to its communities. The SDIP as a tool, as with any other rigorous reporting instrument would contribute towards measuring the improvement of the service delivery of Nongoma municipality, for it would point out the municipality's shortcomings and weaknesses.

In the 2020/21 FY, the municipality had identified the following 3 planned standards as area of improvement:

1) **Planned Standard #1: All critical vacant post filled by 30 June 2021:** Critical posts refer to the Senior Management positions. Initially in the financial year under review, the municipality had 3 vacant posts at a Senior Management level, ie. HOD Technical Services, HOD Planning & Economic Development and HOD: Corporate Services. However, subsequent to the merger between Technical Services (which had been filled at the time of the merger) with Planning & Economic Development; the vacant post was reduced to one, i.e. corporate services.

   While corporate services post was filled by the end of the financial year; there was still a vacant position created by the resignation of the HOD: Technical Services who had been appointed towards the end of the 1st quarter of the financial year. At the end of the financial year the process of filling the vacant post was in the advance stages with the interviews scheduled for July the first quarter of 2021/2020 FY.

2) **Planned Standard #2: 100% spending of Capital Budget:** The municipality, as per its 2020/2021 annual performance report, has spent 100% of its capital budget by the end of the financial year.

3) **Planned Standard #3: Working towards Clean Audit:** Since receiving it worse audit opinion in 2017/18 FY, Nongoma municipality had as one of its 3 planned standards, the willingness and desire to work towards a clean audit opinion. While the municipality has thus far failed to achieve the set standard; such willingness has propelled the municipality to achieve unqualified audit opinions for 2 consecutive financial years (2018/2019 and 2019/2020 FY)

The overall implementation of the SDIP as per the 8 planned standards is as follows:

	PLANNED STANDARD	PROGRESS REPORT ON IMPLEMNETATION
1	Working Towards Clean Audit	Already articulated above
2	100% spending of Capital Budget	
3	All critical vacant post filled by 30 June 2021	
4	Service delivery complaints are dealt with within two weeks of receiving the complaint.	On-going
5	Develop a Communication Strategy and review it annually	Communication strategy has been developed
6	The Municipality's strategic plan is reviewed annually	Strategic Planning session conducted on the 24th to the 26th of March 2021
7	All service providers will be paid within 30 days of receipt of correct invoices. Where invoices do not comply with requirements, this will be communicated to the service provider within a week of submission	In the period over review all service providers have been paid within 30 days of the receipt of the invoices
8	To empower small and medium enterprises and co-operatives.	Service provider open day conducted in Q3

3.2.3. SERVICE DELIVERY CHARTER AND STANDARDS

The municipality has revised its Service Delivery Charter and Standards in line with the recent configuration of the organizational structure. Through the Service Charter the municipality articulates the level and quality of services to be provided. As the municipality improves in its effort to provide services to the communities; any introduction of new services will be communicated and articulated in the Service Delivery Charter and Standard document.

As a tool of implementing the principles of Batho Pele; the main purpose of Nongoma Service Delivery Charter and Standards is to improve awareness of the availability and quality of the services offered by the municipality. It also provides guidance to service beneficiaries to claim their existing rights. This is in line with the principle that citizens have the right to expect high quality public services which meet their needs.

3.2.4. INTER-GOVERNMENTAL RELATION (IGR) COORDINATION

3.2.4.1. COVID-19 JOINT OPERATION COMMITTEE

The Office of the Municipality had in the financial year under review been responsible for coordinating covid-19 Local Joint Operation Committee that has been established deal with matters pertaining to covid-19 and specifically to flatten the ascending curve of the Covid -19. The committee comprises various stakeholders, which include SAPS, Department of Social Development, Departments of Labour, Health, and Home Affairs, Roads and Traffic, Local Taxi Association just to name a few.

During the 1st 2 quarter of the financial year, the JOC was vibrant and met weekly to discuss ways of mitigating covid-19 ailment as well as to formulate strategies to ensure that the covid-19 regulations were being complied with and adhered to. In some instances, the safety and security cluster dispatched their members for roadblock purposes in Nongoma town to ensure minimal entry into Nongoma town, which had been identified as breeding ground to the scourge of the covid-19 pandemic.

3.2.4.2. DISTRICT DEVELOPMENT MODEL (DDM)

The District Development Model is a practical Intergovernmental Relations (IGR) mechanism for all three spheres of government including its State Owned Entities to work jointly and to plan and act in unison. Central to the success of the DDM is the full participation of the District family of municipalities. The aim of the DDM is to translate the Provincial Growth & Development Strategy into a detailed implementation plan at a district level.

While the DDM is about spatial targeting and budgeting towards common long-term outcome; it also introduces new inter-governmental relations (IGR), planning and implementation paradigm.

While its coordination rests with the Zululand District municipality; Nongoma participates in all DDM clusters, and has since seconded some of its officials to various DDM clusters.

The DDM has seen the absorption of Operation Sukuma Sakhe at a District level.

- **Troika:** The TROIKA is a meeting whose purpose is to ensure effective political management of the institution. The TROIKA is chaired by the Mayor. Members of the TOILKA include the Deputy Mayor, the Speaker and the Municipal Manager. The function of TROIKA includes:
  - Consider Council agenda;

- Ensure items brought to Council are competent;
- Facilitate for the political management of the Council meeting;
- Ensure smooth running of the council; and
- Facilitate a common understanding amongst the political offices on items before council.

Nongoma LM Troika sits fortnightly. Discussions and agenda for Troika is determined by discussions at Extended Manco.

Municipal Public Accounts Committee (MPAC): The MPAC is chaired by an EFF PR Councilor and it sits quarterly. The committee is functional. Municipal Top MANCO participates in the committee; so it the chairperson for Audit/Performance Committee. The mayor also participates in the committee. The following are the members of the committee:

- Cllr. MN Mkhwanazi: Chairperson
- Cllr. Z.M Sithole: Member
- Cllr. S. Nxumalo: Member
- Cllr. J.J Dlamini: Member
- Cllr. N.B. Nhleko: Member
- Cllr. M.S. Hadebe: Member

Audit/Performance Committee: The municipality has a functional Audit/Performance Committee. A resolution has been taken that only senior managers and IDP/PMS Manager should participate in the audit/performance committee. Other line managers would only attend upon invitation. The following are the members of the committee:

- Mr. BEM Khuzwayo - Chairperson
- Mr. A Nxumalo - Member
- Mr. PDJ Dzanube - Member
- Mr. U Botshiwe - Member
- Ms. SP Dlungwane - Member

The objective of the committee is to assist the Executive Committee with its responsibility of safeguarding, maintaining effective and efficient internal controls, reviewing financial information and overseeing the preparation of the annual financial statements.

The committee operates in accordance with terms of reference authorized by the Council and the auditors have unrestricted access to the committee members.

Internal audit: Internal Audit in the municipality has been outsourced. The municipality is utilizing services of uMnotho Consultants for internal audit functions. The service provider, as value add function, has prepared a risk-based internal audit plan and determine whether controls in place are adequate and effective to mitigate any risks that may threatened achievement of strategic and operational objectives. It has also review adequacy and effectiveness of internal controls.

It also ensures monitoring of compliance by means of checklist and report to any issues of non-compliance to the governance structures on the regular basis. i.e monthly to Manco and quarterly to Audit Committee.

The internal audit covered the following:

- Loss Control – Follow Up Review
- Receipting and Banking – Follow Up Review
- Human Resources and Payroll – Follow Up Review
- Asset Management – Follow Up Review
- Review of Revenue
- Review of Purchases and Payables
- Review of Division of Revenue Act (DoRA)
- Review of Tenders and Contracts

3.2.5. FUNCTIONALITY OF MANAGEMENT STRUCTURES

There are 2 main Management structures in the municipality, i.e:

- Management Committee (MANCO) which comprises of the Heads of Departments, and also the IDP/PMS Manager and Internal Audit Manager. The committee is functional and sits every week on a Monday. The Committee is chaired by the Municipal Manager.
- Extended Management Committee (MANCO) which comprises of the Heads of Departments and all line Managers (including Assistant Managers) sits every Monday or Wednesday. This Committee is also chaired by the Municipal Manager.

3.2.5.1. RISK MANAGEMENT COMMITTEE

The risk management Committee was established in the 1st quarter of the 2019/2020 FY. The committee is responsible for ensuring identified risks are monitored and appropriate measures are devised and implemented to manage such risks. The committee substantially performed all the functions assigned to it in terms of section 62(1D) of the Municipal Finance Management Act) Act No. 56 of 2003).

Initially the committee was assisted by the Manager Office of MM who had been tasked ensuring that function of Risk Management was properly executed, so as to provide reasonable assurance that the institution will be successful in achieving its goals and objectives.

The municipality has since appointed a Manager: Risk and Compliance. Among the responsibilities; the official is responsible for coordination identifying, evaluating and address risks on a continuous basis before such risks can impact negatively on the service delivery capacity of the Municipality. Thus, reducing materialized risks to acceptable levels, as well as maximizing opportunities available to the organization.

The Committee is composed of all Senior Managers and 1 Audit Committee Member as a chairperson. It is accountable to the Audit Committee and EXCO, and it also assists the Council with risk governance responsibilities. The objectives of the Nongoma Risk Management Committee include the following:

- Ensuring Nongoma municipality maintains an effective policy and process of risk management that will enhance its ability to achieve strategic objectives.
- Ensuring that Nongoma municipality monitor and respond appropriately to the organisational key risks

The committee is functional and has seen the review of the following policies:

- Risk Management Policies
- Risk Management Operational Plan
- Risk Management & Policy Strategy
- Anti-Fraud & Corruption Policy and Strategy

In the 2020/2021 FY, the committee has achieved the following:

- Held successful meetings in every quarter of 2020/21
- Recommended the adoption of the reviewed Policies by Council

– Risk Management Committee Charter,
– Risk Management Policy,
– Risk Management Strategy,
– Fraud Prevention Policy,
– Anti-Fraud and Anti-Corruption Strategy
– Fraud Prevention Strategy and Plan

- Approved the Operational Risk Register that informed the Risk-Based Internal Audit Plan
- Reviewed the mid-year report on the implementation of Operational Risk Management Action Plans and subsequently reported to Audit Committee
- Advised the Accounting Officer on the need for the Gifts, Donations and Sponsorships Policy and subsequent recording of all Gifts to the Municipal Gift Register.
- RMC approved the Fraud Risk Register following a successful Fraud Risk Survey, Fraud Risk Training for Councillors, Management and Officials as well as Fraud Risk Assessment
- RMC approved ICT Risk Register following a successful ICT Risk Assessment
- RMC approved the Strategic Risk Register following a successful Strategic Risk Assessment

3.2.6. COMMUNICATION/PUBLIC PARTICIPATION STRATEGY

The municipality has both the Public Participation Strategy and Communication Strategy. These documents were adopted by the council in the 2020/2021 FY.

In line with the public participation strategy, the municipality has utilised various avenues of engaging communities and ensuring that they participate in the affairs of the municipality. Platforms such as ward-based meeting (monthly held), IDP-RF (Quarterly-held), IDP community meetings held in November, and IDP Road Shows were all conducted and provided an opportunity for the municipality to engage the community it serves.

3.2.6.1. IDP CONSULTATIVE ENGAGEMENTS FOR 2021/2022 IDP

One of the mandates for Local Government is to give priority to the needs of the community. Communities are therefore given an opportunity to participate in the process of prioritizing their needs. Municipalities through the IDP/Budget process register the needs of its community and also set up programmes that would address these needs. Resources are then allocated to address needs that have been identified. The IDP/Budget Izimbizo for Nongoma municipality were conducted as per Section 29(b)(I,ii,iii) of the Local Government: Municipal Systems Act, and Chapter 4 of the Municipal Systems Act of 2000; and covid-19 regulations as per the various National Lockdown Levels were adhered to accordingly during the engagements.

3.2.6.2. 2021/2022 IDP/BUDGET MEETINGS

The presidential Covid-19 announcement of the country's level 1Lockdown had an impact of the implementation of the municipality's IDP process plan. The emphasis to prohibit a gathering of more than 500 people outdoors and 50% occupation capacity of the venue if it is indoors required an alternative approach towards conducting IDP-related community participation engagements.

While Nongoma municipality conducted its IDP/Budget roadshow via the local radio station (Nongoma FM) (14 May 2021) and KZN TV (19 May 2021); the session was also streamed live on the municipality's Facebook page. Other alternatives utilized by the municipality include the following:

- 21 IDP documents were disseminated to 21 wards Committees);
- 3 IDP documents were disseminated to 3 Traditional Councils;
- 2 IDP documents were place in the Nongoma Main library and uSuthu library;
- The IDP document was placed on the municipal website

3.2.7. SPECIAL PROGRAMME AND MAYORAL OUTREACH PROGRAMMES

3.2.7.1. HOUSE HANDOVER TO THE DESTITUTE FAMILY

Two houses were handed over by the municipality to the destitute in the period under review. One house was a show house for a housing project at Kwaminya, ward 21. Upon its completion, it was officially handed over on the 25th August 2021 by the Hon. Mayor to the beneficiary.

The other was of a different situation, for it depicted the municipal commitment in eradicating poverty and destitute in its area of jurisdiction.

On the 06th of November 2020; the Wela community of ward 7 came in numbers to celebrate with the Mbatha family who were receiving a house from Nongoma local municipality. Nongoma municipal Mayor took it upon himself to ensure that the family is provided with a decent house. This after their plight appeared SABC news. The family has 30 members who used to sleep in one room.

Through the contributions made by various stakeholders such as Go Big, Lwandle Trading, Zamaqhawe Trading, Waphatha Car Hire, Chushisanani Mzansi and even municipal employees; the municipality managed to not only build the family a new house, but it also renovated the existing house, and erect fence around the yard; thus ensuring that the family has a decent place called home.

3.2.7.2. Commemoration of Youth Day

On the 16th of June 2021, Nongoma municipality commemorated Youth Day by conducting a Youth Day Business Seminar. The concept behind the seminar was to engage with formal and informal young businesses people of Nongoma. It was broadcasted live on Nongoma FM. Young people shared ideas and their challenges on how to empower/upskill the Youth of Nongoma to be business inclined and willing to create their own job opportunities under the mantra "SIYAZAKHA SIYAZENZELA". The seminar would serve as motivating factor in the advancement of Nongoma youth owned SMME's, SMME's skills development and SMME capacitation.

3.2.7.3. FOCUSING ON WOMEN

On the 31st of August 2020 the municipality hosted through the Nongoma Women in Council hosted a Women's Dialogue on Gender-based violence. The session was broadcasted live in the local community radio station (Nongoma FM). The session provided women and other invited stakeholders to openly speak about the plight of women of Nongoma who on a regular basis had been subjected to all forms of abuse from male counterparts, the siblings, friend etc.

3.2.8. MAYORAL OUTREACH PROGRAMME

Through the Nongoma Mayoral outreach programme, people of Nongoma are afforded an opportunity to have direct communication with his worship, the Mayor. While mayor outreach programmes are conducted in a same format at the consultative meetings, the mayor brings along relief materials such as food parcels, blankets and to a certain extent, wheelchairs for those in need. The outreach programme for the 2020/2021 FY was conducted from the 6th of May 2021. However, only eight wards could be visited. This was due to the return to Lockdown level 4 which prohibited public gathering.

3.2.9. INTEGRATED DEVELOPMENT PLANNING (IDP) AND PERFORMANCE MANAGEMENT SYSTEM (PMS)

All compliance issues in relation to coordination of IDP, PMS and B2B were accordingly achieved during the period under review. The draft 2021/2022 IDP was tabled and submitted to COGTA within the stipulated timeframe, i.e March 2021 and within 10 days after it being approved by the council. The final 2021/2022 IDP was tabled to council on the 28th of May 2021 and was submitted to COGTA within 10 days after it being adopted by the council.

All quarterly Performance reports were submitted to Internal Audit for review purpose and were tabled to all council committee culminating into them being tabled at Council meetings for approval.

3.2.9.1. Back-to-Basics

B2B reporting is two-folds, i.e. Quarterly reporting to Provincial COGTA and Monthly reporting to National COGTA. Both National and Provincial COGTA departments require municipalities to report quarterly (KZN COGTA) and Monthly (National COGTA) on Back to Basics pillars. The provincial B2B reporting comes with a scoring which rates municipalities' performance on a quarterly basis. In the period over review, both reports were submitted to respective departments.

The municipality complied with the reporting requirement in terms of the Back-2-Basics reporting. All quarterly reports were submitted to KZN COGTA, and monthly B2B reports were accordingly submitted to National COGTA.

3.3. PLANNING & INFRASTRUCTURE DEVELOPMENT SERVICES

The department emerged as part of a merger between what previously known as Technical Services and Planning & Economic Development Services. The resolution to merge the 2 departments came about after a recommendation to halt the recruitment process of the then vacant Planning & Economic Development HOD post, for both operational and cost containment reasons. On one hand, it operational in that the department in question had less than 8 officials in its organogram, therefore it made an operational sense to merge it with Technical Services; and on the other, cost containment in that by merging the two departments, the municipality would save almost a million rand a year in salaries for the incumbent.

The merger took place mid-term in the financial year under review, which implies that at the beginning of the financial year there were two SDBIPs and those SDBIPs were revised into one departmental SDBIP during mid-term revision of the SDBIPs.

Central to the core functions of Planning & Infrastructure Development Services is the planning and implementation of service delivery and infrastructure projects. Through this department, the municipality is able to create EPWP job opportunities while providing the much-needed basic services to its communities.

3.3.1. Capital Projects

1. INTEGRATED NATIONAL ELECTRIFICATION PROGRAMME (INEP)

INEP funding to municipalities is coordinated by Department of Energy and is implemented through its implementing agencies such as ESKOM, municipalities and Non-grid service providers.

Having dropped from R15000 000 in 2018/2019 FY to R8000 000 in 2019/2020 FY; INEP allocation to Nongoma municipality remained the same in the financial year under review, i.e R8000 000. It should be noted however, that Nongoma municipality is moving closer towards universal access in term of electrification, with most needs for electrifications coming from infills.

In the financial year under review, the municipality had 3 electrification projects, and their statuses as at the end of the financial year are herein articulated:

PROJECT NAME	LOCATION	STATUS	ON/OFF TARGET
Mcakwini electrification project Phase 2	Ward 01	70% complete	OFF TARGET
Ebuhleni electrification phase 1	Ward 20	100% complete	ON TARGET
Ebuhleni electrification phase 2	Ward 20	80% complete	ON TARGET

2. MUNICIPAL INFRASTRUCTURE GRANT (MIG)

In comparison to the past two financial years; the MIG funding to Nongoma municipality has remained steady at just of R30 000 000. The allocation for the financial year under review was R31 679 000.

The municipality had 14 MIG-funded projects in 2020/2021 FY. Five (5) of those were roll-over projects that could not be concluded in the 2019/2020 FY; and nine (9) were new projects. The status of all MIG-funded projects is articulated in table below. All roll-over projects were completed. The list of completed roll-over projects is herein articulated:

- Ophaphasi hall
- Ndololwane crèche
- Esikhaleni gravel road
- Nqokotho hall
- Kwa-Nsele crèche

The municipality did not perform well in terms of implementing new MIG projects, with just one project (Siyondlo gravel road) was on target (100% complete) at the end of the financial year.

One project, Installation of Town streetlights Phase 1, which in the previous financial year had been deferred to the current financial year, could not be achieved as per the planned annual target, i.e. it was at 37% completion instead of the planned 50% completion by 30 June 2021.

A major concern is failure to take off of 4 of the planned projects which were at 0% at the end of the financial year. Those projects were:

PROJECT NAME	WARD	ANNUAL TARGET	ACTUAL
Deleni Road	9	60% Completion by 30 June 2021	0%
Red Hill Road	19	50% Completion by 30 June 2021	0%
Nongoma Black Top Phase 1	19	20% Completion by 30 June 2021	0%
Ezimpakaneni Community Hall	14	10% Completion by 30 June 2021	0%

While reasons for variance in terms of achieving the set annual targets varied from delays with SCM which resulted in the late appointment of the service provider, to cash flow restriction; a lesson learned in this real scenario is that indicators relating to targets that are yet to go through SCM and unconfirmed in terms of budget should not be included in the SDBIP. The municipality will also, in future, have to master the timing in relation to planning and implementation of MIG projects, such that peak procurement period is set for the last quarter of the financial year; thus ensuring implementation commence with no deterrents form the 1st of July.

Among the new projects, 2 had been planned to be at 100% complete at the end of the financial year. Those were Nongoma side-walks project and Siyondlo gravel road project, with the former off target at 60% and the latter at 100% completion.

While annual targets were not achieved on the rest of the projects, they were multi-year projects which would be completed by 2021/2022 FY.

The status of those projects is herein articulated:

PROJECT NAME	WARD	ANNUAL TARGET	ACTUAL
Nongoma side-walks	19	100% Completion by 30 June 2021	60%
Storm Water in Town	19	80% Completion by 30 June 2021	71%
White City Road Phase 1	20	80% Completion by 30 June 2021	55%
Deleni Road	19	60% Completion by 30 June 2021	0%
Red Hill Road	9	50% Completion by 30 June 2021	0%
Town streetlights Phase 1	19	50% Completion by 30 June 2021	37%
Nongoma Black Top Phase 1	19	20% Completion by 30 June 2021	0%
Siyondlo Gravel Road	21	100% Completion by 30 June 2021	100%
Ezimpakaneni Community Hall	14	10% Completion by 30 June 2021	0%

3.3.2. HUMAN SETTLEMENT

The pace within which human settlement project have been implemented had drastically dropped in light of the covid-19 scourge. Implementation has been on and off in response to the regularly changing/update national lockdown regulations as per the various level. At the end of the financial year; only one project had completed its targeted units for the year, i.e. Nkunzana project at ward 18, which had achieved it projected 600 units. It should be noted though that, the implementer was still busy with VIP for the units. The status of human settlement projects as of 30 June 2021 is herein articulated:

Project Name		Wards	Total Units:	Number of Units Projected Phases:	Number of Units Constructed to date:	Comments:
1.	Nkunzana Project	18	1800	600	600	Completed Phase 1, the contractor busy with VIP on site
2.	Nkukhwini Project	01	3000	600	553	On Construction Phase 1
3.	Vuna Project	14	2000	600	535	On Construction Phase 1
4.	Zidwadweni Project	05	1200	600	459	On Construction Phase 1
5.	Syazama Project	15	1000	500	00	The new construction is on site busy with casting Slabs.
6.	Khokhwaneni Project	04,06	3000	300	293	On Construction Phase 1
7.	Mpunzana Project	21	1800	300	266	On Construction Phase 1
8.	Mhambuma Project	15	1000	300	00	The construction will commence on October 2021, the contract were signed by all parties.

3.3.3. LOCAL ECONOMIC DEVELOPMENT & TOURISM

3.3.3.1. Community Tourism Organisation (CTO)

The (CTO) is a non-profit organization recognized by Nongoma Local Municipality and KZN Department of Economic Development, Tourism and Environmental Affairs. The aim of the CTO is to promote tourism in Nongoma.

The municipality has for the past financial years been supporting the local CTO with fund thus enabling it to coordinate its activities. In the financial year under review the municipality transferred a sum of R90 000.00 to the CTO.

3.3.3.2. Promotion of SMME and entrepreneurial programmes

In its effort to formalize and maintain order in terms of small businesses and informal traders doing business in the Nongoma town, the municipality demolished the informal trading

structures in town and replaced them with well-demarcated trading sites. Traders well numbered allocated sites. This project allowed for the municipality to register all traders in the town, by issuing them official trading permits. As such, only traders with permits were allocated trading sites.   The total number of stands that were demarcated was 82.

3.3.3.3. Tourism Flea Market

As part of its annual event activity, the Tourism Unit through Nongoma CTO staged a Tourism Flea Market event wherein local business exhibited their products. The event ensured aaccess to market for locally-produced fine arts work, including craft works. Local musical artists managed to showcase their performing talents, sell their music products such as CDs, DVDs.

Local tourism establishments had an opportunity to market their packages and showcase other services.

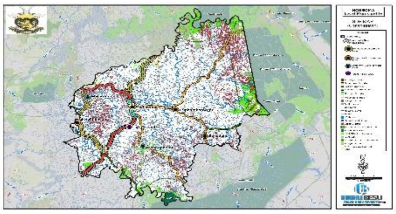
3.3.3..4. LED/Tourism Governance System Coordination

To ensure proper coordination of LED/Tourism activities within Nongoma, the municipality held all its quarterly LED/Tourism forums in the financial year. The municipality also conducted Agri-business forums as planned. As a result of a new normal way of doing things due to covid-19 pandemic, the municipality conducted all its forum meetings through zoom platform.

3.3.4. SPATIAL PLANNING

3.3.4.1. Spatial Development Framework (SDF)

Having failed to table the SDF for adoption in the previous financial year; the unit submitted and tabled the framework in the financial year under review. The SDF was duly adopted after having gone through thorough public participation process. Development Planning unit is currently implementing the adopted Spatial Development Framework accordingly with its main being easing pressure on the Nongoma town; thus promoting development nodes such as Esiphambanweni ,Buxedene and eMahhashini.



1. **Land Use Development**

During the period under review, the municipality embarked on a process of reviewing both the Nongoma Land Use Scheme and Nongoma Single Land Use scheme. The Nongoma Land Use scheme is only applicable to Nongoma town and the Single land Use scheme applicable to the whole of Nongoma area of jurisdiction. Both schemes were adopted by the council and subsequent to that, the municipality embarked on a public participation drive for the Nongoma Single Land Use scheme, wherein traditional authorities were engaged about among others, implications of the scheme on land use development within their jurisdiction.

2. **Outdoor Advertisement Management**

For years, there had been no proper control and management of outdoor advertisement in Nongoma municipality. As such; all form of illegal outdoor advertisements can be found along across the town and other activity nodes throughout Nongoma municipality.

In order to address that, the municipality adopted Outdoor Advertising By-law. The municipality also conducted an audit of all outdoor advertisements, signage, s / signs; either legal or illegal within Nongoma town jurisdiction.

The audit would culminate into a removal of all illegal outdoor advertisement posts, and to regulate and enforce all new advertisement posts in line with the council-adopted by-law.

3. **Nongoma Nodal Plan**

Small Rural towns like Nongoma continue to face a number of challenges due to the way the towns emerged and evolved, with some starting off as rural service centers, serving only a village population. The town of Nongoma is under pressure with an uptown and downtown scenario as well as constrained traffic routes as a result of informal trade and *ad hoc* businesses. Development Planning Unit, took an initiative with the intention to ensure that Nongoma town become competitive, enhanced and rehabilitated as a small town in order to attract investment and to retain the current investors.

The unit appointed a service provider during the reporting year to assist with strategies to re-organise and ensure an efficient town and route system, and also to identify business and development opportunities. After public participation, stakeholders' engagements, the final draft was produced and awaiting council adoption.

4. Spatial and Land Use Management and National Building Regulation Enforcement

Nongoma Municipality forms part of Zululand Municipal Planning Tribunal, a committee formed in terms of SPLUMA requirements to deliberate jointly on various Development Planning application. During the reporting financial year, Development Planning unit submitted five (5) applications before the committee and all of them were approved.

4.1. KwaSeme Petrol Filling Station

Land Development application in terms of Spluma read in conjunction with Nongoma Spatial Planning and Land use By Law submitted previous Financial Year and was concluded and approved during the reporting financial. Building Plans were also submitted, processed and approved. Construction of the petrol filling station has commenced.

4.2. KwaMajomela Small Scale Manufacturing

Development Planning unit takes pride and recognition by the Zululand Municipal Planning Tribunal in taking an initiative to compile and submit the Land Development application in terms of Spluma for a its own municipal project - KwaMajomela Small Scale and Manufacturing project, also facilitating the application for lease agreement with Ingonyama Trust.

The project seeks to provide working space, shared capital equipment and skills development for SMME's and Cooperatives in Nongoma; specifically around KwaMajomela area. Building plan was submitted, processed and approved in terms of Building Regulation By-law. The construction of this project is almost complete.

4.3. Erf 81 (Top Garage) petrol filling station

The application was previously approved in terms of repealed PDA legislation. Planning Development unit after receiving the deviation plans during the reporting year, had to revisit the approved application to ensure the alignment. This application had to amended and be resubmitted in terms of applicable SPLUMA legislation. Building plan was submitted , process and approved in terms of National Building Regulation.

4.4. Lot 26 petrol filling station

The land Development application submitted in terms of SPLUMA, read in conjunction with Nongoma Land Use Scheme. This application was approved by ZJMPT during the reporting year. Building plans were submitted and were not yet approved by the end of the financial year. No construction has taken place as yet, and it will commence once the building plans have been approved.

4.5. Esiphambanweni Hardware

The land Development application was submitted after a contravention notice was given to the owner and owner complied by submitting the application as per the SPLUMA.

It should be noted that the development responds to the implementation of municipality's SDF, i.e. promoting the economic development Node. In this case Esiphambanweni is identified as a secondary node.

4.6. Outdoor Advertisement Management

The KwaZulu Natal state land committee donated Erf 5000 tittle Deed to the Department of Human settlement in agreement with the Director General of the Department of Land Affairs and Public Works on the disposal of state land. The Department of Human Settlement approved the lease donation of Nongoma town boundary Commonage land to the Nongoma Municipality. The Lease the agreement from Department of Human Settlement has been concluded. The municipality appointed services of the Conveyancer to register the erf 5000 land parcel to the name of Nongoma Municipality. The process is underway and is closely monitored by Development Planning unit and Legal Unit jointly.

3.4.1. COMMUNITY & SOCIAL SERVICES DEPARTMENT

3.4.1.1. INTRODUCTION

At the beginning of the financial year, the department was called Community & Social Services. However, subsequent to the review of the organogram as adopted by the council in May 2021, the department's name was changed to Community Services Department. While the department had indicators on all national Key Performance Indicators (KPIs); its main indicators were Basic Service Delivery and Infrastructure Development, Local Economic Development & Social Development, and also Cross-cutting Interventions which mainly focused on Disaster Management issues.

In terms of Municipal Transformation & Institutional Development KPA; the department performed exceptionally well during the financial year under review. There was constant reporting in terms of the quarterly SDBIP performances, with reports submitted quarterly to the Accounting Officer and tabled to Community & Social, Services portfolio committees.

The department also performed well in the Good Governance & Public Participation KPA, wherein portfolio committee meetings were conducted accordingly. The presence of Covid-19 which had started in the previous financial year affected some of the indicators in this KPA. While Waste Management Forums meetings continued to be held unabated; Disaster Advisory Forum meetings had to be infused within the Nongoma Joint Operation Committee (JOC) engagements whose sole purpose was to report on issues around coivid-19 in the municipal area of jurisdiction and the coordinate the fight against the scourge.

3.4.2. BASIC SERVICE DELIVERY

3.4.2.1. WASTE MANAGEMENT

While the departmental annual performance report suggests that the municipality performed well, having achieved its targets on 2 KPIs regarding waste management; the picture does not reflect the fundamental challenges faced by the municipality in terms of provision of access to refuse removal. It should be indicated that the municipality does not receive it return on investment, for it continues to spend more on ensuring access to refuse removal compared to what it is able to collect in terms of waste-related rates. Therefore, in as far as waste management is concerned; the municipality is working on a loss.

Despite regular breakdown to the aging infrastructure it is utilising for waste collection; the municipality continued to provide waste service collection in the following areas:

Days	Areas
Monday	Suburbs, Delene, Hospital
Tuesday	White City, Redhill, Works
Wednesday	Suburbs, Delene, Hospital
Thursday	White City, Redhill, Works
Friday	Suburbs, Delene, Hospital
7 days a week	Around CBD skip bins are emptied on daily basis.
	Frequency of waste collection is always considered during busy periods and festive season

As at the end of the financial year under review; the municipality had been collecting waste-related rates to only 540 consumers. These include households around the Nongoma town. It also includes businesses in the vicinity of the town. It should be noted that the municipality could not collect rates in serviced areas such as Delene and White City. This has been the case in the previous years.

1. **Clean-Up Awareness Campaign**

While there were two planned waste management awareness & clean-up campaign in the period under review; the municipality managed to do three. The municipality through its GIS unit mapped all illegal dumping spots within Nongoma town and its surroundings. All identified illegal dumping spots were eradicated.

Illegal dumping spots remain a crisis in Nongoma where unattended and unoccupied sites become targets for such activities. While the municipality has placed skip bin which are collected daily in town; it has been realised that these skip bin are the main source of nuisance especially when they are full, and communities including business throw waste outside the skip bins. As way forward, the municipality intends engaging businesses proper storing of their waste, e.g. each business

should have a waste storage cage wherein waste is sorted allowing municipality to collected non-recyclable waste and small recyclers to collect recyclables such as paper, plastics and cans.

The main Waste Management Awareness & Clean-up campaign was conducted on 03 December 2020 in Nongoma town. This was coordinated so as to sensitise communities and commuters to town of the importance of ensuring a clean and litter-free Nongoma town. The campaign comprised of various stakeholders, with the main being the Environmental Affairs' officials responsible for waste management located within Nongoma municipality. Municipal officials and EPWP workers also participated in the campaign.

3.4.2.2. LIBRARY PROMOTIONS

The municipality would have conducted 4 library promotions by 30 June 2021. However, due to the covid-19 Lockdown regulations, libraries were not operational for the most part of the financial year. As such, library promotions could not be conducted in the 1st three quarters. In the last quarter; while libraries were back in operation, the library promotion could not be conducted due to the closure of the main Nongoma library as a result of renovations which continued until the beyond the end of the financial year under review.

It is worth noting that in the financial year under review Nongoma municipality received form the Department of Arts and Culture, 325 books, furniture and seven (7) computers for the Osuthu Modular library. A workshop for the staff (oSuthu Modular library) was conducted. The workshop focused on Covid-19 regulations and protocols by Manager: Social Services.

3.4.2.3. CEMETERIES

With the number of people dying as a result of covid-19 implications; the need for a cemetery became a pressing issue. The municipality still finds it difficult to acquire land for development of cemetery. This would remain one of the priorities for the department in the new financial year. It is the same with the waste disposal site.

3.4.3. PUBLIC SAFETY AND TRAFFIC & LICENSING SERVICES

While licensing services had to be provided under strict conditions as a result of covid-10 Lockdown regulations; public safety, especially form covid-19 infections became a main priority for the municipality.

Hence through the Traffic Law Enforcement unit, the municipality with other safety and security agencies, embarked on numerous roadblocks, stops and checks in line with the covid-19 lockdown regulation. This was aimed at ensuring that communities complied with the various lockdown regulations, such as wearing of mask and maintaining of a required social distancing.

During levels 5 and 4 Lockdown-related roadblocks, the municipality not only had it Traffic Enforcement unit as part of the roadblocks, it also provided the Joint Operation team with the much needed mobile ablution facilities on all roadblock sites.

3.4.3.1. Road Safety Awareness Campaign

The municipality has made it a norm that twice in a financial year it conducts Road Safety campaigns. The 1st campaign was conducted just before Christmas festive seasons in December 2020 and the 2nd just before the Easter holidays in April 2021. The timing for the campaigns was influence by the fact that most people tend to be mobile during these periods, and there are a lot of reported road accidents around these times.

Both campaigns were led by the Executive Committee of Nongoma municipality, wherein they would engage with both the drivers and commuters about the importance of staying safe during these periods.

While the campaign focused on advocacy, i.e promotion of road safety, it also served as visibility campaign for the Nongoma Traffic Law enforcement unit, thus sending out a message that the team would be on the road to control any situation that would be detrimental to the safety of the commuters and other road users.

3.4.4. DISASTER MANAGEMENT

The state of disaster that engulfed the country and the world at large due to covid-19 pandemic and the destruction it caused; put more pressure on the disaster management capacity of the municipality. With a shoestring budget allocated to disaster management, the municipality had to rearrange and moved fund around in order to be able to respond to the pressures associated with the scourge of covid-19 pandemic.

3.4.4.1. Disaster Management Capacity Building programmes and Awareness Campaigns

During the 2020/2021 FY, the municipality had the following programme:

- 42 unemployed youth provided with Skills Training on Firefighting skills
- 3 Disaster Management Capacity Building and Awareness campaign Programme conducted in Traditional Authorities
- 4 quarterly Fire Safety Inspections Drive conducted in public and business institution
- 20 school Disaster Management Awareness Campaigns conducted.
- Mainstreaming of Disaster Management through War-rooms

The municipality has 3 traditional authorities, and in ensuring mainstreaming of disaster management issues, the municipality saw an opportunity to engage communities through their respective traditional authorities on matter pertaining to disaster management and how to avoid disasters. Throughout the financial year, Disaster team would attend traditional authority-organised meetings for a capacity building slot on Disaster Management. The team would distribute sanitizers and fumigate the meeting venues prior and after the meeting.

The School Disaster Management Awareness campaigns were in some instances hampered by the closure of schools due to Covid-19 Lockdown regulations. However in the 1st and 2nd quarters and to some extent, the 3rd quarter, the municipality religiously conducted disaster awareness campaigns at schools around the municipal area of jurisdiction.

Fire Safety Inspections were conducted on businesses around Nongoma town. These inspections were aimed at ensuring business compliance in terms of disaster avoidance and readiness, e.g. shop should have fire extinguishers and assembly points among others. The inspections were conducted in conjunction with Municipal Occupational Health & Safety (OHS), LED Unit and Traffic Law Enforcement.

3.4.4.2. Disaster Management during covid-19 pandemic

Fighting the spread of Covid-19 Pandemic Covid-19 pandemic has created social destructions throughout the Nongoma municipality, with the rise in the number of funeral. Funerals have since been held almost on a daily basis, instead of weekends. While through JOC, all covid-19 related deaths were reported, the municipal disaster management team had to ensure that it fumigate every bereaved family prior and after the funeral. In order to ensure that the required number of people in a funeral was complied with, the municipality would provide a grader for grave digging; instead of allowing community members to dig the grave themselves.

While there were many funerals that the Disaster Management team attended to provide fumigation services; it participated and fumigated daily on the 3 major funerals during the financial years, i.e. Mass funeral for the victims of a car accident in ward 3, Njampela and two royal funerals (the passing of Ingonyama, King Goodwill kaBhekuzulu and his Queen of Kwa-Khangel'amankengane Palace.

3.4.4.3. Disaster recovery and avoidance

The high priority disaster risks for the Nongoma municipality include:

- Drought
- Lightning
- Strong winds, and
- Heavy rains, and
- Structural fires

In the financial year under review, the municipality procured Disaster Emergency Relief stock, such as cabins, building material, and blankets. It also procured 30 Lightning conductors which were installed in high risk areas as identified through the disaster risk profile. Other lighting conductors were provided by the Provincial Disaster Management unit.

3.4.5. SPORTS, ARTS AND CULTURE ACTIVITIES

Covid-19 pandemic hampered any possibility for the municipality to conduct sports, arts and culture activities. All planned programmes had to be halted as the country was going through as a series of lockdown stages and regulation, which for most of the time required a certain number in terms of gatherings.

As such, only one (isicathamiya) arts and culture event was conducted. The event was conducted under strict covid-19 protocols.

3.5. FINANCE DEPARTMENT

3.5.1. Introduction and Background

The Finance Department has the responsibility to develop and implement sound business processes and sound and effective internal and financial controls systems. Further, it is committed to its mandate to provide a comprehensive financial management support and guidance to the Council and the directorates of the Municipality. The directorate supports the Integrated Development Plan of Council by striving to provide a stable and sustainable financial environment that enables Council to deliver essential services to the community of Nongoma. The Finance Department is made up of the following independent and yet complimentary components:

3.5.2. Expenditure Management Section

- The municipality paid most of its service providers on the 15th and 30th of the month to meet the requirement of paying within 30 days during the year as required by the legislation i.e. Municipal Finance Management Act.
- The expenditure section has maintained an effective system of expenditure control, accounting and information system which recognises expenditure when it is incurred, account for creditors of the municipality and account for payments made by the municipality.
- The expenditure is fully functional with all positions filled.

3.5.3. Revenue Management Section

Nongoma Municipality does not have a huge revenue base which becomes a challenge for a municipality in terms of service delivery to the community. The revenue section issued monthly bills for municipal taxes and other municipal services rendered to communities around town in terms of an approved council credit control policy. The municipality appointed a Debt Collector in order to improve collection rate in future.

3.5.4. Supply Chain Management Section

Supply Chain Management unit is a support function for all business units within the council to ensure provision of efficient, transparent, fair, equitable and cost-effective procurement services, thus assisting the business units to implement their service delivery;

- The Supply Chain Manager has been appointed;
- Bid committees were functional during the term, however there is room for improvement in terms of turnaround time for sitting and awarding of bids;
- There is only one person dedicated to contract management; however there is room for improvement, although this section has improved in its operations since treasury conducted training.

3.5.5. Budget and Reporting Section

- The process leading to the approval of the budget was in line with the approved budget process plan. The Budget was adopted within the MFMA legislated timeframes and the approved budget was informed by the Long-Term Financial Plan (LTFP). All relevant budgets related policies are in place.
- The annual and the adjustment budgets for 2020/2021 financial year were prepared, approved by council and submitted to relevant authorities on time and in terms of the MFMA and Municipal Budget and Reporting Regulation.
- The section 71 reports were submitted to Provincial, National and other relevant funders as required by DORA.
- The Mid-year budget and performance assessment report (S72) was prepared, tabled to council and submitted to relevant treasuries accordingly.
- All other legislated reporting was achieved.

3.5.6. Statement of Financial Performance

The following Table shows a summary of the statement of financial performance:

	2021	2020 (Restated)
Revenue	339 940 302	371 279 563
Expenditure	327 740 536	366 768 846
Operating Surplus	**12 199 766**	**4 510 717**
Gain/(Loss) on disposal of assets		1 037 692
Actuarial gain/ (Loss)	585 783	415 896
Surplus for the year	**11 613 983**	**3 888 921**

Grants:
The municipality has received all the grants as gazetted in the DORA and the unspent portion is reflected on the table below.

Name of the Grant	Organ of state	Unspent Balance - 01 July 2021	Receipts	Expenditure	Revenue recognised	Unspent balance - 30 June 2021
Finance Management Grant	National Treasury		1 900 000	1 900 000	1 900 000	
Municipal Infrastructure Grant	Department of Cooperative Go.		31 290 000	31 290 000	31 290 000	
Integrated National Electrification Program Grant	Department of Energy		8 400 000	8 400 000		
Expanded Public Works Program	National Treasury		2 099 000	2 099 000	2 099 000	
Library Grant	Department of Arts & Culture		905 000	905 000	905 000	
Kwakhetha Modular Library	Department of Arts & Culture		637 000	398 640	398 640	238 360
Cyber Cadet	Department of Arts & Culture		226 000	226 000	226 000	
Osuthu modular Library	Department of Arts & Culture		637 000	637 000	637 000	
Equitable Share	National Treasury		194 844 000	194 844 000	194 844 000	
TOTAL GRANTS		**0**	**240 299 640**	**240 299 640**	**231 899 640**	**238 360**

3.5.7. Asset Management

The municipality has ensured that all previous year fixed asset errors are addressed with the assistance of INKAZIMULO which was appointed to compile the 2020/21 Asset Register. Their terms of reference included the following:

- Physical verification of all movable assets
- Physical verification of infrastructure (immovable) assets
- Reviewing of assets under construction (AUC), analysis of 2020/21 capital expenditure and WIP completed during the 2020/21 financial year
- Unbundling of infrastructure assets acquired (WIP completed) as required by GRAP17
- Reviewing of remaining useful lives (RUL) of infrastructure and movables assets
- Identification and review of possible impairment of infrastructure and movable assets
- Performing the depreciation charge calculation for 2019/20 financial year
- Providing journals, disclosure notes and annexures in the annual financial statements and accounting policies
- Responding to all relevant GRAP asset audit queries
- The net movement in the carrying amount of Property Plant and Equipment.

The municipality has a GRAP compliant asset register. All assets have been recorded, barcoded and verified.

3.5.8. Spending Against Capital Budget

3.5.8.1. Capital Expenditure

The municipality has spent 100% on capital expenditure in 2020/21 financial year and the Municipal Infrastructure Grant which forms part of capital expenditure was fully spent and so was the Integrated National Electrification Program Grant.

3.5.8.2. Sources of Finance

The capital expenditure for 2020/21 was funded from transfers from National Government, and internally generated funds.

3.5.8.3. Capital Spending on 5 Largest Projects

The municipality was able to spend all the MIG and INEP allocation during 2020/21 financial year on the following 5 large projects:

- Nongoma Stormwater Management
- White city road upgrade
- Nongoma Side walks
- Nkukhwini Electrification phase 2
- Ebuhleni Electrification phase 2

3.5.9. Cashflow management and investment

3.5.9.1. CASHFLOW

The municipality, during 2020/21, was able to maintain its cash flow position and completed its year end with a favourable balance. The table below shows bank balances of all municipal bank accounts as at 30 June 2021.

Account Description	**Account Number**	**Balance 2021 June 30**	**Balance 2020 June 30**
FNB Cheque	531 5327 8884	14 526 425	8 154 582
FNB Cheque licencing	622 0376 1962	79 256	117 995
FNB cheque MIG	622 0222 6751	15 370	27 911
FNB call account	613 15000 549	0	3 136
FNB cheque account	623 7063 9373	0	882
FNB Cheque account	623 7306 3222	1 062	3 278
FNB Cheque Account	623 7063 8573	114	16 075
FNB 7 day notice deposit account	744 2706 5468	19 093	
TOTAL		**14 641 320**	**8 323 860**

3.5.9.2. Borrowing and Investment

The municipality has no borrowings for 2020/21 financial year. The municipality had the following short-term investments:

Short-term investment:

Bank Account Details	June 2021
FNB MIG account – 62202226751	R15 370
FNB Money Market account- 62373063222	R1 062
FNB FMG account – 62370638573	R114
FNB Licensing account – 622 0376 1962	R79 256
FNB 7 Day Money deposit	19 093
Total	**R114 895**

During 2020/21, the municipality procured eight (8) vehicles through a finance lease agreement with Bidvest Bank. The balance of the lease agreement as at 30 June 2021 amounts to R4 203 186.

3.5.10. Other Financial Matters

3.5.10.1. Supply Chain Management

Supply chain reports have been submitted monthly and quarterly to council and will be submitted annually together with the Annual Financial statements.

GRAP Compliance:

In the current year, the municipality has adopted the following standards and interpretations that are relevant to its operations:

- GRAP 1 Presentation of Financial Statements
- GRAP 2 Cash Flow Statement
- GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors
- GRAP 9 Revenue from Exchange Transactions
- GRAP 13 Leases
- GRAP 14 Events After the Reporting Date
- GRAP 17 Property Plant and Equipment
- GRAP 19 Provisions, Contingent Liabilities and Contingent Assets
- GRAP 21 Impairment of Non-cash-generating Assets
- GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers)
- GRAP 24 Presentation of Budget Information in Financial Statements
- GRAP 25 Employee Benefits
- GRAP 26 Impairment of Cash-generating assets
- GRAP 31 Intangible Assets
- GRAP 104 Financial Instruments

3.5.11. MSCOA Implementation

MSCOA is part of the National Treasury's ongoing budget and reporting reforms. MSCOA-ready means that municipalities are able to capture all their financial transactions against a predefined classification framework. MSCOA regulation has not only been a financial reform, but an entire overhaul of municipal business processes.

Since not only financial and budget oriented practitioners are involved, implementation has required organisational change across the entire municipality and integration of accounting systems. Consequently, implementation has involved system conversion and/or re-implementation, with all the associated challenges and risks.

Due to various stakeholders involved, integration is no small feat. Unforeseen challenges emerge over time that can only be brought to the fore through the process of retrospection. Nongoma Municipality successfully implemented MSCOA regulations on 1 July 2017. The municipality did not change the financial system but rather it was updated to ensure that the system is compatible with MSCOA segments. The system in use by the municipality is pastel evolution.

The municipality's financial system is seamlessly integrated with all other sub-systems except the payroll for which the municipality is using flat file to export information from the payroll to pastel evolution.

3.6. SERVICE DELIVERY TARGETS AND PRIORITIES FOR 2020/2021

The following KPAs inform the OPMS of the Municipality:

1. Municipal Transformation and Institutional Development
2. Basic Service Delivery
3. Local Economic Development & Social Development
4. Municipal Financial Viability and Management
5. Good Governance and Public Participation
6. Cross Cutting Interventions

3.6.1. PRIORITIES

The following are the key priority areas of Nongoma Local Municipality:

1. Poverty Alleviation
2. Food Security
3. Skills Development
4. Revenue enhancement
5. Spatial planning and development;
6. Good Governance and Clean Administration.

3.6.2. KEY OUTCOMES FOR THE NONGOMA LOCAL MUNICIPALITY

1. Eradication of poverty through food security and job creation;
2. Unlock economic sectors that have potential for growth and attraction of investors within the municipality;
3. Empowerment of Small Medium and Micro Enterprises (SMMEs), Cooperatives and Emerging Contractors;
4. Promote social development activities (youth, women, senior citizens, people living with disability) in sports, in the economy and skills development;
5. Embrace the principles of good governance, accountable and disciplined administration;
6. Promote health and safety environment for all residents of Nongoma;
7. Implement efficient and effective spatial planning and development, as well as disaster management;
8. Ensure safeguarding, utilization and proper management of municipal assets;
9. Promote effective communication within the institution, and other stakeholders in line with Batho Pele principles;
10. Practice non fraudulent and corrupt free financial management practice for long term sustainability of the municipality.

3.6.3. STRATEGIC OBJECTIVES, STRATEGIES AND TARGETS

The following section reflects on strategic objectives, strategies and targets:

STRATEGIC OBJECTIVES			
KPA -A : MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT			
Objective	**Strategy Ref.**	**Strategy**	**KPI Ref.**
A1 To ensure implementation of functional performance management	A1.1	Development and Implementation of Performance Management System (PMS)	A1.1.1
	A1.2	Ensure cascading of Performance Management System (PMS) to all municipal officials	A.1.2.1
A2 To provide and promote institutional and organisational development and capacity building	A2.1	Review and Implementation and monitoring of Human Resources Strategy	A2.1.1
	A2.2	Review and implementation of Workplace Skills Plan	A2.2.1
	A2.3	Review and implementation of Employment Equity Plan	A2.3.1
A3 To ensure an improved information and communication and development	A3.1	Develop Implement and monitor ICT Governance Framework	A3.1.1
KPA-B : BASIC SERVICE DELIVERY & INFRASTRUCTURE DEVELOPMENT			
B1 To provide high quality infrastructure network to support improved quality of life and economic growth	B1.1	Monitor expenditure on MIG/INEP funded programmes & projects	B1.1.1
B2 Ensure continuous operations and maintenance of the existing infrastructure to ensure functionality	B2.1	Monitor the implementation of the Municipal Consolidated Infrastructure Plan	B2.1.1
	B2.2	Monitor the Implementation of Operations and Maintenance Plan	B2.2.1
B3 Improving sustainable human settlement	B3.1	Monitor the implementation of Human Settlement projects within Nongoma municipality	B3.1.1
B4 Improved basic service delivery, infrastructure development and social facilities	B4.1	Provision of access to refuse removal	B4.1.1
KPA-C: LOCAL ECONOMIC DEVELOPMENT & SOCIAL DEVELOPMENT			
C1 To create an enabling environment for economic growth and job creation	C1.1	Promote SMME and entrepreneurial development	C1.1.1
	C1.2	Develop and promote Tourism potential of Nongoma Municipality	C1.2.1
	C1.4	Implement LED Strategy	C1.3.1
	C1.4	Promote job creation	C1.4.1
C2 To improve the quality of lives for people within Nongoma Municipality	C.2.1	Develop, Implement and monitor special programmes	C2.1.1
	C2.2	Promote healthy and safety environment	C2.2.1
	C2.3	Promote and enhance culture of learning among children & youth	C2.3.1
KPA-D: FINANCIAL VIABILITY & MANAGEMENT			
D1 To ensure legally sound financial viability and	D1.1	Implementation of revenue enhancement strategy	D1.1.1

management	D1.2	Develop, implement and monitor standard operating procedures related to expenditure management	D1.2.1
	D1.3	Develop a credible budget and report in accordance with the provisions of the MFMA	D1.3.1
	D1.4	To effectively Implement Supply Chain Management Regulations	D1.4.1
	D1.5	Monitor implementation of audit action plan on regular basis	D1.5.1
	D1.6	Monitor spending on conditional grants	D1.6.1
	D1.7	2020/2021 budget implementation	D1.7.1
D2 Effectively Implement asset management regulation	D2.1	Implementation, monitoring and adherence to asset management policies and regulations	D2.1.1
KPA-E: GOOD GOVERNACE & PUBLIC PARTICIPATION			
E1 To integrate Risk Management, Compliance processes into the performance management system of the organisation.	E.1.1	Development and monitor Risk Management register in line with the municipal strategic document (IDP) implementation	E1.1.1
E2 To ensure Institutional accountability and transparency	E2.1	Implementation of internal audit systems	E2.1.1
	E2.2	Implementation of Back to Basics Action Plan	E2.2.1
E3 To promote effective public participation in the affairs of the municipality	E3.1	Development and implementation Public Participation Framework	E3.1.1
	E3.2	Implementation of Communication Strategy	E3.2.1
	E3.3	Strengthening the functionality of ward	E3.3.1
	E3.4	Ensure Complaint Reporting and Publication	E3.4.1
KPA-F: CROSS-CUTTING INTERVENTIONS			
F1 To provide strategic planning support across the organization, i.e. IDP	F1.1	Development of a credible Integrated Development Planning (IDP)	F1.1.1
F2 To promote a functionally structured urban and rural spatial development pattern guided by identified nodes and corridors through an effective land use management system	F2.1	Implementation and Enforcement of SPLUMA-related programmes	F2.1.1
	F2.2	Maintain and improve the environmental integrity of Nongoma municipal area of jurisdiction	F2.2.1
F3 To ensure functional and responsive Disaster Management	F3.1	Implementation of Disaster Management Plan	F3.1.1

CHAPTER 4: ANNUAL PERFORMANCE REPORT

Nongoma Local Municipality developed its Performance Management Framework that describes and presents how the municipal cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be undertaken, organised and be managed including determining roles of different role players. The framework is reviewed annually.

This section will indicate, in more detail, the performance of the Municipality for the financial year and makes reference to the supporting documentation, including the Municipal Scorecard. The performance reporting of the Municipality in this section is done in line with the 6 national KPA's and is the focus of the MSA Section 46 requirements and therefore reflects the performance of the Municipality for the financial year, comparisons to performance of the previous financial year and measures taken to improve performance.

This report covers the performance information from 01 July 2020 to 30 June 2021 and focuses on the implementation of the Service Delivery Budget and Implementation Plan (SDBIP), in relation to the objectives as encapsulated in the Municipality's Integrated Development and Plan (IDP) for 2020/21.

This Report reflects actual performance of the Municipality as measured against the performance indicators and targets in its Integrated Development Plan (IDP) and Service Delivery and Budget Implementation Plan (SDBIP.

It should be noted that the financial year under review was an unusual financial year in that as a result of covid-19, it had more than just one normal review (Mid-term review). There was a covid-19 induced review in October.

The format of the report will reflect the Municipality's Key Performance Indicators (KPI) per Municipal Key Performance Area.

4.1. PERFORMANCE ACHIEVEMENTS ON KEY PERFORMANCE AREAS

The organisational performance is evaluated by means of a municipal scorecard (Top Layer SDBIP) at organisational level and through the Service Delivery Budget Implementation Plan (SDBIP) at departmental levels.

The SDBIP is a plan that converts the IDP and budget into measurable criteria on how, where and when the strategies, objectives and normal business processes of the municipality are implemented. It also allocates responsibility to directorates to deliver the services in terms of the IDP and Budget.

The MFMA Circular No.13 prescribes that:

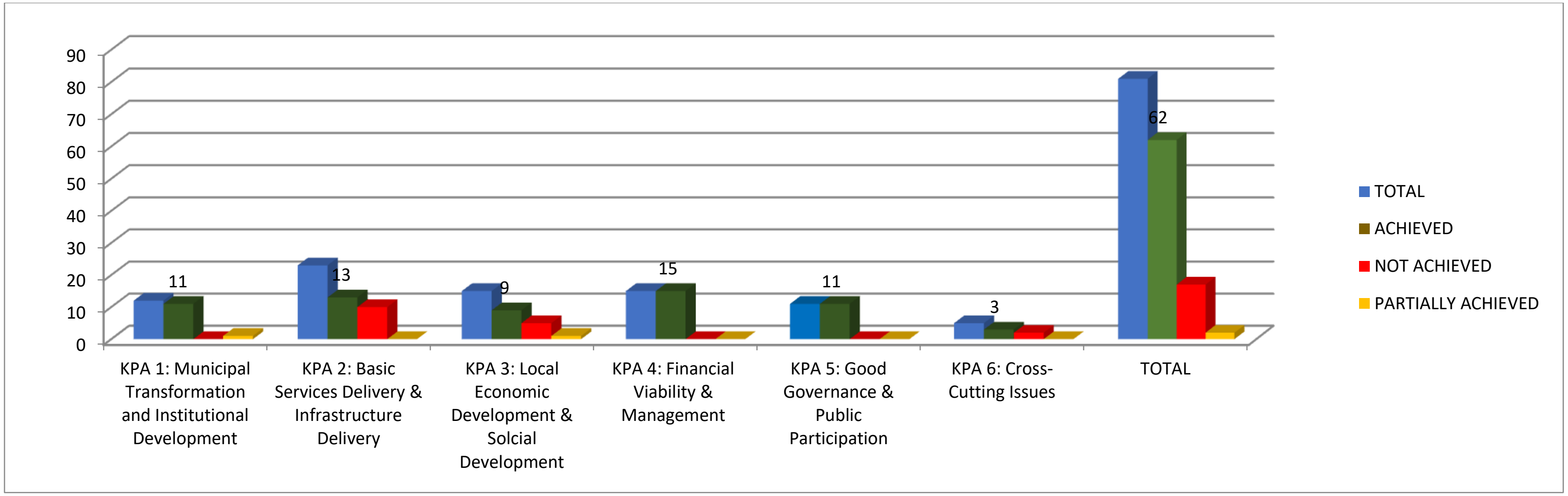
- The IDP and budget must be aligned;
- The budget must address the strategic priorities;
- The SDBIP should indicate what the municipality is going to do during next 12 months; and

The SDBIP should form the basis for measuring the performance against goals set during the budget /IDP processes. The SDBIPs were prepared as described in the paragraphs below and approved by the Mayor. Performance under each National Key Performance Area is depicted as follows:

4.2. ORGANISATIONAL SCORECARD (TOP LAYER SDBIP)

KEY PERFORMANCE AREAS	TOTAL	ACHIEVED	NOT ACHIEVED	PARTIALLY ACHIEVED
KPA 1: Municipal Transformation and Institutional Development	12	11	00	01
KPA 2: Basic Service Delivery & Infrastructure Development	23	13	10	00
KPA 3: Local Economic Development & Social Development	15	09	05	01
KPA 4: Financial Viability & Management	15	15	00	00
KPA 5: Good Governance & Public Participation	11	11	00	00
KPA 6: Cross-Cutting Issues	05	03	02	00
TOTAL	81	62	17	02

4.3. PERFORMANCE ON KEY PERFORMANCE AREAS



4.4. ORGANISATIONAL PERFORMANCE COMPARISON WITH PREVIOUS YEAR 2019/20

PREVIOUS YEAR 2019/20						CURRENT YEAR 2020/21				
KPA	**Total KPIs**	**KPIs Achieved**	**KPIs not achieved**	**KPIs partially achieved**	**% achievement**	**Total KPIs**	**KPIs Achieved**	**KPIs not achieved**	**KPIs partially achieved**	**% achievement**
Total	**70**	**55**	**10**	**5**	**79%**	**81**	**62**	**17**	**02**	**78%**

The organisational scorecard gives further details on Key Performance Indicators.

4.5. GENERAL KEY PERFORMANCE INDICATORS

Regulation 10 of the Municipal Planning and Performance Regulation has set prescribed General Key Performance Indicators as stated in section 43 of the Municipal Systems Acts. Below is the list of the six (6) General Key Performance Indicators applicable to Nongoma Local Municipality:

No.	Key Performance Indicator	Comparison with the previous Financial Year				Reason for Variance	Corrective Measure
		2020/2021 FY Target	2020/2021 FY Actual	2019/2020 FY Target	2019/2020 FY Actual		
(a)	The percentage of households with access to basic level of:						
i.	Water					District Function	
ii.	Sanitation					District Function	
iii.	Electricity					Eskom Function	
iv.	Solid Waste Removal	2 wards (Ward 19 & 20) to be have access to weekly refuse removal throughout the financial year	2 wards (Ward 19 & 20) had access to weekly refuse removal throughout the financial year	2 wards (Ward 19 & 20) to be have access to weekly refuse removal throughout the financial year	2 wards (Ward 19 & 20) had access to weekly refuse removal throughout the year	N/A	N/A
		Access to daily refuse removal for Nongoma Town	Nongoma Town had access to daily refuse removal throughout the financial year	Access to daily refuse removal for Nongoma Town	Nongoma Town had access to daily refuse removal throughout the financial year	N/A	N/A
(b)	The percentage of households earning less than R1100 per month with access to free basic services	100%	51%	100%	49%	Indigent register which could be a source document for households earning less than R1100 is outdated	Update the indigent register by 30 September 2021
(c)	The 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	100%	100%	100%	100%	N/A	N/A
(d)	The number of jobs created through municipality's local, economic development initiatives including capital projects	333	472	83	230	N/A	N/A
(e)	The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan	1	0	1	0	The positions in question (HOD: Corporate Service Director) had to be advertised twice;	While there are currently no vacancies at the highest level of management in the

						and on both occasions, none of the female applicants were received.	municipality; should there been a vacancy, it must be reserved for a woman candidate. The municipality should also headhunt such a person since indications are that women are not keen to apply for Senior Manager posts at Nongoma municipality
(f)	The percentage of a municipality's budget actually spent on implementing its workplace skills plan	100%	169%	100%	100%	While the WSP vote had R200 000 and was exhausted by Q2; other training interventions were conducted and mostly by Finance department using the same WSP vote	In the next financial year, there will be proper allocation of duties, i.e.. Training coordination by Corporate Services and actual budget to be indicated in the budget. Any adjustment will accordingly be articulated to allow for Corporate Service to coordinate training accordingly and in line with the available budget

4.6. ASSESSMENT OF SERVICE PROVIDERS

Section 46 of the Municipal Systems Act require

A municipality must prepare for each financial year a performance report reflecting—

(a) the performance of the Municipality and each external service provider during that financial year;

The monitoring of the service provider performance is ensured through the signing of the Service Level Agreement/Contract. It is currently being done by user department levels. Service providers who fail to perform are to be reported to SCM and the necessary action is taken including the termination of the contract or cancellation of an order. The following are the service providers engaged in each department/business unit during the 2020/21 financial year.

The table below seeks to serve that purpose:

DEPARTMENT: FINANCE

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

NAME OF EXTERNAL SERVICE PROVIDER	SERVICE PROVIDED IN TERMS OF SIGNED SLA	PERFORMANCE TARGET	ASSESSMENT OF SERVICE PROVIDER'S PERFORMANCE i.e. (GOOD/SATISFACTORY/ POOR)	CORRECTIVE MEASURE IN CASE OF UNDUE PERFORMANCE
Madlopha Thenga & Associates Attorneys	Collection outstanding debts on behalf of municipality	100%	G	N/A
BPG Mass	Valuation roll services	90%	G	N/A
Indwe Risk Services	Provision of insurance services	90%	G	N/A
Camelsa Consulting Group System	Providing Financial system, Financial Accounting, Project management and asset register	80%	G	N/A
Inkazimulo	Preparations of Annual Financial Statements and Fixed Asset Register	100%	G	N/A
Pay Day Software System (Pty)Ltd	Payroll and HR services	100%	G	N/A
Bonakude Consultants	Internal Auditor	100%	G	N/A
Ntshidi and Associates	Value added tax services Recovery	90%	G	N/A

DEPARTMENT: SOCIAL SERVICES

NAME OF EXTERNAL SERVICE PROVIDER	SERVICE PROVIDED IN TERMS OF SIGNED SLA	PERFORMANCE TARGET	ASSESSMENT OF SERVICE PROVIDER'S PERFORMANCE i.e. (GOOD/SATISFACTORY/ POOR)	CORRECTIVE MEASURE IN CASE OF UNDUE PERFORMANCE
uBHALULE PROJECTS	Cleaning and maintenance services	Cleaning of town over week ends. Grass and alien plants cutting in town and surroundings.	Good	N/A
AROS PROCTETION	Security guards for municipal properties	24 hours services	Good	N/A
Mzomasi Trading	Rendering services at the Municipal dumpsite	Provision of dumping site services	Good	N/A

DEPARTMENT: CORPORATE SERVICES

NAME OF EXTERNAL SERVICE PROVIDER	SERVICE PROVIDED IN TERMS OF SIGNED SLA	PERFORMANCE TARGET	ASSESSMENT OF SERVICE PROVIDER'S PERFORMANCE i.e. (GOOD/SATISFACTORY/ POOR)	CORRECTIVE MEASURE IN CASE OF UNDUE PERFORMANCE
Emalangeni Technologies	Provision of internet and telephones	100 MB of internet and telephones via fibre connectivity	Good	N/A
ZW Ngwenya Attorney and Shepstone Wylie	Rendering of legal services	Adequate handling of legal matters	Good	N/A
Lembede & Associates Attorneys	Rendering of legal services	Adequate handling of legal matters	Good	N/A
Dludlu Attorneys	Rendering of legal services	Adequate handling of legal matters	Good	N/A
AVIS South Africa	Rendering car rental services	Proper functioning vehicles at affordable rates.	Good	N/A
Waphatha Pty Ltd	Rendering car rental services	Proper functioning vehicles at affordable rates.	Good	N/A
773 FEZY Motor services &Panel Beaters	Rendering car service and panel beating	Proper servicing of motor vehicles and body work at affordable rates.	Good	N/A
Yuretek	Provision of printing machines and telecommunications	Fully functional printers and maintenance	Good	N/A
Mzansi Wethu	Email and Website hosting, development and maintenance	Fully functional emails and updating of necessary content on the website	Good	N/A

DEPARTMENT: PLANNING AND INFRASTRUCTURE DEVELOPMENT

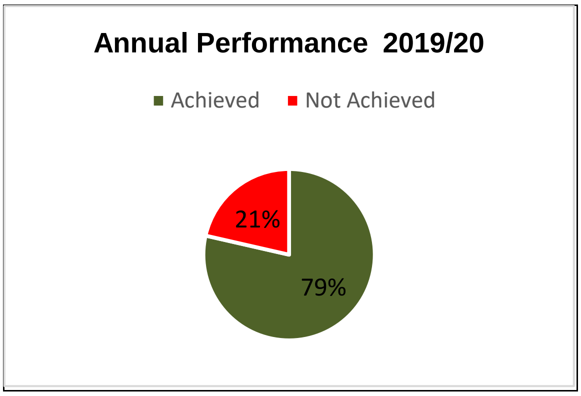
NAME OF EXTERNAL SERVICE PROVIDER	SERVICE PROVIDED IN TERMS OF SIGNED SLA	PERFORMANCE TARGET	ASSESSMENT OF SERVICE PROVIDER'S PERFORMANCE i.e. (GOOD/SATISFACTORY/ POOR)	CORRECTIVE MEASURE IN CASE OF UNDUE PERFORMANCE
MARISWE (PTY) LTD	Civil engineering consulting services	100%	P	Turn –Around Plan to be developed by the consultant, and its implementation progress be submitted monthly to Director: Technical Services
Nikeresa Construction	Construction of Mphuphusi sportsfield	100%	S	N/A
SIPILATO TRADING	Construction of Bhuqwini Gravel Road	100%	G	N/A
MINATHI CONSULTING	Civil engineering consulting services	100%	S	N/A
Mbangomuni Cleaning Services	Construction of Ophaphasi hall	100%	P	Turn –Around Plan to be developed by the consultant, and its implementation progress be submitted monthly to Director: Technical Services
Zilamkhonto Business Enterprise	Construction of Ndololwane crèche	100%	P	Turn –Around Plan to be developed by the consultant, and its implementation progress be submitted monthly to Director: Technical Services
NNLK Business Enterprise	Construction of Esikhaleni gravel road	100%	G	N/A
Mchilobomvu Civils Construction	Construction of Nqokotho hall	100%	S	N/A
BI INFRASTRUCTURE	Civil engineering consulting services	100%	G	N/A
Mbovu Dynamics	Construction of Ekubuseni crèche	100%	G	N/A
NHLOSO DEVELOPMENT CONSULTANTS	Construction of Mona sportsfield	100%	S	N/A
UZAMILE TRADING	Construction of Sgubudu community hall	100%	G	N/A
BI INFRASTRUCTURE	Construction of Qondile to KwaJuba Phase 2	100%	S	N/A
BI INFRASTRUCTURE	Construction of Nzondwane to Ndongande Phase 2	100%	S	N/A
Mariswe Pty Ltd	Construction of Ophaphasi Com. Hall	100%	S	N/A
Mariswe Pty Ltd	Construction of Eskhaleni Gravel Road	100%	P	Turn –Around Plan to be developed by the consultant,

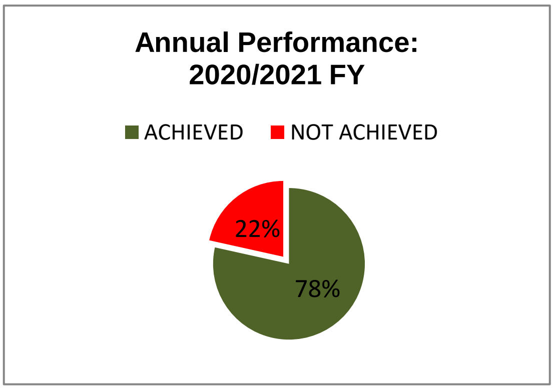
				and its implementation progress be submitted monthly to Director: Technical Services
Bi Infrastructure	Construction of Kwansele Creche	100%	S	N/A
Mhlopheni General Trading (Contractor)	Construction of Siyondlo Gravel Road	100%	G	N/A
Mahlahla Consulting Engineers	Construction of Nongoma Sidewalks	100%	S	N/A
Xoli M Projects (Contractor)	Construction of Nongoma Sidewalks	100%	S	N/A
TPZ Consulting (contractor)	Rehabilitation of stormwater in town	100%	S	N/A
Bi Infrastructure	White city phase 1	100%	G	N/A
Bi Infrastructure	Red Hill	100%	P	Turn –Around Plan to be developed by the consultant, and its implementation progress be submitted monthly to Director: Technical Services
Bi Infrastructure	Construction of Kwansele Creche	100%	S	N/A
Mbangomuni Cleaning Services	CONTRACTOR (Ophaphisi hall)	100%	S	N/A
Shantis Electrical PTY (LTD)	Contractor (Ebuhleni Electrification Phase 2-Ward2)	100%	G	N/A
MGEMN Services	Contractor (Mcakwini Electrification Phase 2 Ward 1)	100%	G	N/A
Mfumbathi Project	Nkukhwini Rural Housing Project	100%	S	N/A
Chushisanani Mzansi	Mpunzana Rural Housing Project	100%	G	N/A
Go- Big Construction	Zidwadweni Rural Housing Project	100%	G	N/A
Isundu Trading	Khokhwaneni Rural Housing Project	100%	G	N/A
Zamokuhle Developments	Nkunzana Rural Housing Project	100%	G	N/A
Fezeka Business	Siyazama Rural Housing Project	100%	G	N/A

Makhayo Construction and Suppliers	Vuna Rural Housing Project	100%	S	N/A
Sihamba Sodwa Consultants	Mhambuma Rural Projects	100%	G	N/A
Africoast JBFE PROJECT MANAGERS	Civil Engineering Consulting Services	100%	S	N/A
Vangisa Projects	Civil Engineering Consulting Services	100%	S	N/A
Mhlonipheni General Trading	Contractor (White City Roads Phase)	100%	G	N/A
Mela okuhle Trading	Contractor (Nongoma Town Stormwater)	100%	G	N/A
Inzuzo- Yesizwe Development Consultants	Town Planning and Environmental Consulting Services	100%	G	N/A
(Siyathuthu) joint Venture (JV) Timothy Fasheun Group Environments (Pty) Ltd	Town Planning and Environmental	100%	G	N/A
Zamisa Holdings	Geographic Information Systems (GIS)	100%	S	N/A

4.7. KEY AREAS TO NOTE ON PERFORMANCE OF NONGOMA MUNICIPALITY

Despite the financial year under review having more targets compared to the 2019/2020 FY; the overall performance remained steady; which has been the case since the 2018/2019 FY. The financial year was at 78% in terms of achievements compared to 79% for the previous financial year, and 79% in 2018/2019 FY.





The Auditor General did not raise any material findings regarding the usefulness and reliability of the reported performance information for basic service delivery and infrastructure development objective.

4.8. PERFORMANCE REPORT MEASURES TO BE TAKEN TO IMPROVE PERFORMANCE

It goes without saying that non-achievement of predetermined Key Performance Indicators (KPIs) could affect, negatively, the achievement of the strategic objectives. One of the risks associated with achievement of the pre-determined objectives is disregard by managers of the reviews and recommendations by the IDP/PMS Unit and also by internal audit.

The quarterly performance report of the municipality has been characterised by repeat findings, e.g. inability or unwillingness to articulate reasons for variance for targets that were not achieved. Repeat findings, therefore reflects a culture of an organisation that does not respect internal audit recommendations.

The municipality is still battling to have managers prepare Standard Operating Procedures (SOPs) for the predetermined targets. As such, for some predetermined targets, there are no mechanisms informing managers on the steps to be taken towards achieving them. The situation is compounded by Senior Managers' lack of ownership of the departmental SDBIPs.

In the new financial year, the municipality will intensify its efforts in ensuring that all SOPs are developed within the 1st quarter. It will also introduce a monthly reporting culture wherein SDBIP progress reports are tabled as both, the MANCO and Portfolio Committee level. The table below articulate corrective measures to be taken in relation to targets not achieved:

KPI No	KPI	Target	Actual	Reasons for Variance	Corrective Measures/Comment
A2.1.1	Date of adopting Reviewed Human Resource Strategy	Human Resource Strategy adopted by the council by 31 March 2021	Human Resource Strategy adopted by the council by 28 May 2021	The reason for delays in approving the HRM strategy was to obtain approval of HRM policies to provide a green light on the strategy.	In future, a target measured on a date will be achieved on or before the predetermined date
B1.1.8	%Completion of Nongoma side-walks	100%	60%	Delays with SCM resulted in the late appointment of the service provider	In future, only projects with confirmed implementers will be included in the initial SDBIP. Projects whose implementers are appointed late will be included during the Mid-Term revision of the SDBIP. The outstanding scope of work will be completed on Q1 (2021/2022)
B1.1.9	%Completion of Storm Water in Town	80%	71%		
B1.1.10	%Completion of White City Road Phase 1	80%	55%		
B1.1.11	%Completion of Deleni Road	60%	0%	Delays with SCM resulted in the late appointment of the service provider	Project will be implemented on 2021/2022 FY
B1.1.12	%Completion of Red Hill Road	50%	0%		
B1.1.13	%Installation of Town streetlights Phase 1	50%	37%	Delays with SCM resulted in the late appointment of the service provider	In future, only projects with confirmed implementers will be included in the initial SDBIP. Projects whose implementers are appointed late will be included during the Mid-Term revision of the SDBIP. Contractor is on site and the outstanding scope of work will completed on Q1(2021/2022) FY
B1.1.14	%Completion of Nongoma Black Top Phase 1	20%	0%	Project could not be implemented due to cash flow restriction	Project will be implemented on 2021/2022 FY
B1.1.16	%Completion of Mcakwini electrification project Phase 2	100%	70%	Delay on contractor appointment due to Covid-19, and heavy rains during construction	The outstanding scope of work will be completed on Q1 (2021/2022)
B1.1.19	% Completion of Ezimpakaneni Community Hall	10%	0%	Project is not implemented due to a delay on project approval by COGTA	In future, only approved projects with confirmed implementers will be included in the initial SDBIP. Un-approved Projects or projects whose implementers are appointed late will be included during the Mid-Term revision of the SDBIP.
B2.2.1	Number of Operations & Maintenance reports submitted to EXCO	1 report on operations and maintenance submitted to EXCO by 30 June 2021	0	Reason for variance could not be provided by the indicator owner	Corrective measure not provided by the indicator owner
C1.3.2	Date of Installation of Market Stalls	Market Stalls installed	Market Stalls were not installed	The target could not be achieved due to non-availability of funds	The KPI has been deferred to the next financial year
C2.1.3	Number of Women Council meetings conducted	4 Women Council meetings conducted by 30 June 2021	APR target not achieved: 3 Women Council meetings	Women in council could not sit in Q# due to covid-19 Lockdown regulations	Targets will be revised accordingly in the next financial year (2021/22).

			conducted		
C2.2.1	Number of Sports & Recreation programmes conducted	1 Sports & Recreation programme (Indigenous Games,) conducted by 30 June 2021	0	All gatherings were suspended due to Covid-19 Lockdown regulations	KPI deferred to the next financial year
C2.2.2	Number of Arts & Culture programmes conducted	2 Arts & Culture programmes (Isicathamiya & Ingoma) conducted by 30 June 2021	1 Arts & Culture programme (Isicathamiya) conducted	1 Arts & Culture programme (Ingoma) could not be conducted due to covid-19 Lockdown regulations	KPI deferred to the next financial year
C2.3.2	Date of conducting Mayoral Matric Excellence Award Ceremony	Mayoral Excellence Award Ceremony conducted by 31 March 2021	Mayoral Excellence Award Ceremony was conducted on the 15th April 2021	The event could not take place on the target date due to the passing of the Zulu King.	N/A
C2.3.3	Number of youth beneficiaries provided with Drivers' Licence assistance	10 youth beneficiaries provided with drivers' licence assistance by 30 June 2021	0	The program had to be halted due to Covid-19 Lockdown regulation which affected the licensing activities	The KPI has been deferred to the next financial year
F2.2.1	Number of Reports on SPLUMA Compliant development applications received submitted to Council	2 SPLUMA applications reports tabled to Council by 30 June 2021	APR target not achieved 0 SPLUMA applications reports tabled to Council by 30 June 2021	There were no applications received and the JMPT could not sit due to Covid-19 Lockdown regulations.	The indicator will be amended in the next financial year
F2.3.1	Number of Environmental Management Tools developed	2 Environmental Management Tools developed by 30 June 2021	APR target not achieved	Development of the Climate Change Response Plan and SEA is in the Public participation process	Climate Change Response Plan and SEA will be tabled to council in the next financial year (Q2)
F3.1.1	Number of reports on the implementation of Disaster Management Plan	2 reports on Disaster Management Plan implementation submitted to Council by 30 June 2021.	1 report on Disaster Management Plan implementation submitted	N/A	N/A

ANNEXURE A: ANNUAL FINANCIAL STATEMENTS

Nongoma Local Municipality
(Registration number KZN265)
Annual Financial Statements
for the year ended 30 June 2021

General Information

Legal form of entity	Low Capacity Municipality (Local Government)
Nature of business and principal activities	Service Delivery
The following is included in the scope of operation	Service Delivery: Rates, waste management and general services. Main business operations: Local government activities, planning and promotion of the integrated development plan, land, economic and environmental development. The mandate of the municipality is in terms of section 152 of the Constitution of South Africa
Mayor	Cllr MA Mncwango
Deputy Mayor	Cllr AN Xulu
Speaker	Cllr BW Zulu
EXCO Members:	Cllr BJ Ntshangase Cllr NG Xaba Cllr NM Mthembu Cllr AN Ndabandaba Cllr SA Hlongwane Cllr NP Mbatha
MPAC Chairperson	Cllr MN Mkhwanazi
MPAC Members:	Cllr ZN Sithole Cllr S Nxumalo Cllr JT Dlamini Cllr NB Nhleko Cllr MS Hadebe
Ordinary Councillors	Cllr RZ Buthelezi Cllr EM Masango Cllr SD Nxumalo Cllr E Shiba Cllr PS Mhleko Cllr AM Mncwango Cllr SC Ndwandwe Cllr BG Ntombela Cllr BH Sithole Cllr SK Hadebe Cllr NP Mlambo Cllr SM Mbatha Cllr LN Mdluli Cllr NS Magwaza Cllr MA Mtshali Cllr ZS Hlongwa Cllr SC Ngcobo Cllr TN Mthethwa Cllr TM Ndwandwe Cllr LN Buthelezi Cllr PM Xhakaza Cllr MD Ndwandwe

General Information

	Cllr KM Mtshali Cllr VB Zulu Cllr JZ Zungu Cllr TJ Nsele Cllr ME Nkosi
Grading of local authority	3
Chief Financial Officer	Mr MM Zungu
Accounting Officer	Mr MB Mnguni
Business address	Lot 103 Main Street Nongoma 3950
Postal address	P O Box 84 Nongoma 3950
Telephone	035 831 7500
Facsimile	035 831 3152
Bankers	First National Bank
Auditors	Auditor General of South Africa Registered Auditors
Attorneys	ZW Ngwenya Attorneys Shepstone & Wylie Lembede & Associates Dludlu Attorneys
Website	www.nongoma.org.za

Index

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

COID	Compensation for Occupational Injuries and Diseases
UIF	Unemployment Insurance Fund
LED	Local Economic Development
GRAP	Generally Recognised Accounting Practice
FMG	Financial Management Grant
AGSA	Auditor General South Africa
SARS	South Africa Revenue Services
INEP	Integrated National Electrification Program
LG SETA	Local Government Sector Education and Training Authority
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
SARS	South Africa Revenue Services
PAYE	Pay As You Earn

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2022 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.

I also certify that salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office as disclosed in the Annual Financial Statements below are within the upper limits of the framework envisaged in Section 219 of the Constitution, read in conjunction with the Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2021 and were signed on its behalf by:

Accounting Officer
Mr MB Mnguni

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	3	7,969,851	7,634,155
Receivables from non-exchange transactions	4	31,542,703	34,366,147
VAT receivables	5	6,639,668	1,595,275
Cash and cash equivalents	6	14,663,020	8,327,985
		60,815,242	51,923,562
Non-Current Assets			
Property, plant and equipment	7	351,945,749	330,116,940
Intangible assets	8	43,416	119,498
		351,989,165	330,236,438
Total Assets		412,804,407	382,160,000
Liabilities			
Current Liabilities			
Finance lease obligation	9	815,589	136,341
Operating Lease Accrual		77,602	-
Payables from exchange transactions	10	67,237,221	54,159,132
Employee benefit obligation	11	774,766	272,766
Unspent conditional grants and receipts	12	238,360	-
		69,143,538	54,568,239
Non-Current Liabilities			
Finance lease obligation	9	3,387,597	39,693
Employee benefit obligation	11	3,800,234	3,252,832
Provisions	13	7,445,212	7,078,543
		14,633,043	10,371,068
Total Liabilities		83,776,581	64,939,307
Net Assets		329,027,826	317,220,693
Accumulated surplus		329,027,826	317,220,693

* See Note 39

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Sale of goods		13,168	237,294
Service charges	15	1,927,752	1,773,192
Rental of facilities and equipment	16	174,923	211,067
Interest income on long outstanding debtors		4,196,197	4,152,775
Licences and permits	17	838,861	599,819
Commissions received	18	90,492	90,212
Insurance refunds	18	63,377	21,000
Interest received - investment	19	706,290	1,348,759
Total revenue from exchange transactions		8,011,060	8,434,118
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	20	25,750,907	24,304,299
Donations received	21	-	4,326,205
Transfer revenue			
Government grants & subsidies	22	305,708,614	333,825,601
Fines, penalties and forfeits	23	469,721	389,340
Total revenue from non-exchange transactions		331,929,242	362,845,445
Total revenue	14	339,940,302	371,279,563
Expenditure			
Employee related costs	24	(103,430,044)	(98,720,977)
Remuneration of councillors	25	(14,050,506)	(14,250,631)
Depreciation and amortisation	26	(21,001,141)	(21,227,724)
Impairment loss	27	(65,457)	(1,535,070)
Finance costs	28	(896,910)	(481,686)
Lease rentals on operating lease	29	(976,780)	(5,294,693)
Provision for bad debt expenses	30	(9,968,422)	(3,606,982)
Contracted services	31	(118,074,727)	(177,368,639)
Free basic electricity	32	(113,451)	(57,873)
General expenses	33	(58,969,951)	(44,222,862)
Total expenditure		(327,547,389)	(366,767,137)
Operating surplus		12,392,913	4,512,426
Loss on disposal of assets and liabilities	7	-	(1,037,692)
Actuarial gains/losses	11	(585,783)	415,896
		(585,783)	(621,796)
Surplus for the year		11,807,130	3,890,630

Prior period amounts have been restated, all adjustments are disclosed and explained in prior period adjustment note 39.

* See Note 39

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	**326,666,178**	**326,666,178**
Adjustments		
Prior year adjustments -refer to note 39	**(13,336,115)**	**(13,336,115)**
Restated Balance as at 01 July 2019	**313,330,063**	**313,330,063**
Changes in net assets		
Surplus for the for the year	**3,890,630**	**3,890,630**
Surplus for the year	**3,890,630**	**3,890,630**
Restated Balance as at 01 July 2020	**317,220,696**	**317,220,696**
Changes in net assets		
Surplus for the year	**11,807,130**	**11,807,130**
Surplus for the year	**11,807,130**	**11,807,130**
Balance at 30 June 2021	**329,027,826**	**329,027,826**

*** See Note 39**

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Property rates		29,258,743	24,868,288
Refuse removal		1,454,659	594,922
Grants received		232,941,791	199,456,000
Interest income		706,290	1,348,759
Refunds Received		63,377	7,996,960
Rental income received		174,923	211,067
Housing grant received		72,766,823	148,888,539
Licence and permits		838,861	612,362
Fines, penalties and other receipts		469,721	511,269
Sale of goods		13,168	327,506
		338,688,356	384,815,672
Payments			
Employee costs		(119,415,694)	(111,520,134)
Suppliers		(92,725,911)	(80,457,523)
Finance costs		(896,910)	(481,686)
Housing grants payments		(72,766,823)	(148,888,529)
INEP projects paid		(8,637,656)	(8,283,830)
		(294,442,994)	(349,631,702)
Net cash flows from operating activities	35	44,245,362	35,183,970
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(41,682,096)	(33,735,179)
Cash flows from financing activities			
Finance lease Liability movement		3,771,769	(207,495)
Net increase/(decrease) in cash and cash equivalents		6,335,035	1,241,296
Cash and cash equivalents at the beginning of the year		8,327,985	7,086,689
Cash and cash equivalents at the end of the year	6	14,663,020	8,327,985

The accounting policies on pages 13 to 36 and the notes on pages 37 to 75 form an integral part of the annual financial statements.

* See Note 39

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Percentage Variance (%) R	Reference
		-	-	-	-	-	
Statement of Financial Performance							
Revenue							
Revenue from exchange transactions							
Sale of goods	-	-	-	13,168	13,168	100	48
Service charges	1,848,000	-	1,848,000	1,927,752	79,752	4	48
Rental of facilities and equipment	294,000	-	294,000	174,923	(119,077)	(41)	48
Interest income from long outstanding debtors	2,872,000	-	2,872,000	4,196,197	1,324,197	46	48
Licences and permits	992,000	-	992,000	838,861	(153,139)	(15)	48
Commissions received	-	-	-	90,492	90,492	100	48
Insurance refunds	-	-	-	63,377	63,377	100	48
Interest received - investment	2,143,000	(1,000,000)	1,143,000	706,290	(436,710)	(38)	48
Total revenue from exchange transactions	8,149,000	(1,000,000)	7,149,000	8,011,060	-	-	
Revenue from non-exchange transactions							
Taxation revenue							
Property rates	26,785,000	-	26,785,000	25,750,907	(1,034,093)	(4)	48
Transfer revenue							
Government grants & subsidies	171,159,000	30,347,000	201,506,000	305,708,614	104,202,614	52	48
Fines, penalties and forfeits	363,000	-	363,000	469,721	106,721	29	48
Other	1,228,000	(500,000)	728,000	-	(728,000)	(100)	
Total revenue from non-exchange transactions	199,535,000	29,847,000	229,382,000	331,929,242	(4,738,007)	-	
Total revenue	207,684,000	28,847,000	236,531,000	339,940,302	(4,738,007)		

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Percentage Variance (%)	Reference
	R	R	R	R	R	R	
		-	-	-	-	-	
Expenditure							
Employee related costs	(95,954,000)	(4,362,000)	(100,316,000)	(103,430,044)	(3,114,044)	3	48
Remuneration of councillors	(16,261,000)	-	(16,261,000)	(14,050,506)	2,210,494	(14)	48
Depreciation and amortisation	(17,448,000)	(3,552,000)	(21,000,000)	(21,001,141)	(1,141)	1	48
Impairment loss	-	-	-	(65,457)	(65,457)	(100)	48
Finance costs	(869,000)	-	(869,000)	(896,910)	(27,910)	3	48
Lease rentals on operating lease	-	-	-	(976,780)	(976,780)	(100)	48
Debt Impairment	(4,000,000)	-	(4,000,000)	(9,968,422)	(5,968,422)	107	48
Contracted Services	(26,408,000)	(8,379,000)	(34,787,000)	(118,074,727)	(83,287,727)	239	48
Transfers and Subsidies	(794,000)	(277,000)	(1,071,000)	(113,451)	957,549	(89)	48
General Expenses	(35,120,000)	(13,609,000)	(48,729,000)	(58,969,951)	(10,240,951)	21	48
Other Materials	(1,720,000)	(2,649,000)	(4,369,000)	-	4,369,000	(100)	48
Total expenditure	(198,574,000)	(32,828,000)	(231,402,000)	(327,547,389)	(96,145,318)	-	
Operating surplus	9,110,000	(3,981,000)	5,129,000	12,392,913	7,263,913		
Actuarial gains/losses	-	-	-	(585,783)	(585,783)	100	48
Surplus for the year	9,110,000	(3,981,000)	5,129,000	11,807,130	6,678,130		
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	9,110,000	(3,981,000)	5,129,000	11,807,130	6,678,130		

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Percentage Variance (%) R	Reference
		-	-	-	-	-	
Statement of Financial Position							
Assets							
Current Assets							
Receivables from exchange transactions	67,298,000	(8,590,000)	58,708,000	7,967,310	(50,740,690)	(93)	
Receivables from non-exchange transactions	2,000,000	-	2,000,000	31,542,703	29,542,703	(1,477)	48
VAT receivables	-	-	-	6,639,668	6,639,668	100	48
Cash and cash equivalents	2,857,000	100,000	2,957,000	14,663,020	11,706,020	396	48
	72,155,000	(8,490,000)	63,665,000	60,812,701	(2,853,573)	-	
Non-Current Assets							
Property, plant and equipment	371,522,000	10,203,000	381,725,000	351,945,749	(29,779,251)	(8)	48
Intangible assets	300,000	-	300,000	43,416	(256,584)	(86)	48
	371,822,000	10,203,000	382,025,000	351,989,165	(30,035,929)	-	
Total Assets	443,977,000	1,713,000	445,690,000	412,801,866	(32,889,502)		
Liabilities							
Current Liabilities							
Finance lease obligation	-	-	-	815,589	815,589	100	48
Operating lease liability	-	-	-	77,602	77,602	100	
Payables from exchange transactions	18,183,000	(1,966,000)	16,217,000	67,237,224	51,020,224	315	48
Employee benefit obligation	-	-	-	774,766	774,766	100	48
Unspent conditional grants and receipts	-	-	-	238,360	238,360	(100)	48
Borrowings	4,493,000	(4,138,000)	355,000	-	(355,000)	(100)	
	22,676,000	(6,104,000)	16,572,000	69,143,541	52,571,956	-	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Percentage Variance (%) R	Reference
		-	-	-	-	-	
Non-Current Liabilities							
Finance lease obligation	-	-	-	3,387,597	3,387,597	100	48
Employee benefit obligation	-	-	-	3,800,234	3,800,234	100	48
Provisions	15,688,000	(31,376,000)	(15,688,000)	7,445,212	23,133,212	311	48
Borrowings	1,682,000	2,454,000	4,136,000	-	(4,136,000)	(100)	48
	17,370,000	(28,922,000)	(11,552,000)	14,633,043	26,185,454	-	
Total Liabilities	40,046,000	(35,026,000)	5,020,000	83,776,584	78,757,410		
Net Assets	403,931,000	36,739,000	440,670,000	329,025,282	(111,646,912)		
Net Assets							
Net Assets Attributable to Owners of Controlling Entity							
Reserves							
Accumulated surplus	403,931,000	36,739,000	440,670,000	329,027,824	(111,642,176)		

The accounting policies on pages 13 to 36 and the notes on pages 37 to 75 form an integral part of the annual financial statements.

Accounting Policies

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.

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 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 judgements is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables

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.

Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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

Accounting Policies

1.3 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. When there is evidence that expected future economic benefits from an assets differs from previous assessment, the asset is impaired to its recoverable amount. The recoverable amount is expected to be the higher of fair value less costs to sale and value in use. Estimates are used to calculate value in use and fair value less costs to sale.

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 13 - Provisions.

Post retirement benefits

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

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

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

Effective interest rate

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

Allowance for doubtful debts

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

1.4 Investment property

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

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

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

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

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

Accounting Policies

1.4 Investment property (continued)

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.

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.5 Property, plant and equipment (continued)

Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight line	25 - 30 years
Plant and machinery	Straight line	4-5 years
Furniture and fixtures	Straight line	7-10 years
Motor vehicles	Straight line	7 years
Office equipment	Straight line	5 years
IT equipment	Straight line	5 years
Leasehold assets	Straight line	2 years
Infrastructure	Straight line	10-50 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.

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 used in the course of its operations 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 7).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 7).

1.6 Site restoration on landfill site asset

The municipality has an obligation to restore landfill site asset. The cost of an item of landfill site asset 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.

Accounting Policies

1.6 Site restoration on landfill site asset (continued)

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

1.7 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

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.

Accounting Policies

1.7 Intangible assets (continued)

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

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

1.8 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 bad debt.

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.8 Financial instruments (continued)

Classification

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

Class	Category
Cash and cash Equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
VAT Receivables	Financial asset measured at amortised cost
Consumer Debtors	Financial asset measured at amortised cost

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

Class	Category
Unspent Conditional Grant	Financial liability measured at amortised cost
Payables from exchange	Financial liability measured at amortised cost
transactions Finance lease	Financial liability measured at amortised cost
Obligations Operating lease	Financial liability measured at amortised cost
liability Provision liability	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

Accounting Policies

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

Reclassification

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

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

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

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

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

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

Financial liabilities

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

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

1.8 Financial instruments (continued)

Presentation

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

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

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

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

1.9 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 charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

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

1.9 Statutory receivables (continued)

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.

Impairment losses

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

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

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

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

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

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

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

Derecognition

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

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

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

1.10 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.

Accounting Policies

1.10 Leases (continued)

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.

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.

1.11 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.

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

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

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

Useful life is either:

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

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

Identification

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

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

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

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

1.11 Impairment of cash-generating assets (continued)

Composition of estimates of future cash flows

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

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

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

Discount rate

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

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:
- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

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

1.12 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

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

Identification

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

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

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

Accounting Policies

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

Value in use

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

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

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

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

1.13 Employee benefits

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

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

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

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

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

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

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

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 recognise 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 recognise 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 recognise 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.

Accounting Policies

1.13 Employee benefits (continued)

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.

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.

1.14 Provisions and contingencies

A provision is a liability of uncertain timing or amount.

A contingent liability is:

(a) a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or

(b) a present obligation that arises from past events but is not recognised because:

(i) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
(ii) the amount of the obligation cannot be measured with sufficient reliability.

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

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

Accounting Policies

1.14 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 (deficit).

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

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 37.

Accounting Policies

1.14 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and 1.12.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset; in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.15 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.

1.16 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.

1.16 Revenue from exchange transactions (continued)

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

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

Measurement

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

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 surveys of work performed.

Interest income

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, in surplus or deficit, using the effective interest rate method.

1.17 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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.

1.17 Revenue from non-exchange transactions (continued)

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.

Fines

Revenue from the issuing of fines 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.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Government grants

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

1.18 Investment income

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

1.19 Borrowing costs

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

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

1.20 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.

Accounting Policies

1.20 Accounting by principals and agents (continued)

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).

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.

1.21 Comparative figures

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

1.22 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.23 Fruitless and wasteful expenditure

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

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

1.24 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

(a) this Act and has not been condoned in terms of section 170, or
(b) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act or
(c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998);
(d) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or any of the municipality’s by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Accounting Policies

1.24 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.25 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.

1.26 Budget information

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

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

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

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

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

1.27 Related parties

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

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

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

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

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

1.27 Related parties (continued)

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 considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

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

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.

1.28 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.

2. New standards and interpretations

The objective of this Standard is to prescribe the:

recognition, measurement, presentation and disclosure requirements for living resources; and disclosure requirements for non-living resources

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

The subsequent amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets

IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

The effective date of the standard is for years beginning on or after 1 April 2020.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 1 July 2021 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 5 : Borrowing costs	1 April 2021	Unlikely there will be a material impact
GRAP 13: Leases	1 April 2021	Unlikely there will be a material impact
GRAP 16: Investment Property	1 April 2021	Unlikely there will be a material impact
GRAP 17: Property, Plant and Equipment	1 April 2021	Unlikely there will be a material impact
GRAP 20: Related Parties Disclosures	1 April 2021	Unlikely there will be a material impact

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:

requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;

defines the principle of control, and establishes control as the basis for consolidation;

sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;

sets out the accounting requirements for the preparation of consolidated financial statements; and

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

2. New standards and interpretations (continued)

defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers Definitions, Control, Accounting requirements, Investment entities: Fair value requirement, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 1 April 2020.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

3. Receivables from exchange transactions

Prepayments	190,142	98,362
Refuse removal	13,558,857	13,275,420
Grazing and services levies	243,843	243,843
Rental	34,275	34,275
Billboards	210,145	210,631
Provision for bad debts - refuse removal	(5,994,152)	(5,955,194)
Provision for bad debts -grazing and service levies	(141,391)	(141,366)
Provision for bad debts -rental	(14,597)	(14,545)
Provision for bad debts - Billboards	(117,271)	(117,271)
	7,969,851	7,634,155

Refuse Removal	2021	2020
Current (0 -30 days)	304,595	187,744
31 - 60 days	109,282	132,270
61 - 90 days	108,953	137,749
91 - 120 days	104,276	140,393
121-365 days	12,931,751	12,677,264
	13,558,857	13,275,420

Bill boards	2021	2020
Current (0 -30 days)	1,761	1,330
31 - 60 days	-	9,707
121 - 365 days	208,384	199,594
	210,145	210,631

Housing rental	2021	2020
Current (0 -30 days)	25,644	8,801
31 - 60 days	1,641	7,461
61 - 90 days	1,641	5,461
91 - 120 days	1,497	1,461
121 - 365 days	3,852	11,091
	34,275	34,275

Grazing and Service Levies	2021	2020
121 - 365 days	243,843	243,843

Trade and other receivables pledged as security

None of the receivables from exchange transaction has been pledged as security in prior and current year.

Figures in Rand	2021	2020

3. Receivables from exchange transactions (continued)

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Trade receivables

None of the financial assets that are fully performing have been renegotiated in the last year.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 2 months past due are not considered to be impaired. At 30 June 2021, R 421,380 (2020: R 393,159) were past due but not impaired.

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

1 month past due	170,986	247,364
2 months past due	250,394	145,795

Reconciliation of provision for impairment of trade and other receivables

Opening balance	6,228,375	5,662,890
Provision for bad debts	39,522	565,485
	6,267,897	6,228,375

4. Receivables from non-exchange transactions

Property rates	42,303,106	45,365,235
Traffic fines	2,938,827	2,469,127
Provision for bad debts - Property rates	(12,244,408)	(12,134,917)
Provision for bad debts - Traffic fines	(1,454,822)	(1,333,298)
	31,542,703	34,366,147

Property rates	2021	2020
Current (0 - 30 days)	1,929,901	3,015,584
31 -60 days	425,537	(195,336)
61 - 90 days	462,381	905,811
91 - 120 days	572,147	932,562
121 - 365 days	38,913,140	40,706,614
	42,303,106	45,365,235

Traffic fines	2021	2020
121 - 365 days	483,191	388,407
>365 days	2,455,646	2,080,720
	2,938,837	2,469,127

No statutory receivables balances were pledged as security in current year.

Figures in Rand	2021	2020

4. Receivables from non-exchange transactions (continued)

Credit quality of statutory receivables transactions

The credit quality of statutory that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Summary of debtors by customer classification

	2021	2020
Consumers/ Residential		
Current (0 -30 days)	315,077	315,474
31 - 60 days	156,847	168,574
61- 90 days	133,030	160,069
91 - 120 days	134,770	162,935
121 - 365 days	13,079,250	12,515,410
	13,818,974	13,322,462
Industrial/ Commercial		
Current (0 -30 days)	1,427,365	2,416,849
31 -60 days	155,845	(483,877)
61 -90 days	287,429	622,949
91 -120 days	318,670	654,516
121-365 days	17,503,920	15,335,506
	19,693,229	18,545,943
National and provincial government		
Current (0 -30 days)	365,924	421,427
31 -60 days	170,551	229,583
61 -90 days	108,362	227,922
91 -120 days	174,154	223,023
121 -365 days	16,675,215	22,420,189
	17,494,206	23,522,144
Vacant Land		
Current (0 -30 days)	138,492	77,739
31 -60 days	53,218	39,822
61 -90 days	44,155	38,081
91 - 120 days	50,325	33,942
121 -365 days	2,979,168	2,297,951
	3,265,358	2,487,535
Totals		
Current (0 -30 days)	2,246,859	3,231,489
31 -60 days	536,460	(45,898)
61 -90 days	572,975	1,049,021
91 -120 days	677,920	1,074,416
121 -365 days	50,237,555	52,569,056
	54,271,769	57,878,084

None of the financial assets that are fully performing have been renegotiated in the last year.

Included in receivables from non-exchange transactions is statutory receivables as detailed below

4. Receivables from non-exchange transactions (continued)

Statutory receivables past due but not impaired

Statutory receivables transactions which are less than 2 months past due are not considered to be impaired. At 30 June 2021, R 2,853,241 (2020: R 2,111,156) were past due but not impaired.

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

1 month past due	1,983,936	1,581,021
2 months past due	869,305	530,135

Statutory receivables impaired

As of 30 June 2021, statutory receivables transactions of R 49,083,427 (2020: R 45,151,024) were impaired and provided for.

The amount of the provision was R 13,468,215 as of 30 June 2021 (2020: R 11,264,800).

The ageing of these statutory receivables is as follows:

3 to 6 months	1,379,639	1,116,672
Over 6 months	47,703,788	44,034,352

Reconciliation of provision for impairment of statutory receivables

Opening balance	13,468,215	11,264,800
Provision for bad debts	245,607	2,203,415
	13,713,822	13,468,215

Statutory debtors disclosed above are accounted for in accordance with GRAP 108 requirements. Below is a detailed description of all municipal statutory debtors:

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. The main trigger for impairment loss on statutory debtors is late payment or non-payment of accounts by customers. Simple interest rate is charged on property rates at 18% per annum.

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. Due to high rate of default payments of traffic fines, the municipality provides for bad debts at rate of 50% of the outstanding balance. No interest is charged for traffic fines statutory receivables.

5. VAT Receivable

VAT output payables and VAT input receivables are shown in note .
All VAT returns have been submitted by the due date throughout the year.

	2021	2020
VAT input receivable	5,057,361	1,012,470
VAT control account	2,440,562	1,289,968
VAT output payable	(858,255)	(707,163)
	6,639,668	1,595,275

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Figures in Rand	2021	2020

6. Cash and cash equivalents (continued)

	2021	2020
Petty Cash	-	(4,930)
Bank balances	14,661,840	8,329,640
Cashier Collection clearing account	1,180	3,275
	14,663,020	8,327,985

The maximum petty cash amount is R 5 000 as per petty policy. All the petty cash slips for specific month are submitted and capture in that specific month, however the cheque to refill the petty cash will only be processed in the following month. As at end of each month, the petty cash account will have a negative balance that will be cleared in the following month. As at 30 June 2021, petty cash slips was been captured and the cheque will be deposited in subsequent periods.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
First National Bank Cheque Account 531-5327-8884	14,526,425	8,154,582	3,915,928	14,526,425	8,154,582	3,915,928
First National Bank Licensing Cheque Account - 622-0376-1962	79,256	117,995	120,885	99,776	123,775	135,625
First National Bank MIG Cheque Account - 622-0222-6751	15,370	27,911	25,689	15,370	27,911	25,689
First National Bank Call Account - 613-1500-0549	-	3,136	2,605,549	-	3,136	2,605,549
First National Bank Cheque Account - 623-7063-9373	-	882	80,884	-	882	80,884
First National Bank Cheque Account - 623-7306-3222	1,062	3,278	303,923	1,062	3,278	303,923
First National Bank Cheque Account - 623-7063-8573	114	16,075	15,882	114	16,075	15,882
First National Bank 7 Day Notice Deposit Account - 744-2706-5468	19,093	1	1	19,093	1	1
Total	14,641,320	8,323,860	7,068,741	14,661,840	8,329,640	7,083,481

The balance as per the bank statement is lower than the balance as per cash book by R20 520. This is due to outstanding deposits on FNB Licence Cheque Account-622 0376 1962 arising from 2016/17 financial period. The amount of R5780 was for 2016/17 and R14 740 was cash on hand as at 30 June 2021.

Notes to the Annual Financial Statements

Figures in Rand

7. Property, plant and equipment

	2021			2020		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	5,754,293	-	5,754,293	5,754,293	-	5,754,293
Buildings	16,219,873	(3,354,017)	12,865,856	11,874,433	(2,810,605)	9,063,828
Leased Assets	4,686,832	(605,822)	4,081,010	280,929	(160,673)	120,256
Plant and machinery	4,678,645	(1,660,411)	3,018,234	4,602,433	(2,301,300)	2,301,133
Furniture and fixtures	3,714,291	(1,697,944)	2,016,347	2,781,667	(2,039,438)	742,229
Motor vehicles	10,303,603	(8,992,163)	1,311,440	10,227,603	(7,570,833)	2,656,770
IT equipment	2,552,385	(1,803,322)	749,063	2,076,537	(1,349,467)	727,070
Infrastructure	193,547,191	(43,918,677)	149,628,514	177,381,381	(38,208,452)	139,172,929
Community	215,706,594	(61,963,805)	153,742,789	207,938,718	(50,819,806)	157,118,912
Storm water infrastructure	19,961,461	(4,664,610)	15,296,851	11,754,426	(2,928,703)	8,825,723
Landfill site asset	7,202,645	(3,721,293)	3,481,352	6,835,976	(3,202,179)	3,633,797
Total	484,327,813	(132,382,064)	351,945,749	441,508,396	(111,391,456)	330,116,940

Notes to the Annual Financial Statements

Figures in Rand

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Transfers received	Transfers	Landfill site adjustment	Depreciation	Impairment reversal /(loss)	Change in estimate	Total
Land	5,754,293	-	-	-	-	-	-	-	5,754,293
Buildings	9,063,828	4,345,434	-	-	-	(543,406)	-	-	12,865,856
Leased assets	120,256	4,405,903	-	-	-	(445,149)	-	-	4,081,010
Plant and machinery	2,301,133	76,212	-	-	-	(528,372)	-	1,169,261	3,018,234
Furniture and fixtures	742,229	932,624	-	-	-	(443,344)	-	784,838	2,016,347
Motor vehicles	2,656,770	75,922	-	-	-	(1,421,252)	-	-	1,311,440
IT equipment	727,070	475,845	-	-	-	(471,487)	17,635	-	749,063
Infrastructure	139,172,929	15,732,910	12,710,590	(12,277,669)	-	(5,699,681)	(10,565)	-	149,628,514
Community	157,118,912	7,430,211	10,829,643	(10,492,008)	-	(11,143,969)	-	-	153,742,789
Storm water infrastructure	8,825,723	8,207,035	-	-	-	(1,663,382)	(72,525)	-	15,296,851
Landfill site asset	3,633,797	-	-	-	366,669	(519,114)	-	-	3,481,352
	330,116,940	41,682,096	23,540,233	(22,769,677)	366,669	(22,879,156)	(65,455)	1,954,099	351,945,749

Notes to the Annual Financial Statements

Figures in Rand

7. Property, plant and equipment (continued) Reconciliation

of property, plant and equipment - 30 June 2020

	Opening balance	Additions	Disposal	Transfers received	Transfers	Prior Period Adjustment	Donations	Landfill site Asset Adjustment	Depreciation	Impairment loss	Write-off	Total
Land	5,754,293	-	-	-	-	-	-	-	-	-	-	5,754,293
Buildings	11,853,672	2,818,531	-	-	-	(9,546,110)	4,267,524	-	(162,442)	(167,347)	-	9,063,828
Leased Assets	324,573	-	-	-	-	-	-	-	(93,643)	-	(110,674)	120,256
Plant and machinery	1,712,491	1,349,399	-	158,920	-	-	58,681	-	(378,575)	-	(599,783)	2,301,133
Furniture and fixtures	710,953	335,171	-	-	-	-	-	-	(225,639)	-	(78,256)	742,229
Motor vehicles	3,928,527	145,140	-	-	-	-	-	-	(1,416,897)	-	-	2,656,770
IT equipment	793,441	471,217	(363,328)	-	-	-	-	-	(288,616)	-	114,356	727,070
Infrastructure	127,177,786	17,421,340	-	13,460,271	(13,460,271)	42,661	-	-	(5,468,858)	-	-	139,172,929
Community	158,822,068	10,139,347	-	23,380,782	(23,380,782)	214,760	-	-	(10,689,539)	(1,367,724)	-	157,118,912
Storm water Infrastructure	9,070,743	1,418,362	-	-	-	-	-	-	(1,663,382)	-	-	8,825,723
Landfill site asset	3,613,974	-	-	-	-	-	-	734,668	(714,845)	-	-	3,633,797
	323,762,521	34,098,507	(363,328)	36,999,973	(36,841,053)	(9,288,689)	4,326,205	734,668	(21,102,436)	(1,535,071)	(674,357)	330,116,940

Pledged as security

No assets were pledged as security in the current year.

Reconciliation of Work-in-Progress 2021

	Infrastructure Assets	Community Assets	Storm water assets	Buildings	Total
Opening balance	13,610,768	10,499,012	1,418,522	198,700	25,727,002
Additions/capital expenditure	15,732,910	6,586,133	8,207,035	-	30,526,078
Transferred to completed items	(12,277,663)	(10,491,836)	-	-	(22,769,499)
	17,066,015	6,593,309	9,625,557	198,700	33,483,581

7. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2020

	Infrastructure Assets	Community Assets	Storm water assets	Buildings	Total
Opening balance	9,649,699	23,740,447	-	-	33,390,146
Additions/capital expenditure	17,421,340	10,139,347	1,418,522	198,700	29,177,909
Transferred to completed items	(13,460,271)	(23,380,782)	-	-	(36,841,053)
	13,610,768	10,499,012	1,418,522	198,700	25,727,002

Included in property, plant and equipment are property that have been identified as taking significantly longer period of time to complete than expected, due to the following:

Emaye Sportfield - The project is taking longer than planned. The reason for stopping was due to lack of funding. R144,678 was incurred as at 30 June 2019 and not further expenditure up to the year ended 30 June 2021..

Foma Road - The project is taking longer than planned since the municipality has only allocated a budget in the 2019/2020 financial period for the respective project. No Additional work was performed during the year due to lack of funding. The carrying amount of this project is R101,869 included in property plant and equipment.

Mfanela Road / Causeway - The project is taking longer than planned as the municipality is still in the tender process. The carrying amount of the project as at 30 June 2019 is R96,793. Additional expenditure of R81,158 was incurred for the year ending 30 June 2021.

Mangomhlophe Sportsfield - The previous contractor's services were terminated due to under-performance. A new contractor was appointed and the carrying amount of the project is R 636,532.66 as at 30 June 2021.

Animal Pound Building - The delay are mainly due to funding issues. R1 545 000 has been spent on this project in prior and current year.

Bandlaneni Community Hall - The delays are due to funding issues. R 132 880.95 has been spent on this project in prior and current year.

Mangqeshaneni Hall - The delays were due to funding issues. R 89 024.02 has been spent on this project in prior and current year.

Testing Grounds - The delays were due to funding issues. R2 858 669.6 has been spent on this project in prior and current year.

Expenditure incurred to repair and maintain property, plant and equipment

	2021	2020
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Maintenance of Buildings and Facilities	8,548,225	6,690,740
Maintenance of Equipment	101,236	39,801
Maintenance of Infrastructure assets	10,506,765	8,266,196
	19,156,226	14,996,737

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

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

8. Intangible assets

	2021			2020		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1,823,540	(1,780,124)	43,416	1,823,540	(1,704,042)	119,498

Reconciliation of intangible assets - 30 June 2021

	Opening balance	Change in estimate	Amortisation	Total
Computer software	119,498	(15,820)	(60,262)	43,416

Reconciliation of intangible assets -30 June 2020

	Opening balance	Amortisation	Total
Computer software	244,708	(125,210)	119,498

Pledged as security

No Intangible assets were pledged as security.

9. Finance lease obligation

	2021	2020
Minimum lease payments due		
- within one year	815,589	147,019
- in second to fifth year inclusive	3,421,976	42,243
	4,237,565	189,262
less: future finance charges	(34,379)	(13,228)
Present value of minimum lease payments	4,203,186	176,034

	2021	2020
Present value of minimum lease payments due		
- within one year	815,589	136,341
- in second to fifth year inclusive	3,387,597	39,693
	4,203,186	176,034

	2021	2020
Non-current liabilities	3,387,597	39,693
Current liabilities	815,589	136,341
	4,203,186	176,034

Cellular and communication devices
The municipality procured cellular and communication devices over a period of twenty four (24) months which have been classified as finance leases. Monthly instalments are payable in arrears. The average interest rate implicit in respective lease contracts is approximately 10.5% (2020: 10.5%) All leases have fixed repayments and no arrangements have been entered into for contingent lease rentals.

Motor vehicles
The municipality procured motor vehicles over a period of five years which have been classified as finance leases. Monthly instalments are payable in arrears. The average interest rate implicit in respective lease contracts is approximately 10.5%. All leases have fixed repayments and no arrangements have been entered into for contingent lease rentals.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

10. Payables from exchange transactions

Trade payables	36,192,354	27,842,045
Insurance amounts payables	294,876	297,549
Accrued bonus	1,952,833	2,725,849
Garnish Payable	14,602	17,777
Deposits received	10,984	22,234
Leave pay accrual	10,160,219	9,274,477
Skills Development Levy liability	128,184	-
Accrued expenses	4,237,367	4,237,367
Debtors with credit balances	445,686	746,831
Retention Liability	6,353,422	4,269,691
PAYE Deductions	2,407,640	1,249,669
Salary Clearing Account	98,037	56,398
Payable - Unions	15,578	14,903
Pension deductions Liability	3,446,084	1,695,799
Unemployment Insurance Fund	171,363	87,517
Unallocated Deposits	603,006	943,326
Party Deductions & Caucus Payable	65,411	73,117
Medical aid payable	630,221	595,306
Bargaining Council Payable	9,354	9,277
	67,237,221	54,159,132

Figures in Rand	2021	2020

11. Employee benefit obligations

Defined benefit plan

The defined benefit plan relate to long service award that will be paid to municipal staff after completion of 5 years working for the municipality.

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

	2021	2020
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(3,525,598)	(3,548,497)
Service Costs	(1,049,402)	22,899
	(4,575,000)	(3,525,598)
Non-current liabilities	(3,800,234)	(3,252,832)
Current liabilities	(774,766)	(272,766)
	(4,575,000)	(3,525,598)

Net expense recognised in the statement of financial performance

	2021	2020
Current service cost	426,299	449,013
Finance costs	312,825	292,221
Actuarial (gains) losses	585,783	(415,896)
Settlement	(275,505)	(348,237)
	1,049,402	(22,899)

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

	2021	2020
Opening balance	(3,525,598)	(3,548,497)
Service costs	(426,299)	(449,013)
Actuarial gains (losses)	(585,783)	415,896
Finance costs	(312,825)	(292,221)
Benefits paid	275,505	348,237
	(4,575,000)	(3,525,598)

Key assumptions used

Assumptions used at the reporting date:

	2021	2020
Discount rates used	9.23 %	8.66 %
Consumer Price Index	4.57 %	5.25 %
Expected increase in salaries	5.57 %	6.25 %

Nongoma offers bonuses for every 5 years of completed service from 10 years to 45 years. Long service accumulated leave must be taken within one year of receiving such leave or may be wholly or partially cashed. Nongoma advised that in most cases, employees choose to exercise the option to wholly convert their accumulative leave bonus days into cash.

The methodology of setting financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2020 the duration of liabilities was 8.01 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 27 June 2020 is 8.66% per annum, and the yield on inflation-linked bonds of a similar term was about 3.24% per annum. This implies an underlying expectation of inflation of 4.57% per annum ([1 + 9.23%] / [1 + 3.24%] - 1).

It is assumed that salary inflation would exceed general inflation by 1.00% per annum, i.e. 6.25% per annum. However, it is the relative levels of the discount rate and salary inflation to one another that is important, rather than the nominal values. We have thus assumed a net discount factor of 2.27% per annum ([1 + 8.66%] / [1 + 6.25%] - 1).

11. Employee benefit obligations (continued)

Demographic and decrement assumptions

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

	2021	2020
Normal retirement age (years)*	65	65
Average retirement age (years)	63	63
Mortality	SA85-90	SA85-90

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

12. Unspent conditional grants and receipts Unspent

conditional grants and receipts comprises of:

	2021	2020
Unspent conditional grants and receipts		
Kwakhetha Modula Grant	238,360	-

13. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Additions	Total
Environmental rehabilitation	7,078,543	366,669	7,445,212

Reconciliation of provisions - 2020

	Opening Balance	Additions	Total
Environmental rehabilitation	6,343,875	734,668	7,078,543

The provision for rehabilitation of landfill sites relate to the legal obligation to rehabilitate the landfill sites used for waste disposal in according with the National Environmental Management Act No 107 of 1998 and Environmental Conservation Act No 73 of 1989. It is calculated as the present value of the expenditure expected to be required to settle the future obligation to rehabilitate the landfill sites.

Environmental rehabilitation provision

The provision for rehabilitation for landfill site represents management's best estimate of the municipality's liability relating to closure and rehabilitation of the landfill site. Decommissioning costs includes costs associated with decommissioning end-use infrastructure, compacting works, capping, top-up soling and vegetation as well as construction of stormwater control systems. The discount rate used for the present value calculation was based on GOVI long bond and amounts to 9.35%.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

14. Revenue

Sale of goods	13,168	237,294
Service charges	1,927,752	1,773,192
Rental of facilities and equipment	174,923	211,067
Interest income from long outstanding debtors	4,196,197	4,152,775
Licences and permits	838,861	599,819
Commissions received	90,492	90,212
Insurance received	63,377	21,000
Interest received - investment	706,290	1,348,759
Property rates	25,750,907	24,304,299
Donations received	-	4,326,205
Government grants & subsidies	305,708,614	333,825,601
Fines, Penalties and Forfeits	469,721	389,340
	339,940,302	371,279,563

The amount included in revenue arising from exchanges of goods or services are as follows:

Sale of goods	13,168	237,294
Service charges	1,927,752	1,773,192
Rental of facilities and equipment	174,923	211,067
Interest income from long outstanding debtors	4,196,197	4,152,775
Licences and permits	838,861	599,819
Commissions received	90,492	90,212
Recoveries	63,377	21,000
Interest received - investment	706,290	1,348,759
	8,011,060	8,434,118

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	25,750,907	24,304,299
Donation received	-	4,326,205
Transfer revenue		
Government grants & subsidies	305,708,614	333,825,601
Fines, Penalties and Forfeits	469,721	389,340
	331,929,242	362,845,445

15. Service charges

Refuse removal	1,927,752	1,773,192

16. Rental of facilities and equipment

Premises		
Premises	125,118	103,095
Facilities and equipment		
Rental of facilities	49,805	107,972
	174,923	211,067

17. Licences and permits (exchange)

Road and Transport	838,861	599,819

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

18. Commission received and Insurance refunds

Commissions received	90,492	90,212
Insurance Refunds	63,377	21,000
	153,869	111,212

Nongoma Local municipality receives commission from medical aid companies that are providing medical aid cover to its employees.

Insurance refunds relates to claims made by the municipality to its insurer for accidents relating to municipal vehicles.

19. Interest received - investment

Interest revenue		
Bank	706,290	1,348,759

20. Property rates

Rates received

Residential	1,201,326	1,270,386
Commercial	12,090,685	11,214,670
State	12,350,304	11,654,276
Public Service Infrastructure	-	50
Vacant Land	108,592	164,917
	25,750,907	24,304,299

Valuations

Residential	167,482,000	168,672,000
Commercial	305,050,000	363,330,000
Special	959,325,000	913,885,000
Public Infrastructure	22,000	22,000
Vacant Land	10,987,000	9,717,000
Rural Community Land	397,810,000	397,810,000
	1,840,676,000	1,853,436,000

General valuations on land and buildings are performed every 4 years in terms of the Municipal Property Rates Act. The last general valuation came into effect on 1 July 2019.

The supplementary valuation roll was performed on annual basis to take into account building additions, changes, subdivisions and consolidations.

Property rates are levied on a monthly basis.

21. Donation Received

Municipal Offices received from Department of Public Works	-	3,658,764
Lawnmowers received from Department of Arts and Culture	-	58,681
Office building received from NGO	-	608,760
	-	4,326,205

In the year ending 30 June 2020 the municipality received lawnmowers, turf line marking machines and brush cutters from department of agriculture.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

22. Government grants and subsidies

Operating grants		
Equitable share	194,844,000	154,506,000
Kwakhetha modular library grant	398,640	-
Financial Management Grant (FMG)	1,900,000	1,970,000
Osuthu Modular Library Grant	637,000	951,800
LG SETA	377,774	288,284
Cyber Cadet Library Grant	226,000	211,000
Provincial Grant - Libraries	905,000	880,000
Extended Public Works Programme	2,099,000	2,016,000
School Patrol Grant	264,377	403,820
Sport Grant	-	45,884
Disaster Management Grant - Covid 19	-	1,192,000
	201,651,791	162,464,788

Capital grants		
Housing grant	72,766,823	139,487,813
Municipal Infrastructure Grant	31,290,000	31,873,000
	104,056,823	171,360,813
	305,708,614	333,825,601

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	110,864,614	179,319,601
Unconditional grants received	194,844,000	154,506,000
	305,708,614	333,825,601

Equitable Share

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

Extended Public Works Programme

Current-year receipts	2,099,000	2,016,000
Conditions met - transferred to revenue	(2,099,000)	(2,016,000)
	-	-

Municipal Infrastructure Grant

Current-year receipts	31,290,000	31,873,000
Conditions met - transferred to revenue	(31,290,000)	(31,873,000)
	-	-

Financial Management Grant (FMG)

Current-year receipts	1,900,000	1,970,000
Conditions met - transferred to revenue	(1,900,000)	(1,970,000)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

22. Government grants and subsidies (continued)

LG SETA

Current-year receipts	377,774	288,284
Conditions met - transferred to revenue	(377,774)	(288,284)
	-	-

Provisional grant - libraries

Current-year receipts	905,000	880,000
Conditions met - transferred to revenue	(905,000)	(880,000)
	-	-

School patrol grant

Current-year receipts	264,377	403,820
Conditions met - transferred to revenue	(264,377)	(403,820)
	-	-

Disaster management grant - Covid 19

Current-year receipts	-	1,192,000
Conditions met - transferred to revenue	-	(1,192,000)
	-	-

Cyber Cadet Library Grant

Current-year receipts	226,000	211,000
Conditions met - transferred to revenue	(226,000)	(211,000)
	-	-

KwaKhetha Moduler Library Grant

Current-year receipts	637,000	-
Conditions met - transferred to revenue	(398,640)	-
	238,360	-

Osuthu Modular Library Grant

Balance unspent at beginning of year	-	356,800
Current-year receipts	637,000	595,000
Conditions met - transferred to revenue	(637,000)	(951,800)
	-	-

Sport Grant

Balance unspent at beginning of year	-	45,884
Conditions met - transferred to revenue	-	(45,884)
	-	-

Housing grant

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

22. Government grants and subsidies (continued)

Current-year receipts	72,766,823	139,487,813
Conditions met - transferred to revenue	(72,766,823)	(139,487,813)
	-	-

23. Fines, Penalties and Forfeits

Fines, Penalties and Forfeits	469,721	389,340

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

24. Employee related costs

Basic	67,496,052	63,374,986
Bonus	5,324,849	4,931,587
Medical aid - company contributions	4,159,071	3,769,307
UIF	493,311	480,736
Leave pay provision charge	1,704,662	1,996,097
Standby Allowance	1,125,247	980,428
Cellphone and telephone allowance	1,006,188	623,000
Defined contribution plans	13,828,802	13,614,584
Travel, motor car, accommodation, subsistence and other allowances	6,014,961	6,079,989
Overtime payments	910,997	1,251,295
Long-service awards	487,220	630,263
Acting allowances	494,556	66,717
Housing benefits and allowances	350,156	331,402
Bargain Council	33,972	31,160
Termination benefits	-	559,426
	103,430,044	98,720,977

Remuneration of Municipal Manager

Annual Remuneration	862,104	842,857
Travel Allowances	287,368	317,614
Contributions to UIF, Medical and Pension Funds	1,813	1,786
Skills Development Levy and Bargain Council	8,438	8,786
Travel Claim	54,110	100,252
Back Pay	-	36,037
Cellphone allowances	42,000	32,000
	1,255,833	1,339,332

Remuneration of Chief Financial Officer

Annual Remuneration	659,295	668,424
Travel allowances	219,765	241,715
Performance Bonuses	9,874	-
Contributions to UIF, Medical and Pension Funds	1,813	1,785
Cell phone allowance	42,000	-
Skills Development Levy and Bargain Council	7,194	7,397
Back Pay	-	32,524
Travel claim	1,389	56,239
	941,330	1,008,084

Remuneration of executive directors- Technical

Annual Remuneration	423,833	603,672
Travel allowances	141,278	220,131
Travel Claim	1,835	56,239
Contributions to UIF, Medical and Pension Funds	1,190	1,636
Skills Development Levy and Bargain Council	6,089	7,388
Back Pay	-	32,524
Leave pay	35,745	-
Cell phone allowance	28,000	-
	637,970	921,590

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

24. Employee related costs (continued)

Remuneration of executive directors- Social Services

Annual Remuneration	848,336	795,290
Travel allowances	59,796	57,741
Back pay	-	37,715
Contributions to UIF, Medical and Pension Funds	58,219	54,565
Skills Development Levy and Bargain Council	9,964	9,446
Travel Claim	245,504	243,248
Leave pay	-	37,715
Cell phone allowance	45,500	-
	1,267,319	1,235,720

Remuneration of Corporate Services and Human Resources

Annual Remuneration	64,752	687,809
Travel allowance	21,584	222,330
Leave pay	8,322	-
Contributions to UIF, Medical and Pension Funds	149	1,785
Back Pay	-	32,524
Skills Development Levy and Bargain Council	10	7,862
Travel Claim	-	76,508
Cellphone allowance	3,500	42,000
	98,317	1,070,818

25. Remuneration of councillors

Mayor	866,658	866,658
Deputy Mayor	670,482	673,329
Speaker	670,491	670,491
Councillors	10,915,703	11,128,218
Councillors' pension contribution	927,172	911,935
	14,050,506	14,250,631

In-kind benefits

The Mayor, Deputy Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.

The Mayor has five full-time bodyguards. The Deputy Mayor has three full-time bodyguards.

The Speaker has four full time bodyguards.

26. Depreciation and amortisation

Property, plant and equipment	20,925,059	21,102,514
Intangible assets	76,082	125,210
	21,001,141	21,227,724

27. Impairment loss

Impairments		
Property, plant and equipment	65,457	1,535,070

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

28. Finance costs

Late payment to SARs and suppliers	328,702	161,783
Finance leases	255,383	27,682
Interest on long service awards	312,825	292,221
	896,910	481,686

29. Lease rentals on operating lease

Equipment		
Contractual amounts	976,780	5,294,693

30. Provision for bad debts expenses

Contributions to debt impairment provision	285,129	2,768,900
Bad debts written off	9,683,293	838,082
	9,968,422	3,606,982

31. Contracted services

Outsourced Services		
Burial Services	375,527	698,731
Contract expenditure - Housing	72,766,823	139,538,682
Catering Services	389,804	474,344
Cleaning Services	365	14,950
Internal Auditors	1,733,000	530,980
Personnel and Labour	60,000	-
Professional Staff	974,903	1,090,946
Refuse Removal	3,012,100	3,468,111
Security Services	114,737	72,692
Transport Services	-	677,543
Consultants and Professional Services		
Business and Advisory	9,343,653	9,880,733
LED Projects	1,138,560	464,935
Contractors		
Artists and Performers	66,750	16,000
Catering Services	491,236	627,122
Event Promoters	1,069,211	209,356
First Aid	36,760	29,900
Fire Services	333,140	59,350
Interior Decorator	15,000	56,940
Maintenance of Buildings and Facilities	8,548,225	5,320,704
Maintenance of Equipment	101,236	39,801
Maintenance of Unspecified Assets	10,506,765	8,266,196
Pest Control and Fumigation	94,000	59,729
Transportation	592,676	363,920
Safeguard and Security	6,284,256	5,294,674
Stage and Sound Crew	26,000	112,300
	118,074,727	177,368,639

32. Free basic electricity

Free basic electricity	113,451	57,873

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

33. General expenses

Accounting fees	1,328,042	2,217,122
Advertising	2,318,245	1,561,464
Auditors remuneration	1,486,891	1,562,008
Bank charges	192,592	76,680
Cleaning	4,973,739	5,091,000
Administration	4,968	-
IT expenses	2,670,251	1,331,702
Consumables	2,692,852	1,513,945
Bursaries	525,015	150,000
Entertainment	26,087	48,243
Hiring Charges	6,438,276	5,137,631
Insurance	900,806	754,505
Conferences and seminars	-	19,130
Disaster management costs - COVID 19 Response	5,020,437	4,324,905
Motor vehicle expenses	34,887	37,841
Fuel and oil	1,272,219	1,190,208
Postage and courier	585	-
Printing and stationery	2,159,353	924,743
Annual License fees	132,207	617,223
Remuneration of ward committees	1,974,900	1,176,600
Subscriptions and membership fees	1,793,458	683,739
Telephone and fax	3,113,275	2,248,657
Disaster Management expenses	5,949,187	-
Skills Development Levy	693,627	640,340
Travel - local	1,258,859	2,388,495
Rewards incentives	-	189,610
Human settlement costs	-	246,750
Electricity	670,803	999,720
Uniforms and protective clothing	1,598,435	1,281,661
Other	796,023	-
Staff Training	458,124	265,931
Communication Radio and TV Transformer	706,400	977,676
Community Events Cost	2,315,080	86,569
Cleaning Materials	5,464,328	1,814,607
Workman compensation fund	-	4,664,157
	58,969,951	44,222,862

General expenditure increased by 33.34 % in current year compared to prior year mainly due to:

1. The increase in consumables was mainly due to security related items (pepper prays, handcuffs, hand lights gloves and masks).

3. IT expenses costs increased as well due to it works performed during the year to improve Internet connection and it operations.

3. Municipality acquired more cleaning materials such as refuse bags, toiletries and sundry consumables used by the municipality for effective service delivery.

4. Disaster management costs incurred by the municipality to respond to the impact of covid 19.

5. Increased expenditure on stationery due to increased office space and headcount.

6. Municipality held more vents hence the increased costs

7. IT expenses costs increased as well due to it works performed during the year to improve Internet connection and it operations.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

34. Auditors' remuneration

Fees	1,486,891	1,562,008

35. Cash generated from operations

Surplus	11,807,130	3,890,630
Adjustments for:		
Depreciation and amortisation	21,001,141	21,227,724
Loss on disposal of assets	-	1,037,692
Actuarial gains	585,783	(415,896)
Donation Received	-	(4,326,205)
Impairment loss	65,457	1,535,070
Bad debts expense	9,968,422	3,606,982
Movements in operating lease assets	77,602	119,434
Other non-cash items	(51,558)	(260,486)
Changes in working capital:		
Receivables from exchange transactions	(335,696)	(599,910)
Add Bad debts expenses	(9,968,422)	(3,606,982)
Receivables from non-exchange transactions	2,823,444	1,631,233
Payables from exchange transactions	13,078,092	12,452,303
VAT Receivable/ Payable	(5,044,393)	(658,761)
Unspent conditional grants and receipts	238,360	(448,858)
	44,245,362	35,183,970

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

36. Commitments

Authorised capital expenditure

Contracted and approved		
Property, plant and equipment	39,756,403	14,551,962

Total capital commitments		
Contracted and approved	39,756,403	14,551,962

Authorised operational expenditure

Approved and contracted for		
Operational Commitment	8,651,057	14,330,256
Operating Lease commitments	955,054	1,910,109
	9,606,111	16,240,365

Total operational commitments		
Already contracted and provided for	9,606,111	16,240,365

Operating leases expense

Minimum lease payments due		
- within one year	716,291	716,291
- in second to fifth year inclusive	238,764	1,193,818
	955,055	1,910,109

Operating lease payments represent rentals payable by the municipality for telephone rental over 3 years.. No contingent rent is payable.

Rental expenses relating to operating leases		
Minimum lease payments	716,291	716,291

37. Contingencies

Contingent Assets and Liabilities

Nongoma Local Municipality vs KPMG (Case Number Nong33919.11)
KPMG was appointed by Nongoma local municipality as a service provider to prepare financial statements. KPMG failed to submit annual financial statement on time and further did not submit competent report. The status or progress, the municipality has elected to not proceed with the claim due to mounting legal fees. The municipality is in the process of withdrawing the claim, therefore, the municipality will attempt to close the file once the issue of costs has been adjusted between the part. The estimated financial exposure to the municipality is R338 038.01.

Nongoma Local Municipality vs Bargaining Uniforms
The Municipality was sued for unpaid services rendered to it. The municipality were instructed to negotiate with the Plaintiff not to execute against the municipality. Settlement was reached, The municipality agreed to make payments of R327 338.10 (''The settlement amount')'to the Plaintiff's account. This amount comprises of the principal debt of R270 806.80, legal costs of R12 581.62 and interest of R43 949.68 as November 2020.The estimated financial exposure is R21 977.50.

Nongoma Local Municipality vs MPE Mthembu
A dispute between the Municipality and the former CFO regarding the service level agreement entered by the CFO on behalf of municipality. The financial exposure related to this matter is estimated to be R 6 975.44.

Nongoma Local Municipality vs S Dlamini and Others.
S Dlamini and Others applied for Rescission of ruling. The estimated financial exposure is R160 553.91.

Nongoma Local Municipality vs Mncwango/ S Qwabe
The matter relates to alleged protected disclosure made by ex employee. The matter is with Labour Court and estimated financial exposure is R90 646.68.

Nongoma Local Municipality Vs Nashua Zululand

Nashua Zululand is suing Nongoma local Municipality for invoices which were not paid by the municipality for services or for master rental contracts in respect of electronic devices which were rented to the municipality by Nashua. Estimated financial exposure amounts to R 7,500,000.

Nongoma Local Municipality vs F. Sibiya and Others
The matter deals with fixed term employee contracts which exceeds three months. The prospects of the matter is weak and risk is reinstated.The estimated financial exposure is R15 708.02.

Nongoma Local Municipality vs SAMWU obo G Jele
The respondent alleged gross misconduct which resulted in termination .The matter is awaiting trial date to be issued by registrar of Labour Court.Estimated financial exposure is R102 775.15.

Nongoma Local Municipality vs Mr. PM Dlamini
The municipality is suing Mr. PM Dlamini for four months salary which was paid to him in terms of employment contract.Mr. Dlamini has not been at work for four months, therefore he was not entitled to receive the salary .The summon was issued and warranty of execution was lodged and granted.Unfortunately when the sheriff attempted to execute the warrant of execution at Mr. Dlamini's premises, it was learnt that Mr. Dlamini no longer resides at the premises. Therefore, the file was put on hold. The Estimated Financial exposure R35 189.57.

37. Contingencies (continued)

Nongoma Local Municipality vs Natal Joint municipal Pension Fund
Natal joint Municipal Pension Fund is suing Nongoma Local municipal for an excessive increase of the actuarial assessment to the level of increase on which the fund is operating at the time. The increase warrants the Committee directing the Municipality to pay an adjusted contribution. The Municipality has failed to comply with the Committee direction to pay; therefore, the Fund is suing for that adjusted contribution. The estimated financial exposure is R350 000.00.

Nongoma Local Municipality vs SE Mathaba
The employee referred an unfair dismissal to the South African Local Government Bargain Council under Case Number: KPD122011. The matter has been finalised and the Commissioner ruled in favour of the employer case was dismissed. Estimated financial exposure is R262 489.46

Nongoma Local Municipality vs MR. S Ngubo
The employee sought an Legal Opinion regarding the medical boarding of employee as he is repeatedly not at work and he submitted medical certificate Opinion is being drafted and to be concluded, once the medical report is received from the relevant authorities. The estimated financial exposure is R80 000.00.

Nongoma Local Municipality vs IMATU
Pro-Rata Bonuses disputes it is alleged that the municipality discriminated against the employee who are members of IMATU regarding bonuses. Settlement negotiation resumed between the Nongoma Local Municipality representative and Imatu representative Mr. V. Mdletshe. Settlement negotiation have not yet been finalised, on receipt of further instructions same will be concluded. The estimated financial exposure R30 000.00

38. Related parties

Relationships	Nature of relationship	2021	2020
Management	Administratively in charge	Refer to note 24	Refer to accounting officer's report note 24
Councillors	Political leadership of the municipality	Refer to note 25	Refer to note 25

Related party transactions

	2021	2020
Purchases from related parties		
Ishishi Cleaning and Construction (Proprietary) Limited	6,600	-

During the 2020/21 financial year, Nongoma local municipality appointed Ishishi Cleaning and Construction to provide required services to the municipality. MTN Mthethwa is the director of the aforementioned entity and he is a councillor at the municipality.

39. 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

39. Prior-year adjustments (continued)

2020

	Note	As previously reported	Correction of error	Restated
Receivables from exchange transaction	3	7,615,881	18,274	7,634,155
Receivables from non-exchange transactions	4	39,215,285	(4,849,138)	34,366,147
Property Plant and Equipment	7	339,177,153	(9,060,213)	330,116,940
Payables from exchange transactions	10	49,494,983	4,664,146	54,159,129
Cash and Cash equivalents	6	8,329,985	(2,000)	8,327,985
Accumulated surplus		326,666,178	(13,336,115)	313,330,063
		770,499,465	(22,565,046)	747,934,419

Payables from exchange transactions balance was restated by an amount of R4 664 146 which related to the invoices from the Department of labour which were received late and not processed in the prior year.

Receivables from Exchange transactions balance was restated by an amount of R18 274 which related to the correction of the billing for refuse removal on privately owned properties previously classified as municipal buildings.

Receivables from non-exchange transactions have been restated by an amount of R4 849 138 relating to the correction of the billing for property rates on privately owned properties previously classified as municipal buildings.

Property, plant and equipment balance has been restated by R9 060 213 of which R9 592 945 relating to the de-recognition of properties privately owned properties previously classified as municipal buildings, R484 187 related to reversal of depreciation de-recognition of properties privately owned properties previously classified as municipal buildings and R46 827 relating to the derecognition of leased assets and newly identified additions to building as well as R1 718 relating to correction of accumulated depreciation.

Cash and Cash equivalents have been adjusted by R2 000 relating the correction of petty cash balance in the prior year.

Accumulated surplus was adjusted by R11 964 076 relating to private property, R1 370 039 relating to expenditure processed in the incorrect period and R2 000 petty cash.

Notes to the Annual Financial Statements

39. Prior-year adjustments (continued)

Statement of financial performance

2020

	Note	As previously reported	Reallocation	Correction of error	Restated
Service charges	15	1,769,308	-	3,884	1,773,192
Interest income on long outstanding debtors	19	4,693,051	-	(540,276)	4,152,775
Property rates	20	24,810,674	-	(506,375)	24,304,299
Government grants & subsidies	22	194,337,788	-	139,487,813	333,825,601
Depreciation and amortisation	26	(21,713,537)	-	485,813	(21,227,724)
Contracted services	31	(37,349,847)	(530,978)	(139,487,814)	(177,368,639)
General expenditure	33	(40,089,683)	530,978	(4,664,157)	(44,222,862)
Deficit for the year		126,457,754	-	(5,221,112)	121,236,642

Revenue from exchange transaction have been restated by an amount of R3 884 and R540 276 relating to service charges and interest on long outstanding debtors respectively. These adjustments are due to correction of billing for refuse removal on privately owned properties previously classified as municipal buildings as well the multi-purpose centre and taxi rank interest derecognition.

Revenue from non-exchange transaction have been restated by an amount of R506 375 relating to property rates due to correction of billing on privately owned properties previously classified as municipal buildings of R228 916 and reversal of multi-purpose centre and taxi rank and other interest of R735 291. Government grants and subsidies was adjusted by R139 487 813 relating to the housing project which was previosly not recognised as a conditional grant.

Depreciation and amortisation has been restated by R485 813 of which R438 986 due to the effect of prior period adjustments made depreciation on privately owned properties previously classified as municipal buildings and R46 827 which related to the derecognition of leased assets...

Contracted services have been adjusted by R140 018 792 of which R139 487 814 related to the payment to the housing project and R530 978 related to reallocation to general expenses.

General expenses have been restated by R530 978 relating to cost previously allocated to contracted services. A further adjustment of R4 664 157 was made relating to invoices from the Department of Labour which were received late.

Cash flow statement

Figures in Rand	2021	2020

39. Prior-year adjustments (continued)

2020

	Note	As previously reported	Reallocation	Restated
Cash flow from operating activities				
Property rates		24,435,750	432,538	24,868,288
Refuse removal		1,001,787	(406,865)	594,922
Suppliers		(80,535,272)	77,749	(80,457,523)
Finance costs		(454,004)	(27,682)	(481,686)
		(55,551,739)	75,740	(55,475,999)
Cash flow from investing activities				
Purchase of property, plant and equipment		(33,657,431)	(77,748)	(33,735,179)
Cash generated from operations				
Surplus		9,111,741	(6,591,147)	2,520,594
Depreciation		-	21,227,724	21,227,724
Finance costs		359,665	(359,665)	-
Other non cash		(75,000)	(185,486)	(260,486)
Movement in employee obligations		(22,899)	22,899	-
Unspent conditional grants and receipts		(686,514)	237,656	(448,858)
Consumables held for distribution to the community		193,760	(193,760)	-
Receivables from exchange transactions		(581,636)	(18,274)	(599,910)
Receivables from non-exchange transactions		(1,455,556)	3,086,789	1,631,233
		6,843,561	17,226,736	24,070,297

MFMA: PAYE and UIF

In the prior year, the MFMA disclosure was mistated. A correction of R122 030 on the payment made has been made relating to PAYE and UIF.

40. Risk management

Financial risk management

COVID-19 Risk assessment

Revenue
There has been a slowdown in the level of collection from debtors. On the assessment of these delays, they have not impacted the assessment of doubtful debt.

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.

	2021	2020
Payables from exchange transactions	67,237,222	54,159,127
Employee obligation	774,766	272,766
Unspent conditional Grant	238,360	(237,656)
Finance Lease Obligation	815,589	136,341

40. Risk management (continued)

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:

Financial instrument	2021	2020
Trade Receivables from Exchange transaction	7,969,851	7,634,155
Trade Receivables from Non Exchange transactions	31,542,703	34,366,147
Cash and cash Equivalents	14,663,020	8,327,985
VAT Receivables	6,639,668	1,595,275

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.

41. Going concern

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the municipality will continue to get funds through government grants and cashflows from services rendered.

During the financial year ending 30 June 2021, the world continued experience the Covid-19 pandemic of which Nongoma Local Municipality had to comply with the disaster management preventive measures and procedures as addressed by the president of the republic of South Africa on the 25th of March 2020. This result to the closure of the municipality for a prescribed period and only essential service providers were working.

The wide-ranging effects of the virus and the restrictions imposed were taken into account including the possible impact on service delivery, purchasing of goods and services required to enable service delivery. The working capital cycle impact which may severely affect the entity's ability to settle its debts as they become due as well as default on payments on loans and facilities was also considered.

Revenue fines, penalties,service charges, licenses and permits are some of the income streams which were hit hardly by the effects of this pandemic and the municipality figures are below anticipated amounts. The effects of the pandemic were also factored in the calculations of provision for bad debts as required by GRAP 104.

Based on the above discussion, the financial statement have been prepared on a going concern as the effect of the pandemic is going down and the municipality will continue receive funding support from the government.

42. Events after the reporting date

The municipality is not aware of any condition or event subsequent to year end that has material impact on the financial information disclosed herewith.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

43. Unauthorised expenditure

Opening balance as previously reported	9,194,404	94,348,248
Add: Expenditure identified - current	26,546,551	34,808,181
Less: Approved by Council (written off)	(35,740,955)	(119,962,025)
	-	9,194,404

Unauthorised expenditure is mainly due to actual expenditure more than budgeted amount. The municipality implemented the MPAC recommendations to write-off unauthorised expenditure as per the final report provided.

Investigation of prior year unauthorised expenditure of R9 194 404 was completed and approved for write-off as irrecoverable. The current year expenditure of R26 546 551 was investigated and Council recommended that this expenditure be written-off.

Analysed as follows: non-cash

Employee related cost	3,113,768	8,411,674
Depreciation and amortisation	1,140	12,114,654
Finance charges	28,207	181,686
Impairment loss	65,457	1,535,070
Provision for impairment	5,968,422	2,806,982
	9,176,994	25,050,066

Analysed as follows: cash

Contracted services	10,520,699	4,463,422
General expenditure	5,872,078	-
Other	976,780	5,294,693
	17,369,557	9,758,115

Unauthorised expenditure: Budget overspending – per municipal department:

Technical	(7,459,503)	-
Executive and council	-	(3,419,720)
Community	(9,457,076)	(883,688)
Corporate	(3,494,165)	(9,184,709)
Disaster	(3,156,689)	(6,551,206)
Library	(1,357,344)	-
Management	(1,457,084)	(7,820,211)
Public safely	(66,641)	-
Planning	-	(4,142,828)
Tourism	-	(21,721)
Waste	(98,049)	(2,784,098)
	(26,546,551)	(34,808,181)

44. Fruitless and wasteful expenditure

Opening Balance	286,251	1,250,305
Current year Movement	-	451,114
Amounts written-off 2017/18 and before	-	(867,257)
Amount written -off -2019/20	-	(289,411)
Amount written -off -2018/19	-	(258,500)
Amount written - off - 2020/21	(286,251)	-
	-	286,251

Figures in Rand	2021	2020

44. Fruitless and wasteful expenditure (continued)

Fruitless and wasteful expenditure is mainly due to late payment of suppliers and SARS.

Fruitless and wasteful expenditure amounts are not recoverable and municipality implemented the MPAC recommendations to write-off fruitless and wasteful expenditure as per the final report provided.

45. Irregular expenditure

	2021	2020
Opening balance	7,359,838	86,520,418
Add: Irregular Expenditure - current year	18,058,160	37,298,811
Less: Irregular expenditure written-off-2018/19	-	(17,611,362)
Less: Irregular expenditure written-off-2019/20	-	(35,591,164)
Less: Irregular expenditure written-off 2017/18 and before	-	(63,256,865)
Less: Irregular expenditure written-off-2020/21	(25,345,398)	-
	72,600	7,359,838

The municipality implemented the MPAC recommendations to write-off all irregular expenditure as per the final report provided.

Irregular expenditure is mainly due to non-compliance with SCM process.

46. Additional disclosure in terms of Municipal Finance Management Act

Skills Development Levy

	2021	2020
Opening balance	-	71,971
Current year subscription	693,628	640,340
Amount paid - current year	(565,443)	(712,311)
	128,185	-

Audit fees

	2021	2020
Opening balance	23,554	-
Current year subscription	1,708,271	1,103,236
Amount paid - current year	(1,289,026)	(1,079,682)
	442,799	23,554

PAYE and UIF

	2021	2020
Opening balance	1,337,185	1,495,297
Current year subscription	15,888,383	15,118,389
Amount paid - current year	(14,646,566)	(15,276,501)
	2,579,002	1,337,185

Pension and Medical Aid Deductions

	2021	2020
Opening balance	2,291,105	2,511,177
Current year subscription	19,309,997	18,686,408
Amount paid - current year	(17,524,797)	(18,906,480)
	4,076,305	2,291,105

47. 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.

Good and services procured during the financial year under review and the process followed in procuring those goods and services 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.

Deviations from municipality supply chain management regulations for the year ended 30 June 2021 amounted to R120 0000 and (2020: R139,234)

48. Budget differences

Material differences between budget and actual amounts

48. Budget differences (continued)

In this disclosure, materiality is assumed to be all the variance which are 10% or more. Explanations of identified differences are as follows:
1. Income

Revenue from exchange transactions:
(a) Revenue from sale of goods is favourable because the municipality did not allocate funds to this revenue stream during budgeting process.

(b) Rental of facilities is showing an unfavourable position due to the fact that the municipality was closed during national lockdown and activities that gives rental income were suspended during national lockdown.

(c) Interest income from debtors shows a favourable position due to the fact that customers are taking longer than anticipated to settle their accounts and this has resulted to an increase in debtors balance. The municipality anticipated to receive less funds during budgeting process.

(d) Licenses and permits are be below budgeted figures due to the fact that the municipality was closed during lock down and activities relating to licenses and permits were stopped.

(e) Commission received and insurance refunds were not budgeted for by the municipality.

(f) Interest received from investments is below budgeted amount due to the fact that municipality had to withdraw some funds from its investments and bank accounts In order to fund covid 19 activities and over-expenditure.

Revenue from non-exchange transaction:

(g) Government grants and subsidies shows a favourable position because of the housing Grant.

(h) Fines, penalties and forfeits shows a favourable balance, the municipality anticipated to receive less income from this revenue stream since it is difficult to estimate accurately.

(i) Other revenue was lower that expected due to other income that was anticipated and never materialised.

2. Remuneration of Councillors shows a favourable variance position compared to budgeted amount which is mainly due to effective and prudent budget approach exercised in this section during the preparation of the budget. Prior year amounts paid to Councillors was used as a base to come up with anticipated budgeted which will cover the cost during the year. There was an increase in the Councillors remuneration the 2020-21 financial year

3.Employee related costs were high due to new critical position not budgeted for and were filled during the financial year.

(4) Bad debts: Government departments requested that interest on their outstanding accounts be written-off was not budgeted for hence unfavourable variance experienced.

(5) Lease rental: The procurement of municipal vehicles took longer than expected.

There was no enough budget allocated to bad debts hence an unfavourable variance noted compared to the budget.

(6) Contracted Services: Mainly due to Housing expenditure that was incurred during the year which was not included in the budget. further, there has been an increase in the maintenance of building to create office space for officials.

(7) Other expenses: Disaster services requirement (COVID-19) and an increase in office space created need for more cleaning materials.

(8) Other materials: Other materials were below budget as the expeniture was not incurred in the period under review due to cost-cutting measures.

48. Budget differences (continued)

(9) Receivables from exchange and non exchange transactions reflect an unfavourable position compared to the budget due to the fact that all receivables were budgeted as consumer debtors while annual financial statement split between exchange and non-exchange as per GRAP requirement.

(10) VAT Receivable was not budgeted for hence the variance is unfavourable.

(11) Cash and cash equivalent balance is below budget due to aggressive budget approach and the municipality has to attend to the costs relating to the pandemic disease which were not budgeted for.

(12) Property Plant and equipment reflect a positive variance between budget and actual due to aggressive budget approach and more funds were allocated to this section.

(13) Payables from exchange transaction variance is mainly due to the fact that the municipality received invoices in June which covers the whole year's expenditure hence there is a huge increase in trade payables amount. In addition to that, there was accrued liability emanating from the Department of Labour which was not budgeted for.

(14) Finance lease obligation: This was higher than the budget due to additional vehicles which were acquired by the municipality during the financial year.

(15) Employee benefit obligation: The employee benefit obligation was higher than budget to due to the liability being catered for under provisions for budget purpses.

(16) Provisions: The provisions were below budget to the inclusion of employee benefit obligation under provision for budget purposes.

(17) Borrowings: Borrowings were not incurred by the municipality as initially expected.

(18) Unspent conditional grants and receipts: The municipaliy had planned to spend all conditional grants, however not all grants were fully spent in the current year.

(19) Intangible assets: The Intangible assets were lower than expected due to a change in accounting estimate which was not expected.

49. Disclosure for awards to close family members of persons in the service of the state

During 2020/21 financial year, Nongoma Local Municipality appointed Isandala SA Mampela Trading and projects to provide required service to the municipality. Ms H Mbatha is the director of the aforesaid entity and she is the spouse of Mr A. M Mncwango, a councillor to the municipality. A total of R 21,500 was paid for the goods and services rendered.

50. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of four major functional areas: Governance and administration, Community and public safety, Economic planning and development and Trading services. 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

50. Segment information (continued)

Aggregated segments

n.
The municipality is organised and operates in three key reportable functions throughout the nine wards under Nongoma dermacations. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout uMuziwabantu were sufficiently similar to warrant aggregation.

Community and public safety: Sports and recreation, Parks and gardens, Human settlements, Library services and Community services.

Economic planning and development: Local Development and Technical departments. Trading services: Waste management and Electricity sales

Notes to the Annual Financial Statements

Figures in Rand

50. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2021

	Community and public safety	Economic planning and development	Trading services	Total
Revenue				
Revenue from non-exchange transactions	2,808,791	106,625,523	222,494,928	331,929,242
Revenue from exchange transactions	8,158	2,780,034	5,222,868	8,011,060
Total segment revenue	2,816,949	109,405,557	227,717,796	339,940,302
Entity's revenue				339,940,302
Expenditure				
Employee related costs	56,612,446	32,687,685	14,129,913	103,430,044
Remuneration of councillors	-	14,050,506	-	14,050,506
Depreciation and Amortisation	2,619,211	2,747,173	15,634,757	21,001,141
Contracted sevices	13,961,553	85,770,837	18,342,337	118,074,727
Operational cots	15,157,823	21,815,282	21,996,846	58,969,951
Other	-	-	12,021,020	12,021,020
Actuarial gains and losses	-	-	585,783	585,783
Total segment expenditure	88,351,033	157,071,483	82,710,656	328,133,172
Total segmental surplus/(deficit)				11,807,130
Assets				
Current assets	3,411,314	59,030	57,344,898	60,815,242
Non-current assets	166,730,439	144,546,704	40,712,022	351,989,165
Total segment assets	170,141,753	144,605,734	98,056,920	412,804,407
Total assets as per Statement of financial Position				412,804,407

Notes to the Annual Financial Statements

Figures in Rand

50. Segment information (continued)

	Community and public safety	Economic planning and development	Trading services	Total
Liabilities				
Current laibilities	1,234,563	-	67,908,975	69,143,538
Non-current liabilities	-	-	14,633,043	14,633,043
Total segment liabilities	1,234,563	-	82,542,018	83,776,581
Total liabilities as per Statement of financial Position				83,776,581

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

ANNEXURE B: AUDITOR GENERAL'S REPORT

Nongoma Municipality

Audit report for the year ending 30 June 2021

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

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Nongoma Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2021, the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, as well as notes to 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 Nongoma Municipality as at 30 June 2021, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2020 (Act No. 4 of 2020) (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 auditor-general's responsibilities 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 39 to the financial statements, the corresponding figures for 30 June 2020 were restated as a result of errors in the financial statements of the municipality at, and for the year ended, 30 June 2021.

Material provision for impairment

8. As disclosed in note 3 to the financial statements, the municipality recognised a material provision for impairment of R6,27 million (2019-20: R6,23 million) to receivables from exchange transactions as the recoverability of these debts was doubtful.

9. As disclosed in note 4 to the financial statements, the municipality recognised a material provision for impairment of R13,71 million (2019-20: R13,47 million) to receivables from non-exchange transactions as the recoverability of these debts was doubtful.

Other matter

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

Unaudited disclosure notes

11. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

Responsibilities of the accounting officer for the financial statements

12. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of 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.

13. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

14. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

15. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

16. In accordance with the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

17. My procedures address the usefulness and reliability of the reported performance information, which must be based on the municipality's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the municipality enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

18. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the Basic service delivery and infrastructure objective presented on pages xx to xx of the municipality's annual performance report for the year ended 30 June 2021.

19. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

20. I did not identify any material findings on the usefulness and reliability of the reported performance information for the Basic service delivery and infrastructure development objective.

Other matter

21. I draw attention to the matter below.

Achievement of planned targets

22. Refer to the annual performance report on pages xx to xx for information on the achievement of planned targets for the year.

Report on the audit of compliance with legislation

Introduction and scope

23. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the municipality's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

24. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements

25. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of property, plant and equipment and repairs and maintenance identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified opinion.

Expenditure management

26. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R26,55 million as disclosed in note 43 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed unauthorised expenditure was caused by overspending on the approved budget.

Other information

27. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and the selected objective presented in the annual performance report that have been specifically reported in this auditor's report.

28. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.

29. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

30. 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

31. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.

32. The accounting officer did not adequately implement financial reporting requirements to support the achievement of credible financial reporting and adequate budget management.

33. Management did not diligently undertake routine monthly reconciliations and reviews, to support amounts reported in the financial statements. Management did not adequately monitor expenditure against the budget to ensure that unauthorised expenditure was prevented.

Auditor-General

Pietermaritzburg

30 November 2021

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

1. 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 development objectives and on the municipality's compliance with respect to the selected subject matters.

Financial statements

2. 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 by the accounting officer.
    - conclude on the appropriateness of the accounting officer's 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 Nongoma 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

3. 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.

4. I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence, and to 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.

ANNEXURE C: AUDIT ACTION PLAN (2021/2022 FY)

NONGOMA LOCAL MUNICIPALITY

(KZN 265)

AUDIT ACTION PLAN ON 2020/21 AUDIT REPORT AND MANAGEMENT LETTER

AUDIT ACTION PLAN ON 2020/2021 AUDIT REPORT

No.	AUDIT FINDINGS	DESCRIPTION	INTERNAL CONTROL DEFICIENCY	MANAGEMENT ACTION	RESPONSIBILITY	DUE DATE	STATUS UPDATE	POE (Indicator)
Annexure A								
1.	**Reasonable steps not taken to prevent unauthorized expenditure (Repeat finding)**	During the audit, it was noted that reasonable steps were not taken to prevent unauthorised expenditure as disclosed in the notes to the financial statements. The spending was not in accordance with the final approved budget, the non-compliance occurred in the current and previous financial year and the non-compliance could have been prevented if adequate controls and processes were implemented to prevent it. This result in material non-compliance with section 62(1)(d) of MFMA	Management did not adequately monitor expenditure against budget to ensure unauthorised expenditure was prevented.	1. Unauthorised expenditure be authorised by council before year end through adjustment budget. 2. Budget confirmation be performed before expenditure is incurred. 3. Budget adjustment be prepared to adequately fund both non-cash and cash expenditure items.	CFO; MM; MPAC	30 June 2022 Ongoing 28 Feb 2022		Quarterly SCM reports and council resolutions. Budget confirmation forms. Council resolution approving adjustment budget.
Total Annexure A items: 1			0- Resolved			0- In progress		
Annexure B								
2.	**Local content and production not advertised (Repeat finding)**	The municipality did not include a specific condition that only locally produced goods or locally manufactured goods, meeting the stipulated minimum threshold for local production and content would be considered. The following award was made without including the special conditions of local content and production on the advertisement; SABRM Projects, Highdrolic pump & valve bank R66 000	Management did not design and implement an SCM checklist that incorporate all applicable SCM legislation and requirements including those related to advertising for local content goods.	1. SCM unit will print the list from PPP for designated sector goods and services. The list be placed on SCM office. 2. Senior SCM official to review and sign checklist before transaction is finalised where local content is applicable. 3. Continuous Training of SCM officials on local content.	CFO, SCM	01/01/2022 Ongoing 31 March 2022		1. List of designated goods and services. Signed checklist 2. Training Invites and attendance registers of training.

3	Award to persons in service of the auditee (new finding)	Nongoma Local Municipality made an award to Ishishi Cleaning and Construction, a company that has a municipal councilor as a director, the particular of the award are: Name of service provider is Ishishi Cleaning and Construction, name of the director TN Mthethwa (WC 72) amount is R6 600.	Management did not monitor the declarations of interest of the supplier and the declarations of municipal councilors to prevent awards to be made to persons in service of the state or the Municipality.	Management to cease use of the service provider for future procurement. Management will enforce the signing of MBD 4 by company directors, the SCM checklist will be amended will amended in this regard. Councillors' declarations of interest will be done on a yearly basis	CFO	1 December 2021 ongoing 1 July each year	Service provider is no longer used by municipality.	Creditor's transaction report. MBD 4 declarations Councillors' declarations of interest
4	Local Content not reported to the Department of Trade Industry (new finding)	Nongoma Local Municipality made awards of designated sector products to the following suppliers and DTI was not notified of successful bidders and not provided with copies of contracts and the SBD/MBD 6.2 certificates.	Management did not include the National Treasury instructions notes compliance requirements on the municipal compliance checklist to ensure that DTI is notified and provided with particulars of the winning bidder as required by Treasury Instruction notes on designated sectors	Management will send the email to DTI as required by National Treasury note. The municipal compliance list will be amended to include Treasury instruction note on designated sectors.	CFO	1 Jan 2022		Emails to DTI after award relating to local content. Checklist in line with National Treasury Instruction note.
Total annexure B items: 3			**Resolved: 0**	**In progress: 0**	**Unresolved: 0**			

ANNEXURE D: AUDIT COMMITTEE ANNUAL REPORT (2020/2021 FY)

Umkhandlu wakwa - NONGOMA - Local Municipality

Tel: (035) 831 7500|Fax: (035) 831 3152|P.O. Box 84|Nongoma 3950

AUDIT AND PEFORMANCE COMMITTEE

REPORT

OF THE

NONGOMA LOCAL MUNICIPALITY

2020/2021

EXECUTIVE COMMITTEE : (Cllr M.A. Mncwango – Hon. Mayor **;** Cllr A.N. Xulu – Hon. Deputy Mayor**;** Cllr B.W. Zulu- Hon. Speaker **(Ex –Officio) ;** Mr MB Mnguni –Municipal Manager (**Ex-Officio**) **;** Cllr. B.J. Ntshangase **;** Cllr N.G. Xaba **;** Cllr N.M. Mthembu ; Cllr R.Z. Buthelezi **;** Cllr A.N. Ndabandaba ; Cllr S.A. Hlongwane).

CONTENTS

1. Audit and Performance Committee mandate

The Nongoma Local Municipality has established an Audit and Performance Committee in accordance with section 166 of the Municipal Finance Management Act, Act no 56 of 2003 (MFMA) and section 14(2)(c) of the Local Government Municipal Planning and Performance Regulations, 2001 (Regulations). Consideration has also been given to section 14(2)(c) of the Regulations and MFMA Circular No. 65 issued by the National Treasury in November 2012 as well as the recommendations contained in the King Report on Governance for South Africa 2009.

2. Audit and Performance Committee members

The Audit and Performance Committee consists of the independent members and is required to meet at least 4 times per annum as per the Audit Committee Charter, although additional meetings may be called as the need arises.

The Committee has met 6 times during the financial year. Audit Committee members and attendance was as follows:

Details	**Title**	**Meetings**	**Status**
Khuzwayo BEM	AC Chairperson	6	Active
Ms. S Dlungwane	Audit Committee Member	6	Active
Mr M A Nxumalo	Audit Committee Member	6	Active
Mr P Dzanibe	Audit Committee Member	6	Active
Mr U Botshiwe	Audit Committee Member	6	Active

3. Functions of the Audit and Performance Committee

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

4. The Effectiveness of Internal Controls

The systems of internal control are the responsibility of the management and are designed to provide effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. For the committee to be effective and able to advise a Municipal Council, an Internal Audit Unit of the Municipality should perform audits, prepare and submit reports to the Accounting Officer as well as the Audit Committee.

The Internal Audit function was operational throughout the financial period and has conducted its work in accordance with the approved audit plan and internal audit charter.

The Audit Committee through the assistance of internal audit function performed the following during 2020/21 financial year:

- Reviewed and approved Internal Audit Charter;
- Reviewed and recommended Audit and Performance Committee Charter to Council for approval;
- Reviewed Audit Action Plan on the quarterly basis;
- Reviewed Risk Management Progress Reports;
- Reviewed Compliance Checklists;
- Reviewed Internal audit reports;
- Reviewed annual financial statements; and
- Reviewed 2020/2021 draft annual report.

During 2020/21 financial year, the Audit and Performance Committee noted, through Internal Audit reports, that the system of internal controls in the entire municipality was generally not effective and requires improvements. As a result, an action plan was designed to address all issues raised by both internal and external auditors and it is monitored on the quarterly basis.

5. Audit of Performance Information

The Audit and Performance Committee raised issues on performance reports, and annual performance report and management made commitments to address those issues to prevent recurrence of such issues.

6. Corporate Governance and Risk Management

The Audit Committee plays a major role in corporate governance regarding the Municipal's direction, control, and accountability. As an advisor of the Municipal Council, the Audit Committee is involved in the internal control, accounting and financial reporting, regulatory compliance and risk management.

7. Compliance with Legislation and Ethics

Areas of non-compliance have been brought to the attention of management by Auditor-General, and a compliance checklist has been developed to address the shortcomings. The Audit Committee reviewed compliance checklists on quarterly basis.

8. Annual Report 2020/21

The Audit Committee reviewed the 2020/21 Annual Report before it was presented to Council for adoption.

9. Final Auditor-General Report

The Audit Committee has concurred with the final Audit Report from Auditor-General that the municipality has achieved an unqualified audit opinion during 2020/21 financial year. The audit committee will ensure that instead of regressing; a clean audit is attained for 2021/22 financial year.

10. Audit Action Plan

The Audit Committee reviewed Audit Action Plan, which was developed by Internal Audit Unit. The Audit Action Plan was in place to ensure that, all issues raised by Auditor-General are resolved to enhance prospects of attaining clean audit in 2020/21 financial year. The Audit Committee acknowledged the progress made by management in addressing the matters raised during the 2019/20 audit.

11. Effective Governance

The Audit Committee fulfils an oversight role regarding the Municipality's governance processes. It is responsible for ensuring that the Internal Audit Unit is independent and has the necessary resources, standing and authority to enable it to discharge its duties. Furthermore, it oversees cooperation between the internal and external auditors, and serves as a link between the Council and these functions.

The Mayor and the Chairperson of MPAC have a standing invitation to attend Audit Committee meetings.

12. Conclusion

The Audit Committee confirms its commitment to assist Council to make significant progress towards clean administration. The Audit Committee also wishes to thank Council and management for its support and the teams from internal and external audit for their contributions.

Khuzwayo B E M (CIA)– Chairperson
On behalf of the Audit and Performance Committee

ANNEXURE E: OVERSIGHT REPORT (2020/2021 FY)